



FOOD INFLATION BRIEF






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

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SUMMARY OF FOOD INFLATION METRICS – October 2023

		Year-on-year (YoY):	Month-on-month (MoM):	For more detail refer to:
Inflation: Food and non-alcoholic beverages (NAB)		+8.7%	+1.5%	Section 1 of this brief
CPI headline inflation:		+5.9%	+0.9%	
Contribution of inflation on food & NAB to CPI headline inflation:		1.6 percentage points	0.3 percentage points	
Food categories with highest inflation:		Vegetables Sugar Dairy & eggs Bread & cereals Fruit NAB Fish	Vegetables Fruit Dairy & eggs Fats & oils Sugar NAB Meat	Section 2 of this brief
Food categories with lowest inflation:		Oils & fats Meat	Bread & cereals Fish	

Cost of the BFAP

Thrifty Healthy Food Basket:

(For more detail refer to Section 3)



R3 643 /  /month

Indicators for selected factors affecting food prices in South Africa:

(For more detail refer to Sections 4 & 5)

Global food commodity price



FAO Food Price Index

-10.9% YoY (↓ dairy, oils, cereals, meat; ↑ sugar)
-0.5% MoM (↓ sugar, cereals, oils, meat; ↑ dairy)

Exchange rate



R/\$ exchange rate

Depreciation of 5.1%: R19.05/US\$1 (Oct 2023) vs R18.12/US\$1 (Oct 2022)

Rising costs in value chain



SA CPI index for:

'Electricity & other fuels': +15.2% YoY; +0.1% MoM

SA CPI index for 'Fuel': +11.2% YoY; +6.5% MoM

Infrastructure challenges



Persistent electricity loadshedding

SECTION 1: CPI headline and food inflation over time:

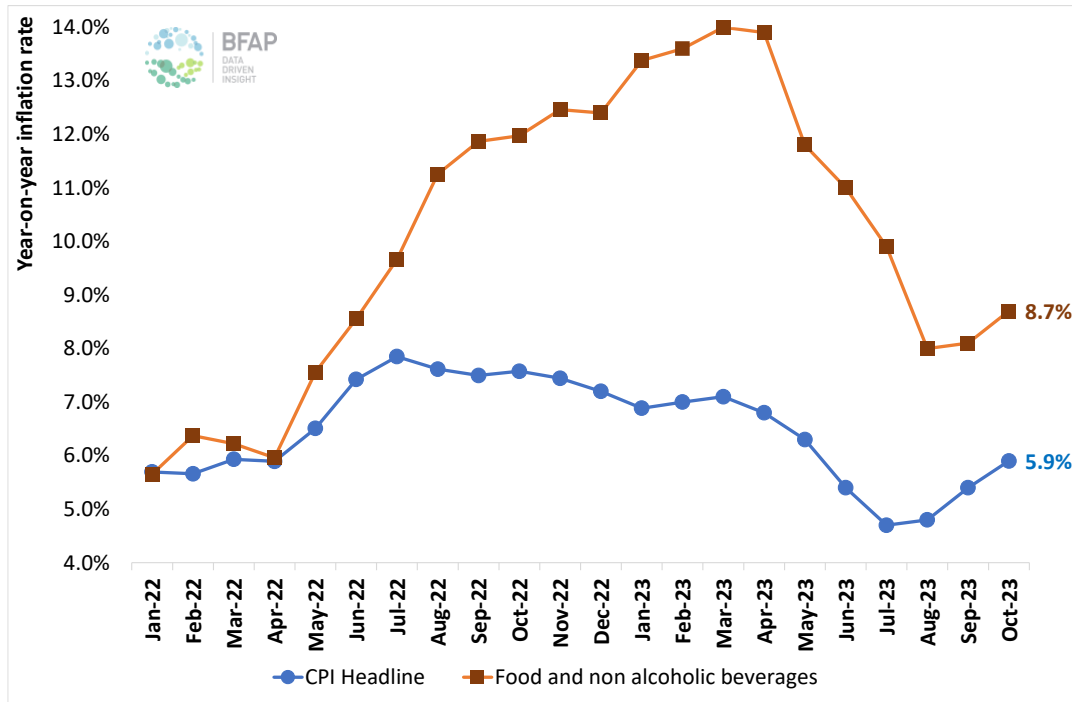


Figure 1: Year-on-year inflation 2022 & 2023 - CPI Headline and Food and NAB

Source: Stats SA, October 2023

- Following five months of declining food inflation, the food inflation rate in October 2023 was 0.6 percentage points higher than in September 2023 –in line with levels last observed June 2022.

