

Monthly Food Affordability Tracker

November 2020

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agriculture, land reform
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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

1. Food Affordability Trends

September 2020 presented the month where South Africa moved to lockdown level 1, in the third week of the month. The most notable relaxation for the food industry, associated with this level, was the permission of social gatherings of up to 250 people. Although the effect of this on September food prices was limited, this is expected to provide demand support as we are approaching the festive season. Month-on-month FNAB (food and non-alcoholic beverages) inflation for September amounted to 0.26% whilst year-on-year inflation remained consistent with inflation rates in August of 3.9%

Selected inflation for specific food prices are considered in the graphs below. The products included are selected based on their dominance in food expenditure patterns of South African consumers. These dominant food items, purchased by lower income households in South Africa, typically comprises 70% of total food expenditure for the least affluent half of South African households (based on the Stats SA Living Conditions Survey 2014/2015). These month-on-month changes, combined with a year-on-year view are depicted in Figure 1 below.

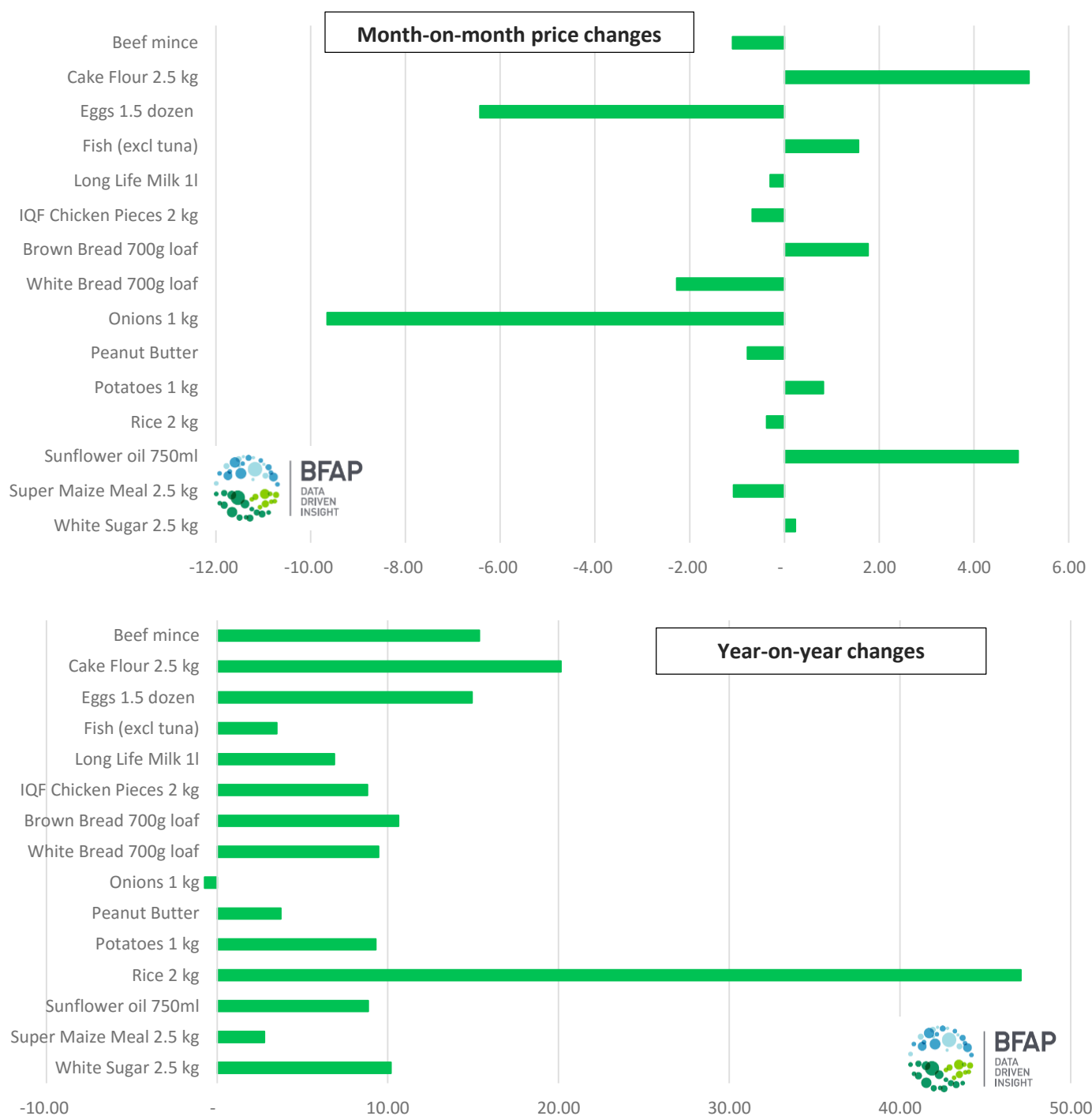


Figure 1: Month-on-month and year-on-year price changes for selected food products (Sep 2020)

