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SA's annual food producer price inflation falls

The notable uptick in agricultural production has kept market prices under pressure over the past few months and food processors continue to benefit from this improvement. Data released this morning showed that South Africa's food producer price inflation slowed to 6.4% y/y in April 2017 from 6.9% in March 2017. The fall in the producer price index is set to provide some relief for consumers over the coming months, as lower producer prices are transmitted to the retail and consumption end of the food chain.

- The slowing trend in food producer inflation is largely attributed to an 82% recovery in agricultural production, with a total production of summer grains and oilseeds increasing to 16.9 million tonnes. The deceleration in food producer inflation was expected given the fall in agricultural commodity prices. White maize spot price currently trades at levels around R1 781 tonnes, which is 65% lower than the same period last year. Yellow maize spot price is trading at levels around R1 868 per tonne, which is 48% lower than the same period last year. Soybean spot price is at a level around R4 524 per tonne, which is a 37% annual decline. Sunflower seed spot price is trading around R4 732 per tonne, down by 32% from a corresponding period last year.
- We expect the overall food producer inflation to decelerate further over the coming months on the back of lower prices for grains, oilseeds and vegetables. Meat inflation, which saw an uptick in April 2017, could move sideways, as indications show that beef supply seems to be normalising and not slowing at the rate that was initially expected earlier this year. For example, farmers slaughtered 238 097 head of cattle in March 2017, which is an 18% increase from the previous month, but 6% lower than March 2016. Chicken supply could also improve as local production recovers due to lower feed costs, with imports remaining on the high side (see [SA's annual food inflation falls to the lowest level in 18 months](#), 24 May 2017).

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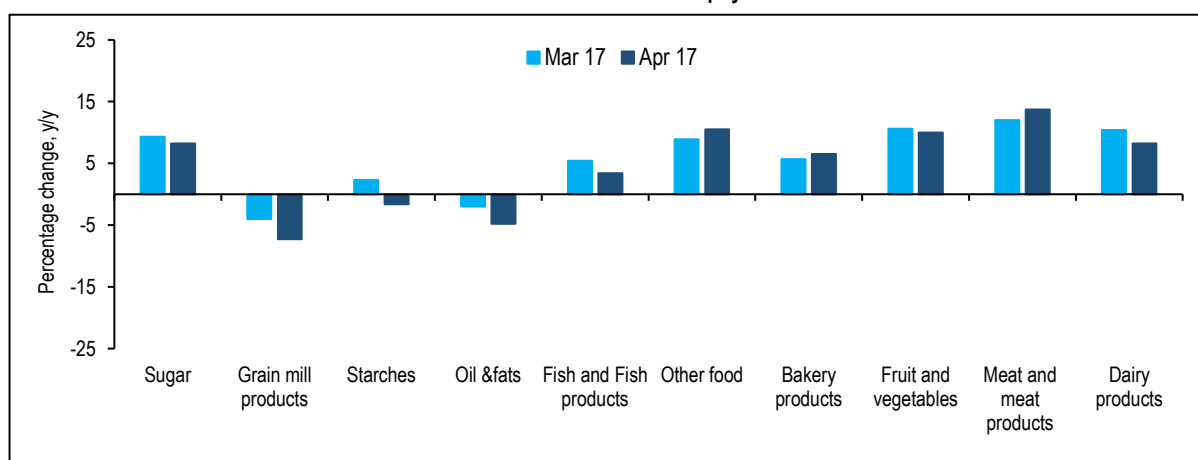


Chart 1: South Africa's Food Producer Inflation (per product)

Source: Stats SA, Agbiz Research

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