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

Table 1: Inflation on food categories in October 2023 (Source: Stats SA, October 2023)

Category:	YoY inflation	MoM inflation	Comments:
Vegetables**	23.6%	7.1%	Highest YoY and highest MoM inflation among categories.
Sugar-rich foods	17.6%	0.9%	2 nd Highest YoY inflation among categories.
Dairy & eggs**	12.4%	2.5%	3 rd Highest YoY inflation & 3 rd highest MoM inflation among categories
Bread & cereals*	8.8%	0.3%	-
Fruit**	8.5%	5.8%	2 nd highest MoM inflation among categories
NAB*	8.4%	0.8%	-
Fish*	7.7%	0.1%	-
Meat*	3.4%	0.6%	-
Oils & fats**	-5.6%	1.3%	-

*Lower YoY inflation rate than in previous month; ** Higher YoY inflation rate than in previous month.

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

≥30%	≥20% to <30%	≥10% to <20%	Deflation
<ul style="list-style-type: none"> Potatoes, sweet potatoes, broccoli, cauliflower. Papaya, bananas. 	<ul style="list-style-type: none"> Rice, instant noodles, frozen potato chips. Polony. Onions, pumpkin. Sugar. Tea. Whiteners, soup powder. 	<ul style="list-style-type: none"> Fresh chicken portions, chicken giblets, hake, fish fingers, bacon. Cucumber, spinach. Apples, pears. Fruit juice, coffee, maize based food drink, Rooibos tea, mineral water. Condensed milk, yoghurt, powdered milk, Gouda cheese, Feta cheese. Peanut butter, canned baked beans. Sugar-rich foods. Baking powder, chutney. Vinegar, instant yeast. 	<ul style="list-style-type: none"> White bread. Beef (offal, sirloin, rump steak, fillet, mince, brisket, stew, chuck, T-bone). Mutton/lamb (rib chops, neck, leg, stew). Fresh whole chicken, eggs. Lettuce, beetroot, canned mixed vegetables. Pineapple. Fresh cream. Plant oil.

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



THFB – October 2023:

R3 643/  **/month**

Month-on-month change: **+R67 / +1.9%**

Year-on-year change: **+R341 / +8.4%**

Affordability*: **31.7% food expenditure share**

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 food inflation overview

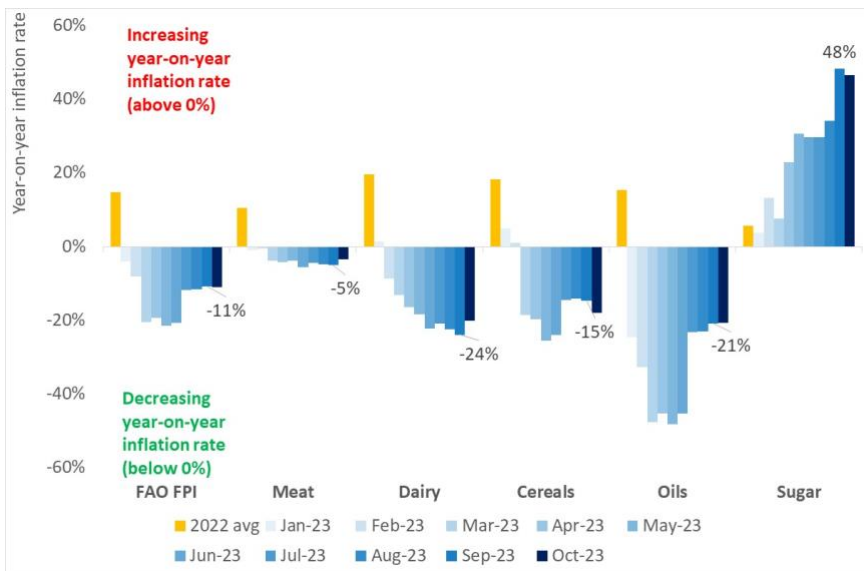


Figure 2: The FAO Food Price Index (Source: FAO, 2023)

- In September 2023, *the FAO Food Price Index (FPI)* reached a value of 120.6, similar to index values last observed in March/April 2021 – 10.9% lower than a year ago (Figure 2) and 0.5% lower than in September 2023.
- From January to September 2023 the FAO FPI and the sub-indices for meat, dairy, cereals and oils had consistently negative YoY inflation rates (Figure 2) – with the most negative deflation for October 2023 observed for dairy and oils followed by cereals.

