



FOOD INFLATION BRIEF






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

Release Date: 27 November 2024



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SUMMARY OF FOOD INFLATION METRICS – October 2024

		Year-on-year (YoY):	Month-on-month (MoM):	For more data refer to:
Inflation: Food and non-alcoholic beverages (NAB)		+3.6%	+0.4%	Section 1 of this brief
CPI headline inflation:		+2.8%	-0.1%	
Contribution of inflation on food & NAB to CPI headline inflation:		0.7 percentage points	0.1 percentage points	
Food categories with highest inflation:		NAB Sugar & sugar-rich foods Fish Bread & cereals Dairy & eggs	Fruit Vegetables Oils & fats Sugar & sugar-rich foods NAB	Section 2 of this brief
Food categories with lowest inflation:		Fruit Vegetables Meat Oils & fats	Meat Fish Dairy & eggs Bread & cereals	

Cost of the BFAP

Thrifty Healthy Food Basket:

(For more detail refer to Section 3)

 R3 789 /  / 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

+5.5% YoY (↓ cereal, sugar; ↑ oils, dairy, meat)
+2.0% MoM (↑oils, sugar, dairy, cereals; ↓meat)

Exchange rate



R/\$ exchange rate

YoY appreciation of 7.8% (R17.56/US\$1 (Oct'24) vs R19.05/US\$1 (Oct'23))
MoM appreciation of 0.4% (R17.56/US\$1 (Oct'24) vs R17.63/US\$1 (Sept'24))

Rising costs in value chain



SA CPI index for:

'Electricity & other fuels': +11.4% YoY; No change MoM
'Fuel': -19.1% YoY; -5.3% MoM

SECTION 1: CPI headline and food inflation over time:

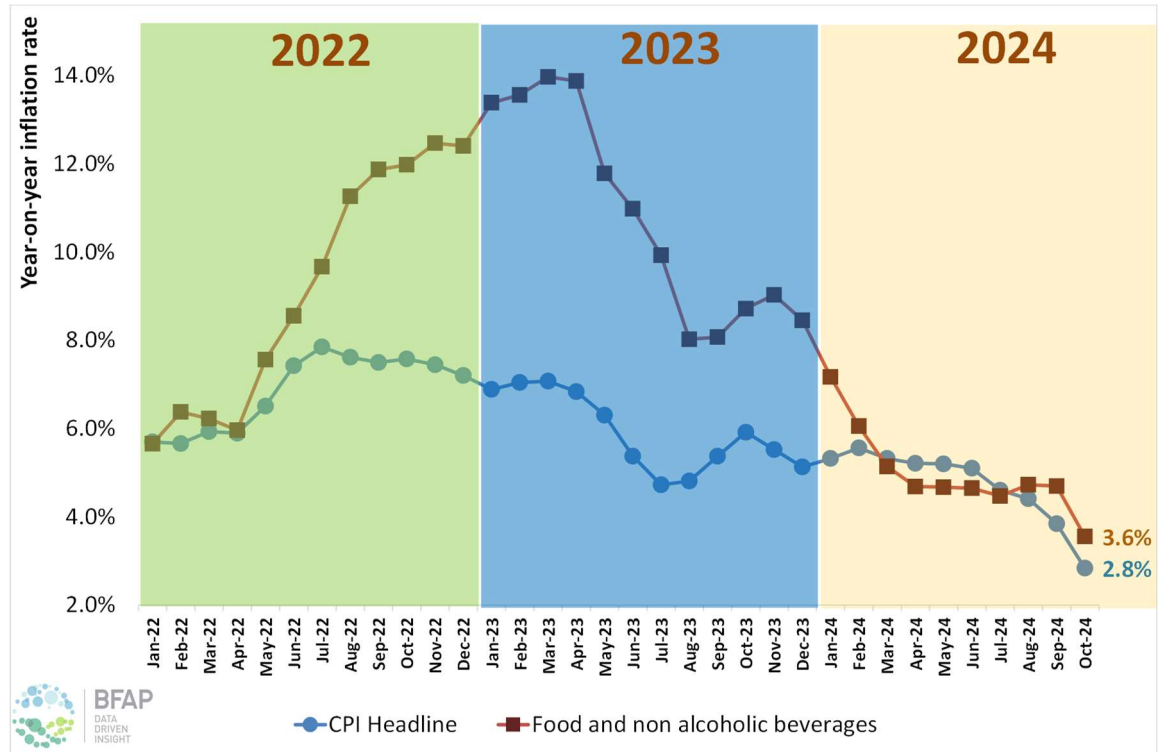


Figure 1: Year-on-year inflation 2022, 2023 & 2024 to date - CPI Headline and Food and NAB

Source: Stats SA, October 2024

- Both CPI headline YoY inflation and YoY inflation on food and NAB decreased in October 2024
- YoY inflation on food and NAB has decreased by 5.4 percentage points since November 2023.
- In October 2024 YoY inflation on food and NAB fell within the 3-6% inflation target bracket for a 8th consecutive month, while CPI headline YoY inflation dropped below the target range.

