



FOOD INFLATION BRIEF






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

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SUMMARY OF FOOD INFLATION METRICS – June 2023

		Year-on-year (YoY):	Month-on-month (MoM):	For more detail refer to:
Inflation: Food and non-alcoholic beverages (NAB)		+11.0%	+0.5%	Section 1 of this brief
CPI headline inflation:		+5.4%	+0.2%	
Contribution of inflation on food & NAB to CPI headline inflation:		1.9 percentage points	0.1 percentage points	
Food categories with highest inflation:		Vegetables Sugar Bread & cereals Dairy & eggs NAB Fish	Sugar Dairy & eggs Fish NAB	Section 2 of this brief
Food categories with lowest inflation:		Oils & fats Fruit	Oils & fats Fruit Vegetables Meat	

Cost of the BFAP Thrifty Healthy Food Basket:
(For more detail refer to Section 3)



R3 582 /  /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

-20.9% YoY (↓ oils, cereals, dairy, meat)
-1.4% MoM (↓ sugar, oils, cereals, dairy)

Exchange rate:



R/\$ exchange rate

Depreciation of 18%: R18.71/US\$1 (June 2023) vs R15.81/US\$1 (June 2022)

Rising costs in value chain:



SA CPI index for 'Electricity & other fuels': +7.9% YoY
SA CPI index for 'Fuel': -8.3% YoY

Infrastructure challenges:



Persistent electricity loadshedding

SECTION 1: CPI headline and food inflation over time:

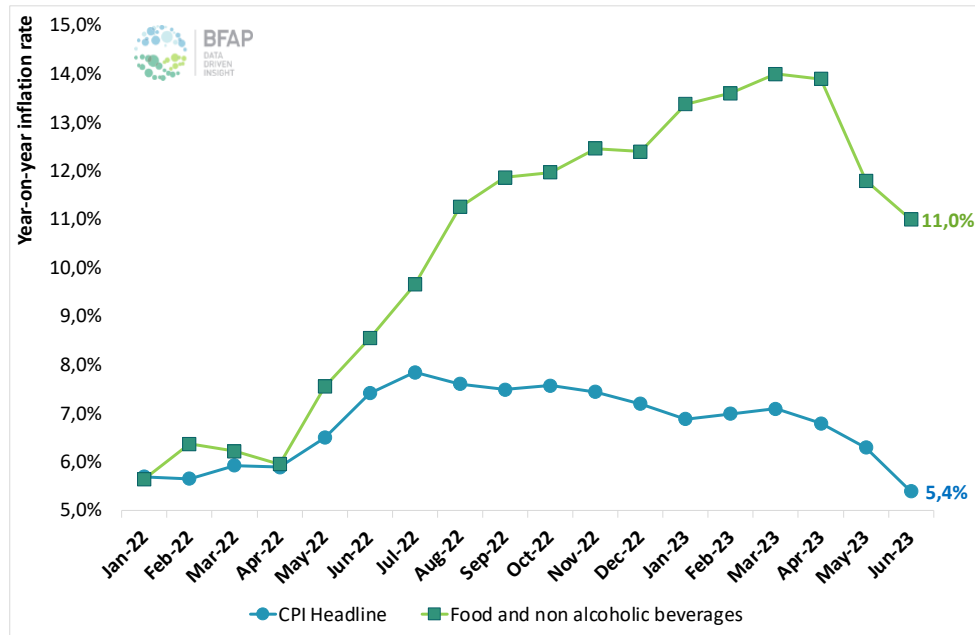


Figure 1: Year-on-year inflation 2022 & 2023 - CPI Headline and Food and non-alcoholic beverages

Source: Stats SA, July 2023

Following an eleven-month increase, inflation on food and non-alcoholic beverages dropped for a third month, to 11.0% - slightly lower than inflation levels last observed in August 2022.

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

Table 1: Inflation on food categories in June 2023

Source: Stats SA, July 2023

Category:	YoY inflation:	MoM inflation:	Comments:
Vegetables	20.9%	-0.2%	Highest YoY inflation among categories. Slightly higher YoY inflation rate than in May 2023.
Sugar-rich foods	16.4%	5.4%	Highest MoM inflation among categories. 2 nd Highest YoY inflation among categories. Higher YoY inflation rate than in May 2023.
Bread & cereals	15.5%	0.3%	3 rd Highest YoY inflation among categories. Lower YoY inflation rate than in May 2023.
Dairy & eggs	14.1%	1.4%	2 nd Highest MoM inflation among categories. Slightly lower YoY inflation rate than in May 2023.
NAB	9.6%	0.5%	Lower YoY inflation rate than in May 2023.
Fish	9.5%	1.0%	Lower YoY inflation rate than in May 2023.
Meat	6.1%	0.0%	Lower YoY inflation rate than in May 2023.
Fruit	1.2%	-0.4%	Higher YoY inflation rate than in May 2023.
Oils & fats	-9.5%	-1.9%	Lower YoY inflation rate than in May 2023.

