



# FOOD INFLATION BRIEF

This Brief provides an overview of food inflation dynamics, its associated causes, and the cost of basic healthy eating for October 2022.

Release Date: 28 November 2022



**BFAP**  
DATA  
DRIVEN  
INSIGHT

## SUMMARY OF FOOD INFLATION METRICS – October 2022

<b>Inflation in food and non-alcoholic beverages:</b>		<b>Contribution to CPI headline inflation:</b>
Month-on-month: <b>+0.9%</b>	Year-on-year: <b>+12.0%</b>	<b>2.1 percentage points</b> contribution to CPI headline inflation of 7.6%



<b>Food category contributions:</b>	<b>Month-on-month % change:</b>	<b>Year-on-year % change:</b>
Bread & cereals	0.6%	19.5%
Meat	1.0%	10.5%
Fish	1.0%	10.3%
Milk, cheese, eggs	1.4%	10.5%
Oils & fats	-1.0%	25.7%
Fruit	4.1%	1.2%
Vegetables	-0.1%	3.9%
Sugar & sugar-rich foods	1.0%	9.8%
Non-alcoholic beverages	1.0%	9.1%

### Commonly purchased food items with high year-on-year inflation rates in October 2022:

<b>Above 10% inflation:</b>	<b>6% to 10% inflation:</b>
Vegetables (onions, peppers, cabbage, tomatoes, lettuce, spinach, beetroot, canned mixed vegetables, various frozen vegetables)	Fish (canned fish)
Fats/oils (plant oils, mayonnaise)	Legumes (peanut butter)
Pork (ham)	Dairy (cheddar cheese, custard, feta cheese, yoghurt)
Starch-rich foods (wheat flour, brown bread, maize meal, instant noodles, white bread, pasta, breakfast cereals, baked goods)	Fats/oils (margarine)
Beverages (coffee, tea, fruit juice)	White sugar
Fruit (apples, pineapples, oranges)	Chicken giblets
Beef (T-bone, corned beef, offal, mince, chuck, brisket, stew)	Mutton/Lamb neck
Legumes (canned baked beans)	Beef fillet
Chicken (fresh whole chicken, frozen non-IQF chicken portions)	Other (spices)
Dairy (milk, gouda cheese, powdered milk, sour milk)	
Sugar-rich foods	
Eggs	
Other (whiteners, salt, tomato sauce, soup powder, chutney)	

#### **ADDITIONAL NOTES:**

**CEREAL-BASED FOODS:** High inflation on maize and wheat-based foods was dampened by significant deflation in rice prices.  
**VEGETABLES:** High inflation on several vegetables was dampened by significant deflation in potato prices, low inflation on some vegetables (broccoli, pumpkin, cucumber, and carrots) and deflation on some vegetables (sweet potatoes and cauliflower).  
**FRUIT:** High inflation on some fruits was dampened by significant deflation in the prices of bananas, avocados and papaya.  
**BEVERAGES:** High inflation on coffee, tea and fruit juice was dampened by low inflation on soft drinks and mineral water.

<b>THE BFAP THRIFTY HEALTHY FOOD BASKET (THFB)#</b> 	<b>THFB – October 2022:</b> <b>R3 298/</b>  <b>/month</b> Month-on-month change: <b>+R10/ +0.3%</b> Year-on-year change: <b>+R367 / +12.5%</b> <b>Affordability*: 31.5% food expenditure share</b> <b>(compared to 31.4% in September 2022)</b>
	<p><small>* Share of total income spent on food – household with dual minimum wage income, also receiving child grants &amp; school meals.</small></p>

The BFAP Thrifty Healthy Food Basket (THFB) measures the cost of basic healthy eating for low-income households in South Africa. The methodology considers national nutrition guidelines, typical food intake patterns of lower-income households, official Stats SA food retail prices, and typical household demographics. Consisting of a nutritionally balanced combination of 26 food items from all the food groups, the BFAP THFB is designed to feed a reference family of four (consisting of two adults, an older and a younger child) for a month. The BFAP THFB comprises a smaller staple component and relatively more items from food groups contributing to dietary diversity than the CPI index. The CPI index is more reflective of 'typical' food preferences.

