

Monthly Food Affordability Tracker

June 2020

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Acknowledgement

This report was compiled by a number of collaborating researchers from the Bureau for Food and Agricultural Policy, the Department of Agricultural Economics, Extension and Rural Development at the University of Pretoria, the Department of Agriculture, Land Reform and Rural Development.

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The cost of healthy eating within the food security context in South Africa

Food security is defined as a situation where “all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food which meets their dietary needs and food preferences for an active and healthy life” (World Food Summit, 1996). Food security objectives can only be achieved if attention is given all the pillars of food security (FAO, 2008; Wüstefeld, 2013): Availability, accessibility, utilisation and stability.

Following the outbreak of the COVID-19 pandemic in South Africa, instability and supply chain interruptions have been impacting food availability. Furthermore, household income pressure caused by the national lockdown, has become a reality of many South African households (see Table 1).

Table 1: COVID-19 pandemic impact on employment, household income and hunger at week six (6) of the national lockdown

Observation:	Share of sample (n=2 688):
Lost job or had to close business due to COVID-19	8.1%
Became unemployed due to COVID-19	1.4%
Experience decreased income due to COVID-19	25.8%
Do not have any income ¹	15.4%
Experience hunger ²	7.0%

(Source: *Second wave of the Statistics South Africa (Stats SA) survey on the impact of the COVID-19 pandemic on employment and income in South Africa*; www.statssa.gov.za)

¹ Pre-lockdown: 5.2%

² Pre-lockdown: 4.3%

Food affordability is affected by the combination of household income and the cost of obtaining food, which is in turn determined by the type and quantities of food items purchased. With reduced spending indicated as a major coping mechanism to mitigate income pressure, reduced food spending could result in inadequate energy intake and / or reduced dietary diversity – detrimental to the nutritional quality of a household’s daily diet.

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 takes into consideration 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. Starch-rich staples: super maize meal, rice, brown bread, wheat flour & potatoes; Fruit: apples, bananas & oranges; Vegetables: tomatoes, onions, carrots, cabbage & pumpkin; Dairy: milk, maas & cheese; Animal protein foods: beef mince, chicken, canned pilchards & eggs; Fats / oils: sunflower oil, margarine & peanut butter; Legumes: dried beans & baked beans in tomato sauce; Sugar-rich foods: A small quantity of white sugar.

In April 2020 (representing the first month of the national COVID-19 lockdown in South Africa) the cost of the BFAP THFB amounted to R2 675 for the four-member reference family (i.e. R83 or 3.2% higher than in April 2019, with a 0.7% deflation from March 2020) (see Figure 1). Thus, the cost of the BFAP THFB decreased slightly during the first month of the national COVID-19 lockdown in South Africa. With the exception of three months (June 2019, November 2019 and March 2020), the year-on-year inflation rate on the BFAP THFB was higher than the CPI food inflation rate. In the absence of conventional Stats SA retail prices, the inflation rate observed for online food retail prices observed by Stats SA for March 2020 and April 2020 was used to estimate month-on-month inflation for particular items.

In April 2020, hypothetically, a household with two members earning the national minimum wage, receiving two child grants and with children receiving the benefit of a school feeding scheme, had to spend approximately 27% of their income on food, to be able to afford the BFAP THFB. Considering the absence of school feeding due to the national COVID-19 lockdown, such a family would however have to spend approximately 32% of their income to be able to afford basic healthy eating. According to the Stats SA Living Conditions Survey 2014/2015 the typical food expenditure share of households in this income bracket is much lower, being in the approximate range of 20% to 25%.

Considering the household income continuum in South Africa before the COVID-19 epidemic, the least affluent 50% of the South African population could not afford the BFAP THFB. However, taking into account the Stats SA data presented in Table 1, this figure would most likely be higher at present.

