



FOOD INFLATION BRIEF

This Brief provides an overview of food inflation dynamics, its associated causes, and the cost of basic healthy eating for January 2024.

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SUMMARY OF FOOD INFLATION METRICS – January 2024

		Year-on-year (YoY):	Month-on-month (MoM):	For more detail refer to:
Inflation: Food and non-alcoholic beverages (NAB)		+7.2%	+0.6%	Section 1 of this brief
CPI headline inflation:		+5.3%	+0.1%	
Contribution of inflation on food & NAB to CPI headline inflation:		1.3 percentage points	0.1 percentage points*	
Food categories with highest inflation:		Sugar Dairy & eggs Vegetables Fruit NAB	Fruit Meat Sugar Vegetables Fish	Section 2 of this brief
Food categories with lowest inflation:		Oils & fats Meat Fish Bread & cereals	Dairy & eggs Oils & fats NAB Bread & cereals	

*Month-on-month inflation on food and miscellaneous items were offset by negative inflation on transport.

Cost of the BFAP

Thrifty Healthy Food Basket:

(For more detail refer to Section 3)



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Indicators for selected factors affecting food prices in South Africa:

(For more detail refer to Section 4)

Global food commodity prices



FAO Food Price Index

-10.4% YoY (↓cereals, dairy, oils, meat; ↑ sugar)
-1.0% MoM (↓ cereals, meat; ↑ sugar, dairy, oils)

Exchange rate



R/\$ exchange rate

Depreciation of 10.0%: R18.79/US\$1 (Jan'24) vs R17.09/US\$1 (Jan'23)

Rising costs in value chain



SA CPI index for:

'Electricity & other fuels': +15.2% YoY; 0.0% MoM
'Fuel': -5.2% YoY; +3.3% MoM

Infrastructure challenges



Persistent electricity loadshedding

SECTION 1: CPI headline and food inflation over time:

