

MERC

Markets & Economic Research
Centre

Food

BASKET PRICE MONTHLY

*28 Selected food
basket price items:*

NAMC urban food
basket



NAMC

Promoting market access for South African agriculture

Food Basket Price Monthly

November 2021 - October 2021 data

Important note

The COVID-19 pandemic has deeply impacted the South African economy and Statistics South Africa's (Stats SA) ability to measure the impact. As a result, the compilation and release of October 2021 CPI data were published on Wednesday the 17th of November 2021 (see link below from the Stats SA website):

<http://www.statssa.gov.za/publications/P0141/P0141October2021.pdf>

This report will now contain the official October 2021 data, as the official release of the November 2021 CPI data is scheduled for December 15th, 2021. Because rural data is still not monitored by Stats SA, price comparisons between rural and urban is still not feasible at this stage.

Highlights

- During October 2021, the nominal cost of the NAMC's 28-item urban food basket amounted to R993.83 compared to the R985.23 reported during September 2021, resulting in a monthly increase of 0.9%. When compared to October 2020, a year-on-year increase of 4.0% was recorded.
 - Within the NAMC's 28-item urban food basket fats & oils, animal protein, and bean products categories were the highest food inflation contributors during October 2021 (y-o-y) with increases recorded at 16.7%, 9.0% and 8.4%, respectively. For the same period fruits, dairy & eggs and coffee & tea prices reporting a deflation of 8.5%, 4.3% and 1.1%, respectively.
 - Sunflower oil prices continued with their increasing trend in October, recording a year-on-year inflation of 24.4%. This is unsurprising given that a spot price for a ton of sunflower seed has reached a record selling price of R11 000 beginning of November.
- On November the 6th, 2021, fuel prices for both 93 and 95 Unleaded Petrol (ULP) significantly increased by 6.68% and 6.60% per litre, respectively from the previous month and reach R19.93/ℓ and R19.54/ℓ, respectively. Diesel 500ppm prices also increased by 9.42%/ℓ m-o-m to reach R17.19/ℓ, from R15.71/ℓ observed during September 2021.
- Year on year, a sharp uptick was easily observable on fuel prices. 93 and 95 unleaded petrol (ULP) prices had increased by 34.3% and 33.9% per litre, respectively, while 500pm diesel saw a rise of 40.3%.
 - **December 2021 expectations:** following a sharp increase during November, fuel prices might remain elevated in the short run, but high global prices might boost production and that could lead to surplus possible early in December. However, presently there is an increasing concern about the rising Covid-19 cases in EU and oil demand is growing while global inventories remain tighter. Because oil is quoted in US dollars, the strength or weakness of the Rand against the US dollar will be crucial especially with regards to oil prices.



Overall inflation and food inflation

Figure 1 shows the trends in the headline CPI and food and non-alcoholic beverage inflation rates, from October 2015 to October 2021. The official October 2021 Consumer Price Index (CPI) released by Statistics South Africa (Stats SA) on November 17th, 2021, indicated that the annual headline CPI was at 5.0% in October, the same level recorded in September 2021. The food and non-alcoholic beverages price inflation decreased from 6.6% in September to 6.1% in October 2021. The peripheral increase in fuel prices during October had a minor impact on food prices. However, the sharp rise in fuel prices in November is likely to weigh in on food prices, plus the pressure from the global market forces seem to persist supported by vegetable oils to a larger extent and the La Nina episodes which are giving the global market mixed signals. Furthermore, oil prices currently remain high due to elevated demand and there are growing concerns about logistic glitches with the latest being at the Vancouver port following extreme rains.

