



FOOD INFLATION **BRIEF**






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

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SUMMARY OF FOOD INFLATION METRICS – April 2024

		Year-on-year (YoY):	Month-on-month (MoM):	For more detail refer to:
Inflation: Food and non-alcoholic beverages (NAB)		+4.7%	+0.2%	Section 1 of this brief
CPI headline inflation:		+5.2%	+0.3%	
Contribution of inflation on food & NAB to CPI headline inflation:		0.9 percentage points	0.0 percentage points	
Food categories with highest inflation:		Sugar & sugar-rich foods Dairy & eggs Vegetables Non-alcoholic beverages	Vegetables Non-alcoholic beverages Dairy & eggs	Section 2 of this brief
Food categories with lowest inflation:		Oils & fats Meat Fish Bread & cereals Fruit	Fruit Oils & fats Meat Bread & cereals Fish Sugar & sugar-rich foods	

Cost of the BFAP
Thrifty Healthy Food Basket:
(For more detail refer to Section 3)



R3 812 /  / 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

-7.4% YoY (↓cereals, sugar, dairy, meat; ↑ oils)
+0.7% MoM (↓ sugar, dairy; ↑ meat, cereals, oils)

Exchange rate



R/\$ exchange rate

YoY depreciation of 3.8%: R18.88/US\$1 (Apr'24) vs R18.18/US\$1 (Apr'23)
MoM depreciation of 0.03%: R18.88/US\$1 (Apr'24) vs R18.87/US\$1 (Mar'23)

Rising costs in value chain



SA CPI index for:

‘Electricity & other fuels’: +15.3% YoY; 0.0% MoM
‘Fuel’: +9.0% YoY; +1.9% MoM

Infrastructure challenges



Municipal services challenges
Port challenges

SECTION 1: CPI headline and food inflation over time:

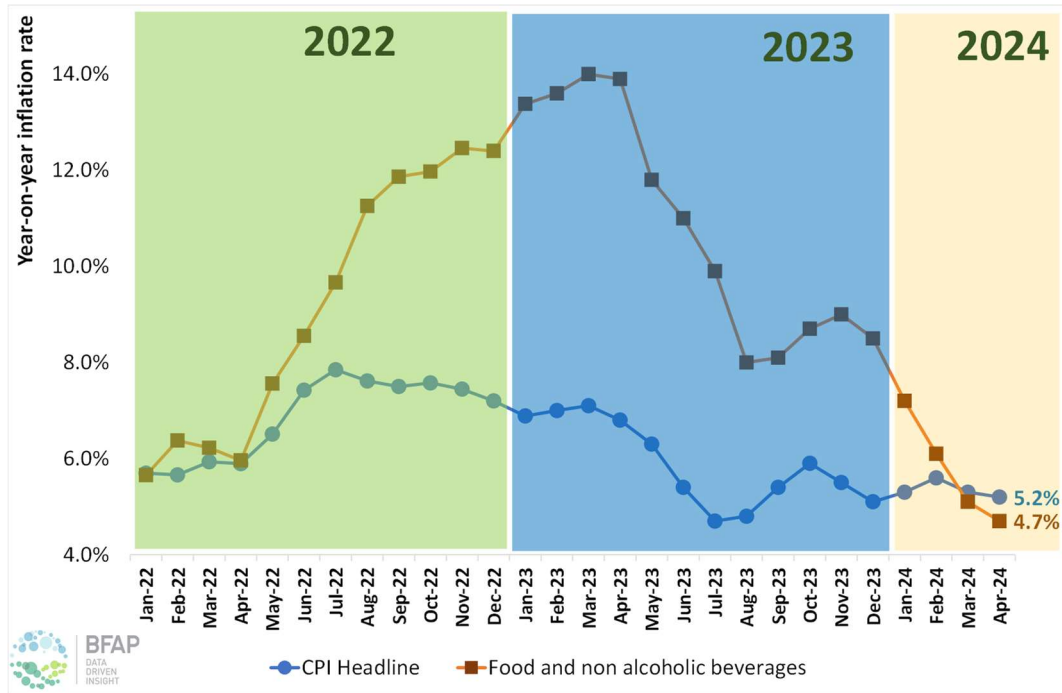


Figure 1: Year-on-year inflation 2022, 2023 & 2024 (up to) - CPI Headline and Food and NAB

Source: Stats SA, April 2024

- Year-on-year inflation on the CPI headline index as well as on food and NAB continued to decrease in April 2024. At 5.2% and 4.7% YoY respectively, both measures fall within the 3-6% inflation target bracket for a second consecutive month.
- In April 2024 the major contributors to YoY CPI headline inflation were (1) Housing and utilities (27% contribution), followed by Food & NAB and Transport (17% contribution each).

