



Food inflation brief – October 2021

SUMMARY OF FOOD INFLATION METRICS – OCTOBER 2021:

Inflation on food and non-alcoholic beverages (NAB):

M-o-m: **+0.9%**

Y-o-y: **+6.1%**

Contribution to CPI headline inflation:

1.1 percentage points contribution to
CPI headline inflation of 5.0%

Food category contributions:

Food category	M-o-m % change:	Y-o-y % change:
Bread & cereals	+0.4%	+3.0%
Meat	+0.5%	+9.1%
Fish	+0.1%	+4.2%
Milk, cheese, eggs	+0.1%	+5.0%
Oils & fats	+1.7%	+20.9%
Fruit	+2.6%	-2.3%
Vegetables	+6.3%	+7.2%
Sugar & sugar-rich foods	+0.2%	+4.6%
NAB	+0.7%	+2.3%

Commonly purchased food items with high y-o-y inflation rates in October 2021:

Above 10% inflation:

Sunflower & Canola oil
Beef (Sirloin, Offal, Fillet)
Potatoes
Mutton/Lamb (Neck, Offal)
Pork (Chops, Ribs)
Super & special maize meal
Chicken (Frozen Portions)
Beans - dried
Baked beans - tinned

6% to 10% inflation:

Pork (Ham, Bacon, Fillet)
Tinned pilchards
Chicken giblets (neck, gizzards, hearts, etc)
Pasta
Beef (Corned beef, Brisket, T-bone, Chuck, Rump steak, Mince)
Brick margarine
Fish fingers - frozen
Stewing mutton/lamb
Peanut butter



THE BFAP THRIFTY HEALTHY FOOD BASKET (THFB)[#] October 2021: **R2 931/** **/month**

M-o-m change:
+R67 / +2.3%

Y-o-y change:
+R142 / +5.1%

Affordability*:
29.7% food expenditure share

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

[#] The BFAP Thrifty Healthy Food Basket (THFB) measures the cost of basic healthy eating for low-income households in the South African context. 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 an adult male, an adult female, an older child, 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 intake patterns.

LOOKING BACK AT 2021 FOOD INFLATION:

- After increasing steadily from 5.4% in January 2021 to 6.9% in August 2021, monthly year-on-year inflation on food & non-alcoholic beverages (NAB) decreased somewhat to +6.1% in October 2021.
- Food groups with high inflation during 2021 were consistently dominated by fats/oil, with high inflation also prominent for animal-protein foods (i.e. meat, dairy & eggs, fish).

