



# FOOD INFLATION BRIEF

BFAP's Food Inflation Brief provides an overview of food inflation dynamics, its associated causes and the cost of basic healthy eating for April 2022.



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## SUMMARY OF FOOD INFLATION METRICS – April 2022

<b>Inflation on food and non-alcoholic beverages:</b>		<b>Contribution to CPI headline inflation:</b>
Month-on-month: <b>+0.7%</b>	Year-on-year: <b>+6.0%</b>	<b>1.0 percentage points</b> contribution to CPI headline inflation of 5.9%
<b>Food category contributions:</b>		
	Month-on-month % change:	Year-on-year % change:
Bread & cereals	0.1%	4.8%
Meat	1.0%	8.5%
Fish	-0.1%	4.8%
Milk, cheese, eggs	0.7%	3.7%
Oils & fats	5.4%	21.2%
Fruit	-1.3%	-0.7%
Vegetables	0.0%	0.2%
Sugar & sugar-rich foods	0.9%	3.5%
Non-alcoholic beverages	0.7%	3.9%
<b>Commonly purchased food items with high year-on-year inflation rates in April 2022:</b>		
<b>Above 10% inflation:</b>		<b>6% to 10% inflation:</b>
Starchy foods (pasta, wheat flour, noodles, samp)		Starchy foods (baked goods, white bread)
Beef (offal, chuck)		Beef (fillet, mince, T-bone)
Pork (chops)		Pork (bacon, ham)
Mutton/lamb (stew, offal)		Fish (tuna tinned)
Chicken (non-IQF frozen portion, giblets)		Dairy (fresh milk)
Fish (fish fingers frozen)		Vegetables (carrots, lettuce)
Vegetables (peppers, broccoli, potatoes)		Fats/oils (margarine, sunflower oil)
Fruit (oranges, banana, pineapple)		Granular sugar & sugar-rich foods
Fats/oils (peanut butter)		

<b>THE BFAP THRIFTY HEALTHY FOOD BASKET (THFB)#</b> 	<b>THFB – March 2022:</b> <b>R3 098/  /month</b>
	Month-on-month change: <b>+R6 / +0.2%</b>  Year-on-year change: <b>+R156 / +5.3%</b>  Affordability*: <b>29.5% food expenditure share</b>

\* 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 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.

## International overview

After reaching a new all-time high in March 2022, the FAO Food Price Index (FFPI) decreased by 0.8% (month-on-month) in April 2022, with the downturn mainly driven by the vegetable oil sub-index. In April 2022 the index was 29.8% higher than in April 2021. Major drivers of food inflation internationally were similar to March 2022, with the impact of the ongoing war in Ukraine exacerbated by weather conditions, late plantings and policy responses as explained below. Globally countries such as Kenya, Brazil, the USA as well as the EU have experienced continued rising food inflation in the first quarter of 2022. Apart from China, food inflation in South Africa was the lowest of all countries included in the comparison.

