



FOOD INFLATION BRIEF

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

Release Date: 24 April 2024



BFAP
DATA
DRIVEN
INSIGHT

SUMMARY OF FOOD INFLATION METRICS – March 2024

		Year-on-year (YoY):	Month-on-month (MoM):	For more detail refer to:
Inflation: Food and non-alcoholic beverages (NAB)		+5.1%	+0.1%	Section 1 of this brief
CPI headline inflation:		+5.3%	+0.8%	
Contribution of inflation on food & NAB to CPI headline inflation:		0.9 percentage points*	0.1 percentage points	
Food categories with highest inflation:		Sugar & sugar-rich foods Dairy & eggs Non-alcoholic beverages (NAB) Vegetables Bread & cereals	Sugar & sugar-rich foods Non-alcoholic beverages (NAB) Oils & fats Vegetables	Section 2 of this brief
Food categories with lowest inflation:		Meat Oils & fats	Bread & cereals Meat Fruit	

*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 781 / / 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

-7.7% YoY (↓cereals, dairy, oils, meat; ↑ sugar)
+1.1% MoM (↓ cereals, sugar; ↑ oils, dairy, meat)

Exchange rate



R/\$ exchange rate

Depreciation of 3.3%: R18.87/US\$1 Mar'24) vs R18.270/US\$1 (Mar'23)

Rising costs in value chain



SA CPI index for:

'Electricity & other fuels': +15.3% YoY; 0.1% MoM
'Fuel': +6.2% YoY; +5.3% MoM

Infrastructure challenges



Increasing electricity costs & supply uncertainty
Port challenges

SECTION 1: CPI headline and food inflation over time:

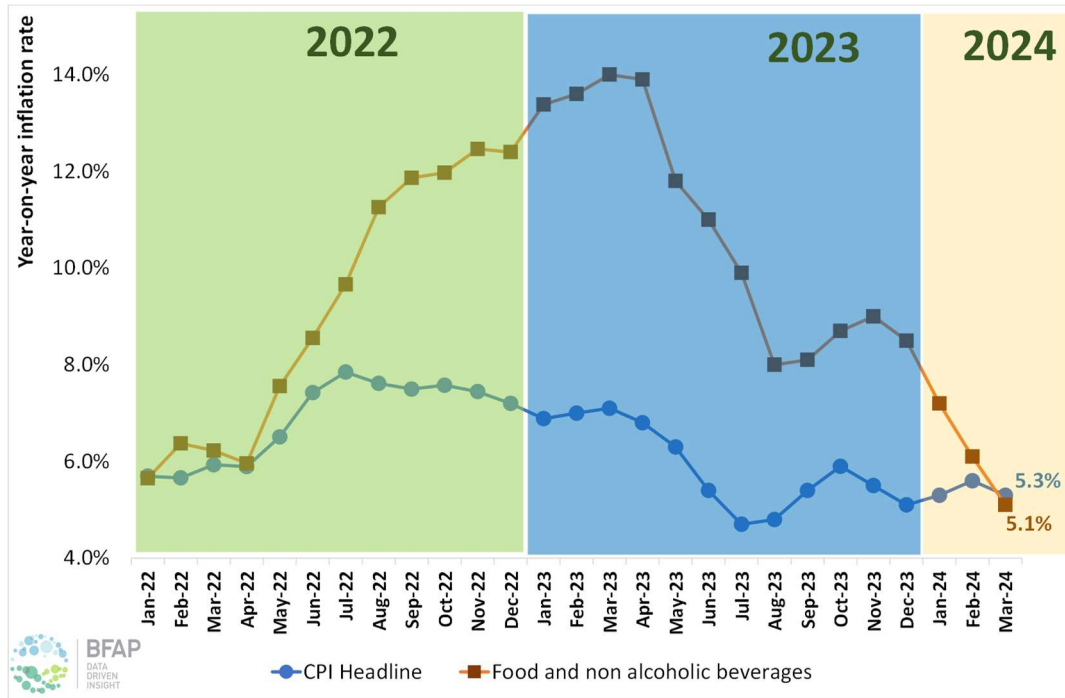


Figure 1: Year-on-year inflation 2022, 2023 & 2024 (up to February) - CPI Headline and Food and NAB
 Source: Stats SA, March 2024

Following a three-month increasing trend up to November 2023, year-on-year inflation on food and NAB continued to decrease from 9.0% in November 2023 to 5.1% in March 2024. After increasing from 5.1% in December 2023, to 5.6% in February 2024, CPI headline inflation decreased marginally to 5.3% in March 2024. In March 2024 both CPI headline inflation and inflation on food and NAB were within the 3-6% inflation target bracket. Food inflation at a level lower than CPI headline inflation last occurred more than two years ago (in December 2021).