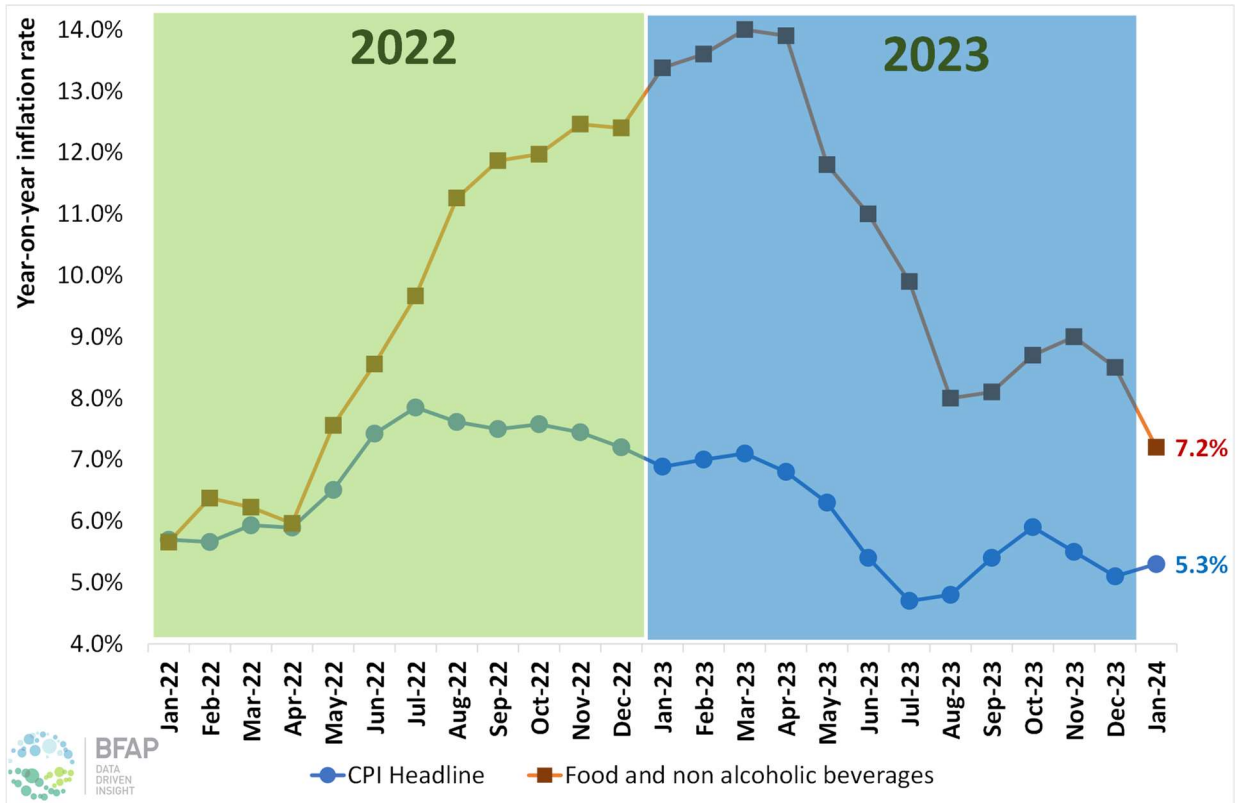


Figure 1: Year-on-year inflation 2022, 2023 & January 2024 - CPI Headline and Food and NAB

Source: Stats SA, January 2024

- Following a three-month increasing trend (from August 2023 to November 2023), year-on-year inflation on food and NAB decreased from 9.0% in November 2023 to 7.2% in January 2024, in line with levels last observed in April / May 2022.

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

Table 1: Inflation on food categories in January 2024 (Source: Stats SA, February 2023)

Category:	YoY inflation	MoM inflation	Comments:
Bread and cereals*	6.5%	0.5%	-
Meat*	2.2%	0.9%	2 nd highest MoM inflation among categories.
Fish*	4.4%	0.6%	-
Dairy & eggs*	13.0%	-0.2%	2 nd Highest YoY inflation among categories.
Oils and fats	-5.3%	0.2%	-
Fruit*	10.2%	1.4%	Highest MoM inflation among categories.
Vegetables*	12.6%	0.7%	3 rd Highest YoY inflation among categories.
Sugar-rich foods**	18.5%	0.9%	Highest YoY inflation and 2 nd highest MoM inflation among categories.
Non-alcoholic beverages*	8.1%	0.4%	-

*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 January 2024

≥30%	≥20% to <30%	≥10% to <20%	Deflation
<ul style="list-style-type: none"> Sweet potatoes, potatoes. Oranges. Ceylon/black tea. 	<ul style="list-style-type: none"> Rice, frozen potato chips, instant noodles. Broccoli, pumpkin. Avocados, pears, apples, papaya, bananas. Eggs. Whiteners. Sugar. Instant coffee. 	<ul style="list-style-type: none"> Beetroot, tomatoes. Pineapple. Frozen fish fingers, frozen hake, corned beef. Condensed milk, Gouda cheese, Cheddar cheese, powdered milk, yoghurt. Peanut butter, canned baked beans. Rooibos tea. 	<ul style="list-style-type: none"> White bread. Lettuce, spinach, onions. Beef (chuck, mince, T-bone, stewing meat, brisket, fillet, rump steak, sirloin). Pork (fillet, ribs, chops). Mutton/Lamb (neck, leg, rib chop, stewing meat). Sunflower & canola oil.

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



THFB – January 2024:

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Month-on-month change: **+R3.37 / +1.2%**

Year-on-year change: **+R337 / +7.4%**

Affordability*: **32.5% 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: Drivers and expectations