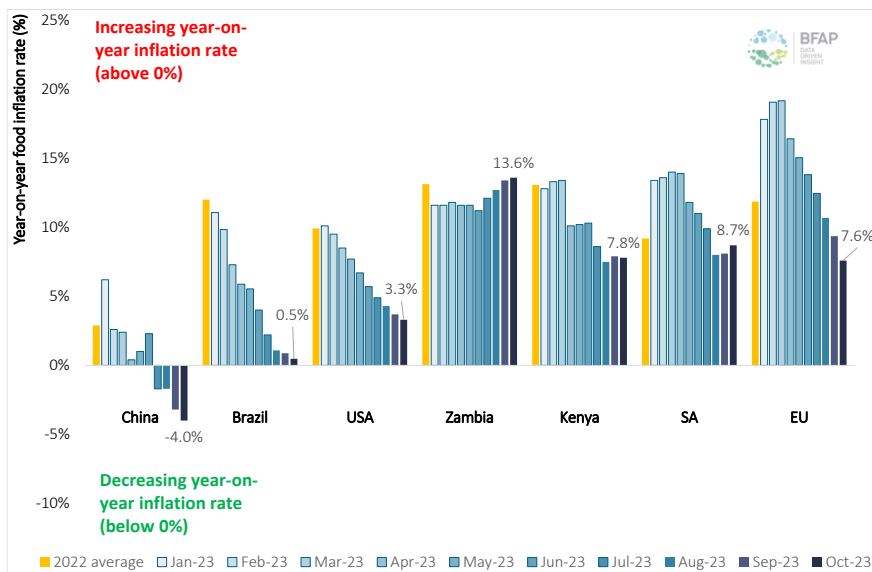


Figure 3: International food inflation comparison

(Source: Official food inflation figures of the various countries / regions reported by national statistical agencies)

Figure 3 shows that:

- In October 2023, the highest YoY food inflation among the countries presented in Figure 3 was in Zambia, South Africa, Kenya and the EU.
- Food inflation in South Africa was higher than in China, Brazil, USA, Kenya and the EU.
- China, Brazil, USA and the EU have experienced declining food inflation trends since January 2023.
- Following declining trends since March, small increases in food inflation were reported for Zambia and South Africa for October 2023.

SECTION 5: Food inflation drivers and expectations

In October 2023 year-on-year inflation for food and non-alcoholic beverages (NAB) was mainly driven by inflation on bread and cereals, vegetables and dairy products, followed by meat, NAB, as well as sugar and sugar-rich foods. Global food commodity prices, which the FAO Food Price Index (FFPI) measures monthly, were marginally down (-0.5%) in October from September and lower by 10.9% compared to the same period in 2022. Lower price indices for sugar, cereals, vegetable oils and meat supported the decline in food commodity prices in September.

Cereals:

The FAO Cereal Price Index was pushed lower (-1.0%) due to a reduction in global wheat prices (-1.9%) stemming from higher supplies in the USA than initially anticipated along with strong export competition. Conversely, international quotations for coarse grains were marginally higher (0.6%) with increased maize prices driven by diminishing supplies in Argentina. The price increase, however, was largely capped by strong export competition from Brazil combined with higher seasonal supplies from the US amid the harvest.

In the domestic grains market, South Africa produced a bumper crop in 2023, which has already been harvested and hence prices are largely driven by global dynamics given respective trade positions, along with the exchange rate. Maize prices increased month-on-month (yellow maize 1.5% and white maize 3.7%). Looking ahead, there is concern that El Niño conditions might impact prospects for the crop currently being planted. Any potential impact on food prices will only be several months from now and is dependent on how the weather plays out over the next few months. Although farmers in the Eastern production regions have made good progress with most of their plantings, there are areas in the Western production regions that have not received sufficient rain. There remains a planting window of approximately 4 weeks for maize and sunflower planting intentions to materialise in these Western production regions. However, the time for planting soybeans is rapidly diminishing. The local wheat price was lower (-6.8%) in October reflecting global market trends despite a weaker exchange rate.

Vegetables:

In the local vegetable market, 44% of the R754.5 million vegetable revenue generated in October 2023 at the Johannesburg fresh produce market was from potato sales. Consequently, any comparison of total vegetable sales on the market would be largely driven by potatoes. With a 24% reduction in potato volumes, due to the impact of loadshedding on the ability to irrigate, and a year-on-year change in the unit price for October of 209% (R10.30/kg in 2023 compared to R3.33/kg in 2022), the market's turnover also increased substantially. When removing potatoes from the total, the average market price for vegetables sold on the Johannesburg fresh produce market is only 4% higher in October 2023 than the same month a year ago, but still 22% higher when comparing 2023 year-to-date (Jan-Oct) with the same period in 2022. While some of the price volatility can be absorbed, or smoothed out, at the retail level, the year-on-year increases are more likely to already be reflected in consumers' baskets.