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

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

Category:	YoY inflation	MoM inflation	Comments:
Bread and cereals*	5.0%	-0.1%	-
Meat*	0.8%	-0.7%	-
Fish*	4.1%	0.3%	-
Dairy & eggs*	10.1%	0.2%	2 nd Highest YoY inflation among categories.
Oils and fats**	-4.0%	0.6%	3 rd Highest MoM inflation among categories.
Fruit*	3.3%	-1.6%	-
Vegetables*	6.0%	0.5%	-
Sugar-rich foods*	17.8%	1.4%	Highest YoY & MoM inflation among categories
Non-alcoholic beverages	7.5%	0.9%	2 nd Highest MoM & 3 rd highest YoY inflation among categories.

*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 March 2024

≥30%	≥20% to <30%	≥10% to <20%	Deflation
<ul style="list-style-type: none"> Rice, frozen potato chips. Oranges, papaya. Ceylon/black tea. 	<ul style="list-style-type: none"> Potatoes. Eggs. Condensed milk, whiteners. Sugar. Instant coffee. 	<ul style="list-style-type: none"> Sweet potatoes. Fresh whole chicken, frozen hake, polony, powdered milk. Broccoli. Apples, pineapple. Peanuts, peanut butter, dried beans. 	<ul style="list-style-type: none"> Cereals/porridge, maize meal, pasta, white bread. Beef (brisket, chuck, fillet, mince, rump steak, sirloin, T-bone, stew). Mutton/Lamb (leg, neck, offal, rib chops, stew). Pork (chops, ribs, bacon). Beetroot, carrots, sweet peppers, lettuce, canned mixed vegetables, onions, pumpkin, tomatoes. Avocados, bananas. Fresh cream, prepared custard. Sunflower & canola oil. Sugar-rich foods.

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



THFB – March 2024:

R3 781/  **/month**

Month-on-month change: +R47.30 / +1.3%

Year-on-year change: +R366 / +3.9%

Affordability*: 30.6% food expenditure share

(NOTE: Improved affordability compared to Feb 2024 [32.5%] due to the minimum wage increase implemented from 1 March 2024, despite the more expensive basic healthy food basket.)