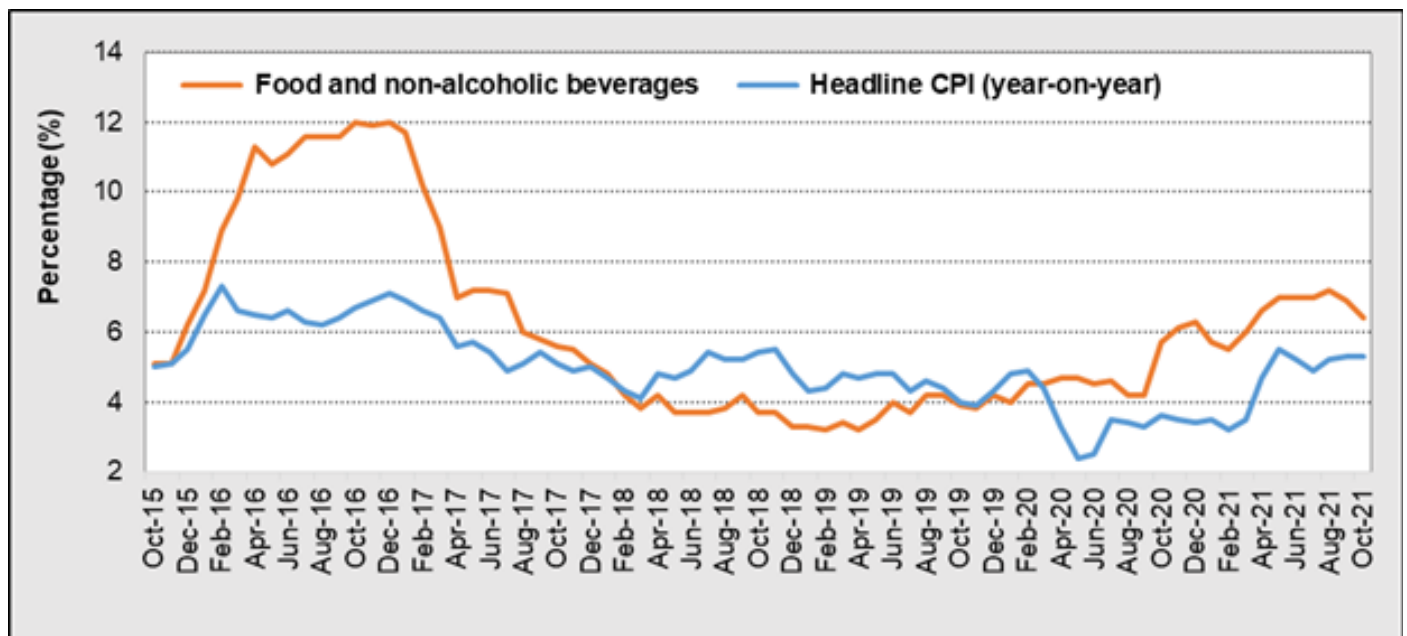


Figure 1: Headline CPI and food and non-alcoholic beverages CPI

Source: Stats SA, 2021

Monthly comparison for urban prices: October 2021 vs. September 2021

Table 1 compares prices of selected food items in urban areas for October 2021 against September 2021. The food items which showed the largest price differences during this period were: peanut butter (R1.26), this could be associated with the ground nuts quantity issues of which the country imports, followed by margarine spread (R1.05), a loaf of brown (R0.36), rice (R0.19), a loaf of white bread (R0.12) and full cream long-life milk (R0.08). A slight improvement in certain food items was recorded, which surprisingly included sunflower oil given the current high spot price levels. Special maize meal declined by R2.25 followed by super maize meal (R1.00), sunflower oil (R0.99), white sugar (R0.40) and Ceylon/black tea (R2.05). As a result of these price changes, urban consumers paid R0.15 less on average for these eleven food items during October 2021 when compared to September 2021.

