



FOOD INFLATION BRIEF






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

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SUMMARY OF FOOD INFLATION METRICS – February 2024

		Year-on-year (YoY):	Month-on-month (MoM):	For more detail refer to:
Inflation: Food and non-alcoholic beverages (NAB)		+6.1%	+0.0%	Section 1 of this brief
CPI headline inflation:		+5.6%	+1.0%	
Contribution of inflation on food & NAB to CPI headline inflation:		1.1 percentage points*	0.0 percentage points	
Food categories with highest inflation:		Sugar Dairy & eggs Vegetables NAB	NAB Bread & cereals Dairy & eggs Sugar	Section 2 of this brief
Food categories with lowest inflation:		Oils & fats Meat Fish	Fruit Vegetables Meat Oils & fats	

*Major contributing sectors: 'Housing & utilities' and 'Food & NAB', followed by 'Transport'.

Cost of the BFAP

Thrifty Healthy Food Basket:

(For more detail refer to Section 3)



R3 734 /  / month

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

-10.5% YoY (↓cereals, dairy, oils, meat; ↑ sugar)
-0.7% MoM (↓ cereals, oils; ↑ sugar, meat, dairy)

Exchange rate



R/\$ exchange rate

Depreciation of 6.1%: R19.00/US\$1 (Feb'24) vs R17.90/US\$1 (Feb'23)

Rising costs in value chain



SA CPI index for:

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

'Fuel': +5.4% YoY; +3.0% MoM

Infrastructure challenges



Persistent electricity loadshedding
Port challenges

SECTION 1: CPI headline and food inflation over time:

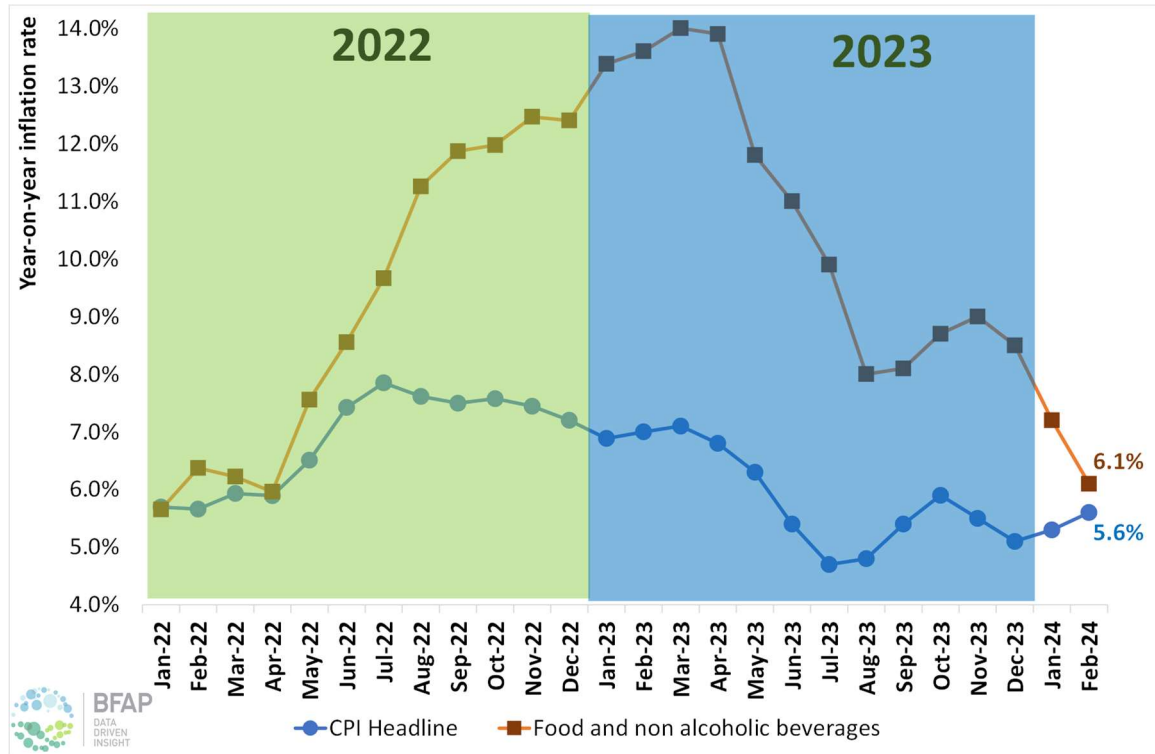


Figure 1: Year-on-year inflation 2022, 2023 & 2024 (up to February) - CPI Headline and Food and NAB
Source: Stats SA, February 2024

Following a three-month increasing trend (from August 2023 to November 2023), year-on-year inflation on food and NAB continued to decrease from 9.0% in November 2023 to 6.1% in February 2024, in line with levels last observed in March / April 2022. CPI headline inflation has however been increasing from 5.1% in December 2023, to 5.6% in February 2024.

