

Monthly Food Affordability Tracker

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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.

Contributing researchers:

Researcher	Affiliation
Hester Vermeulen	Bureau for Food and Agricultural Policy
Marlene Louw	Department of Agricultural Economics, Extension and Rural Development, University of Pretoria
Corne Dempers	National Agricultural Marketing Council
Heidi Phalhane	Department of Agriculture, Land Reform and Rural Development

Food Affordability Trends – month on month comparison.

On 1 June, South Africa moved from Level 4 lockdown to Level 3 lockdown. This allowed for relaxing several restrictions that impacted the food and beverage industry in South Africa. The most notable of these, related to the food industry, were that retailers were subsequently allowed to sell the full spectrum of their merchandise and that restaurants and food-away-from-home establishments were allowed to re-open, but on a limited scale, due to the regulations related to social distancing. With these changes food prices were impacted through changes in demand and possible disruptions in supply chains as well as macro-economic of which the most notable is the related to exchange rate movements. Price changes observed between May and June 2020 are presented in Figure 1, below.

The 15 food items presented in Figure 1 represent a selection of the dominant food items purchased by low(er) income households in South Africa, with expenditure on these items typically representing approximately 70% of total food expenditure for the least affluent half of South African households (according to Stats SA Living Conditions Survey 2014/2015)

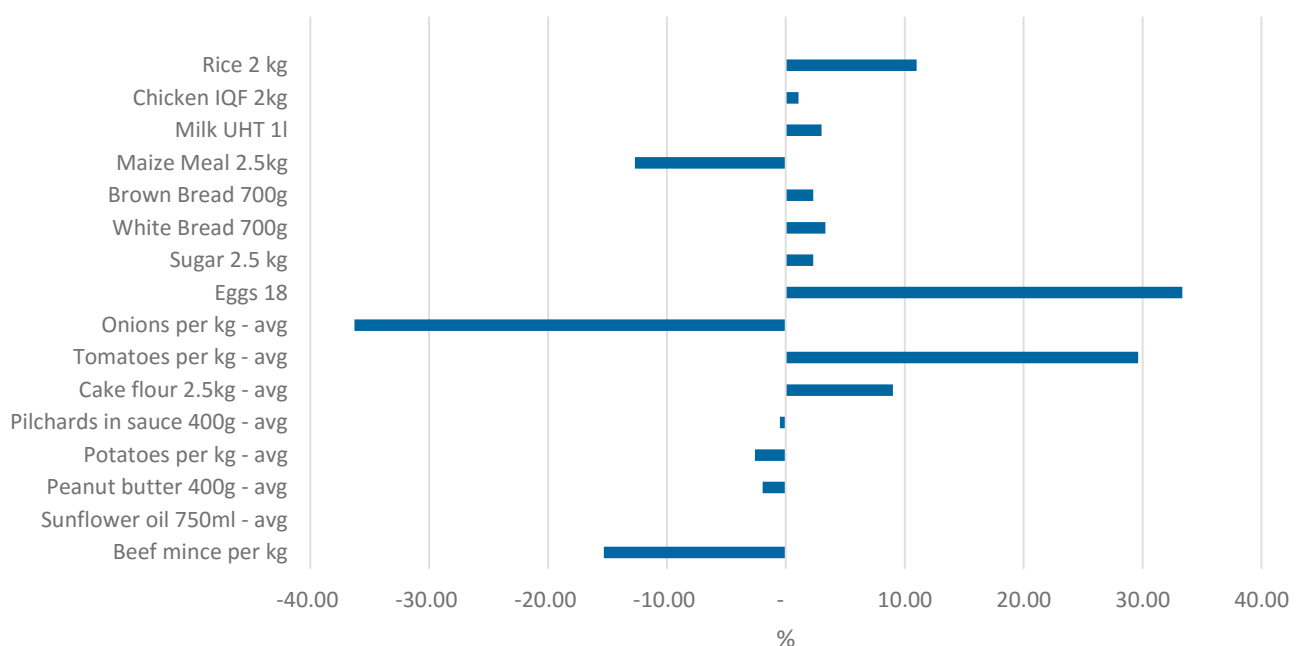


Figure 1: Official food price changes between May and June 2020

Source: StatsSA Urban Food Prices, June 2020

The biggest average product price increases were observed for eggs (33.4%), tomatoes (29.4%) and rice (11%). Other price increases were more moderate with cake flour increasing by 9.1%, white bread by 3.3% and UHT milk by 3.1%. The substantial increases in rice and cake flour prices can mainly be explained by the lagged result of significant exchange rate depreciation experienced since the beginning of 2020, considering that these are both products with strong links to the international market and there is typically a 6 week to 3 month period for these shocks to transmit to local food prices. Strong tomato prices are the result of demand support for vegetables during winter months combined with limited volumes on the markets. Egg prices, in turn, are increasing on the back of strong demand as one of the most affordable protein-rich foods derived from animals.

The retail price of IQF Chicken prices seems to be picking up, albeit marginally. In April 2020 chicken prices tended to be lower due to inactivity of the hospitality industry. The slight increase seems to suggest that prices are supported by its re-opening.

Potatoes and onions showed substantial price decreases between May and June, in contrast to expectations that these products will benefit from demand support as a result of restaurant and take-away food outlets re-openings. Sufficient demand support from the hospitality industry might however take some time to reflect in fresh produce prices. In July, it is anticipated that issues in the transport industry combined with a cold front in first half of the month, will support prices to higher levels.

Beef mince prices, in turn, have also decreased by 15.3%. This seemed to be the tendency for most beef cuts in June which seems to suggest that demand for beef could be under pressure. Although beef prices are usually under pressure in winter month the effects of COVID-19 and its associated lockdown are adding significant pressure. Given current and projected economic hardships of consumers this is not surprising. It is expected that consumers will become progressively budget conscious and move to more affordable animal protein food options. This will in turn put downward pressure on beef prices over the short to medium term.