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

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

Category:	YoY inflation	MoM inflation	Comments:
Bread and cereals*	4.3%	-0.2%	-
Meat*	0.5%	-0.3%	-
Fish*	3.0%	-0.1%	-
Dairy & eggs*	8.7%	0.2%	2 nd Highest YoY & 3 rd highest MoM inflation among categories.
Oils and fats*	-4.9%	-1.1%	.
Fruit**	4.5%	-1.6%	-
Vegetables**	7.4%	3.6%	3 rd highest YoY & highest MoM inflation among categories.
Sugar-rich foods*	16.8%	0%	Highest YoY inflation among categories.
Non-alcoholic beverages*	7.3%	0.6%	2 nd Highest MoM 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 April 2024

≥30%	≥20% to <30%	≥10% to <20%	Deflation
<ul style="list-style-type: none"> Rice Papaya 	<ul style="list-style-type: none"> Potatoes Instant coffee Condensed milk White sugar Whiteners 	<ul style="list-style-type: none"> Oranges, avocados, apples, pineapple, pears Sweet potatoes, broccoli. Eggs Chicken (whole fresh) Hake (frozen), fish fingers (frozen) Peanuts, peanut butter, dried beans 	<ul style="list-style-type: none"> Brown bread, pasta, breakfast cereals, white bread, maize meal Mutton/Lamb (neck, stew, rib chops, leg) Beef (stew, brisket, chuck, T-bone, mince, rump steak, sirloin, fillet) Pork (bacon, ribs, chops) Cauliflower, mixed vegetables (canned), spinach, lettuce, carrots, beetroot, pumpkin, sweet peppers Fresh cream, cheddar cheese Plant oil

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



THFB – April 2024:

R3 812/ /month

Month-on-month change: +R31 / +0.8%

Year-on-year change: +R366 / +3.6%

Affordability*: 30.7% food expenditure share
(slightly worse than in March 2024 [30.6%])