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

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

Category:	YoY inflation	MoM inflation	Comments:
Bread and cereals*	6.1%	0.9%	Highest MoM inflation among categories.
Meat*	1.5%	-0.5%	-
Fish*	3.2%	0.2%	-
Dairy & eggs*	12.0%	0.4%	2 nd Highest YoY & MoM inflation among categories.
Oils and fats**	-5.2%	0.0%	-
Fruit*	5.9%	-2.7%	-
Vegetables*	9.4%	-1.7%	3 rd Highest YoY inflation among categories.
Sugar-rich foods	18.5%	0.4%	Highest YoY inflation & 3 rd highest MoM inflation among categories
NAB*	7.5%	1.0%	-

*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 February 2024

≥30%	≥20% to <30%	≥10% to <20%	Deflation
<ul style="list-style-type: none"> Papaya, oranges. Potatoes. Rice. 	<ul style="list-style-type: none"> Pears. Broccoli, sweet potatoes frozen potato chips. Eggs. White & brown sugar. Ceylon/black tea, instant coffee. Whiteners. 	<ul style="list-style-type: none"> Apples. Instant noodles. Canned baked beans, dried beans, peanuts, peanut butter. Frozen hake & fish fingers. Sour milk, Gouda cheese. Fruit juice. 	<ul style="list-style-type: none"> White bread, cereals/porridge, pasta. Pork (bacon, chops, ribs). Beef (brisket, chuck, fillet, mince, rump steak, sirloin, T-bone, stew). Mutton/lamb (leg, neck, offal, rib chops, stew). Cabbage, sweet peppers, lettuce, spinach, onions, tomatoes, canned mixed vegetables. Sunflower & canola oil.

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



THFB – February 2024:

R3 734/  **/month**

Month-on-month change: -R3.24 / -0.1%

Year-on-year change: +R343 / +4.5%

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

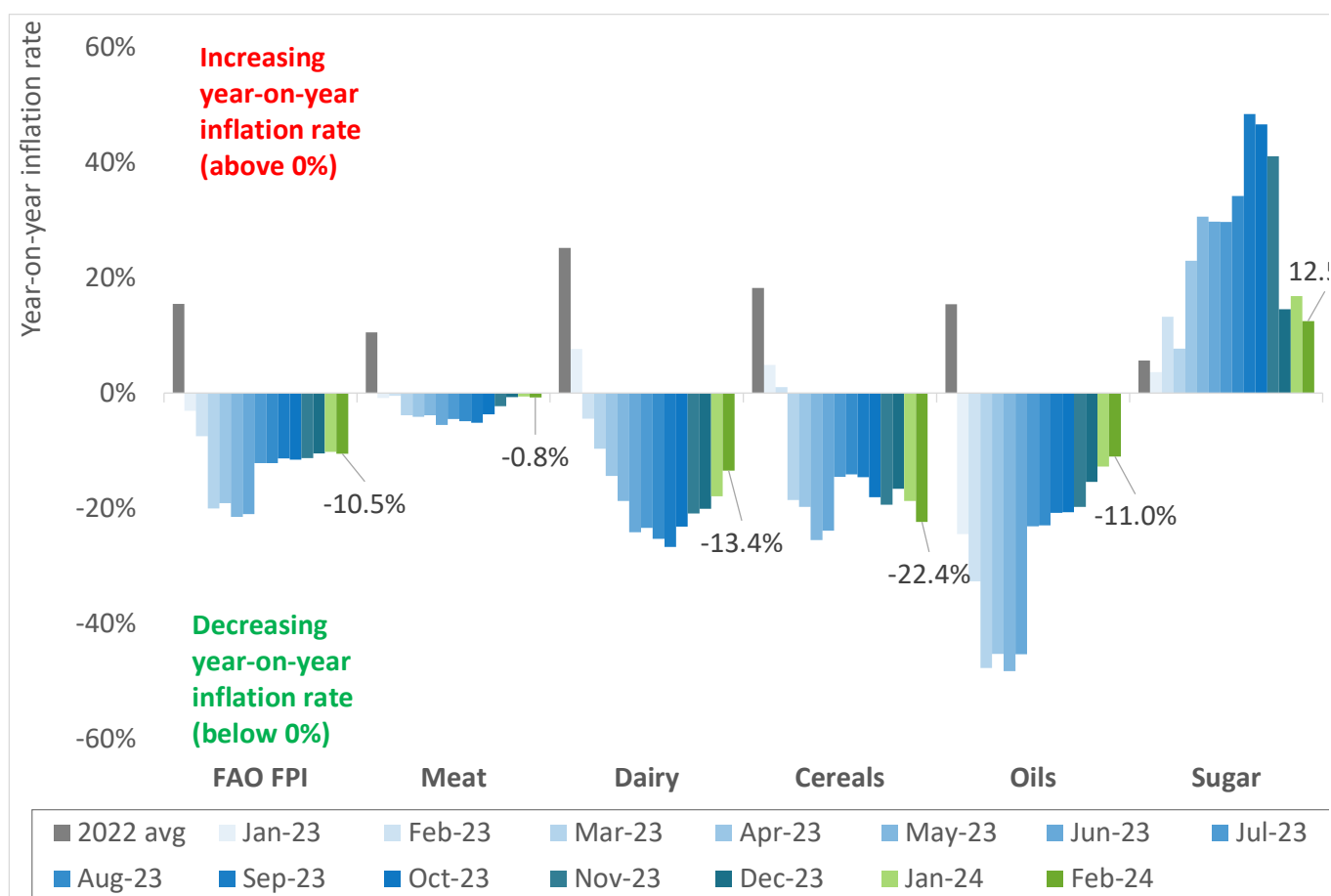


Figure 2: The FAO Food Price Index (Source: FAO, 2024)

In February 2024, the FAO Food Price Index (FPI) reached a value of 117.3, similar to index values last observed in February/March 2021. The FPI registered a marginal decline (-0.7%) in February 2024 compared to the previous month and was lower by 10.5 % YoY. The decline is attributed to the decline in price indices for cereals (-5.2%) and vegetable oils (-1.3%), which outweighed increases in sugar, meat, and dairy product prices.

World **sugar** prices increased (3.2%) month-on-month on persistent concerns about Brazil's crop being affected by a prolonged drought in combination with prospects of lower output in major exporting countries - Thailand and India. Improved rainfall conditions in Brazil's main growing regions in late February in tandem with the weakening of the Brazilian real versus the US dollar moderated the rise in global sugar prices.

The Cereal Price Index decreased on the back of a decline across all major **cereals**. In the maize market, export prices were pushed down by competitive price offerings in Ukraine implemented to make the most of the efficient maritime trade channels, as well as the anticipation of sizeable harvests in Argentina and Brazil. Using Argentina and Brazil's export prices (FOB) as a reference, international maize prices dipped by 7.6% and 13.1% respectively.

Contrary to international prices, domestic maize prices were up in February by 9.5% for white maize and 3.2% for yellow maize, driven by a weaker exchange rate and concerns about the current maize crop. The first production forecast released by the Crop Estimates Committee (CEC) at the end of February already showed an anticipated decline of 12.6% in the total maize crop of 14.5 million tons compared to 16.4 million tons in the previous season. Intense heat and dry conditions, which are induced by the current *El Nino* climatic pattern, continued in March and white maize futures prices consequently spiked by a further 21% in March as the market anticipated an even smaller crop. Yellow maize prices also increased by 11% but have since started trading sideways as futures prices are approaching import parity levels in coastal areas. The second crop estimate was released on 26 March, which puts the total white and yellow maize harvest at 13.2 million tons. With total domestic demand in the feed and human consumption market estimated around 12 million tons per annum, it implies that South Africa will have sufficient maize to meet its local requirements. Furthermore, we are entering this season with a carry-over stock of 2.3 million tons, which implies South Africa will be able to export white maize to its traditional neighbouring export markets. However, due to *El Nino*, shortfalls in mainly white maize in Southern African regional markets () are rising rapidly due to anticipated major crop failure in Zimbabwe and the Southern parts of Zambia. Consequently, we expect white maize to continue to trade at a significant premium above yellow maize. Furthermore, taking recent increases in white maize prices into account, we anticipate that maize meal prices could rise by more than 10% within the next two to three months.

International **oilseed** prices reflected a downturn in the prices of soybeans, sunflower and canola from the previous month, transmitting a decline in vegetable oil prices. In February, the FAO Vegetable Oil Price Index was down by 1.3% from the previous month and by 11.0 % year-on-year. Soybean oil price changes were driven by ample production amid favourable harvesting conditions in South America while sufficient produce for export drove prices of sunflower and rapeseed oils. On the other hand, palm oil prices were firm due to seasonally lower production in major producing regions of Southeast Asia. Significant increases in canola and sunflower oil supply have somewhat offset the lower palm oil production in Southeast Asian countries. In recent weeks, palm oil prices have been considerably firmer and have commanded price premiums over sunflower and canola oil.

Local oilseed prices contracted in February from January 2024 levels backed by softer international prices, despite exchange rate movements. However, like maize, oilseed prices have started rising in March as the market is becoming more concerned about the availability of stocks for processing. Sunflower prices have posted the biggest increases, jumping by more than R1000/ton (12%) since the beginning of March. In fact, sunflower prices are now trading higher than the derived price for meal and vegetable oil, which implies vegetable oil imports will most likely increase soon. The latest CEC figures estimate the soybean crop at 1.8 million tons, compared to the previous season of 2.7 million tons. Soybean prices have already increased above export parity and we anticipate that South Africa will only export small volumes of soybeans compared to almost 600 000 tons of export last season.

