



Food inflation brief – July 2021

SUMMARY OF FOOD INFLATION METRICS – JULY 2021:

Inflation on food and non-alcoholic beverages:

M-o-m: +0.2%

Y-o-y; +6.7%

Contribution to CPI headline inflation:

1.1 percentage points contribution to
CPI headline inflation of 4.6%

Food category contributions:

Food category contributions:	M-o-m % change:	Y-o-y % change:
Bread & cereals	0.2%	4.4%
Meat	0.7%	9.4%
Fish	-0.9%	4.6%
Milk, cheese, eggs	-0.1%	6.3%
Oils & fats	0.4%	22.4%
Fruit	0.7%	-2.7%
Vegetables	-1.0%	4.7%
Sugar & sugar-rich foods	-1.2%	6.5%

Commonly purchased food items with high y-o-y inflation rates in July 2021:

Above 10% inflation:

Plant oils
Pork (e.g. chops, ribs)
Margarine
Dried beans
Beef (e.g. stew, offal)
Chicken (IQF, fresh cuts)
Super maize meal
Pumpkin
Bananas

6.7% to 10% inflation:

Chicken giblets
Canned pilchards
White sugar
Polony
Cabbage
Beef (e.g. mince, brisket)



THE BFAP THRIFTY HEALTHY FOOD BASKET (THFB)[#] July 2021: R2 932/ /month

M-o-m change:

+R17 / +0.6%

Y-o-y change:

+R119 / +4.2%

Affordability*:

29.7% food expenditure share

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

[#] The BFAP Thrifty Healthy Food Basket (THFB) measures the cost of basic healthy eating for low-income households in the South African context. 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 an adult male, an adult female, an older child, 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 intake patterns.