The main product contributors, in a month-on-month inflation context, were cake flour (5.2%) and sunflower oil (5.0%). These prices are driven by underlying commodity price pressures apparent since March 2020. In 2020Q3 South African wheat prices were roughly 20% higher compared to 2020Q1. Similarly, sunflower prices were 21% higher in 2020Q3 compared to prices during 2020Q1. Onions and eggs, in turn, have continued their downward trend from the highs associated with April consumer stockpiling. In the case of onions, consumers focused on larger unit sizes which supported demand, during this time. Informal discussions with retailers and producer organizations seems to suggest that purchasing patterns of vegetables have normalised to smaller unit sizes. This combined with strong volumes are pushing onion prices lower. Eggs have also shown a price correction on the back of normalised demand, but prices of 1.5 dozen eggs are still almost 15% higher compared to September 2019.

In terms of year-on-year changes, rice still shows the largest increase of 47%. This is due to a much lower base price for rice in 2019 due to a comparatively stronger exchange rate in that year. Month-on-month movements in retail prices of rice do however seem to suggest that prices are tending lower from the highs experienced in June 2020, albeit at a slow rate. Cake flour also increased in excess of 20% in September 2020, compared to September 2019. As with the monthly discussion of cake flour above, this is a result of commodity cost pressure. Average wheat prices were 20% higher in 2020Q2 and 2020Q3 than they were in corresponding periods in 2019.