From a supply perspective it appears that there is an interplay between potatoes and onions and that the supply of the two commodities is a consequence of production decisions based on historic market prices. While the unit price for onions year-to-date is 53% higher than a year ago – R8.36/kg for 2023 compared to R5.48/kg in 2022, prices have dropped significantly over the last couple of months. With an increase of 18% in volumes sold on the market, the prices recorded for October 2023 on the Johannesburg fresh produce market dropped to R4.55/kg, compared to R9.31/kg at the same time last year. As the volatility in the supply of potatoes and onions is expected to normalise somewhat over the coming months, prices are expected to return to longer term averages.

For other major vegetable commodities, year-on-year increases in the October prices are recorded for tomatoes (+67%) and peppers (+11%), while the price of carrots (-19%) and cabbage (-9%) dropped. Despite the declines recorded in October for carrots and cabbage, the year-to-date prices are still higher than a year ago, aligning with the average trend observed on the market.

Meat:

The FAO Meat Price Index declined in October by 0.6% from September, underpinned by a reduction in pig meat prices (-3.7%) given high exportable supplies in the global market and low import demand, specifically

from East Asian countries. Prices for other meat types including poultry, bovine and ovine meats followed an upward trend (by 1.3%, 0.5% and 0.4%, respectively). In the poultry market, prices were pressured by supply constraints given the prolonged period of high feed costs and the continued avian flu outbreaks in leading producing countries (i.e. EU and USA), while consumer demand was firm as poultry meat remained affordable relative to other meat types. Persistent strong import demand kept bovine and ovine meat prices on an upward trend, countering abundant supply levels (Australia and Brazil- bovine, Oceania- ovine) for both meat types.

Locally, poultry and beef prices matched to global dynamics, while the contrary was observed for pork and sheep meat. Poultry prices were up across product types - the price for fresh whole birds increased by 5%, followed by frozen whole birds increasing by 4%; IQF pieces were only up slightly at 0.05%. Egg prices have shown larger increases (by 5% for half a dozen and 11% for 18) amid the Avian Influenza (AI) outbreak compared to chicken meat prices. This reflects the fact that South Africa is already a significant importer of chicken meat and so imports could ramp up fairly efficiently when domestic supplies came under pressure due to AI. Price differences in the respective products are also indicative of lower income consumers, who tend to buy IQF pieces, not being able to absorb additional increases, as well as the relative affordability of chicken compared to alternatives such as pork. Furthermore, ramping up egg imports is significantly more complicated than is the case for chicken. Pork prices were up by 7.0% in October with the exchange rate offsetting a lower price globally, and domestic supplies weaker after a prolonged period of high feed prices that were not matched by concomitant pork price increases. Beef prices were also on the upturn albeit with a small percentage (0.6%), while weaner prices were lower compared to the previous month (-1.4%). Local demand for beef remains low due to economic pressures, however the holiday season does typically bolster demand somewhat, while demand for exports is expected to increase bringing some relief for beef farmers who faced flat prices over most of the past year.

Sugar:

International sugar prices for October declined month-on-month (-2.2%) but were still 46.6% higher than a year ago. The downturn in prices was mainly driven by good production prospects in Brazil despite heavy rains affecting sugarcane harvesting, which delayed crushing in the first half of the month, and port bottlenecks limiting exports. Concerns about tighter global supply remain, with drought induced lower production in India and Thailand.

Vegetable oils:

Global vegetable oil prices dipped slightly (-0.7%) in October from September resulting from lower palm oil prices due to soft import demand and seasonally higher output. Prices for other vegetable oils were higher, with upward pressure resulting from strong demand by the biodiesel sector in the US (soy), strong import demand for sunflower and reductions in canola crop production expectations in Canada. By contrast, domestic oilseed prices declined (sunflower seed -1.3% and soybeans -3.1%), despite higher international prices and the exchange rate. Following successive bumper crops, the soybean market is well stocked, maintaining a net export position with prices moving at export parity. This implies that soyabean crushing margins remain positive and local crushers are offering considerable discounts (as much as R3000/ton) below import parity prices to feed mills. To the contrary, sunflower crushing margins are under considerable pressure with vegetable oil prices that have declined rapidly and sunflower meal prices coming under pressure from large supplies of soya meal. Hence, we anticipate sunflower prices to remain subdued for the near future.

Various pressure factors:

As it stands, factors beyond the control of farmers are driving production costs up, resulting in greater volatility in volumes presented to the market. A weaker Rand, which affects the cost of imported inputs such as fuel and fertiliser, together with the persistent pressure of loadshedding remains the major driver of heightened input cost, influencing farmers' enterprise (crop) and production decisions, while also driving up costs through the value chain.

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 November 2023 for the October 2023 data).

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