



# FOOD INFLATION BRIEF






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

Release Date: 25 April 2023



**BFAP**  
DATA  
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INSIGHT

## SUMMARY OF FOOD INFLATION METRICS – March 2023

		Year-on-year (YoY):	Month-on-month (MoM):	For more detail refer to:
Inflation: Food and non-alcoholic beverages (NAB)		+14.0%	+1.0%	Section 1 of this brief
CPI headline inflation:		+7.1%	+1.0%	
Contribution of inflation on food & NAB to CPI headline inflation:		2.4 percentage points	0.2 percentage points	
Food categories with highest inflation:		Vegetables Bread & cereals Oils & fats Dairy & eggs	Vegetables Dairy & eggs Sugar-rich foods	Section 2 of this brief
Food categories with lowest inflation:		Fruit	Meat Fish Fats & oils	

### Cost of the BFAP

#### Thrifty Healthy Food Basket:

(For more detail refer to Section 3)



R3 566/  /month

### Indicators for selected factors affecting food prices in South Africa:

(For more detail refer to Section 4 & Section 5)

Global food commodity prices:



#### FAO Food Price Index

-20.5% YOY (↓ oils, cereals, dairy, meat)

-2.1% MOM (↓cereals, oils, dairy)

Exchange rate:



#### R / \$ exchange rate

Depreciation; R17.92/US\$1 (March 2023) vs R14.99/US\$1 (March 2022)

Rising fuel prices:



SA CPI index for 'Fuel': +8.1% YOY

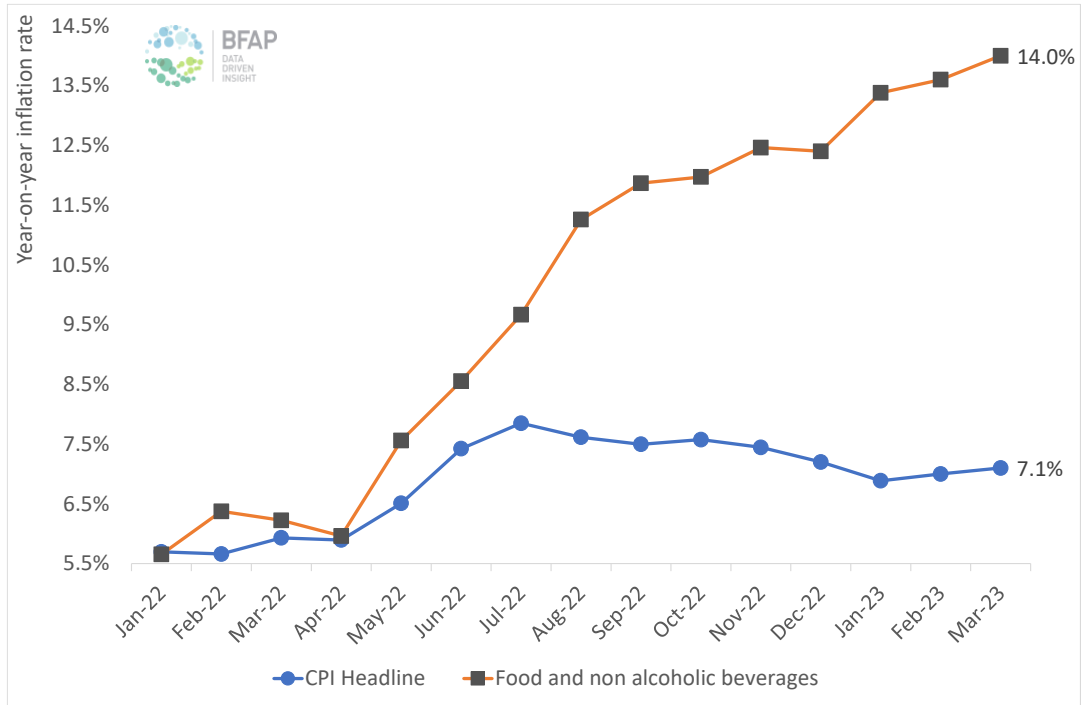
SA CPI index for 'Electricity & other fuels': +8.2% YOY

Infrastructure challenges:



