



## Food inflation brief – May 2021

### Inflation on food and non-alcoholic beverages May 2021: **+6.7% (year-on-year)**

+0.7% month-on-month inflation rate

1.2 percentage points contribution to CPI headline inflation of 5.2%

	M-o-m % change:	Y-o-y % change:
Bread & cereals	+0.0%	+4.9%
Meat	+1.2%	+8.5%
Fish	-0.2%	+7.0%
Milk, cheese, eggs	+1.7%	+5.7%
Oils & fats	+5.2%	+20.0%
Fruit	-3.9%	-6.5%
Vegetables	-1.4%	+6.6%
Sugar & sugar-rich foods	+0.6%	+8.7%



### The BFAP Thrifty Healthy Food Basket (THFB) May 2021: **R3 007/** **/month**

M-o-m change:

**+R66 / +2.2%**

Y-o-y change:

**+R150 / +5.3%**

Affordability\*:

**30% food expenditure share**

\* Share of total income spent on food – household with dual minimum wage income, also receiving child grants & school feeding.

### Key observations:

- In May 2021 the most significant food price increases were observed for oils and fats (+20.0%), sugar-rich food (+8.7%) and meat (+8.5%). Price increases in oils and fats are due to international price pressure from a combination of supply disruptions. These include dry weather conditions in the black sea regions, which affected sunflower and canola production, leading to declining stocks over consecutive years and aging oil palm plantations in Malaysia which result in a trend of lower yields. Weak palm oil production was amplified by migrant labour shortages, which led to intermitted production disruptions.
- Meat prices are higher on the back of higher international prices, increasing input cost and tight supplies due to lower imports from Namibia and lower local livestock slaughter numbers. It is expected that slaughtering will increase as the year progresses, but prices could remain firm due to global prices trending higher. Chicken prices also seem to be playing a driving role in meat price growth. This is a symptom of input cost pressures (maize and soybean prices), which are expected to remain firm in the short term.
- The strength of the exchange rate played an integral role in keeping South African food inflation subdued during the first few months of 2021. With a tighter monetary stance from the US emerging, the Rand seemed to start losing ground in June. A weaker Rand could fuel food inflation through increases in primary product/commodity prices, but will also impact manufacturing and distribution costs.
- Elevated oil prices are also expected to add to inflationary pressures in manufacturing and distribution cost with Brent-crude more than 80% higher compared to last year.
- Higher inflation rates on food categories such as animal-source foods, oils/fats, and vegetables could have a negative impact on the dietary diversity of lower-income households. Among the typical top ten food expenditure items of low-income households in South Africa, high y-o-y inflation was observed for sunflower oil (+40%), IQF chicken (+20%), white sugar (+13%), brown bread (+8%) and milk (+5%). Minimal inflation was observed for maize meal, rice, white bread and beef mince, while price deflation was observed for potatoes.