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

≥30%	≥20% to <30%	≥10% to <20%	Deflation
<ul style="list-style-type: none"> Onions, potatoes, frozen potato chips, cauliflower 	<ul style="list-style-type: none"> Broccoli, sweet potatoes Samp Bacon, fresh whole chicken, chicken gIBLETS, corned beef Pineapple 	<ul style="list-style-type: none"> Baked goods, pasta, wheat flour, maize meal, hot cereals (porridge) Fresh chicken portions, ham, beef extract, fish fingers Milk, yoghurt, cheese, sour milk Peanut butter Oranges apples, papaya Spinach, cabbage, tomatoes, pumpkin, various frozen vegetables, carrots, mushrooms, various canned vegetables Canned baked beans White sugar, sugar-rich foods Ground coffee or coffee beans, tea, bottled water, fruit juice 	<ul style="list-style-type: none"> Rice Beef rump steak, brisket, chuck, sirloin, stew, offal Pork chops, ribs Mutton/Lamb rib chop, loin chop, leg, stew Sunflower oil (including canola oil) Avocados, lettuce

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



THFB – June 2023:

R3 582/  **/month**

Month-on-month change: -R32 / -0.9%

Year-on-year change: +R398 / +12.5%

Affordability*: 31.2% 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, based on the prices of an international basket of food commodities, was 20.9% lower in June 2023 compared to June 2022, showing a declining trend since April 2022. From a year-on-year perspective the highest inflation in June 2023 was reported for sugar (+29.7% YoY), while deflation was reported for oils (-45.3%), cereals (-23.9%), dairy (-22.2%) and meat (-6.4%).

Figure 2 shows that food inflation in June was higher in South Africa than in China, Brazil, USA and Kenya, but lower than food inflation in Zambia and the EU. Positively, South Africa seems to have now joined Brazil, the US and EU in a declining food inflation trend.

