



# FOOD INFLATION BRIEF

This Brief provides an overview of food inflation dynamics, its associated causes, and the cost of basic healthy eating for February 2023.

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## SUMMARY OF FOOD INFLATION METRICS – February 2023

Inflation in food and non-alcoholic beverages:

Month-on-month: +1.0%    Year-on-year: +13.6%

Contribution to CPI headline inflation:

2.3 percentage points contribution to  
CPI headline inflation of 7.0%

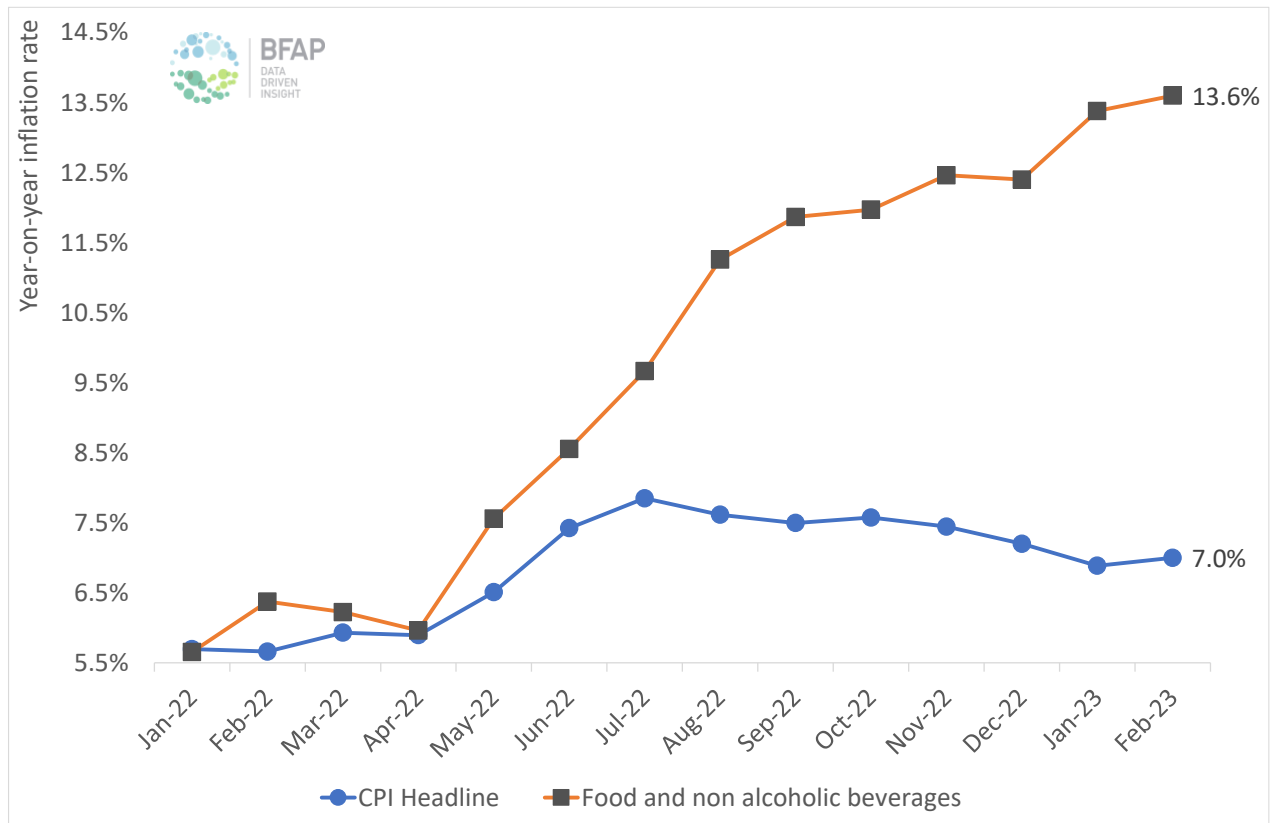


Figure 1: Year-on-year inflation 2022 & 2023 - CPI Headline and Food and non-alcoholic beverages