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

| Product | Urban Food Prices September 2021 (R/unit) | Urban Food Prices October 2021 (R/unit) | Price difference (R/unit) |
|------------------------------------|---|---|---------------------------|
| Full cream milk – long life 1ℓ | 15.44 | 15.52 | 0.08 |
| A loaf of brown bread 700g | 13.23 | 13.59 | 0.36 |
| A loaf of white bread 700g | 15.27 | 15.39 | 0.12 |
| Special maize 2.5kg | 27.67 | 25.42 | -2.25 |
| Super maize 2.5kg | 27.64 | 26.64 | -1.00 |
| Margarine spread 500g | 32.23 | 33.28 | 1.05 |
| Peanut butter 400g | 33.74 | 35.00 | 1.26 |
| Rice 2kg | 40.63 | 40.82 | 0.19 |
| Sunflower oil 750mℓ | 30.98 | 29.99 | -0.99 |
| Ceylon/black tea 62.5g | 14.75 | 14.72 | -0.03 |
| White sugar 2.5kg | 47.17 | 46.77 | -0.40 |
| Average difference (R/unit) | | | 0.15 |

Source: Stats SA, 2021

The NAMC food basket: October 2021 vs October 2020

This section presents the nominal cost of the NAMC's 28-item urban food basket¹, based on average food price data for October 2021 vs. October 2020. The nominal cost of the NAMC's 28-item urban food basket in October 2021 amounted to R993.83 when compared to the R985.23 reported during September 2021. This represented a year-on-year increase of 4.0% and a month-on-month increase of 0.9%.

The 28-item NAMC urban food basket products (in nominal terms) are highlighted in **Table 2**. Products exceeding the South African Reserve Bank's (SARB) upper annual inflation band of 6%, included the following: super maize meal (24.7%), sunflower oil (24.4%), potatoes (17.9%), beef offal (16.7%), Individual Quick Freezing (IQF) chicken portions (12.1%), dried beans (10.8%), baked beans (10.0%), canned fish (9.2%), chicken giblets (9.0%), brick margarine (8.5%), beef mince (6.4%) and peanut butter (6.3%).

¹Composition of the current food basket (revised in 2017) includes apples per kg, baked beans – tinned (410g), bananas per kg, beans – dried (500g), beef mince per kg, beef offal per kg, cabbage per kg, Ceylon/black tea (250g), cheddar cheese per kg, chicken giblets per kg, eggs (1.5 dozen), fish (excl. tuna) – tinned (400g), full cream milk – long life (1ℓ), instant coffee (250g), IQF chicken portions (2kg), brown bread (700g), white bread (700g), margarine brick (500g), onions per kg, oranges per kg, peanut butter (400g), polony per kg, potatoes per kg, rice (2kg), sugar-white (2.5kg), sunflower oil (750mℓ), super maize meal (5kg) and tomatoes per kg.