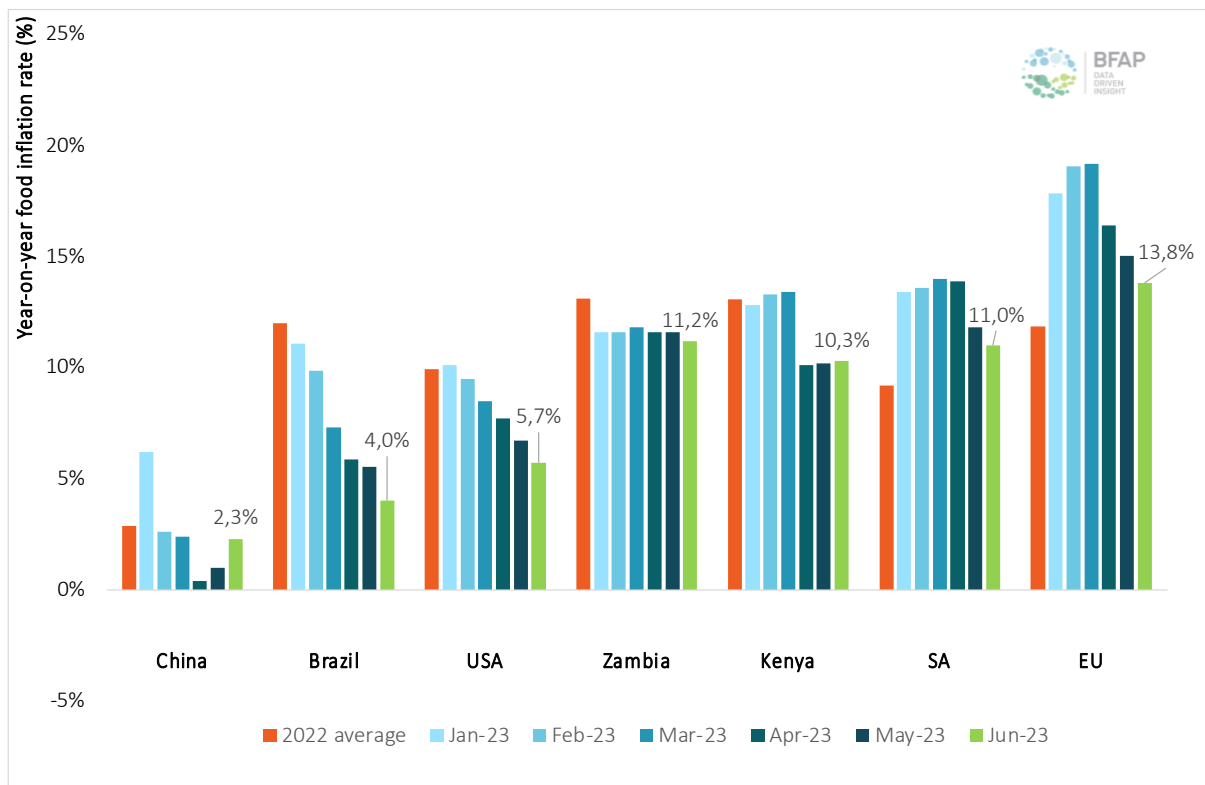


Figure 2: International food inflation comparison

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

SECTION 5: Food inflation drivers and expectations

Food prices continued to move lower (-1.7%) in June 2023 from May as indicated by the FAO Food Price Index. The FAO Cereal Price Index was also down by 2.7% month-on-month given a decline in world prices of major cereals. Coarse **grain** prices declined the most (-3.4%) with international maize prices dropping for the fifth consecutive month. On the other hand, the FAO Oilseed Index was up (0.3%), but remains well below its value in June 2022 (-45%). **Oilseed** prices were higher in June with higher soybean and canola prices more than offsetting lower prices for sunflower seed. Following a decline for three consecutive months, soybean prices have recovered since mid-June, stemming from excessively dry spells in major production regions in the US coupled with strong demand from the biodiesel industry. In the global **meat** market, the FAO Meat Price Index remained unchanged in June from May, as the increase in quotations for poultry and pork were offset by a decline in bovine and ovine (sheep meat) prices.

Considering global **energy and input costs**, input prices have finally reached their peak and actual prices have been moving lower. With the Rand at better levels compared to earlier in the year, further declines in input prices are likely over the next few months.

In the local **grains and oilseeds** market, maize (white and yellow) and soybean prices were slightly higher (3%, 3% and 2% respectively) after a consistent decline in the preceding months (Jan-May 2023) and despite a stronger exchange rate. Factors to look out for in the coming months that will likely affect the movements in commodity prices include 1) the termination of the Black Sea Grain Initiative by Russia as of 17 July 2023; 2) the likelihood of an El Niño Southern Oscillation (ENSO); and (3) the potential of a weakening exchange rate in coming months. Prices are still down on the **meat** side, with weaner calf prices showing the largest decline (-5%), followed by pork (-2%) and poultry (IQF pieces, -1%).

Interesting movements are observed in the fresh produce markets in South Africa for regularly consumed **vegetables**. Lower throughput of potatoes, onions and to a lesser extent tomatoes were recorded on the municipal markets for May 2023 compared to 12 months prior, while 5% more cabbage was sold on the 20 municipal markets. However, for June 2023, 24% more cabbage was sold, resulting in a price decrease from R3.20/kg to R2.81/kg. Tomatoes followed a similar trajectory, as volume on the market increased – both month-on-month and year-on-year. As a result of higher volumes and greater quantity on hand, tomato prices dropped by 23% in June 2023 compared to June 2022, and by 15% month-on-month. Interestingly enough, the value of tomatoes traded remained on par to June 2022 at R175 million, but 5000 tonnes (+29%) more were sold.

As has been discussed previously, exogenous factors contributed to onions' bullish run of the past year where prices remain high despite no major change in sales volumes. Considering the month of June in isolation, there are some indications of a slowdown and normalisation of prices over the next couple of months. The first indicator is that the quantity on hand – unsold volumes in a given week – has increased considerably in June 2023 compared to a month prior. The second indicator is that month-on-month, prices dropped by 20%, on average, although onions still sell at R11.10/kg compared to the R5.46/kg of June 2022.

In contrast to the downward price movements observed on cabbage, tomatoes, and onions, the potato sales prices on the municipal markets rose above R7/kg in June 2023, which is 59% higher than a year ago and 15% higher than a month ago. These price movements come as similar volumes to a year ago and a month ago were sold on the market. The quantity on hand was 25% lower in June 2023 than 12 months prior, which is indicative of produce moving faster through the markets, despite no indications of larger volumes. If historic trends are anything to go by, potato prices should start declining no later than September 2023.

If consumers aren't observing similar trends in the supermarkets, it could be the result of contracted prices with direct suppliers being upheld or that supermarkets are recovering some incurred costs before passing the applicable savings on to consumers.

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 in July 2023 for the June 2023 data).

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