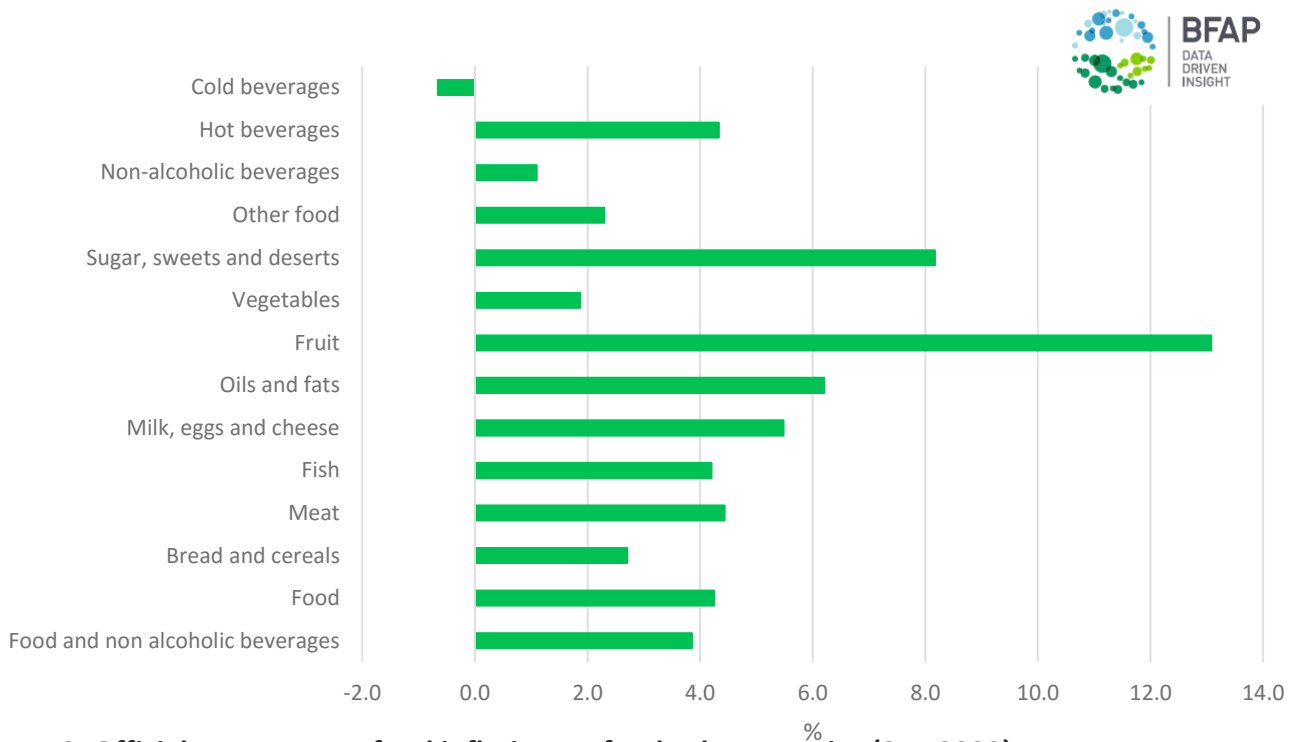


Figure 2: Official year-on-year food inflation on food sub-categories (Sep 2020)

All sub-categories of food inflation exhibited significant inflation during September, with the exception of cold beverages which showed marginal (-0.7%) deflation. Fruit prices had double digit inflation. This can be attributed to a low base in 2019 combined with rapid price increases for fruits such as bananas and oranges, on the back of low volumes (e.g. end of citrus season). Banana volumes traded through municipal fresh produce markets, shrunk by almost 40% in 2020 compared to volumes sold in September 2019. This is a result of the cold(er) temperatures experienced in the Northern parts of the winter, during the 2020 winter. Similarly, orange volumes were almost 40% lower compared to September 2019. The cause was however increased export volumes at the beginning of the season. This resulted in local volumes trending lower towards the end of the season. Sugar, sweets and deserts have seen inflation growth of 8.2%. This is largely driven by underlying increases in sugar producer prices coupled by strong demand.

Oils and fats are continuing the sharp price growth and showed year-on-year inflation of 6.2%. As mentioned above, this is underpinned by exchange rate dynamics during 2020, affecting the parity prices of the underlying commodities and derived products. Price growth in milk, eggs and cheese is still largely dominated by year-on-year price growth in eggs. As mentioned above, it seems that the upward trend in eggs might have faded. Eggs are still 15% higher than in September 2019. Milk, in turn, is 6.9% higher than a year ago. PPI (Producer Price Index) figures on unprocessed milk have been increasing rapidly since the beginning of 2020 suggesting that the underlying cost of unprocessed milk is a contributing factor to higher retail price levels.

2. Cost update on the BFAP Healthy Food Baskets

	September 2020 – Basket cost (R/month):	Annual inflation	Month- on- month inflation	Share of household income (2 wages, 2 child grants):
BFAP Thrifty basket (family of four*)	R 2 785	10.1%	-0.4%	33.7%
BFAP Thrifty basket with school feeding (family of four*)	R 2 384	10.1%	-0.4%	28.8%

In September 2020, the cost of the BFAP Thrifty Healthy Food Basket amounted to R2 785 for the reference family of four, increasing by 10.1% from September 2019 and decreasing by 0.4% from August 2020. A family with income from two wage earners and two child support grants, with children receiving school feeding, had to spend 29% of household income to be able to afford basic healthy eating.

