



FOOD INFLATION BRIEF






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

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SUMMARY OF FOOD INFLATION METRICS – December 2023

		Year-on-year (YoY):	Month-on-month (MoM):	For more detail refer to:
Inflation: Food and non-alcoholic beverages (NAB)		+8.5%	-0.1%	Section 1 of this brief
CPI headline inflation:		+5.1%	+0.0%	
Contribution of inflation on food & NAB to CPI headline inflation:		1.5 percentage points	0.0 percentage points	
Food categories with highest inflation:		Fruit Meat Fish	Sugar Vegetables Dairy & eggs Fruit NAB Bread & cereals Fish	Section 2 of this brief
Food categories with lowest inflation:		Vegetables Oils & fats Dairy & eggs Bread & cereals	Oils & fats Meat	

Cost of the BFAP

Thrifty Healthy Food Basket:

(For more detail refer to Section 3)



R3 695 /  / month

Indicators for selected factors affecting food prices in South Africa:

(For more detail refer to Sections 4 & 5)

Global food commodity prices



FAO Food Price Index

-10.1% YoY (↓cereals, dairy, oils, sugar, meat)
-1.5% MoM (↓ sugar, oils, meat; ↑ dairy, cereals)

Exchange rate



R/\$ exchange rate

Depreciation of 8.0%: R18.67/US\$1 (Dec'23) vs R17.28/US\$1 (Dec'22)

Rising costs in value chain



SA CPI index for:

'Electricity & other fuels': +15.2% YoY; 0.0% MoM

'Fuel': -2.5% YoY; -2.7% MoM

Infrastructure challenges



Persistent electricity loadshedding

SECTION 1: CPI headline and food inflation over time:

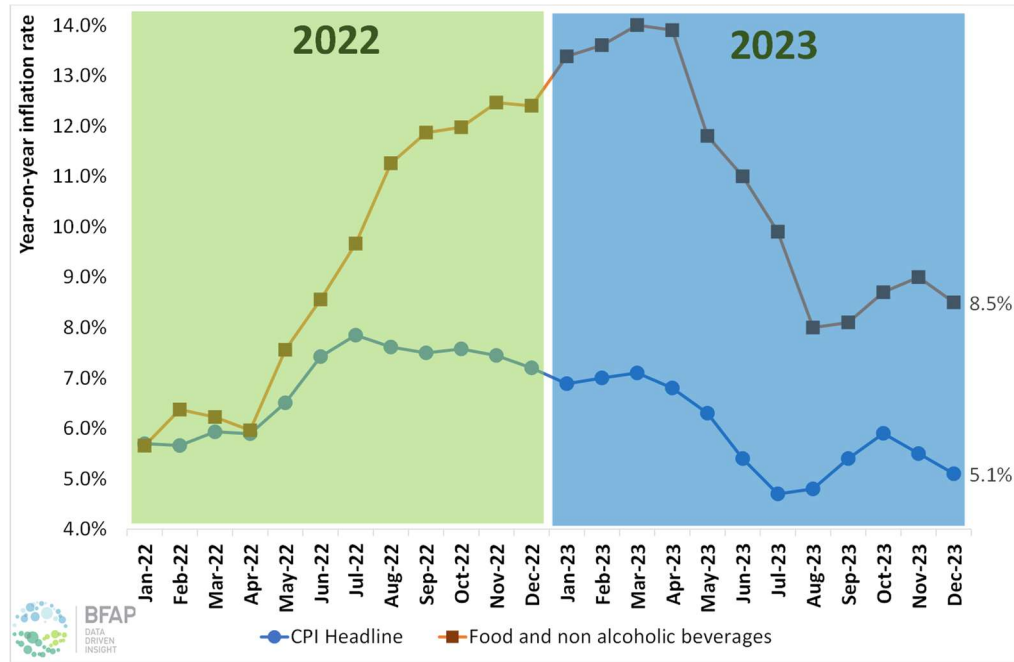


Figure 1: Year-on-year inflation 2022 & 2023 - CPI Headline and Food and NAB

Source: Stats SA, December 2023

- 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 8.5% in December 2023 – in line with levels last observed in June 2022.
- Despite persistently high food inflation, CPI Headline inflation showed further recovery from 5.9% in October 2023 to 5.1% in December 2023. However, inflation on key manufacturing cost drivers remains high.

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

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

Category:	YoY inflation	MoM inflation	Comments:
Bread and cereals*	7.5%	-0.2%	-
Meat**	3.9%	0.9%	2 nd highest MoM inflation among categories.
Fish**	6.9%	0.6%	3 rd highest MoM inflation among categories.
Dairy & eggs**	14.5%	-0.2%	3 rd Highest YoY inflation among categories.
Oils and fats*	-5.9%	-1.1%	-
Fruit**	11.6%	2.1%	Highest MoM inflation among categories.
Vegetables*	17.5%	-3.5%	2 nd Highest YoY inflation among categories.
Sugar-rich foods*	17.9%	0.1%	Highest YoY inflation among categories.
Non-alcoholic beverages*	8.5%	0.1%	-