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

| Category | Product | Oct 20 R/unit | Sept 21 R/unit | Oct 21 R/unit | % Change year-on-year | % Change month-on-month |
|-----------------|---------------------------------|---------------|----------------|---------------|-----------------------|-------------------------|
| Beans | Baked beans - tinned 410g | 10.84 | 11.31 | 11.92 | 10.0 | 5.4 |
| Beans | Beans - dried 500g | 24.15 | 26.36 | 26.75 | 10.8 | 1.5 |
| Beans | Peanut butter 400g | 32.94 | 33.74 | 35.00 | 6.3 | 3.7 |
| Coffee, Tea | Instant coffee 250g | 37.00 | 38.78 | 39.03 | 5.5 | 0.6 |
| Coffee, Tea | Ceylon/black tea 250g | 35.11 | 32.38 | 32.32 | -7.9 | -0.2 |
| Dairy, Eggs | Full cream milk - long life 1ℓ | 15.68 | 15.44 | 15.52 | -1.0 | 0.5 |
| Dairy, Eggs | Eggs 1.5 dozen | 48.91 | 49.16 | 50.85 | 4.0 | 3.4 |
| Dairy, Eggs | Cheddar cheese per kg | 128.96 | 118.99 | 118.83 | -7.9 | -0.1 |
| Fats, Oils | Brick margarine 500g | 22.72 | 24.48 | 24.64 | 8.5 | 0.7 |
| Fats, Oils | Sunflower oil 750ml | 24.11 | 30.98 | 29.99 | 24.4 | -3.2 |
| Fruit | Apples - fresh per kg | 14.48 | 15.73 | 15.13 | 4.5 | -3.8 |
| Fruit | Bananas - fresh per kg | 17.71 | 16.99 | 16.81 | -5.1 | -1.1 |
| Fruit | Oranges - fresh per kg | 19.66 | 15.67 | 15.51 | -21.1 | -1.0 |
| Protein | Beef mince - fresh per kg | 88.47 | 94.43 | 94.11 | 6.4 | -0.3 |
| Protein | Beef offal - fresh per kg | 37.77 | 44.15 | 44.09 | 16.7 | -0.1 |
| Protein | Chicken giblets per kg | 36.57 | 40.60 | 39.86 | 9.0 | -1.8 |
| Protein | IQF chicken portions - 2kg | 72.67 | 79.66 | 81.46 | 12.1 | 2.3 |
| Protein | Fish (excl. tuna) - tinned 400g | 20.21 | 22.10 | 22.07 | 9.2 | -0.1 |
| Protein | Polony per kg / 1kg | 43.33 | 47.67 | 44.28 | 2.2 | -7.1 |
| Bread & Cereals | Loaf of brown bread 700g | 13.88 | 13.23 | 13.59 | -2.1 | 2.7 |
| Bread & Cereals | Loaf of white bread 700g | 15.10 | 15.27 | 15.39 | 1.9 | 0.8 |
| Bread & Cereals | Super maize meal 5kg | 41.76 | 49.47 | 52.09 | 24.7 | 5.3 |
| Bread & Cereals | Rice 2kg | 43.22 | 40.63 | 40.82 | -5.6 | 0.5 |
| Vegetables | Cabbage - fresh per kg | 14.93 | 13.28 | 13.17 | -11.8 | -0.8 |
| Vegetables | Onions - fresh per kg | 14.72 | 14.42 | 14.27 | -3.1 | -1.0 |
| Vegetables | Potatoes - fresh per kg | 14.98 | 14.83 | 17.66 | 17.9 | 19.1 |
| Vegetables | Tomatoes - fresh per kg | 21.67 | 18.31 | 21.90 | 1.1 | 19.6 |
| Sugary foods | White sugar 2.5kg | 44.15 | 47.17 | 46.77 | 5.9 | -0.8 |
| | Total Rand Value | 955.71 | 985.23 | 993.83 | 4.0 | 0.9 |

Source: Stats SA and BFAP, 2021

To further assess the effect of price inflation on consumers, **Figure 2** presents the average nominal cost growth of specific food groups within the NAMC's 28-item food basket comparing the periods October 2021 vs. October 2020 (year-on-year) and October 2021 vs. September 2021 (month-on-month). On a year-on-year basis, while there was a slight improvement, fats & oils remain the food categories with the highest inflation recorded at 16.7% followed by animal protein (9.0%) and bean products (8.4%). Comparing October to September, vegetables, bean products, and bread & cereals had the highest inflation figures recorded at 10.1%, 3.2% and 2.8%, respectively.