Source: Stats SA, March 2023

The contribution of different food categories to inflation:

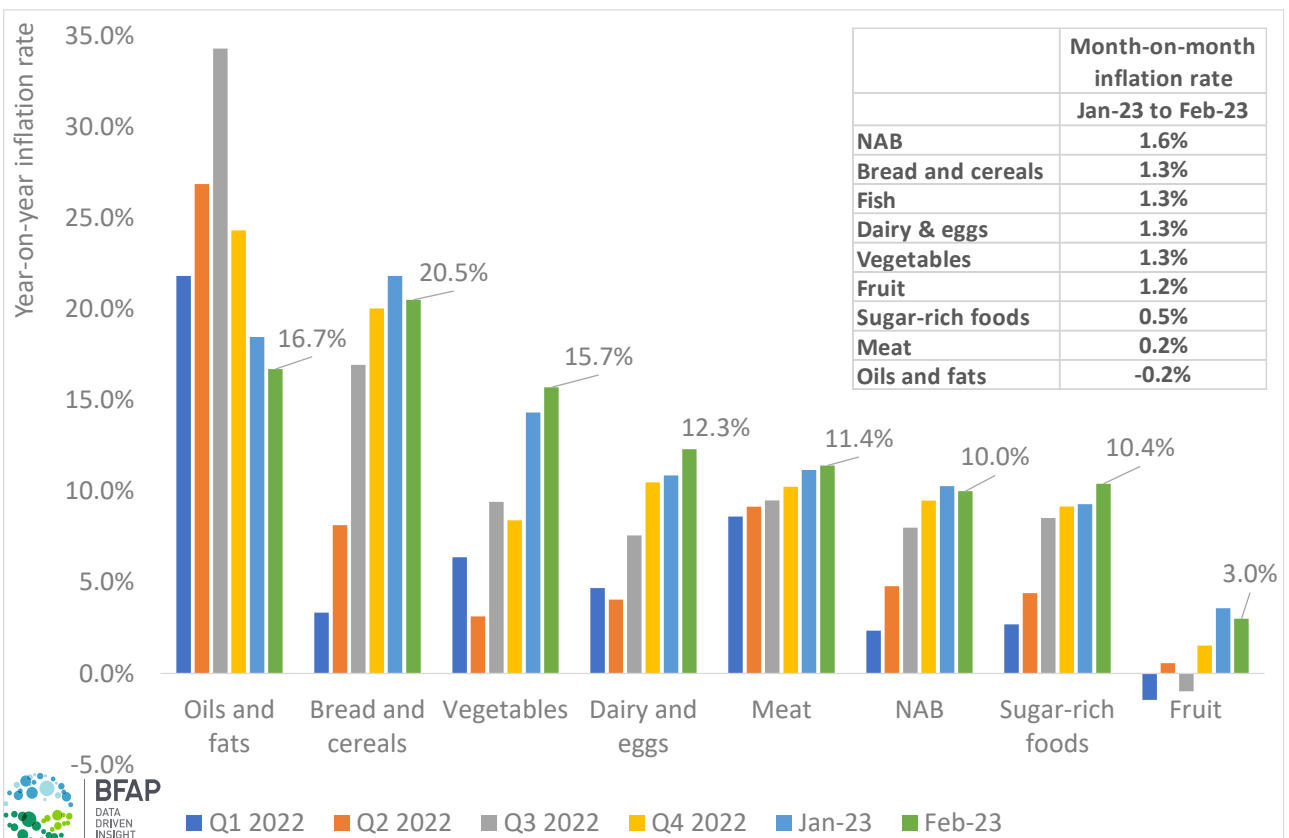


Figure 2: Year-on-year inflation on food categories (Q1 2022 to Feb-2023)

Source: Compiled from Stats SA, 2023

There are several things to note from these graphs:

- Having declined from 7.8% in July 2022 to 6.9% in January 2023, CPI headline inflation increased again, by 0.1 percentage points in February 2023 to 7.0%.
- Food inflation, which has been rising for almost a year, increased by a further 0.2 percentage points to 13.6%.
- In February 2023 year-on-year inflation increased the most for bread and cereals, followed by fats / oils, vegetables and meat. Low year-on-year inflation of only 3.0% was observed for fruit.
- The highest month-on-month inflation rates were seen in non-alcoholic beverages, followed by bread and cereals, fish, dairy and eggs, vegetables, and fruit.