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

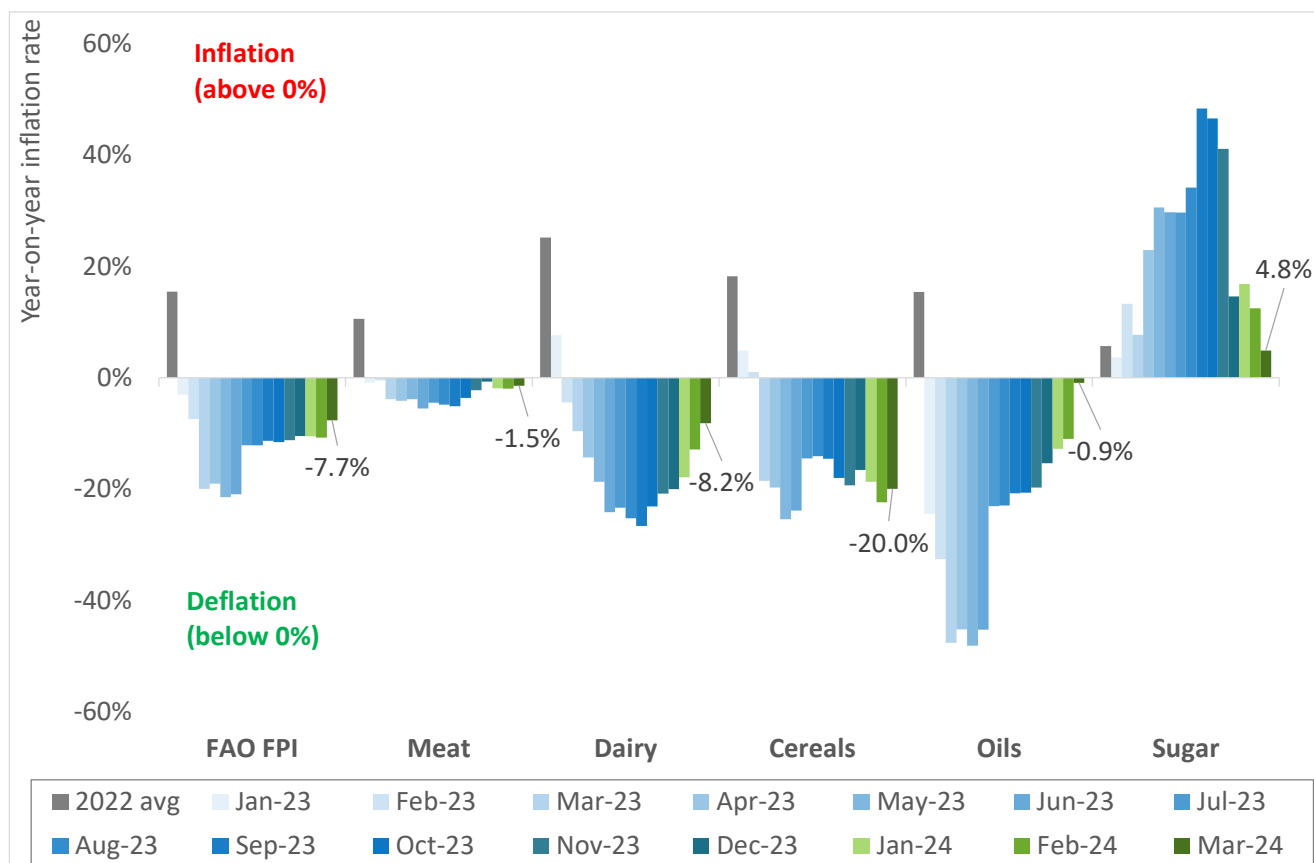


Figure 2: The FAO Food Price Index (Source: FAO, 2024)

In March 2024, **the FAO Food Price Index (FPI)** reached a value of 118.3, similar to index values last observed in February/March 2021. The FPI registered an increase (1.1%) in March 2024 compared to the previous month and was lower by 7.7 % YoY. The index decline is attributed to lower prices for cereals (-20.0%), dairy (-8.2%), meat (-1.5%) and vegetable oils (-0.9%), which outweighed increases in sugar (+4.8%).

International **sugar** prices decreased (-5.4 %) month-on-month (MM) although still higher (4.8%) compared to March 2023 levels. International sugar prices softened due to fast progress in Thailand's sugar harvest and India's upward revision of its 2023/2024 sugar production forecasts. High sugar exports from Brazil further pressured global sugar prices. The price decline was however capped by persistent concerns over Brazil's crop due to prolonged dry weather conditions and the rise in international crude oil prices, which promotes sugarcane-based ethanol production in Brazil.

Global **cereal** prices declined by 2.6% in March from February in response to contracting international wheat prices. Global wheat prices dropped for the third consecutive month, mainly driven by strong export competition among major producing countries including the European Union, Russia, and the USA. China's decision to suspend its purchase of wheat (from Australia and the USA) also contributed to downward pressure, as global supplies are plentiful and predictions for the new season harvest from both the USA and Russia are strong. In the global maize market, the 2023/24 production forecasts released by the International Grains Council (IGC) are positive at 1.2 billion tons (which is mostly yellow maize) with strong harvests in Argentina and Brazil boosting monthly supply; however, maize export prices were up MoM supported by growing buying interest from China at a time of logistical constraints on major maritime routes such as the Black Sea, the Red Sea and the Panama Canal. Conflict around the Red Sea, which is affecting passage through the Suez Canal, is particularly influential, as it is a major route for trade to Asia.

In South Africa, wheat prices were marginally up (0.7%) month-on-month, despite weak global price trends and a slightly appreciated exchange rate from February 2024 levels, indicating higher freight rates. In addition, local producer deliveries were trending lower. In the maize market, prices were up by 11.2% for yellow maize and by 21.6% for white maize. While the second crop forecasts released by the Crop Estimate Committee indicate a reduced estimate from 14.36 million tonnes in February to 13.26 million tonnes in March due to the harsh *El Nino* conditions, domestic supply should still meet demand. Other countries in the Southern Africa region have also been impacted by the current drought with widespread crop losses reported for regions in Zimbabwe and Malawi, resulting in these countries declaring a national state of disaster. Given South Africa's role as an exporter of white maize in the region, import demand is expected to increase. Given that white maize producing regions in South Africa have also been more affected by warm and dry conditions through February and March, white maize will most likely continue to trade at a significant premium above yellow maize. As a result, we anticipate that maize meal prices could rise by more than 10% within the next two to three months.