Persistent & severe electricity loadshedding

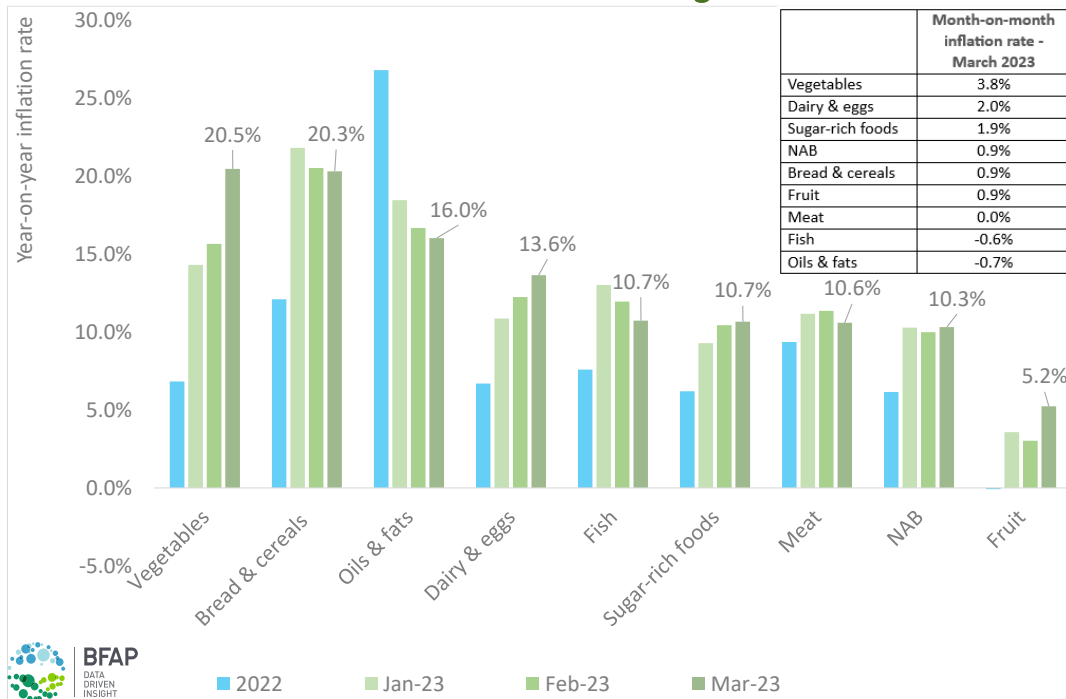
## SECTION 1: CPI headline and food inflation over time:



**Figure 1: Year-on-year inflation 2022 & 2023 - CPI Headline and Food and non-alcoholic beverages**  
Source: Stats SA, April 2023

- CPI headline inflation continued to increase in March 2023, rising by 0.1 percentage points to 7.1% YOY.
- Food inflation, which has been rising for almost a year, increased by a further 0.4 percentage points to 14.0% representing an increase of 8.3 percentage points from January 2022 (on a year-on-year basis).

## The contribution of different food categories to inflation:



**Figure 2: Year-on-year inflation on food categories (2022 annual average, January to March 2023)**  
Source: Stats SA, April 2023


- In March 2023 YoY inflation was the highest for vegetables and the bread and cereals category, followed by oils/fats and dairy/eggs. Low YoY inflation of 5.2% was observed for fruit, although the rate was higher than in February 2023.
- The highest MoM inflation rates were observed in vegetables, dairy and eggs, and sugar-rich foods, with no change to the price of meat, fish and oils/fats compared to February 2023.

## SECTION 2:


### Commonly purchased food items with high year-on-year inflation rates in March 2023:

	≥30%	≥20% up to <30%	≥10% up to <20%	≥6% up to <10%	DEFLATION
Starch-rich foods	Maize meal	Wheat flour	Bread, pasta, baked goods, breakfast cereals	-	Rice
Beef	Fillet, sirloin	-	Brisket, stewing meat, rump steak, T-bone, mince	Chuck	Offal
Pork	-	Ham	Bacon, chops, ribs	Fillet	-
Mutton/lamb	--	--	Offal, rib chops, neck	Stewing meat	Leg
Chicken	-	Giblets	IQF <sup>1</sup> pieces, fresh pieces, frozen non-IQF pieces	-	-
Fish	-	-	Canned pilchards, frozen fish fingers	Canned tuna, frozen hake	-
Dairy & eggs	-	-	Milk, Cheddar cheese, yoghurt	Powdered milk	-
Oils / fats	-	-	Plant oils	Margarine, peanut butter	-
Fruit	--	Apples, pineapples	Avocados	Bananas	Oranges, papaya
Vegetables	Onions, peppers	Carrots, beetroot, potatoes	Lettuce, tomatoes, cabbage, pumpkin, spinach, broccoli, sweet potatoes, cucumber, mushrooms, cauliflower	-	-
Legumes	-	-	Canned baked beans	-	-
Sugar-rich foods	-	-	Various sugar-rich foods	Granular sugar	-
Non-alcoholic beverages	-	Ceylon tea	Coffee, fruit juice, mineral water	Rooibos tea, fizzy drinks	-

## SECTION 3: The BFAP Thrifty Healthy Food Basket (THFB)<sup>#</sup>



**THFB – March 2023:**

**R3 566/**  **/month**

Month-on-month change: **+R62/ +1.8%**

Year-on-year change: **+R474 / +15.3%**

Affordability\*: **31.0% food expenditure share**

\* 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.*

<sup>1</sup> Individual Quick Frozen portions.

