

SA food producer price inflation decelerates to 4.7% y/y

The annual food producer price inflation decelerated to 4.7% y/y in June 2017, from 5.7% y/y in May 2017. This shows the benefits of the higher agricultural output this year following good summer rainfall across the country. The deceleration was largely in grain, sugar, dairy, starches, and vegetable and fruit products. Meanwhile, meat and meat products accelerated due to on-going cattle herds restocking process resulting from the 2015-16 drought, as well as low base factors.

- The general deceleration in food producer inflation is due to the recovery in agricultural production. The total production of summer grains and oilseeds is estimated at 18.44 million tonnes, which is a 96% annual increase.
- This has led to a widespread decline in agricultural commodity prices. White maize spot price currently trades at levels around R1 768 tonnes, which is 59% lower than the same period last year. Yellow maize spot price is trading at levels around R1 889 per tonne, which is 42% lower than the same period last year. Soybean spot price is at a level around R4 711 per tonne, which is a 31% annual decline. The decline in yellow maize and soybean prices will also benefit other sectors, such as the livestock and poultry.
- While meat price inflation increased at the fastest pace of 17% y/y, there seems to be some level of improvement in slaughtering which could lift meat supply. The most recent data from the Red Meat Levy shows that farmers slaughtered 202 886 head of cattle in May 2017, up by 5% from the previous month.
- Looking ahead – the large agricultural output will keep agricultural commodity prices under pressure over the short-to-medium term. This essentially means that food inflation also could remain at relatively lower levels. With that said, the recent outbreak of avian influenza in the poultry sector remains a risk. The virus has been reported in isolated farms in Mpumalanga, Free State and Gauteng. We will closely monitor the developments within the poultry industry in order to ascertain the impact on food inflation in the coming months.

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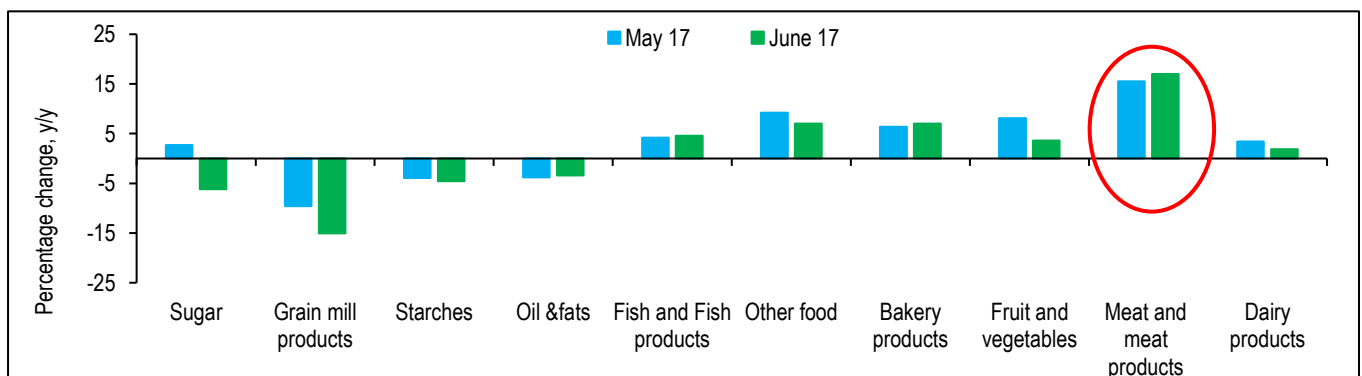


Chart 1: South Africa's Food Inflation (per product)

Source: Stats SA, Agbiz Research

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