## International overview

The FAO Food Price Index, based on the prices of an international basket of food commodities, was 2.0% higher in October 2022 compared to October 2021, but nevertheless declining for the sixth successive month, following a 0.1% decrease from September 2022.

On a month-on-month basis meat, dairy, oils and sugar decreased, while oils and sugar also decreased on a year-on-year basis. Some key observations with respect to commodity groups include:

- FAO Oils Price Index: -1.6% month-on-month; -18.8% year-on-year (the largest year-on-year decrease among the sub-indices) – with lower prices of palm, soy and rapeseed oils offsetting higher sunflower seed oil prices.
- FAO Sugar Price Index: -0.6% month-on-month; -8.5% year-on-year.
- FAO Dairy Price Index: -1.7% month-on-month; +15.4% year-on-year. The dairy category had the largest year-on-year increase among the sub-indices – affected by factors such as lacklustre demand (month-on-month changes) and the impact of the weaker Euro against the US dollar.
- FAO Meat Price Index: -1.4% month-on-month; +5.8% year-on-year – driven by declining prices for all meat types on a month-on-month basis, with the most significant decreased observed for bovine meat.
- FAO Cereals Price Index: +3.0% from September 2022 and by 11.1% from October 2021. All major cereals had price increases on a month-on-month basis (e.g. wheat +3.2%, maize +4.3% and rice +1.0%) affected by factors such as adverse climatic conditions, especially Argentina where prospects for oilseed and grain crops are still critical despite beneficial rains received in the first two weeks of November, and the ongoing impact of the Russia-Ukraine war.

Figure 1 illustrates that in October 2022 food inflation in South Africa was lower than in the EU, Kenya and Zambia, but higher than in Brazil, the USA and China. Over time, increasing food inflation rates have been observed for Zambia (increasing since July 2022), Kenya (increasing since February 2022), South Africa (increasing since April 2022) and the EU (increasing since January 2022). Decreasing food inflation rates have been observed for Brazil (decreasing since July 2022), China (decreasing since September 2022) and the USA (decreasing since August 2022).