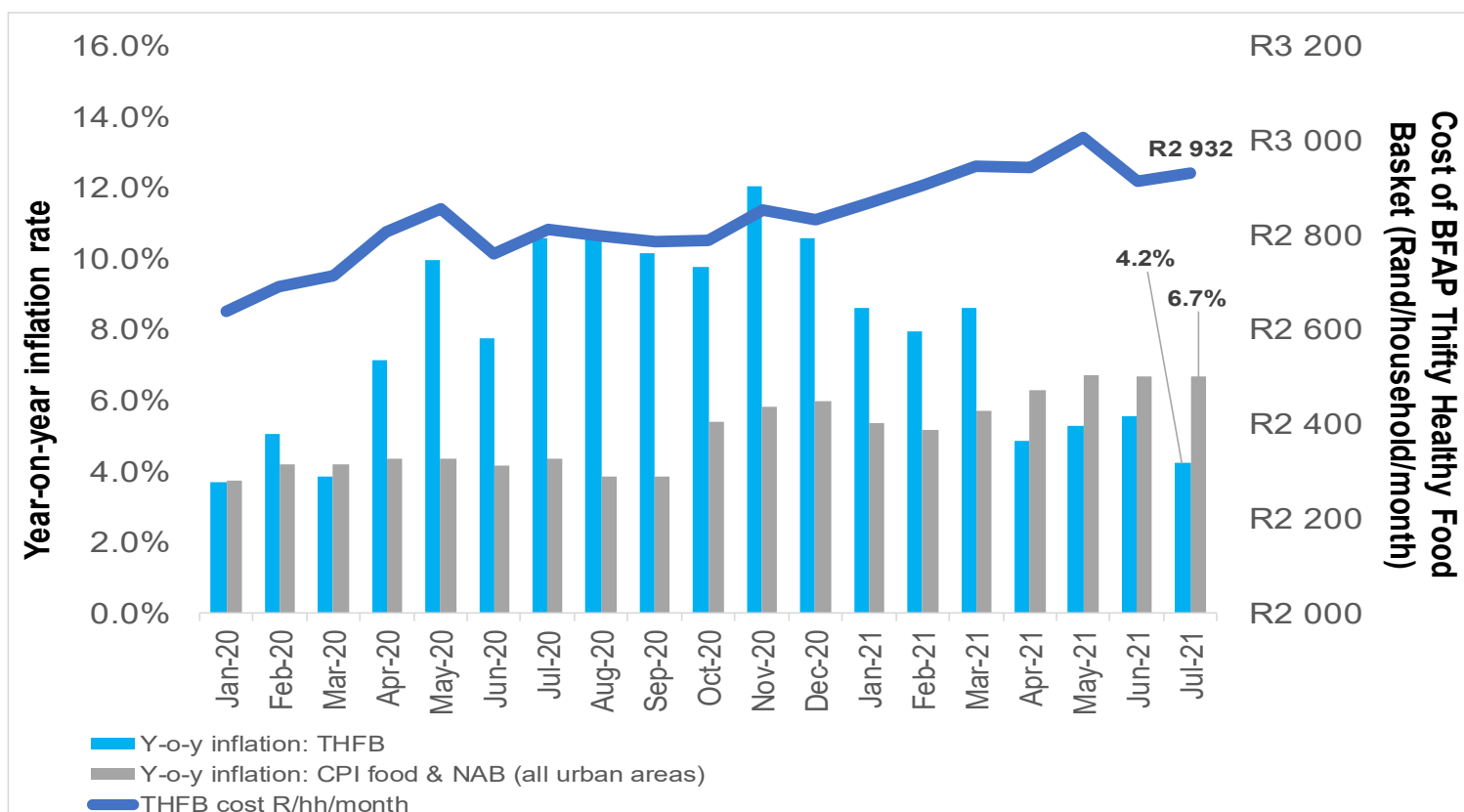


Figure 1: An overview of food inflation - January 2020 to July 2021

Source: BFAP Compiled from Stats SA CPI

FOOD INFLATION DRIVERS AND EXPECTATIONS:

- The factors underpinning food inflation in July 2021 remain very similar to those described for June 2021.
- The key driver of inflation in July was meat, which recorded year-on-year price increase of 9.4%. Some consumer resistance to high prices, especially in red meat, has resulted in price increases losing momentum but prices are still substantially higher compared to July 2020. As the base effect of low meat prices in 2020 fades, inflation in meat prices is also expected to ease with monthly price dynamics suggesting that the price run, apparent since mid-2020, might be at an end. The exception to this is poultry prices which could remain firm on a weaker exchange rate and high global prices. High global prices of poultry are mainly due to the recovery in demand for chicken, particularly in the hospitality and food service sectors, combined with supply disruptions (such as disease outbreaks) which affected breeding flocks in key producing counties and an extended period of high feed prices. Other sources of protein such as milk, eggs and cheese also recorded strong price growth on the back of increased global prices and input costs over the past year.
- Inflationary effects in oils and fats were recorded at 22.4% for July. Here multiple global factors have contributed to a price surge that lasted several months. This includes increased demand for commodities used for bio-fuels which supported soybean prices, supply disruptions related to labour in palm oil markets, and dry conditions in key sunflower producing regions. The combined effect of these factors continues to keep prices at elevated levels.
- Bread and cereal inflation was less pronounced than that of oils and fats, but the year-on-year inflationary effects were also driven by surging global prices since mid-2020.
- Over the past few weeks, global prices of cereals and vegetable oils have started to ease on the back of weaker corn demand, especially from China, as well as the lower biodiesel blending mandate in Argentina and good prospects for a rebound in sunflower oil supply in the coming season. The local effect of this was however countered by a weaker exchange rate over the corresponding time. Farmers in the Northern Hemisphere have expanded their area under production in response to higher prices. However, many key production areas in the USA and Europe have not received sufficient rain and weather patterns over the next few weeks will be the key driver of global grain and oilseed prices for the next six months.
- Vegetable prices are 4.7% higher compared to July 2020 but 1% lower compared to June 2021 as the effects of the excessive rain in the first months of 2021 starts to ease and the quality of products and volumes recover. It is expected that the cold winter combined with frost in some regions could result in higher vegetable prices, especially in potatoes, over the coming months.
- We expect that food inflation will decline over the coming months as base effects ease and other key drivers such as the oil price ease off recent highs. The effect of the spread in the Delta variant of the COVID-19 virus is expected to retard global recovery, which will probably spill over into global and local food and commodity 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.

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