Global **oilseed** prices increased across palm, soybeans, sunflower and canola markets which contributed to the MoM growth (8.0%) in the Vegetable Oil Price Index. Demand for oilseeds was higher than expected driven by the sharp growth in biodiesel production in the USA and Brazil amongst other factors, coinciding with declining seasonal production and export supplies of palm oil in tandem with strong local demand in Southeast Asia. Although the Southeast Asia region is currently experiencing *El Nino* conditions, the impact is largely concentrated in southern Indonesia where less palm is produced compared to main producing regions like Malaysia. Sustained demand from the biofuel industry helped the international soybean oil prices to recover from multi-year lows. Sunflower and canola oil prices improved as a result of global import demand. The upturn was further boosted by rising crude oil prices, which positively influenced vegetable oil quotations globally. On the domestic front, the price of sunflower seed increased by 7.4% and soybeans by 4.3%, following international trends and backed by prospects of a smaller national crop resulting from aforementioned weather conditions in South Africa's summer production regions.

The FAO **Meat** Price Index was up by 1.7% MoM in March underpinned by higher prices for poultry, pig, and bovine meat. Prices for poultry meat increased by 2.0% because of steady import demand from leading importers, despite sufficient supply from Brazil and other leading producers where Avian Influenza (AI) has had a muted impact. Pig meat prices increased (2.0%), fueled by higher demand before the Easter period despite increased supplies in Western Europe. Bovine prices have gone up by 1.8%, stemming from increased purchases by leading importers in the global market. In addition supply by the USA is weak due to reducing cattle herds and steady local demand. In the ovine meat industry, prices were lower in March compared to February (-2.0%) due to excessive seasonal supplies, especially from Australia.

In the local market, beef and pig meat prices followed international trends. Beef (A2/A3) and pig (BP) carcass prices were up by 0.7% and 0.4% respectively; a rather weak price effect in a historically higher demand period (Easter holidays). Weaner calf prices moved down in March (-8.6%) given the high supply of weaners in the market around this time of the year while demand by feedlots is modest given that calves that are stocked at this time of the year mature when demand for beef is relatively low. Contrary to beef and pork, poultry prices- using Individually Quick Freezing (IQF) pieces as a reference- shrunk by -2.6% compared to the previous month suggesting that supply is picking up after the AI outbreak and countering the impact of demand in anticipation of the Easter holidays. Sheep meat prices (A2/A3) were also lower (-0.8%) in line with the international meat price and the exchange rate.

The FAO **dairy** Price Index improved by 2.9% MoM, mainly driven by elevated cheese and butter prices. International cheese prices rose because of growing import demand from Asia, higher domestic sales during spring break in Western Europe and lower production in Oceania. Strong seasonal demand and tighter European stockpiles drove up the price of butter. On the other hand, prices for whole milk powder saw a decline of 3.2% after five consecutive increases, as global import demand softened despite seasonal production declines in Oceania. Quiet markets and less spot demand also contributed to a dip (-2.9%) in the price of skim milk powder. In the domestic market, the latest data available (February) indicated a slight increase (0.5%) in unprocessed milk and dairy product prices MoM, indicating steady growth in the demand for dairy products as consumers are under pressure given higher prices for other consumer goods and services.

In the **fresh produce** market, prices for vegetable staples - potatoes, tomatoes and onions - are largely driven by quantities delivered at the fresh produce markets and demand. The price of potatoes was lower by 24.8% MoM, underpinned by higher volumes at the markets due to a recovery in supply and lower demand. In addition, according to industry sources, the Muslim community is more inclined to buy potatoes for cooking and also willing to pay more for potatoes than other groups, but this demand is usually lower over the Ramadan period. Tomato and onion prices were higher (by 40.5% and 86.8%, respectively) suggesting lower quantities delivered MoM attributed to an array of factors including bad weather. Tomato prices have been proven to be more volatile and cyclical than onions and potatoes.

Loadshedding coupled with extreme weather during the growing season has impacted vegetable supply in major vegetable lines, and many smaller-scale vegetable growers have exited the market. Although power cuts have been less severe recently, areas that should already be in production experienced severe heat conditions amid higher loadshedding levels in late summer. Facing high input costs, increasing labour and electricity costs and uncertain electricity supply, risk-averse farmers are committing less land to vegetables, therefore we anticipate price increases due to tighter supply going forward.

Seasonality plays a major role in the prices of fruit. Firm demand and lower volumes have led to elevated prices for bananas (32%) and pears (10%) while higher volumes and soft local demand have driven down prices for apples (-12%) and oranges (-56%). Additional supply coming into the market has driven down apple prices since the start of picking in January. The picking of oranges has only recently commenced and although the price decline for oranges is significant MoM, it is important to note that this drop was from a high base. In addition, the price in March 2024 is still higher than the average price recorded in 2023 and prices are expected to ease as harvesting progresses and supply normalises.

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 March 2024 data).

Enquiries: Dr H Vermeulen (hester.v@bfap.co.za)

www.bfap.co.za