**Commonly purchased food items with high year-on-year inflation rates in February 2023:**

Food category:	Year-on-year inflation range:				
	≥30%	≥20% up to <30%	≥10% up to <20%	≥6% up to <10%	DEFLATION
Starch-rich foods	-	Maize meal, wheat flour	Bread, pasta	-	Rice
Beef	Fillet, sirloin	Brisket	Rump, chuck, T-bone, mince	-	Offal
Pork	Ham	Bacon, chops	Fillet, ribs	-	-
Mutton/lamb	-	Offal	Neck, stewing meat	Rib chops	Leg
Chicken	-	-	Giblets, frozen non-IQF pieces	Fresh pieces, IQF pieces	-
Fish	-	-	Canned pilchards, canned tuna	Frozen fish fingers	-
Dairy	-	-	Milk, powdered milk, whiteners	Cheddar cheese, sour milk, yoghurt	-
Fats / oils	-	-	Plant oils, margarine, peanut butter	-	-
Fruit	-	Apples, pineapples	-	-	Oranges, papaya, pears
Vegetables	Onions, peppers	Spinach, cabbage, cauliflower, pumpkin, carrots, potatoes	Lettuce, broccoli, beetroot, mushrooms, sweet potatoes	-	-
Legumes	-	-	Canned baked beans	-	-
Sugar-rich foods	-	-	Various sugar-rich foods	Granular sugar	-
Non-alcoholic beverages	-	Ceylon tea	Coffee, Rooibos tea	Fruit juice, fizzy drinks	Mineral water, fruit juice concentrate

THFB – February 2023:

**R3 504/**  **/month**

Month-on-month change: +R89/ +2.6%

Year-on-year change: +R387 / +12.4%

Affordability\*: 33.4% food expenditure share  
(compared to 32.6% in January 2023)

\* The share of total income spent on food for a household with a dual minimum wage plus child grants and school meals.