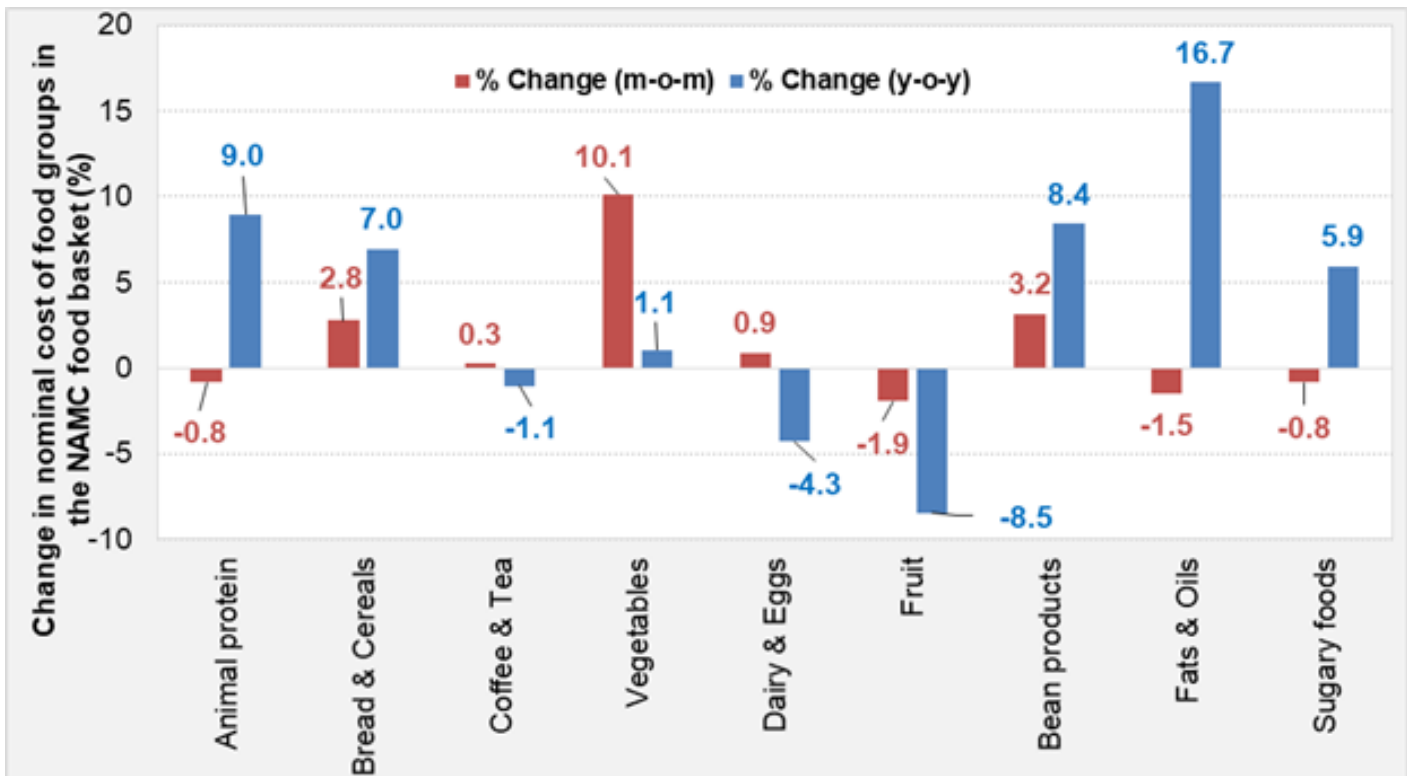


Figure 2: Nominal cost growth of specific food groups within the NAMC’s 28-item food basket, comparing October 2021 vs. October 2020 and October 2021 vs. September 2021

Source: NAMC calculations, Stats SA data, 2021

Globally, during October, commodity prices were recorded the highest since mid-2011 (FAO, 2021). The FAO food price index averaged 133.2 points which was 3% higher month-on-month and 31% higher year-on-year. These developments were supported by vegetable oils and cereals which were 9.6% and 3.2% higher month-on-month, respectively. Based on the International Grain Council data, the wheat sub-index remains the highest at 43% year-on-year. On the 11th of November, the rice-sub index was 11% lower year-on-year, and this is reflected on lower global prices. Following good harvests in key rice producing countries supplies are higher supporting export prices.

Domestically, sunflower oil, dried beans and animal products prices remained high when compared to the same period the previous year. Animal products prices are still recovering with fewer slaughter numbers as well as higher feed costs. A ton of yellow maize was over R3 000 at the end of October 2021 which is higher when compared to R1 500-R1 800 based on historic data last year. Monthly, grain products such as super maize meal remain high when compared to the same month in 2020. In relations to sunflower oil, margarine and wheat, the underpinning factors are global market related. Global soybean oil-index was 4% higher possible supported by other vegetable oils such as crude palm oil and soybean demand, while wheat export prices are pressured by demand from EU and the USA (AgriCensus, 2021). As global plantation intensifies from South America with North America finalising harvest, the development of a La Nina effect is gaining traction. As a result, the global markets remain sensitive to production prospects and other market shocks.

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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