*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 December 2023

≥30%	≥20% to <30%	≥10% to <20%	Deflation
<ul style="list-style-type: none"> • Potatoes, sweet potatoes, pumpkin. 	<ul style="list-style-type: none"> • Rice, instant noodles, frozen potato chips. • Cauliflower. • Bananas, oranges, papaya, pineapple. • Eggs, frozen hake. • Ceylon tea, instant coffee. • Sugar. 	<ul style="list-style-type: none"> • Beetroot, broccoli, mushrooms. • Apples, pears. • Fresh chicken portions, frozen fish fingers. • Gouda cheese, condensed milk, Cheddar cheese. • Canned baked beans, peanut butter, peanuts. • Fruit juice. • Soup powder. 	<ul style="list-style-type: none"> • White bread. • Canned mixed vegetables, onions, cucumber, lettuce, spinach. • Avocados. • Beef (Sirloin, fillet, rump steak, T-bone, brisket, offal, mince, chuck, stew), mutton/lamb (stew, neck, leg). • Fresh cream. • Plant oils.

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



THFB – December 2023:

R3 695/  **/month**

Month-on-month change: -R6.46 / -0.2%

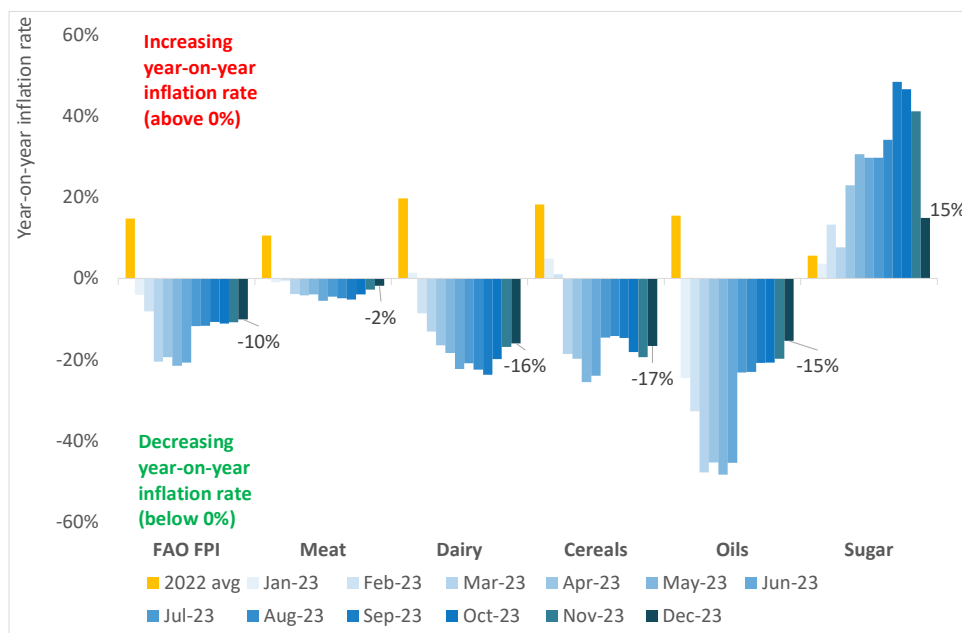
Year-on-year change: +R338 / +8.3%

Affordability*: 32.1% 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

- In December 2023, the **FAO Food Price Index (FFPI)** (measuring the monthly change in international prices of a basket of five food commodity groups: cereals, meat, dairy, oils and sugar [2014-2016 average base year = 100]), reached a value of 118.5, similar to index values last observed in February/March 2021.
- Year-on-year change in FFPI? 10.1% lower than in December 2022.
- Month-on-month change in the FFPI? 1.5% lower than in November 2023.



- From January to December 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 December 2023 observed for cereals, dairy and oils.
- Despite consistent positive inflation on the sugar sub-index during 2023, sugar inflation has been slowing down significantly since September 2023.

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

SECTION 5: Drivers and expectations

International **sugar** prices fell 16.6% month-on-month marking the largest drop over the entire year (2023). Prices were pushed down by robust production in Brazil, supported by favourable weather and international prices during the harvesting season (November) which boosted sugarcane crushing following disruptions (harvesting and crushing) earlier in the season thus also increasing exportable sugar supplies. Strong exports from Brazil partly driven by reduced returns from ethanol sales, contributed to the overall decrease in global sugar prices. Despite the recent decrease, the average Sugar Price Index closed 26.7% higher in 2023 compared to 2022.

The **Vegetable Oil** Price Index was slightly down (-1.4%) in December after a brief spike in November, pushed down month-on-month by lower global prices across palm, soy, rapeseed, and sunflower seed oils due to weak import demand amid seasonally lower production. International soy oil prices were down by more than 3% resulting from soft demand from the biodiesel sector in tandem with improved weather conditions in Brazil. Vegetable oil prices were significantly lower (32.7%), on average, in 2023 compared to 2022 due to higher global supplies, thus prices reached the lowest level in three years. In the local grains and oilseed market, sunflower seed prices moved higher (2.4%) month-on-month in line with the global trend. Soybean prices dipped in December (-2.6%), corresponding to softer soybean and soybean oil prices in the international market. When comparing the average price in 2023 to 2022, sunflower seed and soybean prices were lower by 13.2% and 3.3% respectively, largely driven by dynamics in the world market. In the soybean market, successive bumper crops in South Africa supported higher stock levels, which kept prices at export parity levels.