# 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

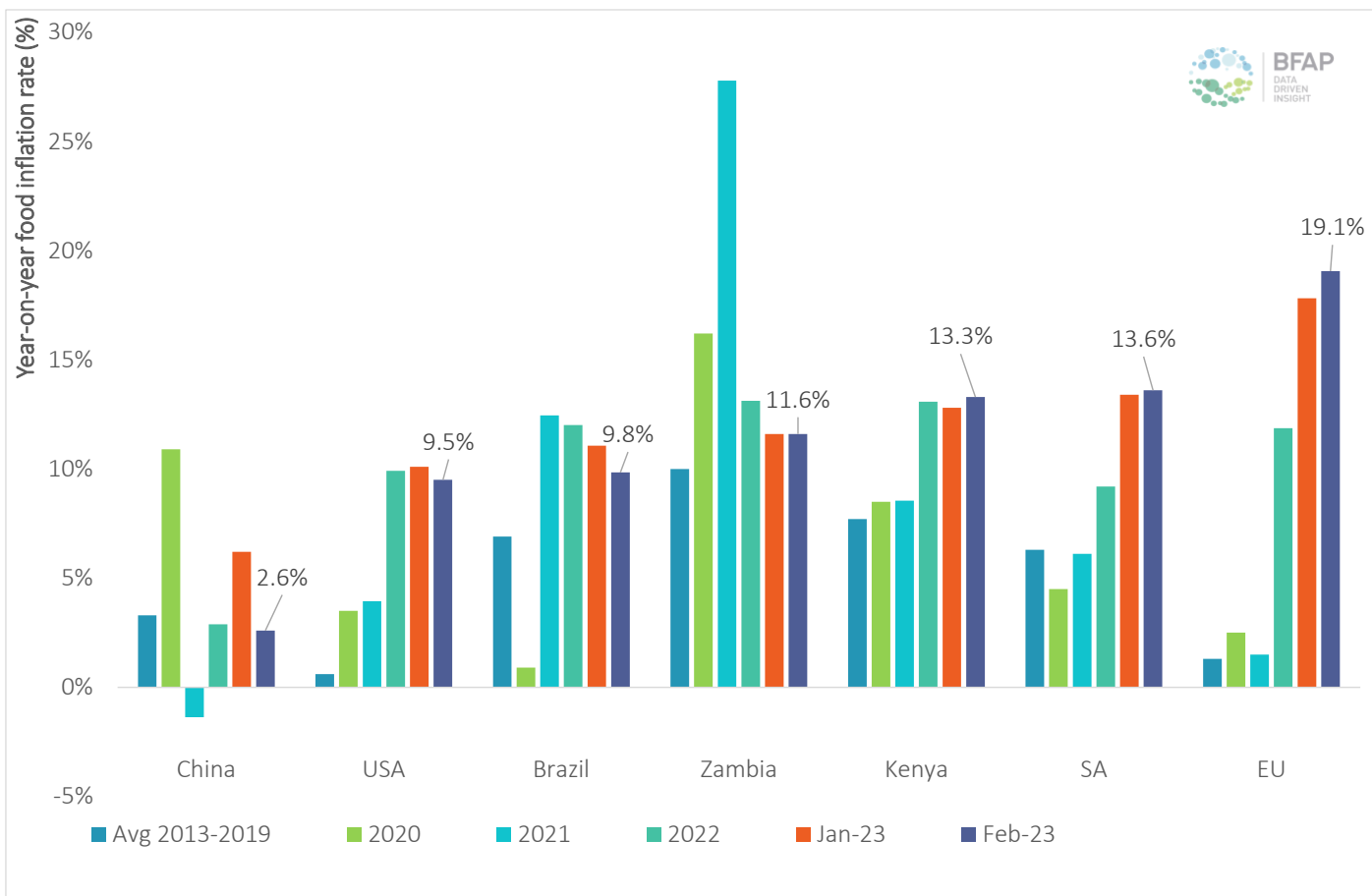
The FAO Food Price Index (FPI), based on the prices of an international basket of food commodities, was 8.1% lower in February 2023 compared to February 2022. The 11<sup>th</sup> successive month of decline resulted in a 0.6% decrease from January 2023. **Table 1** provides an overview of the February 2023 observations.

**Table 1: Overview of the FAO FPI in February 2023**

	Year-on-year inflation:	Month-on-month inflation:	Comments:
Cereals sub-index	1.4%	-0.1%	Largest month-on-month decrease in rice and barley prices, marginal decrease in sorghum prices (-0.2%). Marginal month-on-month increases in wheat and maize
Sugar sub-index	13.0%	6.9%	Sugar index reached its highest level since February 2017
Dairy sub-index	-7.2%	-2.7%	Decline driven by lower prices for all dairy products, especially butter and skim milk powder
Meat sub-index	-1.7%	-0.1%	Lower world prices for poultry meat offset by rising pork prices, while bovine meat prices were stable
Oils sub-index	-32.6%	-3.2%	Lower world prices for palm, soy, sunflower and rapeseed oils

Source: FAO, March 2023

**Figure 3** illustrates that in February 2023 food inflation in South Africa was lower than in the EU, but higher than in Kenya, Zambia, Brazil, the USA and China. Compared to January 2023, decreasing food inflation rates have been observed for China, USA and Brazil while increasing food inflation rates have been observed for Kenya, the EU and South Africa.