In September 2020, the major inflation drivers in the BFAP Thrifty Healthy Food Basket were fresh produce (e.g. carrots, oranges, bananas, cabbages, pumpkin and tomatoes), legumes (e.g. tinned baked beans and dried beans), cheese, starch-rich foods (e.g. wheat flour, white bread and potatoes), animal-source foods (e.g. beef mince, eggs and frozen chicken), white sugar and sunflower oil.

3. Three-month inflationary outlook

For the last quarter of 2020, it is expected that food inflation will edge over the 4% mark. This is generally a period associated with strong demand for food as a result of the festive season. Growth in demand could provide space to pass on cost pressures in certain chains that was not possible before due to consumer income being severely constrained throughout 2020.

A downside risk to this is the looming second Covid-19 wave. Rapid increases in infection rates could cause consumers to revert back to stockpiling goods with a longer shelf life. This will ultimately affect strong demand in certain chains such as meat and fresh produce.

4. Special focus: Animal-source food affordability and inflation in South Africa

The South African Food-based Dietary Guidelines (SA FBDGs) state that “Fish, chicken, lean meat and eggs can be eaten daily”, as part of a varied and balanced diet (Schönfeldt et al., 2013). If consumed in appropriate quantities and as part of a varied diet, animal-source foods can enhance the nutrient adequacy of the diet by providing individuals with high-quantity and high-quality protein, beneficial fatty acids and micronutrients such as vitamin A, vitamin B1, vitamin B2, vitamin B6, vitamin B12, niacin, iron and zinc (Labadarios et al., 2008).

In South Africa ‘lean’ meat refers to minced- or processed meat products with a total fat content of 10% or less, while meat with a total fat content of 5% or less can be classified as ‘extra lean’ (DoH, 2010).

Animal-source foods (particularly chicken, beef, mutton/lamb, pork, fish and eggs) are a dominant food group in South Africa from an expenditure perspective, accounting for 31% of household food expenditure according to Statistics South Africa (Stats SA) Living Conditions Survey (LCS) 2014/2015. In South Africa average household expenditure on animal-source foods is dominated by chicken (39% expenditure contribution in this food group), followed by beef (23%), pork (8%), fish (8%), eggs (7%) and mutton/lamb (5%) (Stats SA Living Conditions Survey 2014/2015).

With rising socio-economic status, the share of household budgets allocated to these animal-source foods increases from 25% for low-income consumers, to 37% for high-income consumers. Despite increasing by approximately 3.5% over the last decade, the per capita lean meat (chicken, beef, pork and mutton/lamb) consumption of the least affluent 80% of the South African population is below levels recommended in the SA FBDGs, with the severity of inadequate intake decreasing with rising socio-economic status (Vermeulen, 2020).

Figure 2.1 illustrates the relative affordability of animal-source foods in South Africa for the period January 2017 to September 2020, presented as annualised averages of monthly data, from a single serving unit perspective (as defined in official South African food guidelines). In 2020:

The most affordable animal-source foods were polony, canned pilchards, eggs, chicken giblets, ham, beef offal, IQF chicken portions and lamb offal – with SSU costs ranging from R3.10 (for polony) to R7.59 (for lamb offal).

The ‘middle product cluster’ from an affordability perspective consisted of whole chicken (R10.12/SSU), canned tuna, boerewors, beef mince, pork chops, fresh chicken portions and beef chuck (R13.81/SSU). On average the ‘middle product cluster’ was approximately 118% more expensive than the ‘affordable product cluster’ for the first nine months of 2020.