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

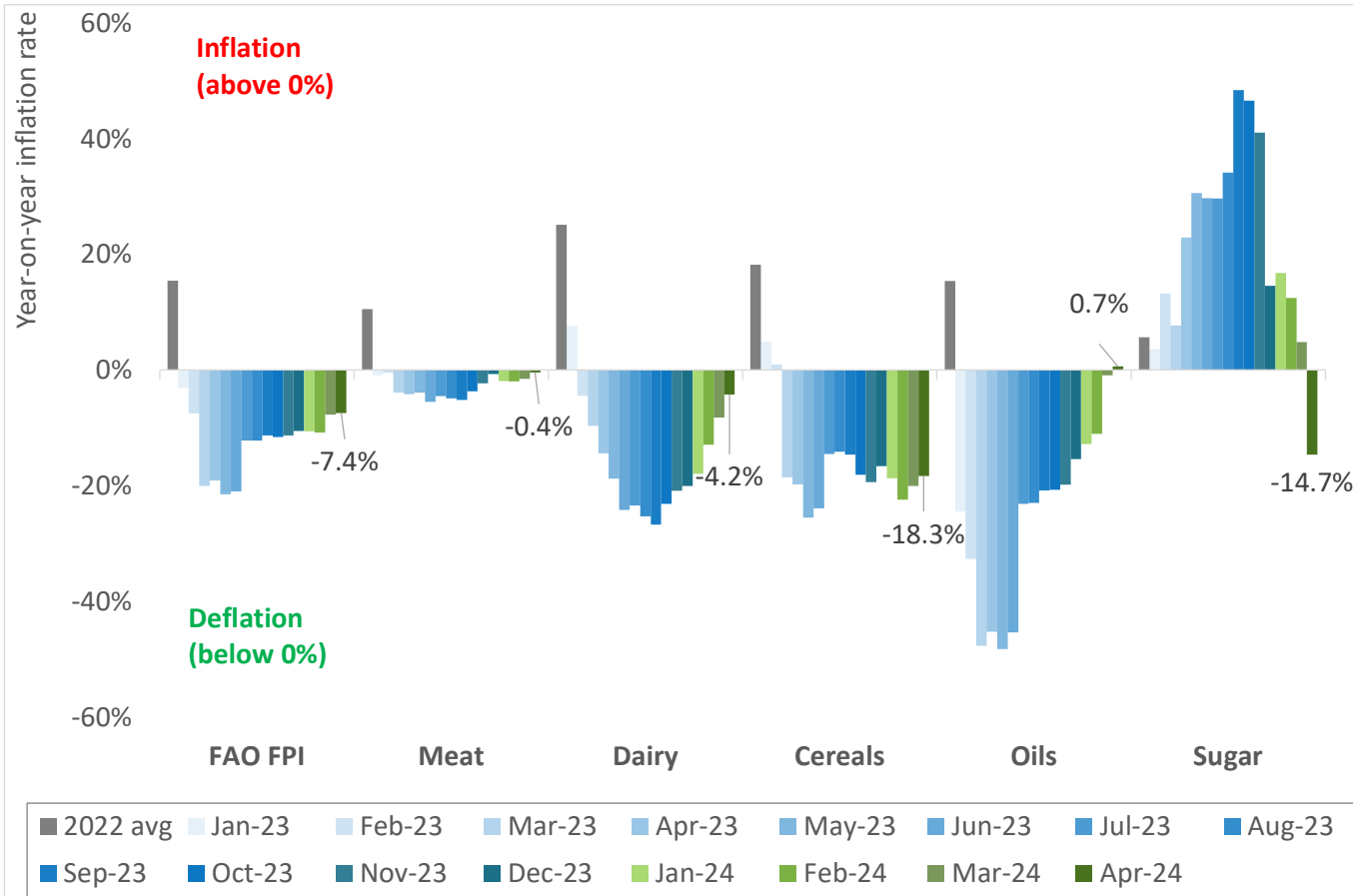


Figure 2: The FAO Food Price Index (Source: FAO, 2024)

In March 2024, **the FAO Food Price Index (FPI)** reached a value of 119.1, similar to index values last observed in December 2023. The FPI registered an increase (0.7%) in April 2024 compared to the previous month, with MoM price increases for meat (+3.0%), cereals (+0.3%) and oils (+0.3%), tempered by price decreases for sugar (-4.2%) and dairy (-0.4%). Compared to April 2023 the FAO FPI was 7.4% lower, with deflation on cereals (-18.3%), sugar (-14.7%), dairy (-4.2%) and meat (-0.4%), and low inflation (+0.7%) for oils.

Vegetable oils: The FAO Vegetable Oil Price Index rose marginally (0.2%) in April 2024 due to higher quotations for sunflower and canola oil, which outweighed lower palm and soybean oil prices. Softer palm oil prices were underpinned by increasing seasonal supply and subdued global import demand. World

soybean oil prices decreased after a brief recovery, reflecting expectations of ample supplies from South America and the United States. While the outlook is positive, delayed harvesting in Brazil and Argentina due to excessively wet conditions has driven soybean prices up in April. Sunflower and canola oil prices continued to rise due to strong global import purchases and concerns over unfavourable weather affecting winter canola in parts of Europe. This growth in sunflower and canola oils also reflects higher prices for the respective oilseeds.

In the local market, the combined impact of stronger prices in the international market, a weaker exchange rate and a much reduced domestic crop have elevated oilseed prices. Soybean production estimates published by the Crop Estimates Committee (April 2024) remained unchanged from March, reflecting a 34% year on year decline, following exceptionally warm and dry conditions through February and March – a key period for crop development. While the sunflower estimate was revised upward from March, production is still expected to decline by 16% year on year. Consequently, soybeans were trading 9% higher in April 2024 compared to April 2023, while sunflower prices were 6% higher year on year in April.

Cereals: The FAO Cereal Price Index rose by 0.3% in April. Wheat export prices stabilised following a three-month fall as concerns about the impact of unfavourable crop conditions on 2024 harvests in areas of the European Union, the Russian Federation, and the United States were countered by fierce export competition. Global maize prices rose, supported by reduced production forecasts in Brazil. In addition, while Ukraine has sorted out alternative routes, principally through Europe, logistical challenges relating to passage through the Suez Canal as a result of conflict in the Red Sea, continued conflict in the Black Sea, and weather-related reduction in passage through the Panama Canal has affected major maritime routes. The International Grains Council forecasts the 2023/24 global maize production, which is primarily yellow maize, to be higher and therefore, global maize prices are expected to decline with stable demand and increased stock levels.

Similarly to the global market, domestic grain prices (wheat and maize) were on the rise in April. The local wheat price increased by 1.6% reflecting the weaker exchange rate. The intentions to plant, as published by the Crop Estimates Committee, suggest that wheat area could decline by 3.3% this year compared to 2023, mainly due to reduced plantings in the Free State. So far, it has been a slow start to the winter production season, especially in the Western Cape where very little rain has been recorded. However, it is important to note that local production levels do not have a material impact on the local price of wheat, since South Africa imports around one third of its local requirements annually. Hence, the key drivers of local prices are the world price and the exchange rate.

