



# FOOD INFLATION BRIEF

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

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## SUMMARY OF FOOD INFLATION METRICS – August 2022

Inflation in food and non-alcoholic beverages:		Contribution to CPI headline inflation:
Month-on-month: <b>+1.8%</b>	Year-on-year: <b>+11.3%</b>	<b>1.9 percentage points</b> contribution to CPI headline inflation of 7.6%
Food category contributions:		
	Month-on-month % change:	Year-on-year % change:
Bread & cereals	3.1%	17.8%
Meat	0.7%	9.2%
Fish	0.6%	9.2%
Milk, cheese, eggs	2.1%	8.2%
Oils & fats	1.1%	37.6%
Fruit	0.6%	-1.4
Vegetables	2.3%	9.3%
Sugar & sugar-rich foods	1.2%	9.2%
Non-alcoholic beverages	2.2%	8.9
Commonly purchased food items with high year-on-year inflation rates in August 2022:		
<b>Above 10% inflation:</b>		<b>6% to 10% inflation:</b>
Fats/oils (Vegetable oil, margarine)		Pork (Bacon)
Vegetables (Beetroot, tomatoes, onions, cucumber, mixed vegetables tinned, pumpkin, frozen vegetables)		Chicken (Chicken portions frozen non IQF)
Beef (Offal, T-bone, brisket, corned beef, chuck)		Mutton/lamb (Neck)
Non-alcoholic beverages (Ceylon tea, coffee, fruit juice)		Sugar-rich foods (White sugar, brown sugar)
Fruit (Avocados, oranges)		Dairy (Powdered milk, yoghurt, sour milk)
Starch-rich foods (Brown bread, wheat flour, instant noodles, white bread, pasta, sweet potatoes, cereals)		Fruit (Pineapple)
Legumes (Baked beans tinned, dried beans)		Beef (mince, stewing beef, fillet)
Pork (Ham)		Peanut butter
Sugar-rich foods (Sweets, chocolates)		Vegetables (Cabbage)
Dairy (Milk)		
Fish (Canned pilchards)		

### THE BFAP THRIFTY HEALTHY FOOD BASKET (THFB)<sup>#</sup>



### THFB – August 2022:

**R3 270/**  **/month**

Month-on-month change:

**+R9/ +0.3%**

Year-on-year change:

**+R331 / +11%**

Affordability\*:

**31.2% food expenditure share (compared to 31.1% in July 2022)**

\* Share of total income spent on food – household with dual minimum wage income, also receiving child grants & school feeding.

<sup>#</sup> 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 was 7.9% higher in August 2022 compared to August 2021, but the index declined for the fifth successive month (decreasing by 1.9% from July 2022), and including a decline in all five the sub-indexes:

- FAO Oils Price Index: -3.3% month-on-month; -1.5% year-on-year (largest month-on-month decrease among sub-indexes).
- FAO Sugar Price Index: -2.1% month-on-month; -8.4% year-on-year.
- FAO Dairy Price Index: -2.0% month-on-month; +23.5% year-on-year (largest year-on-year increase among sub-indexes).
- FAO Meat Price Index: -1.5% month-on-month; +8.2% year-on-year.
- FAO Cereals Price Index: -1.4% month-on-month; +11.4% year-on-year.

Figure 1 illustrates that in August 2022 food inflation in South Africa remained lower than food inflation in Kenya, the EU, Brazil, Zambia and the USA, but higher than China. At the same time, however, it increased at a faster rate than most of these countries/regions. While the earlier inflationary pressures in developed economies were ascribed to pent-up demand after the pandemic, this was not apparent in South African. More recently, a range of supply side disruptions, including droughts, heat waves, the Russia/Ukraine war, and soaring shipping costs, have however resulted in broad-based inflation across the globe. In South Africa this was exaggerated by the weakening exchange rate, which is why we see food inflation in South Africa catching up to food inflation in developed countries.