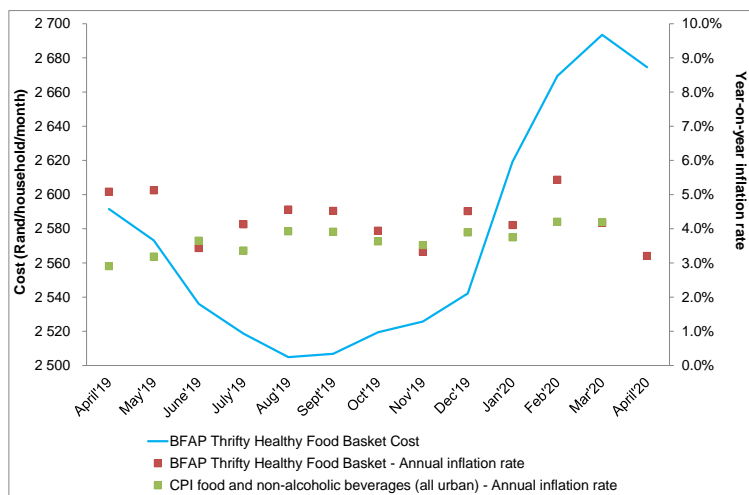


Figure 1: The cost of the BFAP Thrifty Healthy Food Basket for the period January 2019 to April 2020 (Source: BFAP, 2020)

An overview of recent food inflation trends in South Africa

Tracking food inflation in April 2020 proved to be a difficult task since actual (physically collected) prices was not possible to be collected from retail outlets due to the lockdown. As a result, the review of trends in certain subcategories were calculated based on online prices collected by Stats SA during March and April 2020. The month-on-month comparison in Table 2 is therefore directly comparable and represents the increase in online prices between the past two months. The year-on-year figure should however be interpreted with caution since the comparison is based on actual (physically collected) prices in April 2019 versus online prices in April 2020. The results from the year-on-year comparison indicate significantly higher prices, with the exception of fruit. This further suggest that year-on-year inflation was substantial in certain categories such as Meat and Milk, Eggs and Cheese, but the effect could be exasperated by the fact that online prices could generally be higher. The comparison between online and physical/actual food prices in South Africa is not yet determined.

Table 2: Average price increases of key products in selected sub-categories of food inflation

	Month-on-Month	Year-on-Year
Bread and Cereals	0.56	5.25
Meat	3.7	14.9
Milk, Eggs and Cheese	7.0	16.8
Vegetables	-0.6	6.0
Fruit	-2.7	-4.0

As can be seen from Table 2, month-on-month inflation was substantial in Meat and Milk, Eggs and Cheese. More affordable cuts had smaller price increases when compared to premium cuts and this could be an indication of the stronger demand for higher-end meat products by consumers whom had no alternative for food-away-from-home consumption during the lockdown period. The same result is prevalent in chicken products, with frozen chicken products showing month-on-month disinflation, with fresh products increasing marginally. The substantial month-on-month trend in Milk, Eggs and Cheese can be attributed predominantly to egg price increases by up to 35% between March 2020 and April 2020. It is attributed to a combination of factors. The first factor entails the strong initial demand during the month of April 2020 as a result of panic buying of large quantities of eggs. This strong demand was subsequently sustained due to eggs being the most affordable source of animal protein which causes consumers facing income constraints to rely more on eggs as an alternative source of protein, compared to meat. Egg producers noted that pre-lockdown egg prices were subdued due to increased production, therefore the low base of prices in March 2020 served as a contributing factor to the substantial price increase mentioned above.

Breads and Cereals, and Vegetables moved marginally month-on-month. Prices of these products were also typically monitored by government as part of the cost of essential goods due to the initial reports of price gauging. Due to this surveillance it is expected that the prices remained stable between the subsequent months of March and April 2020 and that the cost pressures prevalent in specifically the Bread and Cereal value chain would only start to manifest in retail prices at the beginning of 2020Q2. It is perceived that fruit price decreases between March and April 2020 were as a result of weaker demand and increased supply. Consumers typically perceive fruit as a luxury fresh item compared to vegetables, whilst it is also perceived that some fruit destined for international destinations were observed into the local market.

In terms of an outlook over the coming months, the only certainty is seemingly the ever-increasing uncertainty. Key factors that could impact food inflation over the next three months include the exchange rate and possibly oil prices, as the global lockdown in various countries are starting to ease. Since the end of March 2020, the exchange rate has recovered from levels of around R19/USD to around R17.5/USD. The severe initial depreciation was expected to result in double digit food inflation, specifically for commodities such as Breads and Cereals, and Meat. These strengthening of exchange rates during May 2020 are however expected to dampen cost pressure of primary commodities and other costs in the value chain substantially over the coming months. Although the inflationary picture related to the exchange rate volatility is substantially brighter than a month ago, cost pressures are still expected to be visible in food value chains. The extent to which these factors can drive prices up are dependent on the consumer's ability to absorb it – which, according to Table 1, seems limited for the foreseeable near future.