In the maize market, domestic prices increased further in April from March. The yellow maize price was marginally higher by 1.8% and white maize prices rose by 4.0%. Nevertheless, prices were significantly higher compared to the same month in 2023, with white maize prices in particular trading 41.2% higher. The third crop estimates report released by the Crop Estimates Committee at the end of April 2024 indicated a slight improvement in maize production from the previous estimate of March 2024. Nevertheless, the total maize production estimate for the 2023/24 season is still 18.5% lower compared to the 2022/23 crop. White maize production was impacted the most, down by 24.7% compared to the previous year. Given that white maize producing regions have 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. This is typical for El Nino years, where South Africa trades at what is referred to as a “regional export parity price” for white maize. This is the derived price for South African white maize landed in major import markets like Harare or Maputo. The anticipated production levels (13.3 million tons) will comfortably sustain domestic demand (11.9 million tons) considering supply and demand estimates released by the NAMC in April 2024, which implies South Africa will have more than 1.5 million tons available for exports. The Famine Early Warning Systems Network (FEWSNET) predicts that a minimum of 5 million tons of white maize is required within the Southern African region to counteract the deficit driven by *El Nino* conditions which is to be sustained through intra-regional trade. Even so, regional imports are expected to remain below the 6 million plus levels traded in the aftermath of the 2015/16 El Nino. Zambia, which would typically contribute to such exports, is also facing a deficit. Surpluses are likely to originate mainly from East Africa, where Tanzania is expecting a bumper crop and Uganda should also have surplus product. In April, South Africa’s exports to the region

were higher (17%) compared to the same time in the 2023/24 marketing season, reflecting this elevated demand from Southern Africa, but exports were lower overall than last season signalling priority to local supply. Demand for South African maize meal from the Southern African region will likely also be strong. For several months, South Africa has been one of the main sources of maize meal supply into the Southern Provinces of the DRC. Given the current premium for white maize, BFAP expects maize meal prices to start rising by mid year, with a 12-15% increase in maize meal prices expected given maize price projections. Maize meal however contributes less than 10% of total food inflation.

Meat: Global meat prices improved (1.6%) MoM, with poultry and bovine meat contributing to the growth. Poultry prices also increased (2.7%) due to consistent imports by Middle East countries amidst persistent supply constraints following widespread avian influenza. Bovine meat prices rose in April due to high import demand, with cattle herd and beef production contracting in the USA despite increased domestic supplies in other leading importing countries. Ovine meat prices rebounded modestly (1.1%) on expectations of seasonal supply tightening in Oceania. However, the pig meat index dropped slightly (-0.2%) due to weak domestic demand in Western Europe and low demand from major importers, mainly China.

The local meat market has seen soft prices for poultry, beef, and pork in April from March, contradicting international price trends (beef and poultry) and the exchange rate. Beef carcass prices (average A2/A3) were lower (-0.3%) driven by soft consumer demand and at the abattoir while cattle slaughter numbers were higher in March (2.1%) prompting low weaner prices (-2.7%) in April due to increased supply to the market. Pig carcass prices were also weak, rising by only 1.7% despite feed price increases, reflecting stunted demand. The poultry price (Individually Quick Frozen – IQF pieces) was down 2.5%, as production continues to normalise following the outbreak of the Highly Pathogenic Avian Influenza (HPAI) in late 2023. To ensure fair trade, the Department of Trade, Industry and Competition (the dtic) has approved the continuation of long standing anti-dumping duties on frozen bone-in chicken cuts originating from the USA in April 2024, following an investigation by the International Trade Administration Commission of South Africa (ITAC) on the impact of the expiry of import duties on the domestic market.

Vegetables and fruit: In the domestic municipal markets, total fresh produce sales have scaled up in volume (1.8%) and value (7.1%) in April from March 2024. In addition, vegetable sales were higher MoM while fruits declined. This marks a positive increment of 9% and 13%, respectively, in quantities and value compared to April 2023. Generally, vegetable sales contribute the most in volume (74%) and value (70%) with the remaining share attributed to fruits. Regarding average prices in the respective fresh produce categories, vegetables slumped by 0.6% compared to a year ago while fruit prices moved up by 14.7%.

Prices for staple vegetables, e.g., potatoes, tomatoes and onions, grew in April indicating strong demand at the markets in combination with lower quantities available (principally tomatoes). While loadshedding is currently on halt, weather patterns, especially in the northern parts of the country, could already be impacting quantities supplied to the market, a trend which can continue in the coming months. On the fruit side, the summer crop season (table grapes, peaches, nectarines, and plums) has concluded, with volumes dropping and smaller volumes trading at higher prices in the market. In addition, large quantities of pome fruit (apples and pears) are currently being packed for the export market. There is an opportunity to send additional volumes to the European (EU) market given that stock levels there are lower (by 5.5% for apples and 17.4% for pears) compared to the 5-year average.

The winter crop season is underway as the harvesting of early soft citrus varieties and lemons has commenced, kickstarting the citrus season although progress is slower than usual given challenges in sizing resulting from excessive heat conditions towards the end of 2023. While loadshedding has eased for the time being, the industry remains wary of the risk posed by ports, increases in the freight rates, and other logistical challenges on seamless exports this season. Due to the ongoing conflict in the Red Sea, traditional market supply can be affected and the increase in freight rates could further eat into farm gate returns.

*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 May 2024 for the April 2024 data).*

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