In 2020 the ‘luxury product cluster’ consisted of lamb stewing meat (R19.81/SSU), pork bacon, lamb rib chops and beef fillet steak (29.47/SSU). On average the ‘luxury product cluster’ was approximately 344% more expensive than the ‘affordable product cluster’ for the first nine months of 2020.

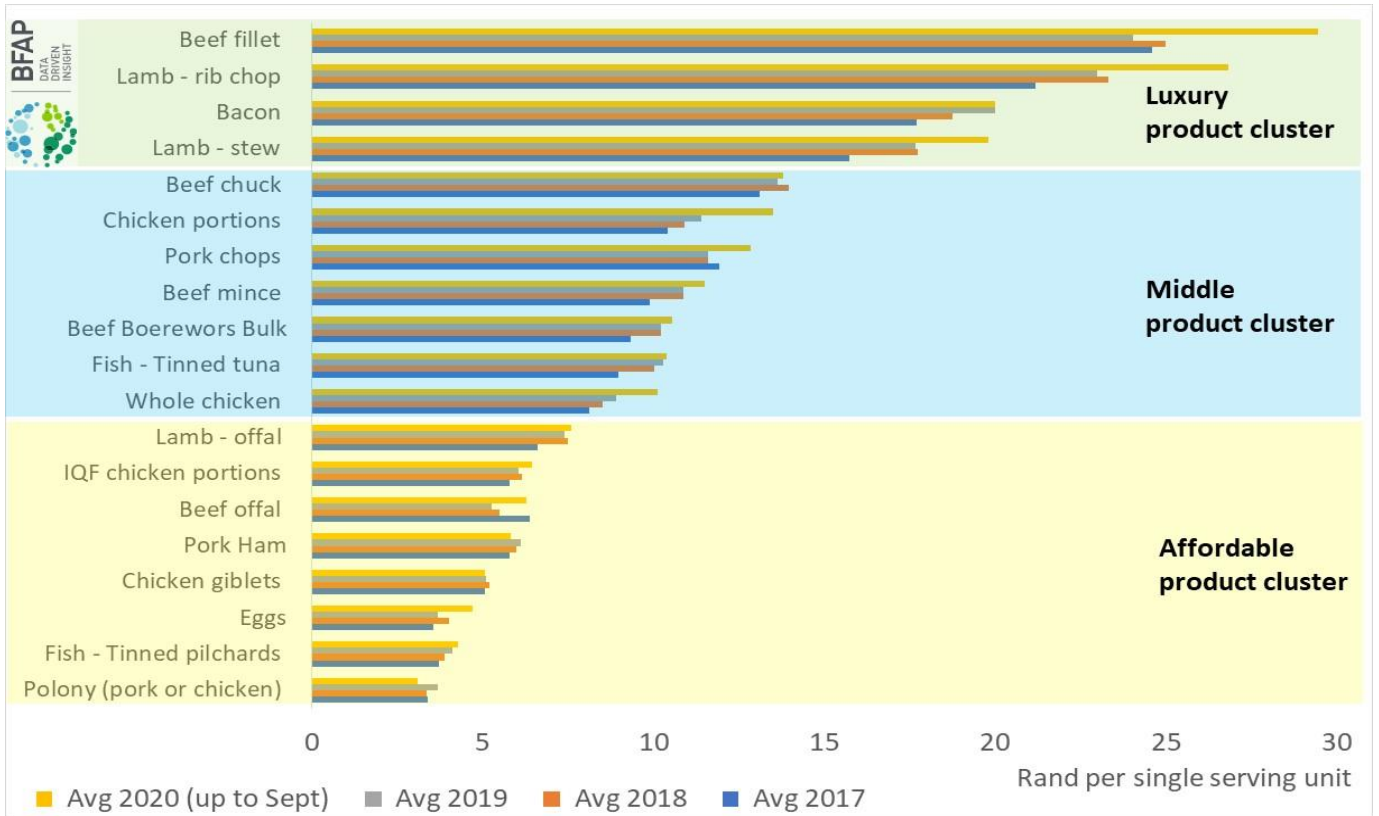


Figure 3: Relative affordability of animal-source food options in South Africa – 2017 to 2020
 (Source: BFAP calculations based on official Stats SA food retail price data)