Food group focus: The case of starch-rich staple food intake among lower-income households in South Africa

Starch-rich staple foods (i.e. grains, cereals and tubers) represent up to 39% of the food expenditure of low-income households in South Africa (Stats SA Living Conditions Survey 2014/2015), with starch-rich staples ensuring a dominant contribution to energy intake.

Figure 2 below presents an overview of the dominant starch-rich staple foods in the various South African provinces, from a food expenditure perspective for the least affluent 50% of households, within each province.

Key observations from Figure 2 include:

- Maize meal dominates in all provinces except in the Western Cape province;
- Brown bread is relatively more consumed/preferred in Gauteng, Limpopo and Mpumalanga provinces;
- White bread is relatively more consumed/preferred in the Western Cape, KwaZulu-Natal and the Northern Cape provinces;
- Rice is relatively more consumed/preferred in the Eastern Cape, KwaZulu-Natal, the Western Cape and North-West provinces;
- Potatoes are relatively more important in the Western Cape, Northern Cape, Free State and Eastern Cape provinces.

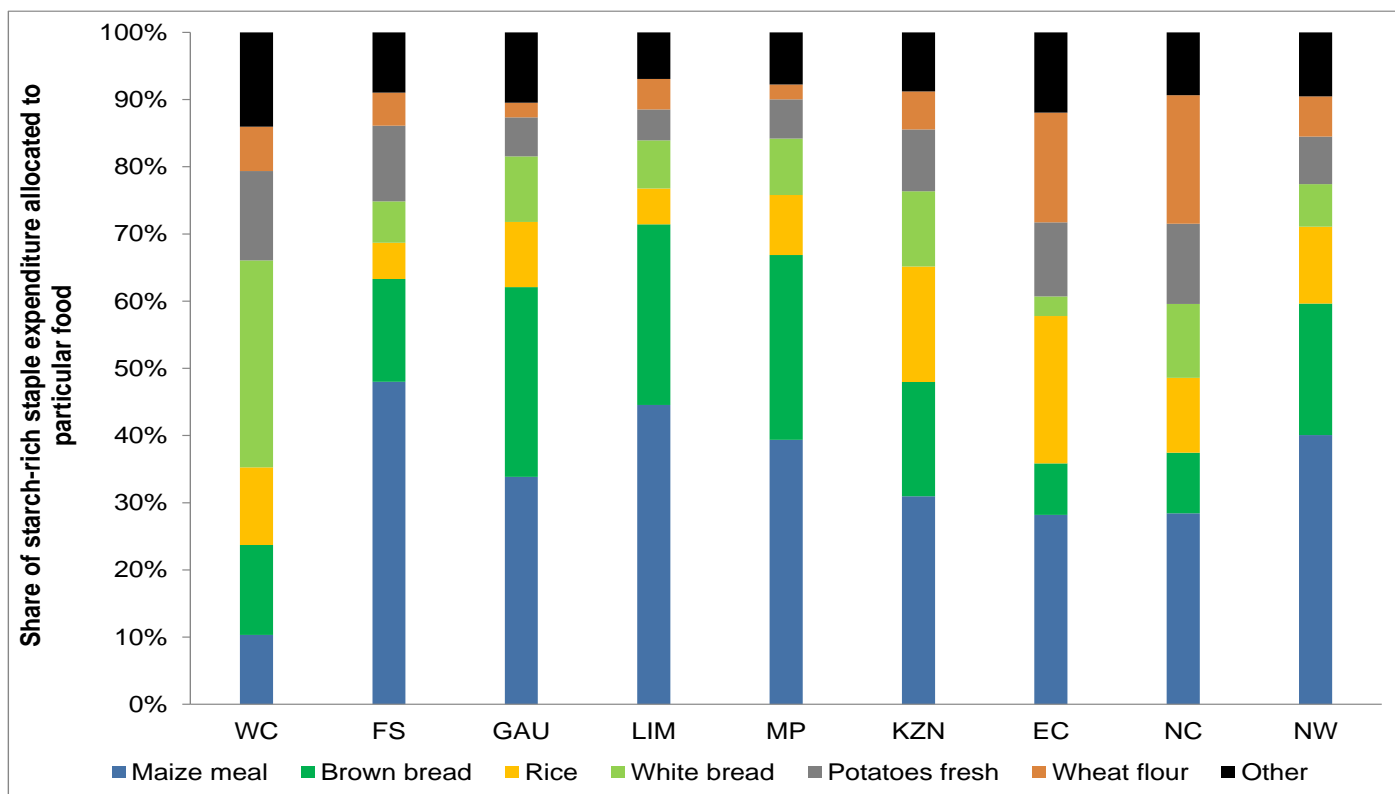


Figure 2: Dominant staple food items in the various provinces in South Africa

(Source: Calculations based on household-level food expenditure data obtained from Stats SA Living Conditions Survey 2014/2015)