**Figure 3: International food inflation comparison**

**Source: Official food inflation figures of the various countries reported by national statistical agencies**

## Food inflation drivers and expectations

Having increased consistently for most of the past year, South African inflation on food and non-alcoholic beverages reached 13.6% year-on-year in February 2023. The dominant contributors were meat and fish (3.9 percentage points), bread and cereals (3.8 percentage points), dairy and eggs (1.8 percentage points), and vegetables (1.2 percentage points).

Many of the factors that have driven food inflation over the past year are not unique to South Africa. These include high agricultural commodity prices globally, as well as high energy costs, which influence prices of inputs such as fuel and fertilizer. While a number of these global factors are easing, as evidenced in the continued decline in the FAO's food price index (Table 1), the depreciation in South Africa's exchange rate has offset much of the global decline while persistently high levels of loadshedding added significant costs across the agriculture and food value chain.

**Grain and oilseed prices** are coming down globally, but slower than initially anticipated. Key factors keeping prices high include the ongoing war between Russia and Ukraine, both of which are significant exporters of grains and oilseeds, and climatic conditions in both North and South America. Stock levels in the US have declined to the lowest level in 5 years, and amid heightened uncertainty due to the ongoing war, small changes in production expectations can have significant price impacts. Prices have started to ease in anticipation of crop area expansion, particularly in the US, but weather conditions over the coming months will ultimately determine production levels from the Northern Hemisphere. Domestically, the Crop Estimates Committee's first production estimate suggests another bumper maize crop and an all-time record soybean crop. Both are expected to yield a substantial surplus, thus keeping prices at export parity levels. Conversely, sunflower production is expected to be just sufficient to meet local demand, with possible imports towards the end of the season. South Africa's major grain and oilseed prices should decline over the coming months,

due to the continued decline in world prices, but only in the absence of further depreciation in the exchange rate. Should the exchange rate depreciate further, it could offset world price declines, preventing transmission of lower prices into South African markets.

**Meat** prices were a significant contributor to South Africa's food price inflation in February. With consumer spending power under increasing pressure and exports moving slower than normal, beef carcass prices have started to decline, and this could spill into retail prices for meat products over the coming months. **Poultry** prices increased further in February, mainly due to the weaker exchange rate that negated the decline in global markets, and the effect of loadshedding on processing capacity.

In **vegetable** markets, prices of onions, potatoes and tomatoes have increased sharply due to supply limitations amid erratic weather conditions. For tomatoes, the general upward trend is expected to continue until Easter. Selected **fruit** prices could also rise in the coming months. For instance, banana market prices are anticipated to increase due to tightened supply as a result of flooding in southern Mozambique. Fresh Plaza notes that about 75% of bananas sold in Gauteng municipal markets are sourced from Mozambique and Eswatini. Consequently, the impact of flooded banana fields in Mozambique due to cyclone Freddy, along with damaged roads, which influence logistics and low stock levels in Johannesburg markets has pushed prices up by R40 to R50 per 18kg carton. Conversely, higher supply volumes will likely continue to put downward pressure on the price of oranges in the coming months, following significant expansion in South Africa's production in recent years.

Further to the supply and demand dynamics presented, both globally and in South Africa, key factors that will contribute to food price inflation over the coming months include exchange rate dynamics and the extent of load shedding required. Sharp exchange rate depreciation has already prevented much of the observed decline in world prices from spilling into South Africa. Any significant appreciation in the coming months would have the opposite effect, easing domestic prices for agricultural commodities. Loadshedding has already added significant costs across the value chain – if maintained at lower levels, this effect could ease, but the general consensus is that loadshedding will likely remain at fairly high levels for the foreseeable future, which will be a key factor keeping South African food prices higher for longer. During March, high base effects of March 2022 are likely to cause food inflation to moderate somewhat. Looking ahead, an increase in administered prices such as electricity, due to be implemented in April, could further add cost pressures that would keep food prices elevated over the months to come.

*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 15 February 2023 for the January 2023 data).*

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