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South Africa's consumer food price inflation edged up in August

- After slowing to 3,9% in July 2024, South Africa's consumer food price inflation slightly edged up 4,1% in August. The products underpinning this mild increase were "bread and cereal", "meat", "vegetables", "fish", and "milk, eggs and cheese". While a slight uptick was expected, we remain sceptical that price increases will be significant in the coming months.
- The significant upside risk we have highlighted for some time is the grain-related products in the food basket because of the poor summer crop harvest due to the recent drought. For example, South Africa's 2023-24 maize harvest is estimated at 13,06 million tonnes, down 21% from last season. This sharp decline in harvest prospects signifies the harsh impact of the mid-summer drought, and the regions most affected were the white maize growing areas, a staple crop that is also scarce in the world market. Thus, white maize prices have rallied in recent months, while yellow maize prices have remained sideways. The primary issue is the potential strong demand for white maize from the Southern Africa region to the first quarter of 2025.
- That said, we don't expect the potential price increase to be substantial as the forecasts from the International Grains Council signal the possible higher global wheat and rice production in the 2024/25 season, estimated at 799 million tonnes (up 0,6% y/y) and 528 million tonnes (up 1,2% y/y), respectively. These grains could help mitigate the supply issues related to white maize, as these are staple substitutes. South Africa, which imports nearly half of its annual wheat consumption (about 1.5 million tonnes) and approximately one million tonnes of rice annually, would benefit from favorable global production conditions and the likely softening of prices. Moreover, the relatively less depreciated domestic currency will also help ease the costs of imported foods.
- The increase in the prices of vegetable products will likely be temporary and mirror the disruptions due to weather-related issues. We have already seen the volume of various vegetable products improving in fresh produce markets. While price inflation has increased somewhat in the case of meat, this may remain mild as the different suppliers are cognisant of the weak consumer demand.

Exhibit I: South Africa's consumer food inflation



Source: Stats SA and Agbiz Research