agbiz
agricultural business chamber
the way to prosperity

AGRIBUSINESS
RESEARCH

Wandile Sihlobo | Chief Economist | Tel: +27 12 807 6686 | Email: wandile@agbiz.co.za

17 April 2024

SA consumer food inflation falls to the lowest level since September 2020

- South Africa's consumer food inflation decelerated to 4,9% in March 2024 (from 6,0% in the previous month). This is the lowest level since September 2020 and was underpinned by the deceleration across most food products, except for "fish", which lifted mildly from the previous month. While it has been quite dry across the country, vegetable and fruit production has not taken a significant strain because all commercial production in South Africa is under irrigation, and load-shedding has been mild.

- Moreover, meat prices rose at the end of 2023 due to supply constraints of poultry products on the back of avian influenza. But there is now anecdotal evidence that the restocking process is underway and there is improvement in the poultry products supplies. Therefore, the risks of further price increases have subsided somewhat.

- The prices of wheat, rice, and vegetable oils have moderated due to increased global supplies, and South Africa is a significant importer of these products.

Risks

- Still, we believe this broad moderation path will continue for some food basket products only for the next few months. Significant upside risks remain for the "bread and cereal products" in the food basket because of the potentially poor white maize harvest from the recent heatwave and dryness.

- There are notable crop failures in South Africa's western regions, primarily white maize-producing regions (We see similar challenges in some yellow maize, other grains and oilseed regions). At the end of March, the estimates from the Crop Estimates Committee placed South Africa's 2023/24 white maize harvest at 6,3 million tonnes, down 25% year-on-year. This has led to a surge in white maize prices. At the start of this week, white maize spot price was up 36% year-on-year, trading at R5 450 per tonne. In addition, the higher demand for white maize in the broader Southern African region due to crop failure also adds to the price increases. Over the coming months, part of the maize price increase will reflect on the "bread and cereal products" of the inflation basket.

Global developments

- Aside from the domestic white maize supply challenges, there is ample wheat, rice, and vegetable oils supply on the world market. The IGC forecasts the 2023/24 global wheat harvest at 789 million tonnes, well above the long-term average. There is a lot of rice globally, with the 2023/24 global harvest forecast at 511 million tonnes, well above the long-term average. The 2023/24 global sunflower seed harvest is forecast at 57,9 million tonnes, well above average.

- The stocks of these commodities are at comfortable levels; thus, the international grain prices have continued to moderate. For example, the Food and Agriculture Organization of the United Nations (FAO) 's Food Price Index, which measures the monthly change in international prices of agricultural commodities, averaged 118.3 points in March 2024, down 8% from last year's corresponding period. The broad decline in grains and oilseed prices underpinned this moderation, again underscoring the importance of improved supplies in the 2023/24 season.
- The exchange rate will also matter much, as South Africa imports roughly half of its annual wheat and rice consumption.
- Overall, the recent food inflation data release is a welcome development. Still, there is increased uncertainty about South Africa's consumer food inflation path for 2024, with some upside risks in various products. The underlying factors are not all one-sided, and one has to reflect on the price movements and weighting of multiple products when considering their food price forecast.

Exhibit 1: South Africa's consumer food inflation

Source: Stats SA and Agbiz Research