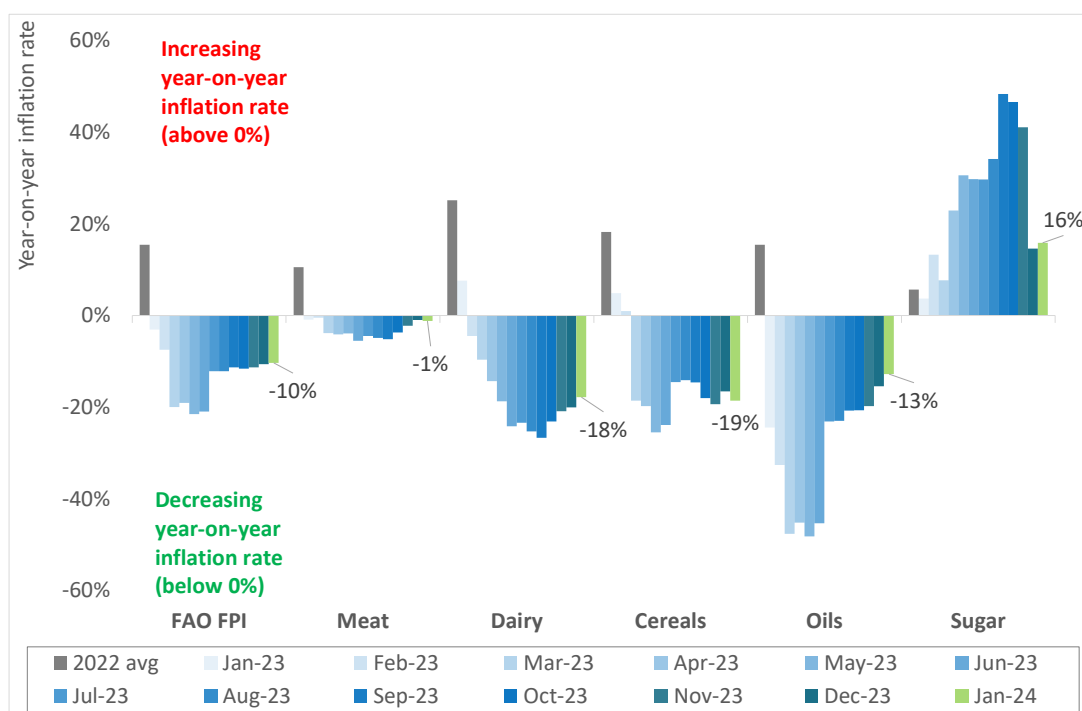


Figure 2: The FAO Food Price Index (Source: FAO, 2024)

The dip in the Index registered in January 2024 was primarily driven by lower prices for cereals and meat. On the other hand, there was a slight increase in the sugar (0.8%) and vegetable oils (0.2%) indices, while the dairy index remained unchanged. From January 2023 to January 2024 the FAO FPI and the sub-indices for meat, dairy, cereals and oils had consistently negative YoY inflation rates (Figure 2) – with the most significant deflation for January 2024 observed for cereals, dairy and oils.

Sugar price movements are attributable to slow progress in the new season and unfavourable production forecasts in major producing countries (e.g. Thailand, and India). The price increase was, however, capped by ample supply from the recently completed harvest in Brazil and lower profits from Brazil's ethanol sales, along with the weakening of the Brazilian real versus the US dollar.

The FAO **Cereal** Price Index dipped by 2.2% month-on-month (MOM) and 18.6% year-on-year (YOY). These movements were mainly driven by the decline in prices across most cereal types- maize, wheat, barley, and sorghum. In the maize market, prices softened due to higher exports from the United States and Argentina, underpinned by increased supplies due to expectations of a record maize crop and large stocks in the USA, as well as the commencement of the harvest amid improved crop conditions in Argentina. The local grains market has seen prices ease as lower prices in the international market countered a weaker exchange rate. Maize prices were down in January from December (white by

- In January 2024, the FAO Food Price Index (FPI) reached a value of 118.0, similar to index values last observed in February/March 2021.
- The FPI registered a marginal decline (-0.9%) in January 2024 compared to the previous month and was lower by 10.4 % YoY.

-9.9% and yellow by -9.2%). Despite the El Niño conditions, the season got off to a reasonably good start. Rainfall started later than usual but was then consistent in most regions of the country except for the North-West province, where drier conditions at the beginning of the season led to low soil moisture and delays in planting. Good rains in early January bolstered soil moisture, leading to good crop conditions in the eastern parts of the country. The latest data released by the Crop Estimate Committee is indicative of a marginal increase in the maize area planted (2.0%) compared to 2023.

Production prospects remain reasonable, but exceptionally warm conditions through February are having a major impact. In some key production regions in the West, severe crop damage due to the drought and high temperatures has already occurred. The next ten days (last week February – first week March) will be crucial in determining the size of the summer crop. The CEC will release its first production estimate for 2024 at the end of February, but maize production is expected to be lower than in 2023. With a domestic maize consumption requirement of approximately 12 million tons and ample carryover stocks from the 2023 season, we are still anticipating that the maize crop will be sufficient to keep maize prices closer to export parity levels, which implies that consumers will be paying approximately 20% less for their maize meal compared to a scenario where South Africa does not produce sufficient maize, and maize prices increase to import parity levels. (NAMC, 2024).

Global **oilseed** prices have declined across soybean and canola markets, resulting in a similar trend (reduction) in the respective vegetable oil markets, where prices were up marginally (0.2%) as the decline in soy and canola oils prices were offset by higher palm and sunflower oil prices. Amongst factors driving the upswing in sunflower oil prices are tensions in the Red Sea region through the surge in freight rates. Import demand for sunflower oil, especially from India, the world's largest importer (mainly from the Black Sea region through the Red Sea), is expected to decline in the coming months as buyers switch to cheaper alternatives. In the domestic oilseed market prices for both sunflower seed (-7.8%) and soybeans (-7.4%) were lower in January. While soybean prices aligned with international trends, sunflower seed prices moved contrary to the global market dynamics.

