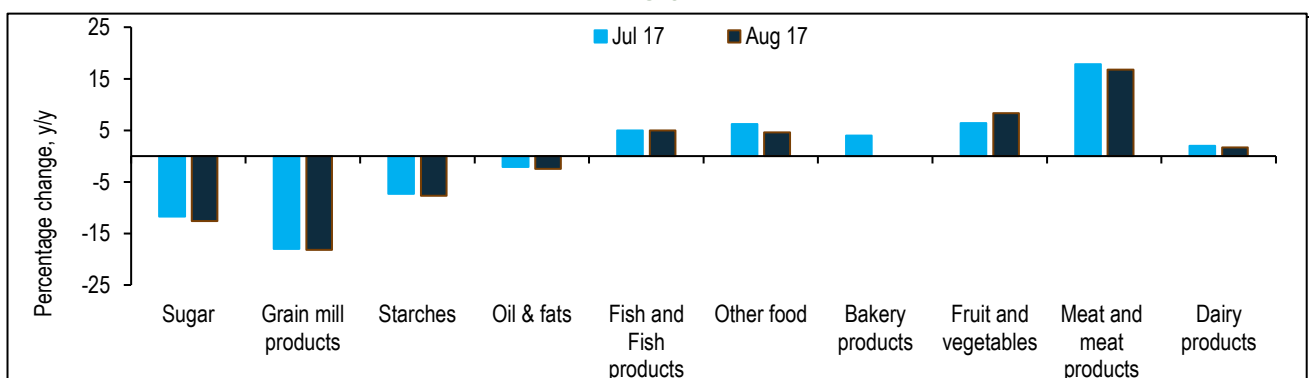


## PPI UPDATE: SA food products price inflation decelerates to 1.9% y/y

Food products price inflation decelerated to 1.9% y/y in August 2017, from 3.3% y/y in July 2017. Unlike the previous months, where this trend was mainly driven by a decline in field crop and dairy prices, meat and meat products also contributed last month. This was partly due to an uptick in monthly slaughtering activity, particularly cattle and sheep. With that said, there are still risks associated with the spread of avian influenza, albeit having affected a relatively small share of broilers at the moment.

- The broad deceleration in food producer inflation is due to the recovery in agricultural production. The 2017 total summer grain and oilseed harvest is estimated at 18.91 million tonnes, which is double the previous season's volume. This has led to a widespread decline in agricultural commodity prices. For example, white maize spot price currently trades at levels around R1 851 tonnes, which is 51% lower than the same period last year. Yellow maize spot price is trading at levels around R1 974 per tonne, which is 35% lower than the same period last year. Soybean spot price is at a level around R4 690 per tonne, which is a 24% annual decline.
- Apart from field crops, meat price inflation eased at 16.8% y/y last month, from 17.8% in July 2017. This was partly on the back of an uptick in slaughtering activity. The most recent data from the Red Meat Levy Admin shows that farmers slaughtered 228 632 head of cattle in August 2017, up by 12% from the previous month, but still down by 5% from the corresponding period last year. In addition, farmers slaughtered 374 838 head of sheep, which is an 11% monthly increase but still down by 8% from August 2016. It is unclear whether this will be a temporary blip or a continuous recovery. We will monitor the developments over the coming months in order to ascertain the impact on prices.
- Above all, the large agricultural output will keep commodity prices under pressure over the short-to-medium term. The new season promises a continuation of good summer rainfall which should lead to a good harvest.

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**Chart 1: South Africa's food producer inflation (per product)**

Source: Stats SA, Agbiz Research

**Disclaimer:** Everything has been done to ensure the accuracy of this information, however, AGBIZ takes no responsibility for any loss or damage incurred due to the usage of this information.