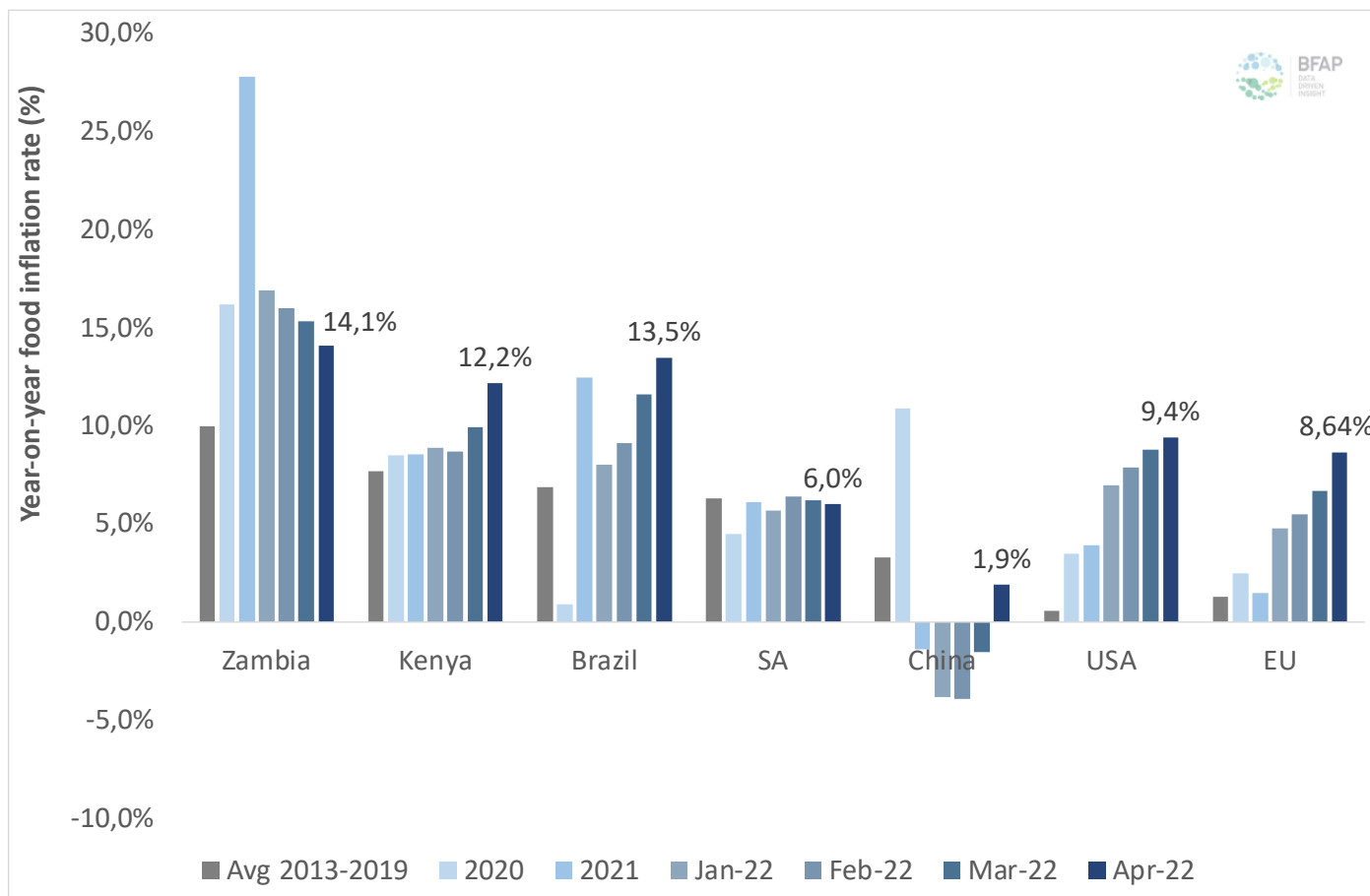


Figure 2: International food inflation comparison

## Food inflation drivers and expectations

In South Africa, year-on-year food inflation was recorded at 6% in April, whilst month-on-month inflation edged up further by 0.6%. This is predominantly driven by global factors, which have been relevant for several months, but in some cases have also deteriorated. These include China's zero Covid policy - which continues to disrupt manufacturing and global logistics, the Russian invasion of Ukraine - which has heightened concern around global supply at a time when stock levels had been declining for consecutive years, and persistent concerns around weather conditions - which could curtail the supply response and policy actions in response to surging prices in some major producing countries. This includes a ban on palm oil exports from Indonesia, which is the largest global exporter, that will drive already high vegetable oil prices up further, and India's ban on wheat exports. Weather conditions in the USA have also delayed plantings of summer grains and oilseeds, which further supported price gains. These persistent increases in agricultural commodity prices globally have filtered into the South African market, supporting high prices amongst major grains and oilseeds, despite the expectation of another bumper crop, which should ease any concerns around availability and ensure that commodity prices continue to trade at export parity levels.

Global factors have also contributed to rising meat prices, notably the continuation of intermittent Avian Influenza outbreaks and supply constraints emanating from a prolonged period of high feed prices. However, a number of domestic factors also contributed, such as reduced slaughter volumes. In March 2022, cattle slaughters were 10% lower than in March 2021, partly due to reduced utilisation of feedlot capacity amid

ongoing concern around the spread of Foot and Mouth Disease (FMD) and surging feed prices. High feed prices are also contributing to higher poultry prices in South Africa and the rest of the world, along with a depreciating exchange rate. Towards the end of April, the rand depreciated significantly to levels of above R16.00 to the US dollar, and this is expected to also contribute to broad-based local inflationary pressures over the coming months.

Further to rising agricultural commodity prices, inflation is also being driven by rising costs throughout the value chain. Many of these also emanate from supply disruptions in global energy markets, where the war in Ukraine and associated sanctions on Russia has driven oil and natural gas prices up sharply. In South Africa energy costs have increased at above inflation levels for some time, as illustrated in Figure 3 for electricity tariff adjustments since 2018/2019. Furthermore, surging global oil prices have also driven up fuel prices (e.g. the retail prices for diesel in South Africa has increased by approximately 50% over the last year and has therefore put significant upward pressure on transport costs).

