

■ COST OF LIVING

# Higher grain, vegetable and fruit price inflation to hit the poor

TEBOGO MASHABELA

ANOTHER fuel price hike in March led to inflation hitting the midpoint of the Reserve Bank's 3 to 6 percent target range. The annual headline consumer inflation accelerated to 4.5 percent in March, from 4.1 percent in February. Fuel prices rose again in February and March this year.

At the beginning of last month, the petrol price went up 74 cents a litre, which contrasted with the 36c fall in the price during the same month last year.

As a result, the year-on-year fuel component of inflation shot up to 8.8 percent in March, from 0.9 percent in February and -1.2 percent in January.

Bearing in mind that fuel has a weighting of 4.58 percent within the overall consumer price index (CPI), this 8 percent increase in the fuel inflation rate on its own accounted for almost the entire 0.4 percent rise in the overall head inflation rate.

Food inflation remained unchanged at a decade-long low of 2.3 percent, for the third consecutive month. However, looking at a broader category that includes non-alcoholic beverages, food inflation accelerated slightly to 3.1 percent last month from 2.9 percent in February.

A closer analysis of the underlying components of the food inflation basket shows that inflation is rising quite significantly in respect of many of the food categories, including bread and cereals, oils and fats, fruit and vegetables.

The annual inflation rate of bread and cereals rose quite strongly over the past few months, reaching 6.1 percent last month compared with 4.9 percent in February.

Drought conditions during the planting period in the north-western regions of the country, mainly North West and Free State, caused staple food commodity prices such as maize and soya to rise strongly.

The effects are starting to be felt, hence a significance increase in bread and cereals inflation last month. It is estimated that the current Safex white and yellow maize prices are more than 20 percent more than what they were for the same period last year.

The vegetable prices showed an alarming annual inflation rate of 9.4 percent last month, from 8.9 percent in February.

Fruit prices also showed startling increase in annual inflation rate of 7.6 percent last month from 4.7 percent in February. This is as a result of lower supplies of vegetables seen recently as a result of seasonality and



A TROLLEY laden with food sits parked in an aisle as customers shop. Vegetable, fruits, bread and cereals inflation accelerated last month. The acceleration of these staple foods have a major impact on affordability for the poor and a balanced diet. | VIVEK PRAKASH Reuters

FOOD & BEVERAGES PRODUCT S	Weight	Aug 2018	Sept 2018	Oct 2018	Nov 2018	Dec 2018	Jan 2019	Feb 2019	March 2019
Processed Food	8.67	1.9	2.9	2.9	3.5	3.6	3.6	4.1	4.5
Unprocessed Food	6.81	3.7	3.7	2.9	2.1	1.5	1.2	0.7	0.6
Bread and Cereals	3.21	-2.2	-0.6	-0.6	1.3	1.1	2.6	4.9	6.1
Meat	5.46	5.3	4.7	4.0	2.8	1.8	0.8	-0.5	-1.1
Fish	0.40	5.2	5.3	5.0	6.0	5.7	5.9	5.7	4.7
Milk, eggs & cheese	2.57	3.7	4.2	2.9	2.0	1.4	0.9	0.7	0.9
Oils and Fats	0.45	-0.6	1.5	0.6	1.4	2.2	1.6	1.2	1.7
Fruits	0.34	-3.3	-4.9	-4.2	-3.7	-1.5	0.4	4.7	7.6
Vegetables	1.30	8.9	9.0	7.7	7.7	8.5	11.5	8.9	9.4
Sugar, sweets & desserts	0.56	-5.8	-1.0	1.8	2.8	4.0	3.4	4.1	3.9
Other Food	1.19	2.8	3.3	3.2	3.5	3.8	2.9	3.8	3.8
<b>Total Food</b>	<b>15.68</b>	<b>2.9</b>	<b>3.4</b>	<b>2.9</b>	<b>2.8</b>	<b>2.4</b>	<b>2.3</b>	<b>2.3</b>	<b>2.3</b>
Hot beverages	0.65	4.3	4.6	3.6	4.2	4.3	4.6	4.0	5.0
Cold beverages	1.11	10.5	10.6	10.8	10.8	9.8	11.2	11.2	13.0
<b>Total Non-alcoholic Beverages</b>	<b>1.76</b>	<b>8.1</b>	<b>8.4</b>	<b>8.1</b>	<b>8.4</b>	<b>7.8</b>	<b>8.8</b>	<b>8.6</b>	<b>10.2</b>
<b>TOTAL FOOD &amp; NON-ALCOHOLIC BEVERAGES</b>	<b>17.24</b>	<b>3.5</b>	<b>3.9</b>	<b>3.4</b>	<b>3.4</b>	<b>3.0</b>	<b>3.0</b>	<b>2.9</b>	<b>3.1</b>

drought conditions in parts of the country. It is therefore expected that vegetable prices will decelerate in the next months as supplies normalise.

Meat inflation continued to decelerate, dropping to -1.1 percent last month from -0.5 percent in February, thus extending a decline that has continued virtually unabated since the 15.6 percent peak in meat inflation rate was recorded in September 2017. This has prevented the overall food inflation rate from rising.

The decline in meat inflation was largely due to an increase in domestic

supplies as a result of local suppliers being forced to sell to the domestic market instead of exporting because of a ban on such exports by neighbouring states out of the fear of the effects of foot-and-mouth disease in Limpopo.

The disease has now been eliminated, so it is expected that the situation will normalise and meat inflation will begin to accelerate in a few months. The increase in inflation is also likely to be supported by the expected increase in the poultry import tariff rate.

Food inflation is expected to gradu-

ally pick up with the beneficial impacts of the end of the drought gradually fading. The normalisation in the meat industry will likely result in meat inflation accelerating as export markets that banned South Africa's red meat suspend the ban.

Maize prices are likely to rise as a lower harvest is expected this season. As such, food inflation is expected to average around 5 percent this year, which is still below the SA Reserve Bank inflation target band of 3 to 6 percent.

It is interesting to note vegetable, fruits and bread and cereals inflation accelerated last month. The acceleration of these staple foods have a major impact on the affordability of food, and this is particularly concerning to poor consumers who spend an estimated 12 percent of their income mainly on fruits and vegetables. This could result in poor consumers not affording to buy fruits and vegetables, resulting in a less balanced diet.

*Tebogo Mashabela is an agricultural economist serving as a research analyst at Land Bank. He writes in his personal capacity and the views expressed here are his own and do not necessarily represent policy positions of Land Bank.*