## SECTION 4: International overview

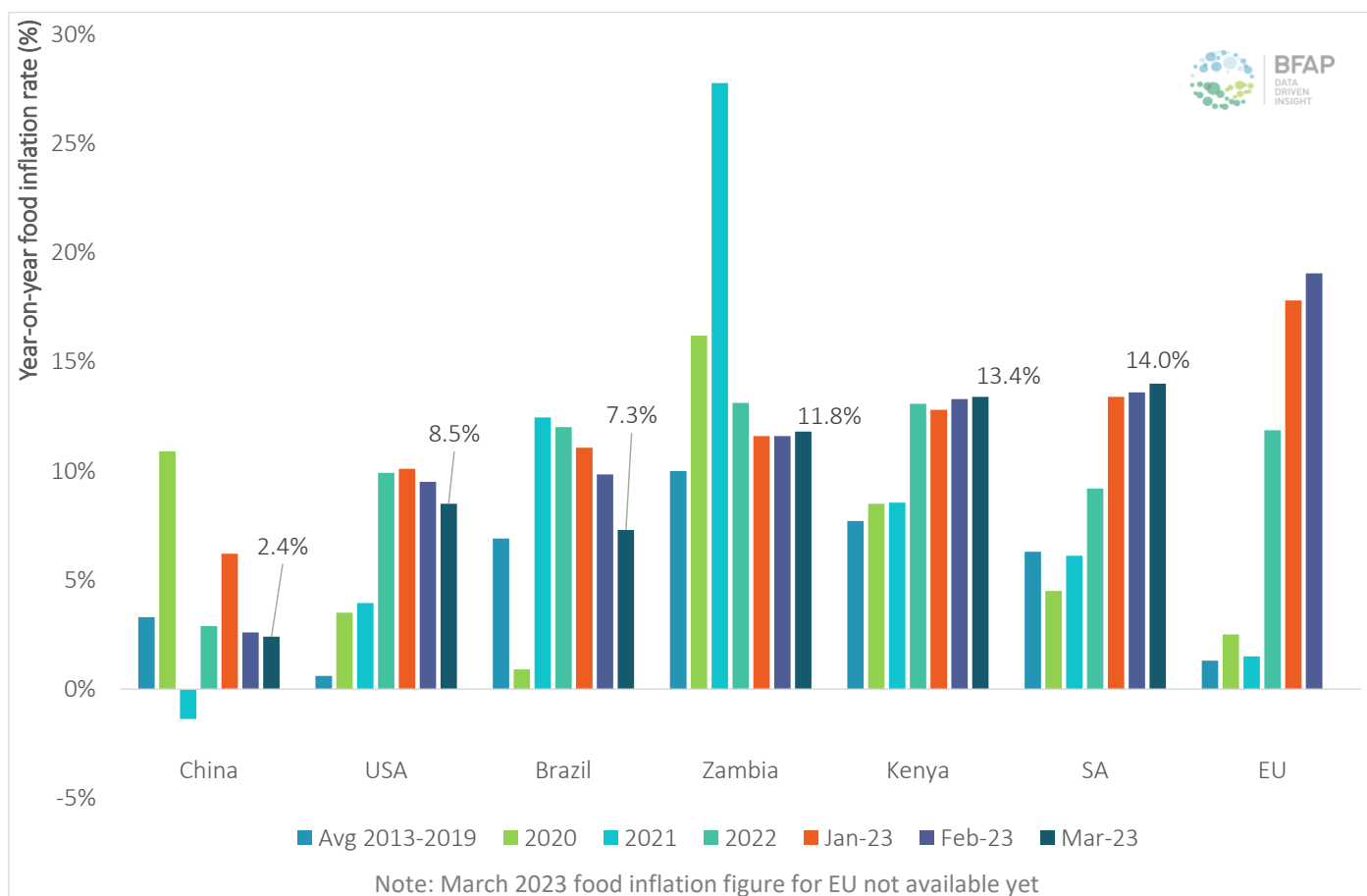
The FAO Food Price Index (FPI), based on the prices of an international basket of food commodities, was 20.5% lower in March 2023 compared to March 2022. The 12<sup>th</sup> successive month of decline resulted in a 2.1% decrease from February 2023. **Table 1** provides an overview of the March 2023 observations.

