

Unreliable weather could drive food prices up

Bread price could jump by 25,7% if drought hits South Africa

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Commodity and food prices could become a lot more expensive next year, driven mainly by unreliable weather conditions, the Bureau for Food and Agricultural Policy (BFAP) said today.

Releasing its annual South African Agricultural Baseline, the BFAP said the price of groceries including grains, oil and seeds would increase by no less than R15 per commodity per household.

BFAP projected maize would trade approximately 30% higher next year due to a lack of sufficient rainfall and excessive heat in the US in the second and third quarter of 2011.

The situation could be worse if SA received less than the expected rain forecast which would push the local maize market to import parity prices much faster, and as high as by 42.6%, the document said.

"If the drought occurs in SA, ... bread could be 25.7% more expensive," the Baseline projected.

BFAP says the combination of historic lows in global stock levels combined with unreliable weather conditions in the main food-growing regions of the world, could result in commodities and food prices trading higher in 2012.

The impact of the weather on commodity prices is one of the key drivers of food inflation on local food retail prices.

The baseline is an outlook for the country's agricultural production, consumption, prices and trade for the period 2011 to 2020 and is used as an early warning system by farmers, agricultural business and government.

It has also projected a continued difficult and challenging scenario for farmers saying that their real net farming income will remain fairly stagnant as the general rise in commodity prices will be dampened by a global supply response next year as the weather patterns normalises, subdued economic growth beyond 2013, and the relative strength of the exchange rate keeping import parity related prices such as wheat.