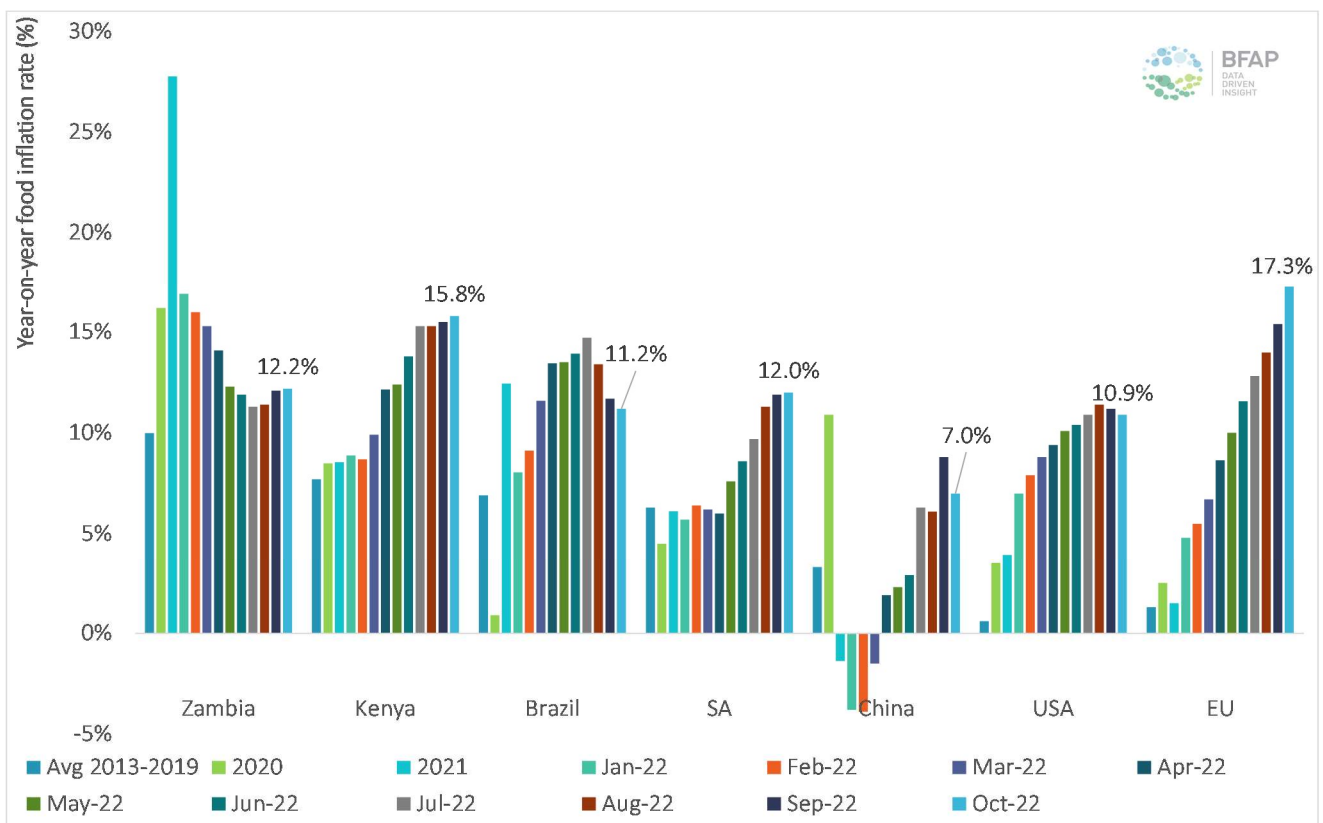


Figure 1: International food inflation comparison

(Source: Official national food inflation figures of the various countries as reported by national statistical agencies)

## Food inflation drivers and expectations

Inflation for October surprised to the upside, propelled by further price increases in food (12% year on year) and fuel (30.1% year on year). Regarding food, inflationary effects are still driven by agricultural commodities such as maize, wheat, soybeans, and sunflower oil. Local maize prices breached R5000 per ton in the third quarter of 2022 as the ZAR weakened to above R18.00 to the USD and global prices continued their upward trajectory. The latter is a result of lower quality and yield for certain Northern hemisphere maize producers, combined with indications that key Southern hemisphere grain-producing countries could again suffer from dry conditions during the current season. Ongoing geopolitical issues between Ukraine and Russia are also adding to the volatility in agricultural markets, as trade from this region is unpredictable, such as when Russia announced that current agricultural export agreements would be suspended, only to business as usual again. Ongoing inflationary pressures in grains and oilseeds have also resulted in cost pressures in meat. Over the past months, beef prices have stabilised, albeit at levels that are around 12% higher than the corresponding time last year. Chicken prices have increased year-on-year by almost 10%, due to the weaker ZAR, higher production costs and the worst Avian Influenza outbreak to date in the Northern Hemisphere. The effect of tariffs, and increased processing, distribution and sales costs should also not be discounted, with the significant rise in fuel prices and the high incidence of load shedding pushing consumer prices of food higher.

Our view is that food inflation will remain high over the next three months as the full effects of persistently increasing commodity prices and weaker exchange rates filter through to retail markets. We expect that food inflation could peak in the first quarter of 2023, after which the higher base effects apparent from March 2022 will result in smaller inflationary effects during the rest of 2023. Two variables that should be closely monitored to gauge inflation rates during 2023 are global maize prices and the ZAR/USD exchange rate. In terms of the former, a reduction in prices based on a favourable Southern hemisphere crop could go a long way in curbing Bread and Cereal inflation during the first half of 2023, whilst this could also spill over into meat prices by the second half of the year. In terms of the ZAR/USD exchange rate, analysts note that the ZAR is undervalued and could strengthen to levels of R16.50 in the first quarter of 2023.

*This food inflation brief is a collaboration between BFAP and Dr. Marlene Louw from Absa Agribusiness, based on Statistics South Africa CPI and food retail price data (released on 23 November 2022 for the October 2022 data).*

**Enquiries: Dr H Vermeulen ([hester.v@bfap.co.za](mailto:hester.v@bfap.co.za))**

[www.bfap.co.za](http://www.bfap.co.za)