Official food inflation – A year on year perspective

Official Stats SA food retail price data for May 2020 show that general year-on-year food inflation amounted to 4.4% in May and eased to 4.2% in June. Figure 2 below provides a view of the change over the past year, for June 2020, for selected products.

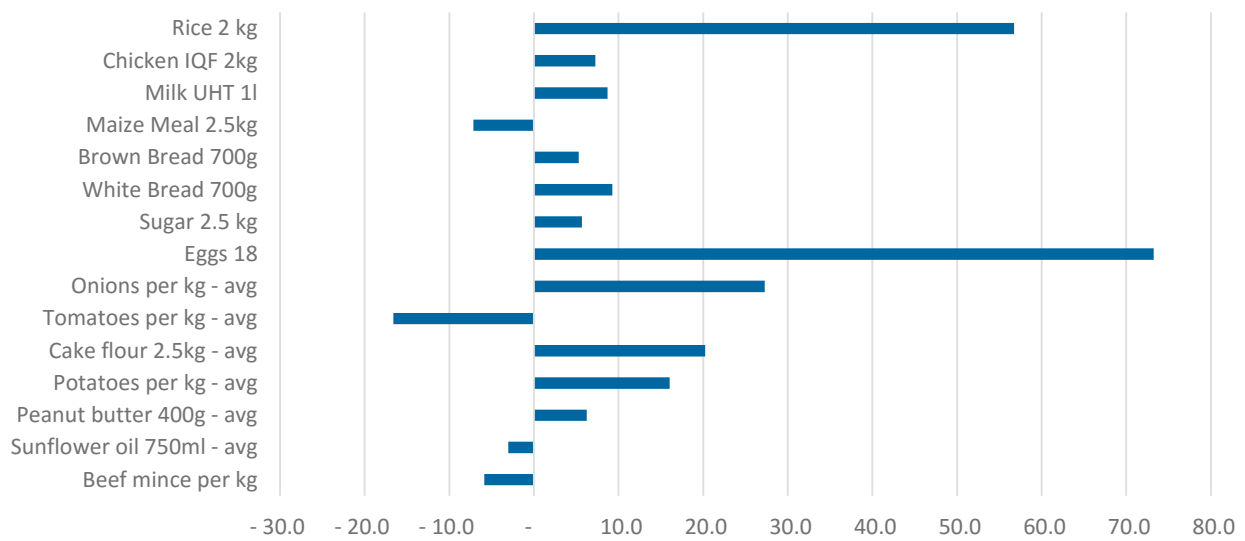


Figure 1: Official food price changes between May and June 2020

Source: StatsSA Urban Food Prices, June 2020

Similar to the monthly view, the large contributors to the annual official food inflation figures, are rice and cake flour in the group of products considered here. As mentioned above, this is attributable to a weaker exchange rate with the ZAR/USD exchange rate in June 2020 being approximately 18% weaker compared to the year before. Eggs also experienced significant increases with strong demand pull allowing for long standing production cost pressures to be passed through to retail level. Selected fresh produce are also substantially more expensive than a year ago. This could possibly be a result of colder weather decreasing volumes compared to what it was a year ago. It is also expected that demand for vegetables are strengthened compared to previous years on the back of mounting economic pressures on consumers. This trend has been apparent since 2019 and has been discussed at length in the June version of our Food Affordability Tracker.

Food affordability and the vulnerable

The National Income Dynamics (NIDS) - Coronavirus Rapid Mobile Survey (CRAM) is a nationally representative panel survey of 10,000 South African individuals. The results for the survey conducted in May and June are now available and shows that 47% of people surveyed indicated that they ran out of money for food in April. This is in comparison to 21% of respondents surveyed in the 2018 General Household survey. This points to a substantial (more than double) increase in the amount of people that were unable to afford a monthly supply of food in the month of April 2020.

In an effort to alleviate the effects of the COVID pandemic and its associated restrictions, the department of Social Welfare however provided Social Relief Distress Grants paid out from May 2020 until October 2020. This amounts to R350 per month for people not receiving any income. In addition to this, there are also top-up payments on the existing grant schemes such as an additional R250 paid on top of the existing old age grant and between R300 and R500 per month for child support.

The above-mentioned survey however asked questions on hunger experienced in the 7 days preceding the survey. Since the survey was conducted in May and June 2020, these results can be interpreted as the state of hunger in months where the grant schemes, as mentioned above, were already implemented. It is reported that 1 in 5 respondents indicated that someone in their household went hungry in the past seven days, and one in seven indicated that a child has gone hungry in the past seven days. One in eight respondents reported frequent hunger in their household in the past seven days. These results suggest that households are still facing deteriorating nutritional intake, despite the Social Relief Distress Grants during the COVID-19 pandemic in South Africa.

A hypothetical reference household consisting of two children (receiving conventional and additional Child Support Grants), an elderly person (receiving an Old Age Grant with the distress grant portion added), an adult male and adult female (with no current job income sources) could have a current monthly household income of R3 910, from grants only. With the June 2020 cost of the BFAP Thrifty Healthy Food Basket estimated at R3 300 for such a household, they will have to spend 84% of total income on food to be able to afford basic healthy eating, which represents a significantly higher food expenditure share than the typical 33% associated with low-income households in South Africa – thus increasing the likelihood of inadequate food intake. The longer-term nutritional and food security impacts of the COVID-19 pandemic on the more vulnerable segments of the South African population remains to be seen, but would most likely have a significant negative impact on the progress made in South Africa in recent years towards the elimination of food and nutrition insecurity.