We are anticipating a much tighter supply and demand balance for the local soybean industry in the current season (2024/25) compared to 2023/24, where a record crop of 2.7 million pushed South Africa to full self-sufficiency (even in the coastal markets) and South Africa exported almost 600 000 tons of soybeans. Any crop below 2.3 million tons would lift soybean prices above export parity to a level of the derived price from soybean meal and soybean oil.

The area planted to sunflowers increased by 10% year on year, suggesting that a reasonable crop can be expected, even if yields are lower. Similarly to maize, below-normal rain and low soil moisture in the western parts of the country have led to delays in sunflower seed plantings, while the impact of excessive heat without rain on yields remains a concern.

International **meat** prices declined for the seventh consecutive month, reflecting lower prices for poultry (-4.4%), pork (-0.9%) and beef (-0.2%). The poultry market was under pressure given weak demand and ample export supply in the global market. For pork, prices were pressured by low import demand from China, given sufficient domestic production in tandem with abundant supply from other producers in the world market. Beef prices decreased due to increased exports from Oceania and South America. Beef exports are projected to move up by 1% to 12.1 million tons in 2024, driven by increased shipments by leading exporters Brazil and Australia due to ample production and strong global demand. The main factor supporting this surge is robust U.S. import demand, fuelled by declining domestic beef production. In the sheep meat market, a decrease in the number of sheep available for slaughter (because farmers kept animals for longer due to recent rains) and high demand for imports globally caused sheep meat prices to rise (2.0%) internationally.

South African meat prices were in line with global prices across all meat types. The prices for poultry (using Individual Quick Frozen (IQF) as benchmark) were down by -1.3%, beef (the average price for an A2/A3 carcass) down by 1.5% and pork (-10.3%) were lower in January 2024 compared to December 2023 as demand weakened following the festive season although we may see a rebound in local demand and prices as Easter approaches. Poultry prices reflect sufficient domestic supply of meat despite the impact of Avian Influenza through the latter half of 2023, with weekly slaughters now back to normal and additional supply through imports. Ample imports of fertile eggs to keep day old chick supply consistent aided in achieving sufficient supply.

Retail **egg** prices were slightly cheaper (-1.6%) for a tray of 6 eggs and 0.4% for a tray of 18 in January 2024 from December 2023 levels. However, prices were still above those recorded for January 2023 given that supply is still constrained following widespread culling of layer hens in the latter half of 2023 due to Avian Influenza. Estimates suggest that up to 22% of the commercial layer flock was culled, but the retraction in prices suggests that supply is starting to recover, albeit slowly. In the red meat market, beef prices were under pressure in January while the price of sheep meat was marginally higher (1.0%). The conclusion of the bilateral trade agreement with Saudi Arabia for exports of high value cuts and the resumption of exports to China (largely forequarter cut) signals that the industry could experience growth in the demand for these meat types over the coming months.

Fresh produce sales on domestic municipal markets declined in value to R1.91 bn in January 2024, a decline of 9.3%, which corresponds with an increase in volumes (by 2.7%) compared to the previous month. **Vegetables** contributed 61% of these sales, with the remaining share attributed to fruits. Considering the movements in the respective categories, vegetable sales were down in quantity and value while the opposite was true in the case of fruits. Looking into average prices, the price for both fruits and vegetables has increased year-on-year from R9.50/kg to R10.16/kg (7.5%) and R6.60/kg to R6.65/kg (1.2%), respectively. Lower volumes were registered for potatoes (-4.9%), onions (-6.7%), and tomatoes (-1.8%) compared to December 2023, with an increase of 8.5% for cabbage sales. Potato prices stabilised in the first 5 weeks of the year.

On the **fruit** side, the market sold quantities beneath the January 2023 levels in January 2024, for apples (-1.0%) and bananas (-21.3%), while higher volumes were registered for pears (30.6%). This expansion in local pear sales is related to the pear harvest that started slightly earlier this year and major issues at the Cape Town port. On a month-to-month basis the market saw increased quantities of apples (37.0%) and bananas (41.6%), with significantly higher volumes for pears (358.2%), albeit from a low base. Seasonality of produce plays a major role in the month-on-month increase. Local fruit and vegetable prices are likely to ease in the coming months with increased volumes for some seasonal products if there are improvements in some supply constraints experienced in the previous year (i.e. potatoes).

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 February 2024 for the January 2024 data).

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