On average, from 2017 to September 2020, the most significant price increases occurred within the ‘luxury product cluster’, followed by the ‘middle product cluster’, with the most significant retail price inflation observed for: eggs, fresh chicken portions, lamb, whole chicken, beef and tinned fish. Meat inflation in September was recorded at 4.4%. In terms of product specific changes the various meat product prices recorded by StatsSA is given in the Figures below. The strong growth is a result of a relatively low base associated with meat prices in 2019 combined with stronger demand associated with less restrictive lock-down periods.

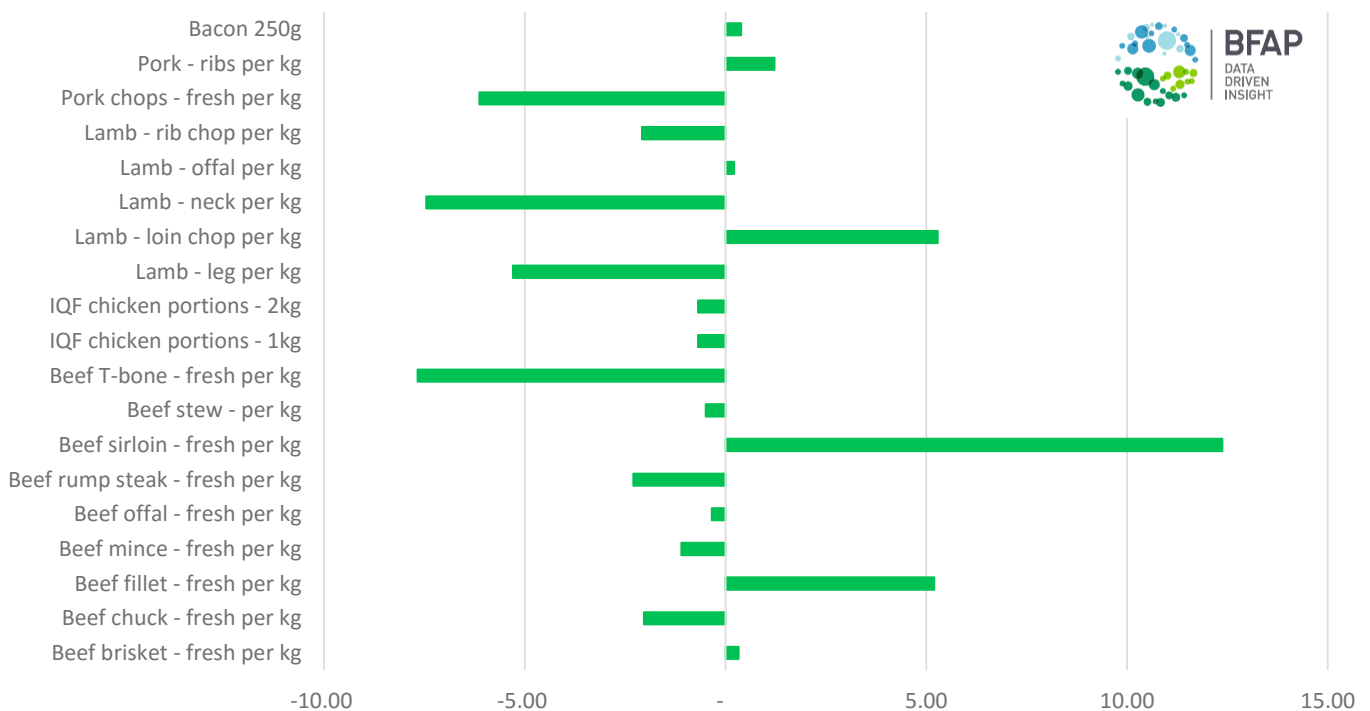


Figure 4: Month-on-month product specific price changes for selected meat products
 Source: StatsSA