The impact of inflation on very poor consumers is based on the typical portion sizes of very poor consumers with regards to the five most widely consumed food items in South Africa represented by maize porridge, brown bread, sugar, tea and full cream milk (National Food Consumption Survey - Steyn & Labadarios, 2000; Oldewage-Theron et al, 2005). **Figure 3** illustrates the estimated portion costs for these foods, calculated from food price data for April 2020 (estimated) vs. April 2019. The significant cost contribution of maize meal and bread to the typical basic daily food selection of poor consumers, are emphasised by the results in **Figure 3**.

Despite the relatively low actual food weight contribution of bread to this 'food plate', the bread component costs more than the maize porridge component (about 48% more in this case for April 2020). When comparing the costs associated with the typical portion sizes of very poor consumers with regards to the five most widely consumed food items in South Africa, based on April 2020 (estimate) vs. April 2019 prices, the results in **Figure 3** indicate inflation of approximately 6.52% (from R5.95 to R6.34 for the typical portion selection). All items revealed positive inflation, in particular tea, maize meal, and sugar. Comparing April 2020 (estimate) vs. March 2020, the costs associated with the typical portion sizes of very poor consumers with regards to the five most widely consumed food items in South Africa, increased by 0.8%.

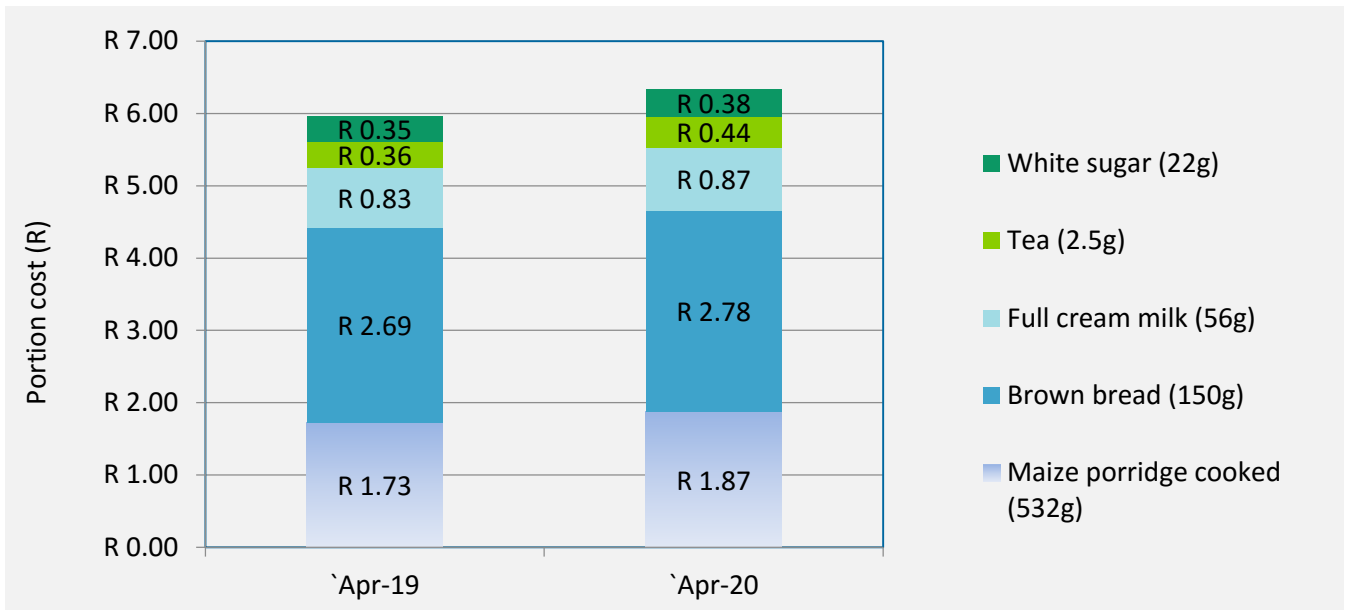


Figure 3: Average nominal cost for the typical portions of the five food items most widely consumed by very poor consumers in South Africa, April 2020 (estimate) vs. April 2019

Sources: BFAP calculations, Stats SA, 2020