



FOOD INFLATION BRIEF






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

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SUMMARY OF FOOD INFLATION METRICS – April 2023

		Year-on-year (YoY):	Month-on-month (MoM):	For more detail refer to:
Inflation: Food and non-alcoholic beverages (NAB)		+13.9%	+0.6%	Section 1 of this brief
CPI headline inflation:		+6.8%	+0.4%	
Contribution of inflation on food & NAB to CPI headline inflation:		2.4 percentage points	0.1 percentage points	
Food categories with highest inflation:		Vegetables Bread & cereals Dairy & eggs Fish Sugar NAB	Vegetables Dairy & eggs Fish Sugar	Section 2 of this brief
Food categories with lowest inflation:		Fruit	Fruit Oils & fats Meat	

Cost of the BFAP

Thrifty Healthy Food Basket:

(For more detail refer to Section 3)



R3 603/ /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

-19.7% YoY (↓ oils, cereals, dairy, meat)
+0.6% MoM (↓cereals, oils, dairy)

Exchange rate:



R / \$ exchange rate

Depreciation: R18.17/US\$1 (April 2023) vs R14.98/US\$1 (April 2022)

Rising fuel prices:



SA CPI index for 'Fuel': +5.0% 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:

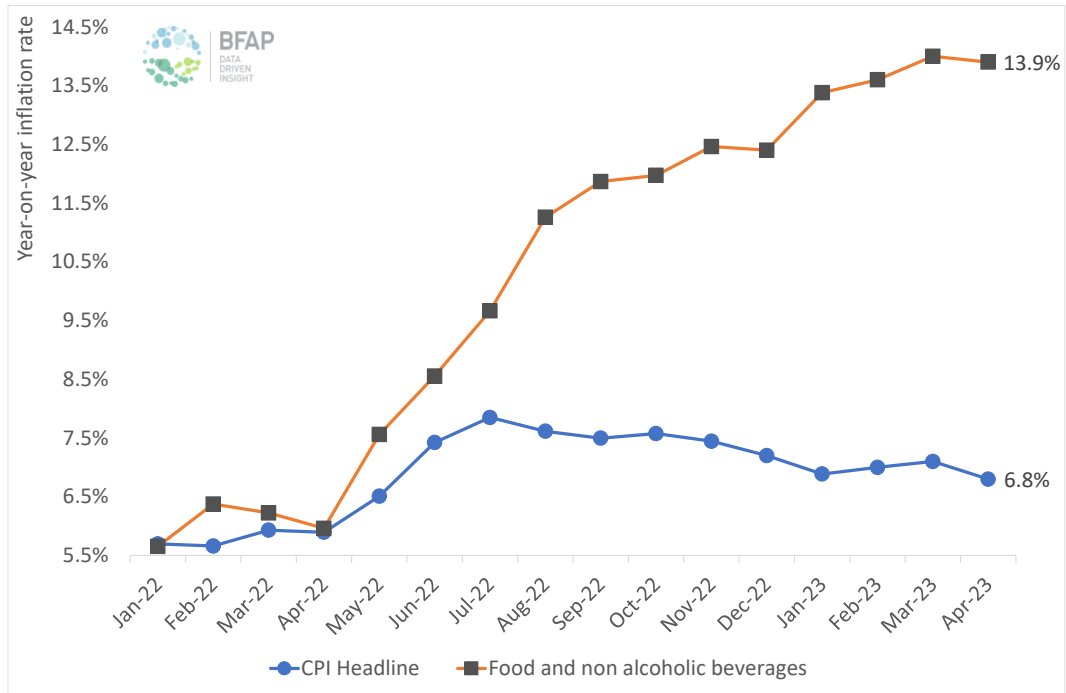


Figure 1: Year-on-year inflation 2022 & 2023 - CPI Headline and Food and non-alcoholic beverages

Source: Stats SA, May 2023

- CPI headline inflation decreased in April 2023, by 0.3 percentage points to 6.8% YoY.
- Food inflation, which has been rising for more than a year, decreased by 0.1 percentage points to 13.9%.