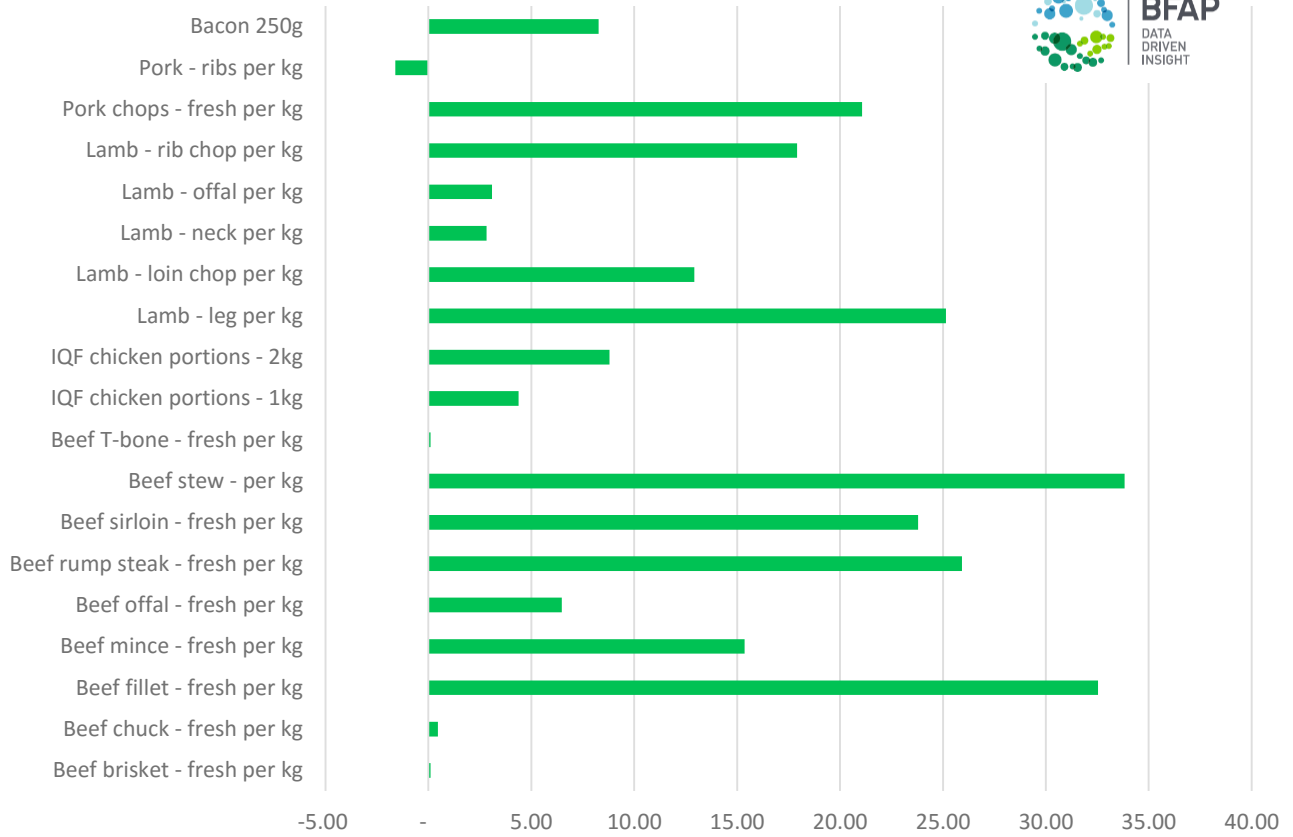


Figure 5: Year-on-year product specific price changes for selected meat products

Source: StatsSA