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

	Year-on-year inflation:	Month-on-month inflation:	Comments:
Cereals sub-index	-18.6	-5.6%	Month-on-month decrease in all cereals (wheat, maize, barley, sorghum and rice).
Sugar sub-index	+7.7%	+1.5%	Th sugar index reached its highest level since October 2016.
Dairy sub-index	-10.7%	-0.8%	Declining prices for cheese and milk powder, along with increasing butter prices.
Meat sub-index	-5.3%	+0.8%	Lower world prices for poultry meat offset by rising pork and bovine meat prices.
Oils sub-index	-47.7%	-3.0%	Despite higher palm oil prices, the declining oils sub-index was driven by lower prices for soy, sunflower and rapeseed oils.

Source: FAO, April 2023

**Figure 3** shows that food inflation was higher in South Africa than in Kenya, Zambia, USA, Brazil and China in March 2023. Declining food inflation rates have been observed for China, USA and Brazil while increasing food inflation rates have been observed for Zambia, Kenya and South Africa.



**Figure 3: International food inflation comparison**

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

## SECTION 5: Food inflation drivers and expectations

**Crop** prices are easing in the global market, underpinned by lower input and energy costs; however, this downturn in inputs, energy and crop prices is yet to filter into the local market given the weak exchange rate. Amongst other factors, drivers such as fuel prices and loadshedding are adding costs across the value chain and contributing towards food inflation. While the weakening of the exchange rate in the first quarter of 2023 has prevented lower international grain and oilseed prices from fully reflecting in the domestic market, local prices for maize and soybeans are expected to ease further based on expectations of a bumper summer crop. Some of this decline has already been observed in April. In anticipation of the surplus locally, maize and soybean prices are trading significantly below export parity, with maize declining fastest.

Given typical lag times for commodity price movements to reflect in retail food prices, this could provide some relief in food inflation numbers in the coming 3 to 4 months.

The **livestock and dairy** markets are experiencing a downturn in prices globally. International prices for poultry have been coming down steadily but the decline has been offset by the weaker Rand in the local market. The global dairy market is seeing a continued reduction in prices, as measured by the FAO Dairy Price Index. Prices were lower in March 2023 by 0.8% compared to the previous month and lower by 10.7% compared to the same time in 2022. The price drop was mainly driven by lower price quotations for cheese as a result of slower purchases by most leading importers in Asia, in combination with high inventories in leading export countries. In the local market, the increase in input costs continues to offset price gains in milk and dairy products. Further reductions in dairy production in South Africa are expected, resulting from increased input costs due to loadshedding, high feed costs and other supply chain disruptions. Also contributing to the decline in milk production is the lower demand for dairy products as consumer purchasing power is reduced with the increase in prices of other food products.

On the **meat** side, the decline in grain and oilseed prices is positive for the livestock industry through the relief in feed prices, but **beef** exports are still hampered by biosecurity issues resulting in depressed weaner prices. The extended period of high feed prices, combined with the biosecurity challenges, has led to reduced stocking and slaughter volumes through January and February were well below that of a year ago. Carcass prices are also down, which should reflect in retail prices in a few months' time. At retail level, dynamics differ amongst the various cuts – significant additional costs in the chain are being passed through more successfully for top-end cuts, where consumers are typically more affluent, while prices of lower priced cuts have come under more pressure. **Pork** prices have come down from December and January levels but are still higher than 2022 levels.

In the **vegetable** market, the 'lateness' of the season (caused by heavy rains over the summer has kept prices relatively high into March for especially potatoes, but producer prices have eased in April, which should result in lower consumer prices. Over the medium to longer term however, high input prices and loadshedding's impact on irrigation will put pressure on planted areas and supply volumes into the market. For **fruit**, retail prices will be determined by seasonality and other market forces at play. Prices for apples and pears are anticipated to increase in the latter part of the season with loadshedding and additional costs around electricity generation reducing the economic viability of storing fruit for out of season sales.

BFAP **expectations** are that food price inflation should ease in the second half of the year, as lower commodity prices start to filter through to the retail market and high base effects will also start to come into play from May onwards.

*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 19 April 2023 for the March 2023 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)