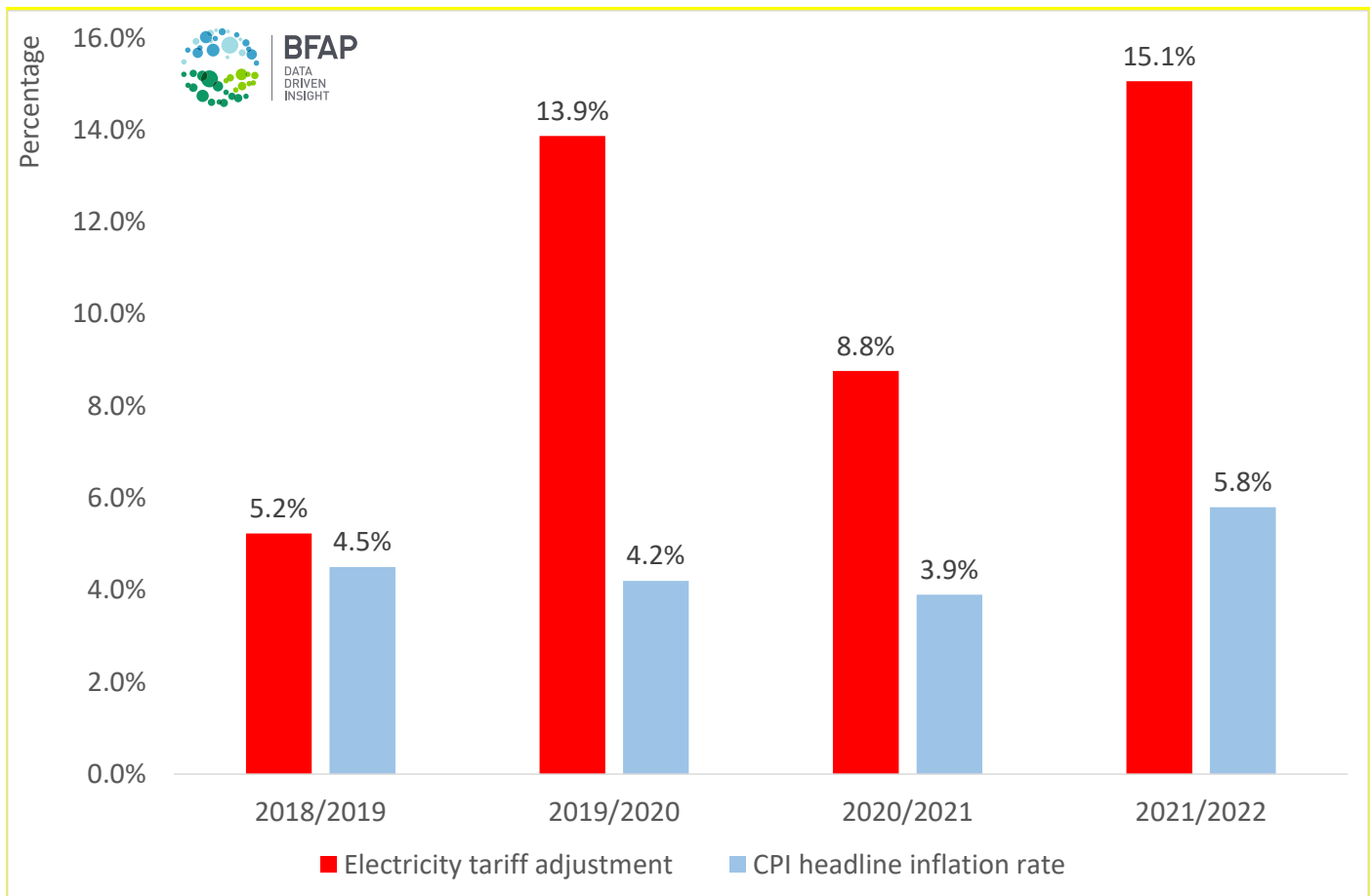


Figure 3: Electricity tariff adjustments in South Africa compared to CPI Headline Inflation rates for 2018/2019 to 2021/2022 (Source: ESKOM Tariffs & Charges Booklet, 2021/2022)

Note: 2022 CPI headline inflation represents the average rate for January to April 2022

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 on 18 May 2022).

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