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

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

Category:	YoY inflation	MoM inflation	Comments:
Bread and cereals	4.6%	-0.5%	-
Meat	0.5%	0.3%	-
Fish	5.5%	-0.2%	3 rd Highest YoY inflation among categories.
Dairy & eggs	4.1%	-0.2%	-
Oils and fats	-0.3%	1.0%	3 rd Highest MoM inflation among categories.
Fruit	2.4%	5.3%	Highest MoM inflation among categories.
Vegetables	2.4%	2.7%	2 nd highest MoM inflation among categories.
Sugar & sugar-rich foods	6.9%	1.0%	2 nd Highest YoY inflation among categories.
Non-alcoholic beverages	9.8%	1.0%	Highest YoY inflation among categories.

Table 2: Commonly purchased food items with high YoY inflation rates in October 2024

≥30%	≥20% to <30%	≥10% to <20%	Deflation
<ul style="list-style-type: none"> • Fruit juice concentrates 	<ul style="list-style-type: none"> • Pineapple, avocados • Drinking chocolate 	<ul style="list-style-type: none"> • Rice, frozen chips, sweet potatoes • Cabbage, carrots, frozen vegetables • Papaya, apples • Eggs • Condensed milk • Peanut butter, dried beans • Coffee, Ceylon/black & Rooibos tea 	<ul style="list-style-type: none"> • Pasta, wheat flour • Cauliflower, onions, pumpkin • Pears, bananas • Beef (chuck, rump steak, mince, stew, corned, fillet) • Pork (bacon, chops, fillet, ribs) • Mutton/Lamb (leg, stew, neck, rib chop) • Chicken giblets • Gouda cheese • Sunflower oil (incl canola oil) • Sugar-rich foods

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



THFB – October 2024:

R3 789/  **/month**

Month-on-month change: +R7.24 / +0.2%

Year-on-year change: +R366 / +4.0%

Affordability*: 30.6% food expenditure share
(Deteriorating from September 2024 [30.5%])

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

The **FAO Food Price Index (FPI)** reached 127.4 index points in October 2024 (the highest level since April 2023), being 2.0% higher than in September 2024, and 5.5% higher than a year ago. Prices for all commodities except meat rose **from September 2024 (MoM change)**, with oils experiencing the biggest increase at 7.3%, followed by sugar (2.6%), dairy (1.9%) and cereals (0.8%). **Compared to October 2023 (YoY change)** (see Figure 3) the FAO FPI increased by 5.5%, with the most significant increase observed for plant oils (+27.3%) and dairy (+21.4%), followed by meat (+7.5%), while YoY declines were observed for sugar (-18.6%) and cereals (-8.3%).