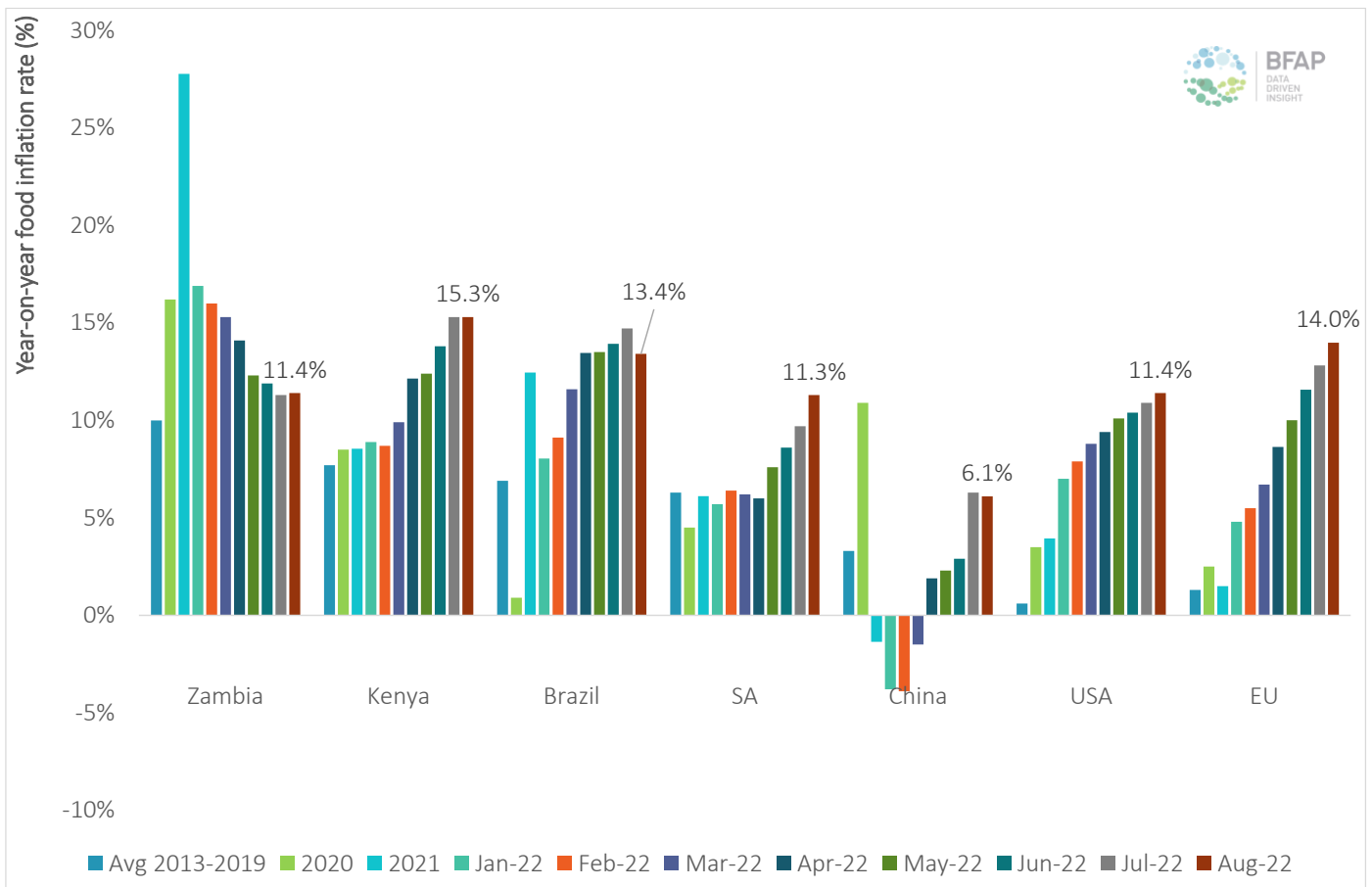


Figure 1: International food inflation comparison

## Food inflation drivers and expectations

The prices of food and non-alcoholic beverage increased by 11.3% year-on-year to August 2022. As in previous months, the main contributors were *Bread and Cereal* inflation, followed by *Meat* inflation. Red meat price increases were underpinned by low slaughter numbers, and for cattle specifically, persistently high feed prices combined with elevated disease risks and economic constraints faced by consumers, are resulting in lower throughput in the red meat value chain. Poultry prices, in turn, have also seen significant increases over the past year. As with beef, high feed costs are causing cost-push pressures but in addition, high global poultry prices, due in part to disease outbreaks in key production regions, combined with a weak exchange rate, are providing a conducive environment for a share of the cost pressures in the chain to be passed through to consumers in South Africa. We expect these factors to remain at play as we approach the end of the year thus, prices are likely to remain high. Due to limited scope for consumers to absorb further price increases we could see the rate of meat price increases lose momentum, translating into lower inflation rates for meat towards the end of the year.

*Bread and Cereal* prices have increased by a substantial 17.8% over the past year. As mentioned in some of our earlier reports, research suggests that increases in commodity prices take between 3-4 months to manifest in retail prices. The high *Bread and Cereal* prices observed are therefore a result of the high global grain prices prevalent during June and early July. Although these prices eased towards the end of July, prices are now again at almost 75% of the maxima recorded in early July. This is the result of hot and dry conditions in large parts of the Northern hemisphere. Locally, this is exasperated by a weakening exchange rate, with fears of a global economic slowdown, increased incidences of load shedding, and an increasing global interest rate cycle weighing in on the value of the rand. Similarly, *Oils and Fats* increased by 37.6%, largely driven by the same factors as grains, and it is expected that inflation rates in these two categories will remain firm as we approach 2023.

Over the next three months, we see *Bread and Cereals* inflation remaining high due to global price dynamics and weakness in the rand. Lower oil prices could however translate into a slight easing in manufacturing and distribution costs, whilst a slowdown in meat prices could further alleviate some of the inflationary month-on-month pressures. However, we expect year-on-year inflationary pressure on red meat prices to remain high. This is likely to keep food inflation above 7% for the rest of the year.

*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 21 Sept 2022 for the August 2022 data).*

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