Global **meat** prices fell in December 2023 from the previous month, underpinned by lower pig, bovine and poultry prices due to persistently weak imports (Asia) and significant exportable supplies. In contrast, ovine meat prices were on a rebound supported by strong demand ahead of the festive season and reduced supplies in Oceania as rains eased pressure for offloading animals for slaughter. The FAO Meat Price Index dropped by 3.5% in 2023 from 2022 as lower import demand from major meat-importing nations (i.e. China and the USA) and increased exportable supplies (i.e. Brazil and the USA) weighed down on the annual average prices for bovine, poultry, and ovine meat types. Domestic market trends were contrary to that observed internationally, with most local meat prices higher in December. This is often the case, due to strong festive season demand. Poultry prices showed only a slight increase of 0.2%, despite lower world prices. Despite challenges with delays in port, imports increased sufficiently that no shortages were observed, despite the substantial impact of the Avian Influenza outbreak that reduced the national flock. Amid high prices given increases in the past few months, demand may also have been softer than normal in December. In the red meat industries, beef carcass prices showed an upward improvement with a 4.4% increase amid higher demand due to the festive season as well as the reopening of the Chinese market (exports to China resumed in October after closing in May of 2022 due to foot and mouth disease). In contrast, demand for sheep meat remains low amid challenging economic times. The pork industry is the only industry that was faced with an opposing trend to that of the rest of the meat types, with pork prices lower (-3.4%) in December.

The FAO **Cereal** Price Index registered an increase (1.5%) in December. In the wheat market, export prices strengthened stemming from logistical disruptions due to bad weather in some major exporting regions as well as tension in the Red Sea region over the last two months affecting shipping from the Black Sea region amid strong demand. Similarly, maize prices were backed by logistical constraints in Ukraine and concerns over Brazil's second crop plantings. Like the world market, grain prices were moving on a positive trajectory in the South African market, with price increases for maize (yellow 5.7% and white 5.2%) and wheat (0.1%). Given strong surpluses in maize production in recent years, domestic prices are largely driven by world market dynamics and the exchange rate. Predictions of a strong El Nino and late onset of rains in the summer production regions did raise initial concerns as to the size of the 2024 crop, but most areas were planted, albeit a bit late, and better conditions through January have improved market sentiment. Despite the increase in December, prices for cereal commodities were marginally low on average in 2023 compared to 2022.

In the global **dairy** market, prices rose (1.6%) in December 2023, underpinned by higher quotations for butter, whole milk powder (WMP) and cheese. Strong regional sales in Western Europe ahead of the holiday season amid supply tightness despite rising seasonal deliveries led to growing prices for butter and cheese. Increased import demand from the Near East provided additional support for cheese prices, while WMP prices were driven by global import demand. In 2023, The FAO Dairy Price Index was 16.6% below the 2022 value due to flat import demand. In the national dairy market, available data (until September 2023) shows that price indices for unprocessed (raw) milk increased in 2023, reflecting higher producer prices. In addition, the price index for raw milk as produced on farms was significantly higher compared to the indices of processed milk (fresh and UHT) and dairy products (yoghurt, pre-packaged cheese and maas). In 2023, the demand for most dairy products was modest as consumers were under pressure due to higher prices of consumer goods and services. The demand for dairy products determines the demand for raw milk, therefore although raw milk demand was low, the price of inputs (i.e. electricity and/or feed) increased resulting in a spike in the raw milk price to keep supply at the same level as demand.

In terms of **vegetables and fruit**, 2023 was a very interesting year on the domestic market. Total sales on the domestic municipal markets were valued at R24.55 bn, which is a 21% year-on-year increase. In terms of volume, a decline of 9% was observed, resulting in just north of 3 million tons of fresh produce sold, of which 74% were vegetables and 26% fruit. Factors exogenous to farm-level are believed to have played a major role in this decrease in supply, with the

concerns around the ability to irrigate optimally amid persistent loadshedding and the generally high input cost environment amplifying risks at farm level, resulting in a decline in area planted. This impact was further accentuated by reduced yields, due to sub-optimal irrigation. Given the sensitivity to lower volumes, it is no surprise that prices increased more than the decrease in volume, generating more value from lower volumes. On average, the prices of all fruit sold on the domestic municipal markets increased year-on-year from R7.53/kg to R9.50/kg – an increase of 26%. The increase observed over the same period was even more dramatic for vegetables, with a year-on-year increase from R5.61/kg to R7.64/kg (+36%). Potato, onion, and tomato sales represent half of all fresh produce market sales in 2023, and for the first time since 2009, these staple vegetables, on average, were more expensive than the average for all other vegetables, with an average year-on-year increase of 45%, compared to the 13% for all other vegetables.

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 January 2024 for the December 2023 data).

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