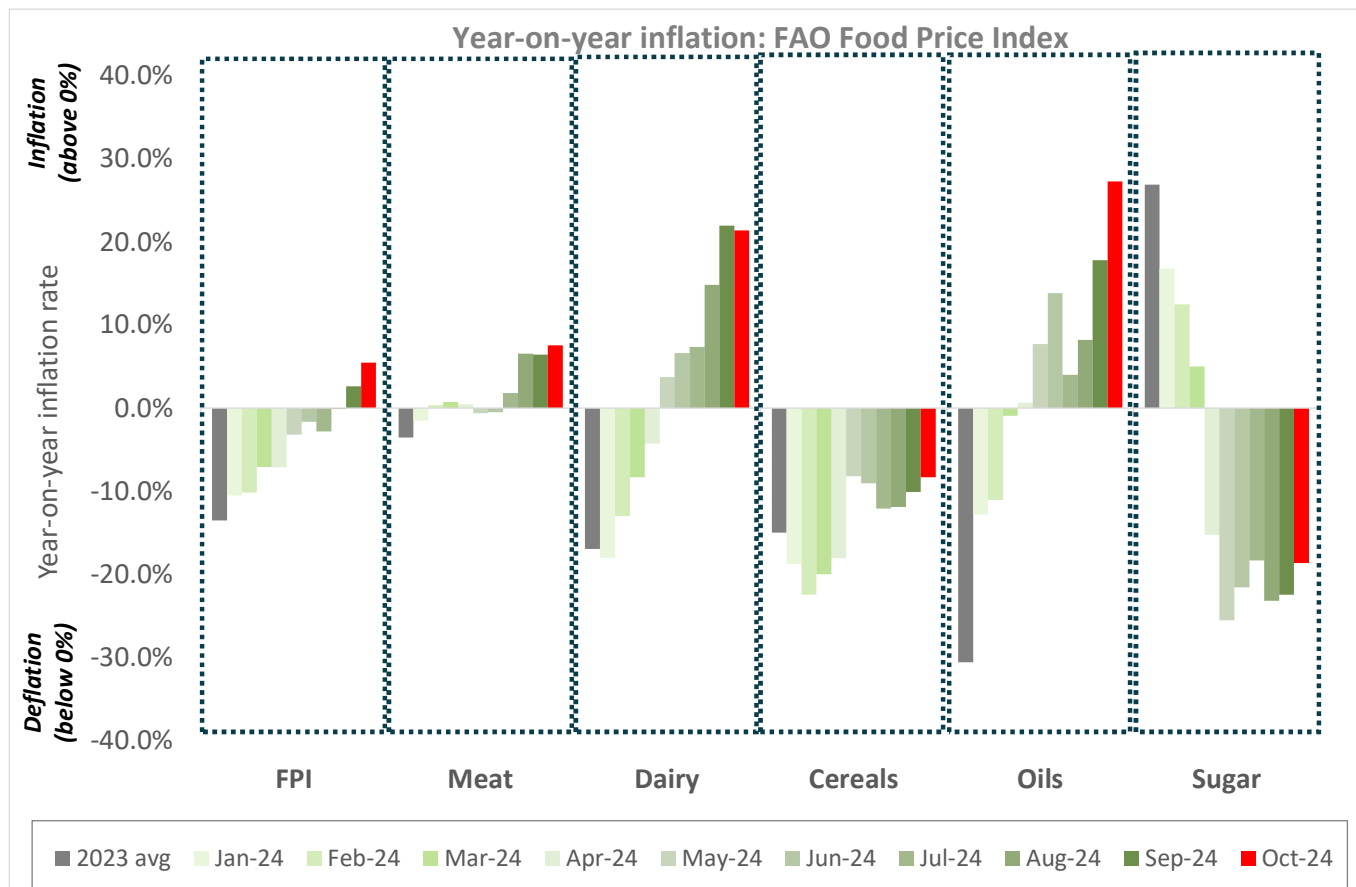


Figure 3: The FAO Food Price Index

Source: FAO, 2024

Grains:

The FAO Cereal Price Index increased by 0.8% in October compared to September, but was still less (-8.3%) than its value in October 2023. Global wheat prices surged (7%) for the second consecutive month, largely reflecting concerns over poor weather conditions impacting winter crop planting among several vital northern hemisphere exporters, specifically the European Union, the Russian Federation, and the United States of America. In addition, growing tensions in the Black Sea region and the reinstatement of an unofficial price floor in the Russian Federation drove prices up. Maize prices improved (6.3%) because of strong domestic demand in Brazil and transportation issues caused by low river levels in some regions of the country. Additionally, prices were further influenced by the stable demand for Ukrainian maize and the dry weather that hindered planting in Argentina.

In the domestic grains market maize prices jumped by 8.2% for yellow maize and 2.8% for white maize, with year-on-year increases of 15.9% and 39.4%, respectively. Monthly price movements aligned with international trends, while the exchange rate remained stable. In the local market, tightening supply and high demand are pushing prices up. The 9th summer crops production forecast and intentions to plant reported by the Crop Estimates Committee on 29 October 2024 confirmed the decline of 23% in maize production compared to 2023 – a figure that has also been detailed in previous briefs. The intentions to plant, released in the same report, reflect a fairly stable maize area for the coming season, which remains well above the medium term average. While improved weather conditions are expected that would see yields normalise, it is still early in the season and weather conditions through the summer will be critical to achieve this. With the 2024 season harvest completed, the domestic market is reliant on a combination of stocks and imports until the new season crop comes in. While the spike in white maize prices in recent weeks reflects concern over stock levels, yellow maize imports are more widely available and have flowed into the coastal regions to supplement domestic supply. Yellow maize imports for the 2024/25 marketing year to date amounted to 278 000 tons, mainly from Argentina.