SECTION 2: The contribution of different food categories & food items to inflation:

Table 1: Year-on-year inflation on food categories (2022 annual average, January to April 2023)

Source: Stats SA, May 2023

Category:	YoY inflation:	MoM inflation:	Comments:
Vegetables	23.1%	2.2%	Highest YoY and MoM inflation among categories. ↑ trend in YoY inflation from Jan – April 2023.
Bread & cereals	20.8%	0.5%	2 nd Highest YoY inflation among categories. Higher YoY inflation rate than in March 2023.
Dairy & eggs	14.5%	1.5%	↑ trend in YoY inflation from Jan – April 2023. 2 nd Highest MoM inflation among categories
Fish	11.9%	1.0%	Higher YoY inflation rate than in March 2023.
Sugar & sugar-rich foods	10.7%	0.9%	↑ trend in YoY inflation from Jan – April 2023.
Non-alcoholic beverages	10.4%	0.8%	Higher YoY inflation rate than in March 2023.
Oils & fats	9.9%	-0.2%	↓ trend in YoY inflation from Jan – April 2023.
Meat	9.5%	0.0%	↓ trend in YoY inflation from Jan – April 2023.
Fruit	3.6%	-2.8%	Lower YoY inflation rate than in March 2023. Lowest MoM inflation among categories.

Table 2: Commonly purchased food items with high YoY inflation rates in April 2023

≥30%	≥20% up to <30%	≥10% up to <20%	DEFLATION
Onions, sweet peppers, carrots, spinach. Ham, beef (sirloin, fillet) Maize meal	Tomatoes, potatoes, beetroot, pumpkin, cabbage Pineapples, apples Pork chops, chicken giblets, bacon, corned beef Ceylon/black tea Wheat flour	Beef (rump, T-bone), pork (ribs, fillet), chicken (fresh portions), canned pilchards Milk, sour milk, cheddar cheese, yoghurt Canned baked beans White & brown bread, pasta Rooibos tea, coffee Fruit juice Sugar-rich foods Margarine	Rice Whole fresh chicken, mutton/lamb leg Papaya

SECTION 3: The BFAP Thrifty Healthy Food Basket (THFB)#



THFB – April 2023:

R3 603/  /month

Month-on-month change: +R38/ +1.1%

Year-on-year change: +R505 / +16.3%

Affordability*: 31.4% 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.

SECTION 4: International overview

The FAO Food Price Index (FPI), based on the prices of an international basket of food commodities, was 19.7% lower in April 2023 compared to April 2022. Following a 12-month index value decline from March 2022 to March 2023, the FAO FPI increased by 0.6% from March 2023 to April 2023. From a year-on-year perspective the highest inflation in April 2023 was reported for cereals (+4.9% YoY), followed by sugar (+3.7% YoY) and dairy (+1.4%) with deflation reported for meat (-0.9%) and oils (-24.5%).

Figure 2 shows that food inflation was higher in South Africa than in any of the selected countries save the EU in April 2023. Declining food inflation rates have been observed for all of these countries, though the decline is slower in South Africa than any of the other countries.