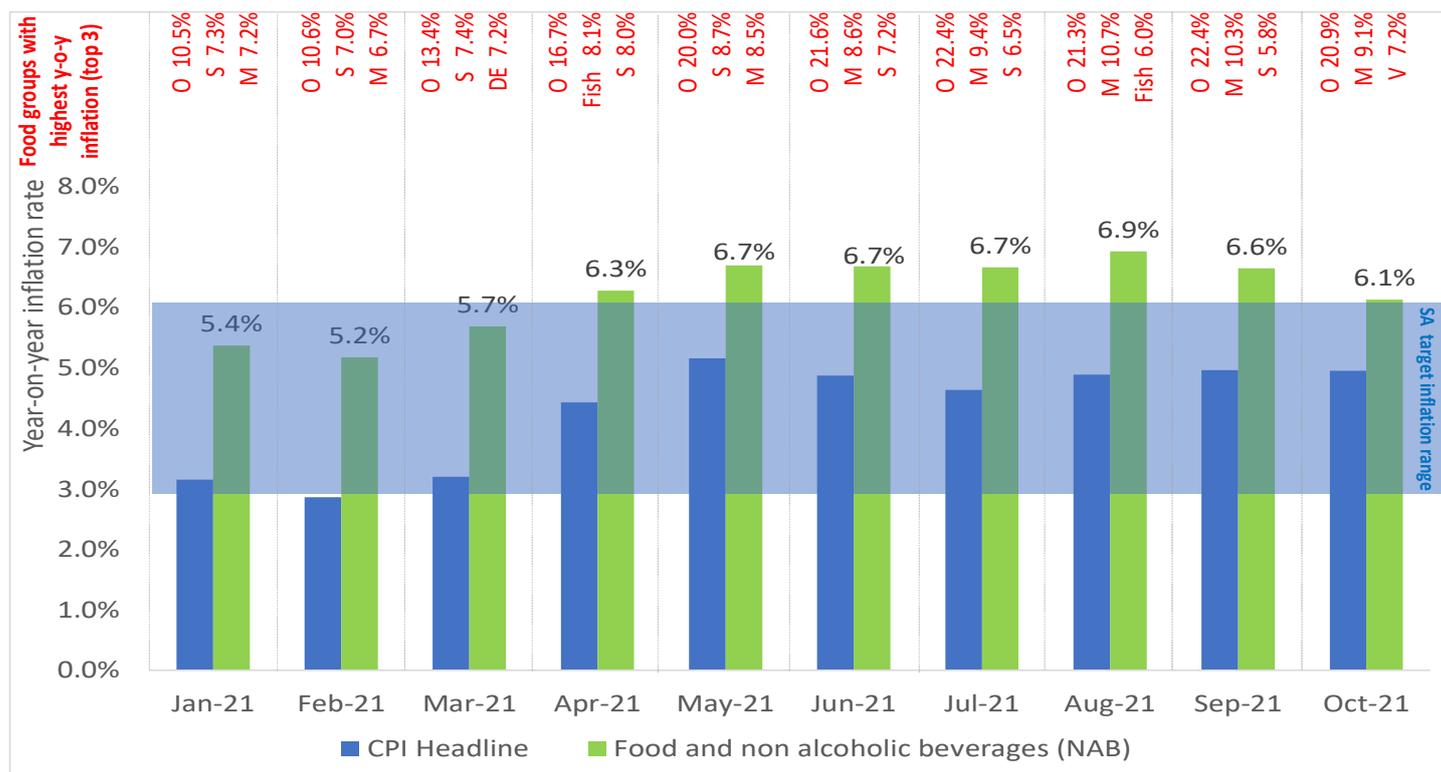


Figure 1: An overview of SA food inflation in 2021 (January to October) (Source: Stats SA CPI data)
(O=Fats/oils; S=Sugar-rich foods; M=Meat; V=Vegetables, DE=Dairy & Eggs)

FOOD INFLATION DRIVERS AND EXPECTATIONS:

Food inflation for October 2021 was recorded at 6.7% whilst food and NAB inflation came in at 6.1%, showing a slight moderation from September levels, where these two categories were recorded at 7% and 6.6% respectively. Most of the key factors driving inflation over the past months are still in play. For instance, although meat inflation has moderated to 9.1%, the growth in prices and its expenditure share in the CPI food basket still make it the largest driver of inflation over the past month. Market stakeholders are however reporting that producers are continuing with herd rebuilding, which constrains calf supply for feedlots. This, along with high input costs in the form of feed, has resulted in lower slaughter numbers, which in turn kept retail prices for meat at elevated levels compared to 2020. September 2021 slaughtering are around 3% lower compared to the corresponding time in 2020. It is expected that prices will remain firm but that inflationary rates for meat will ease off over the coming months. Other contributing factors such as high oils and fats have also been highlighted in our previous reports. The global factors leading to these high prices are still at play and it is expected to remain for the foreseeable future. This includes high demand for oilseeds used as feedstock for biofuel, strong growth in global energy costs, specifically crude oil prices, and supply constraints over the past year in key production areas around the globe. This is further exacerbated by sharp increases in shipping costs, which further drives up the cost of imported vegetable oils. Over the past month, there has also been a significant uptick in vegetable inflation. This is largely attributed to high potato prices as a result of low volumes during September and early October. Since then volumes have increased significantly and prices are now more than 30% lower compared to early October. It is expected that vegetable prices will continue to come down and as a result, also cause inflation for this group to trend lower for the rest of 2021.

Over the coming months, cost pressures in the rest of the value chain, such as increased manufacturing and distribution cost, are likely to limit the downward scope in food inflation. Here, movements in the ZAR/USD exchange rate and the prices of crude oil will be key to watch.

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.

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