Alongside global trends and local supply prospects, regional demand for South African maize is adding extra pressure on white maize prices. The Southern Africa region is usually self-sufficient in maize; however, supply has fallen short by 2 million tons following the 2023/24 drought, the lowest since 2016/17. Most countries in the region have a supply deficit, except for South Africa and Tanzania. Moreover, Zambia, one of the three major producers in the region, has reported a deficit of nearly 50% below the 5-year average production level. It is anticipated that South Africa will meet the import needs of the BLNE countries and Zimbabwe, while Tanzania will supply Malawi, the DRC, and Zambia, with additional export flows to East Africa. La Niña conditions are expected to dominate the El Niño-Southern Oscillation (ENSO) state in the region between September and November 2024. It is till early days but the switch would normally imply more normal rainfall and a better crop.

Domestic prices for other grains, specifically wheat, moved counter to the international market, supported by the stronger Rand, decreasing by 1.2% month-on-month.

Although the reported intentions to plant reflect fairly stable grain area, some factors that could alter the rising trend of grains and oilseeds include a sustained strong exchange rate, reduced input costs such as fuel, and the potential impact of La Niña during the 2024/25 season.

Oilseeds:

Global oilseed prices increased in October from September, backed by strong prices for canola and sunflower seed amid tight global supplies and surging vegetable oil prices. The exception is soybeans, where improved weather and planting progress in Brazil put downward pressure on prices. International vegetable oil prices increased (7.3%) month-on-month (MoM) with gains across all vegetable oil types included in the FAO Vegetable Oil Price Index, marking the highest increase in two years and leaving vegetable oil prices 27% higher than a year ago. Palm oil rose (3.2%) for the fifth consecutive month, prompted by concerns about lower-than-expected production in Southeast Asia, as well as in increased biodiesel mandate in Indonesia. Additionally, a surge in importer purchases ahead of Malaysia and Indonesia's export tax hike on November 1st contributed to the price increase. Similarly, anticipated supply shortages in 2024/25 caused global prices of high oil yielding seeds such as canola (6.6%) and sunflower (14.1%) oil to rise. Soy oil prices climbed (4.5%) due to the significant worldwide demand given the scarcity of alternative oil types.

Oilseed prices also showed an upward trend locally, despite a stronger exchange rate, with soybean prices higher by 1.6% and sunflower by 10.3%. Sunflower prices reflected global market trends while soybean prices continued upward, reflecting reduced volumes following the impact of the drought on 2024 production volumes. On a positive note, producer planting intentions for 2024/25 reflect increased area for both sunflower and soybeans and if the expected improved weather conditions materialise, this should result in substantial year on year gains in production volume.

Meat:

Global prices for pig, poultry, and ovine meat fell, while bovine meat prices increased, resulting in a decrease (-0.3%) in the FAO Meat Price Index MoM. The index was 7.5% higher compared to the same month in 2023. Pig meat prices

dropped (-1.2%), due to increasing slaughter rates in Western Europe combined with weak domestic and international demand. Poultry meat prices declined slightly (-0.4%) due to increased export supplies, while ovine meat prices were somewhat down (-0.1%) as growing global demand offset high seasonal supply from Oceania. Bovine meat prices increased moderately (0.9%), supported by stronger international demand.

Meat prices in SA moved sideways, with poultry and pork prices up and beef and sheep meat down. Poultry and pig meat prices have strengthened on the back of increasing feed costs (yellow maize) and a revived demand in the case of poultry. The price for Individually Quick Frozen (IQF) pieces increased by 3.0% while pig carcass prices were only up by 0.8%. Prices for both meat types have been declining YoY, and poultry prices have reverted to levels seen before the Avian Influenza outbreak. The beef market moved counter to global dynamics given a firmer exchange rate, and the average price for A2/A3 carcasses softened MoM (-2.4%). In addition, weaner calf prices were up (1.1%), reflecting stronger demand from abattoirs as the festive season approaches. Sheep meat (average A2/A3) prices eased by 1.5%, resulting from softer demand in the local market as this is the most expensive meat type. It is anticipated that growing demand over the festive season will support meat prices in the coming months.

Dairy:

The FAO Dairy Price Index surged by 1.9% MoM and 21.4% YoY in October 2024. Cheese prices saw the largest increase (4%) because of limited supply and strong demand for imports, particularly in the EU where milk production declined seasonally. Butter prices improved (1%) due to low stocks and robust local demand in Western Europe. In contrast, inadequate global demand and increased milk supply in Oceania led to a reduction in prices of whole milk (-0.4%) and skim milk (-2%) powders.