Global **meat** prices recovered by 1.8% in February, following a decline over seven consecutive months. Poultry prices showed an upturn (4.0%) due to revived demand from leading importing countries. Bovine prices increased (3.0%) because of lower-than-expected supply from Australia, brought on by severe rains that interfered with cattle transportation. Tight supply and minor improvements in demand for pig meat from China and Western Europe, supported pig meat prices (1.3%). In contrast, ovine meat prices decreased (-3.9%), underpinned by Australia's record production levels after flock rebuilding efforts and decreased imports by China's.

Local meat prices generally moved against international price trends (except for sheep meat) due to a weak exchange rate. The livestock sector was under pressure in February as prices for all meat types were marginally down underpinned by weakened demand. Prices of pig meat showed the steepest decline by 2.9% (porker carcass price), improving relative affordability, as the Avian Influenza (AI) outbreak drove poultry prices up sharply towards the end of 2023. With demand weaker following the festive season, the sector was also under threat given reports of an African Swine Fever (ASF) outbreak in early February. Poultry prices have also contracted since December 2023, reflecting an improvement in local supply of chickens in the post-AI outbreak period. Imports of fertile eggs that enabled consistent day-old chick supply were critical in maintaining production levels. Using Individually Quick Freezing (IQF) pieces as a reference, poultry prices were lower by 2.1% in February 2024 compared to the previous month. The egg industry is still under pressure and likely experiencing slower recovery from the AI outbreak, with retail prices marginally up by 0.2% for a tray of 6 eggs and 0.8% for 18 eggs following a brief downturn in January 2024. Carcass prices of sheep and beef were down by 1.2% and 0.6% respectively. Demand for meat would typically be expected to improve in March as a result of the Easter holidays.

International **dairy** prices were up (1.1%) from January. The biggest increase was registered in butter prices, caused by rising demand in Asian markets and declining milk production in Oceania. Prices for whole milk powder increased gradually, primarily due to increased demand from China. Prices for skim milk powder were steady, with decreasing prices in the European Union (EU) offsetting rising prices in Oceania. Price movements in the EU are largely ascribed to a reduction in import demand from the region due to higher shipping costs and logistic challenges amid the Red Sea conflict. The European Union's declining cheese inventory combined with rising demand from Asia caused a slight increase in cheese prices internationally. In the domestic market, the latest available data (January 2024) on producer prices released by the Milk Producers Organisation indicates an increase in raw milk prices month-on-month (3.5%) and year-on-year (14.0%). This suggests that while the demand for raw milk to produce dairy products may be low, producers are faced with the challenge of maintaining supply at the same level as demand at higher costs given supply chain disruptions in the form of mainly electricity supply.

Municipal **fresh produce** markets recorded higher sales (1.1%) and lower values (-1.5%) in February compared to January. Average vegetable prices declined by 12.8% (from R7.41 /kg to R6.45 /kg) compared to February 2023 while fruit prices were marginally higher by 1.0% (from R9.87/kg to R10.97 kg). In the vegetable category, average prices for staples were softer for potatoes (-4.4%) and tomatoes (-0.2%) while onion prices increased (4.2%) in February 2024 from the previous month. These price trends were despite lower volumes traded for potatoes and tomatoes, suggesting that demand was weak. In spite of higher onion volumes sold in February, prices increased, hinting at higher demand levels. However, one has to also consider this within the context of the longer-term trend, with onions trading 32.4% cheaper than a year ago. Similarly, tomatoes are 29.4% cheaper than a year ago, while potatoes were 6.6% more expensive, although the average price of R6.92/kg for February 2024 shows a trend back towards normal price levels, especially when compared to the peak price of R10.55/kg that was realised in October 2023. On the fruit side, both an increase in supply, driven by seasonality, and subdued demand, which resulted in higher stock levels on the markets, resulted in apples and bananas trading at lower prices than in January 2024. Comparing yearly prices, apples were more expensive in February 2024, but bananas were cheaper. Weather delays and operational inefficiencies at the Cape Town Port have led to delays in fruit exports – table grapes, stone fruit, and early pear varieties, with an increase in supply to the local market observed, albeit from a low base. Alternative arrangements by freight forwarders saw considerable fruit volumes redirected away from Cape Town to Eastern Cape ports as an alternative, at extra transport costs (FreshFruitPortal, 2024; Hortgro, 2024). Lower apple stock levels in Europe are driving exports at competitive price levels, reducing the supply to domestic markets and explaining the increase in apple prices.

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 March 2024 for the February 2024 data).

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