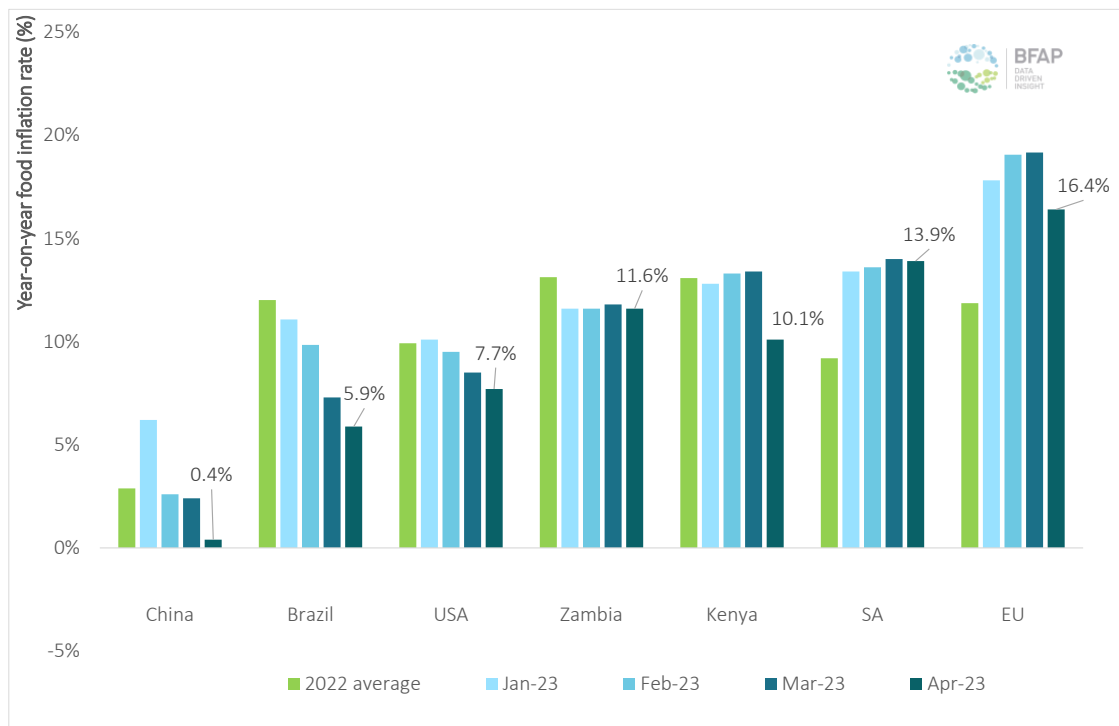


Figure 2: International food inflation comparison

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

SECTION 5: Food inflation drivers and expectations

Price trends in the global and local space remained largely unchanged in April 2023 compared to the previous month for most of the commodities covered in the brief. Crop prices continue to soften in the global market, backed by the easing of input and energy costs in combination with higher production. In the maize market, larger production is expected in the US, the EU and Argentina (USDA, 2023). Soybean production is also expected to expand by the largest amount in a decade in 2023, underpinned by higher yields in Argentina following the historic drought of the past season and area expansions in Brazil, putting downward pressure on prices globally (USDA, 2023). In the livestock markets, poultry and beef prices were marginally higher in April from March 2023, while lower feed prices are expected to provide buoyancy in production (USDA, 2023).

After peaking over R5300/ton in November 2022, white and yellow maize **grain** prices have declined sharply by approximately 30% and are now trading around R3600/ton. In combination with a much weaker exchange rate, South Africa is amongst the cheapest sources of maize globally, trading in dollar terms at \$190/ton compared to the US price of \$255/ton. With the latest crop estimate of 16.1 million tons and local demand estimated at 11.5 million tons, South Africa will have ample surplus of exportable maize for the coming marketing season and exports are already commencing. Furthermore, we anticipate that maize meal prices will decline over the coming three to four months as cheaper maize moves into the supply chain. However, the higher costs of transportation, processing and retailing due to loadshedding and crumbling road infrastructure will absorb some of the potential reduction in maize meal prices and we expect the farm-to-retail margin to increase over time.

Sunflower and soybean prices have followed global trends and have declined considerably since the beginning of the year. Apart from lower seed prices, much downward pressure is coming from the vegetable oil and meal market. South Africa is a net importer of **vegetable oils** (mainly palm oil) and global markets have plummeted to less than 50% of the levels that were reached in July 2022. Like maize, South African soybeans are trading significantly under export parity prices. Consequently, crushing plants are managing to process high volumes despite loadshedding and are offering considerable discounts on soybean meal, which is providing some relief to the intensive livestock industries, which are also severely impacted by loadshedding.

On the meat side, **beef** carcass prices have declined by around 8% since January and in May 2023 were more than 10% below May 2022 levels. Prices are expected to dip further in the next 3 months (mid-May to mid-July) due to seasonality, coupled with additional meat available in the market. This trend in lower prices will mainly impact cheaper cuts in the Northern parts of the country, where approximately 40% of consumption is situated. Beef prices will be dampened further by weak demand, with disposable incomes under increasing pressure. **Pork** prices have come down rapidly over the first 5 months of the year, falling by around 18% since January, but are still higher than May 2022 levels. For poultry, the price of IQF mixed portions (R/Kg) was higher on average by 20% in April 2023 compared to the same month in 2022. IQF prices have increased by 3% month-on-month following a marginal decline in the first two months of 2023. Owing to the prominence of imported products in total consumption, IQF prices are strongly influenced by international markets and exchange rate dynamics, with the sharp depreciation in the value of the Rand particularly influential in current price levels. The continued spread of Avian Influenza globally could bring additional price risks going forward.

In the **vegetable** market, prices remain higher than 2020 (COVID-19) levels backed by high-cost factors, specifically for potatoes. Onion prices in particular increased sharply, due to availability constraints following reduced area planted. Vegetable supplies in general have been tight through the first quarter of 2022 and with a significant share of production reliant on irrigation, persistent high levels of loadshedding could impact further on availability. For **fruits**, citrus prices will trend lower as the market approaches peak season and availability increases. Although citrus is mainly intended for export, the market will have more fruit marketed locally for the current season due to strict export conditions in the global market, implying higher class fruit in the domestic market than usual.

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 24 May 2023 for the April 2023 data).

Enquiries: Dr H Vermeulen (hester.v@bfap.co.za)

www.bfap.co.za