In the local dairy industry, prices are declining as supply remains strong, benefitting from seasonality, decreases in some input costs such as fuel and the sustained absence of load shedding.

Sugar:

Global sugar prices recovered (2.6%) in October, but remain lower (-18.6%) year-on-year (YoY). The persistent dry conditions combined with concerns about Brazil's sugar production in 2024/25 caused prices to increase. Moreover, rising crude oil prices also contributed to the surge which triggered the use of sugarcane to produce ethanol as an alternative energy source in Brazil. The improvement in rainfall in southern Brazil in late October and the depreciation of the Brazilian Real helped restrain the increase in sugar prices worldwide.

Fresh produce:

Considering the domestic fresh produce market, potato volumes traded increased by 16% in October 2024 compared to October 2023, while prices were 20% lower. Prices are sensitive to harvested volumes in different parts of the country that deliver in different periods and prices have declined earlier in 2024 compared to 2023, when notable declines were only observed in November. Despite the decline, October prices remain higher than the January to August period. For onions, volumes increased by 6% in October 2024 compared to October 2023, while prices are 2% higher compared to a year ago. Onion prices have returned to more 'normal levels', following the rallying in input costs 2020-2023. We will likely see prices remaining low until the new year. Contrary to onions, tomato prices are typically more volatile, thus there is more opportunity to respond to market signals quicker given a shorter growing period. After the cold weather in Limpopo that troubled producers of various crops, lower volumes were observed in the market in August and September. Volumes improved in October and tomato prices came under pressure but still traded 17% higher YTD compared to the same period in 2023.

In the fruit category, apple sales volumes on the municipal markets were slightly lower than last year. In addition, exports are moving well. It is the last stretch of the orange season, with the northern parts of the country already starting with preparations for next year's harvest. Juice prices are higher due to global shortages of juice concentrate as Brazil battled with citrus greening disease (HLB), and trucking the last of this year's harvest from the southern parts of the country to the biggest local market, in Johannesburg, is expensive. Consequently, the supply of oranges to the local market dropped by 13% in October 2024, compared to October 2023, but with an average 30% year-on-year higher return realised in the market. Volumes are 34% lower in 2024 than in 2023 to date, consequently, YTD prices are 46% higher than a year ago. This could create opportunities for slightly higher sales of other affordable fruits that can be used as a substitute in the consumer's retail basket. Interestingly, the price of soft citrus was higher despite an increase in the volumes traded, likely due to the shortage of oranges. Avocado volumes were somewhat lower and exports increased, with prices trending upwards. After grapes, nectarines, English cucumbers, and avocados are the most expensive fresh produce per kg on the local municipal markets YTD (when considering the top 20 by volume). Banana volumes are still nowhere near the 2022 levels, with prices consequently also substantially higher. Generally, all major fruits sold on the local market traded at higher prices YoY for the month of October.

Final thoughts:

South Africa's food inflation is sensitive to a number of factors, including agricultural commodity prices and cost structures through the value chain. A core factor that influences several of these is the exchange rate, which in turn is sensitive to a number of domestic and international forces. The lower levels of food inflation that were sustained in recent months and particularly the decline in October 2024 benefitted from appreciation in the exchange rate, but in the aftermath of the US election results, the Rand has subsequently weakened. While fundamental expectations are still for a stronger Rand in 2025 compared to 2024, the short term depreciation, combined with the surge in white maize prices over the past month and typical strength of festive season demand could see a small uptick in food inflation in the short term. Demand will benefit further from the consecutive interest rate cuts, which could help to bolster demand for products such as meat over the festive season, and costs such as electricity and labour remain elevated. Provided that the Rand does stabilise and strengthen again as fundamentals suggest it should, 2025 could see marginally softer food inflation again, with the expected increase in the summer crop leading to weaker maize prices and lower input costs for livestock sectors, but with further expected interest rate cuts that would aid demand.

Suggested citation for this brief:

Bureau for Food and Agricultural Policy (BFAP). 2024. BFAP Food Inflation Brief – October 2024 food prices.

Release date 27 November 2024. Available at: <https://www.bfap.co.za/insights/>

This food inflation brief is a collaboration between BFAP and Absa Agribusiness,

based on Statistics South Africa CPI and food retail price data (released in November 2024 for the October 2024 data).

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