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Maize futures set to stoke cost of food by April

JOHANNESBURG — The soaring price of maize futures will stoke food costs for poorer consumers within months and could put pressure on wider inflation, a top agricultural economist said yesterday.

Johann Kirsten, former chairperson of the government's now defunct Food Pricing Monitoring Committee, said the price of maize meal could rise by up to 12 percent by April.

South Africa is gripped by one of its worst droughts in 80 years, which has pushed maize futures 58 percent higher in the three months to the end of January to R1 535 a ton.

"Assuming a four-month lag (before prices rises are seen in shops), you will probably see a three to eight percent increase in prices by April or May, based on the December price ... At most, it would be 12 percent," he said.

Two years ago food inflation surged by 18 percent and maize meal doubled in price, pushing overall inflation into double digits and causing a storm of protest from the country's poor majority, who rely on maize porridge as a food staple.

Kirsten, head of the department of agricultural economics at the University of Pretoria, said the current situation was better than in 2002.

At that time the central bank said food price increases played a part in the country's failure to meet its three to six percent inflation target, after the CPIX measure of inflation hit 11,3 percent in October that year.

Kirsten said that although South Africa actually saw food deflation of 2,6 percent last year, the time lag between higher futures prices and the cost of food in supermarkets ensured that food prices were now a slight threat to inflation.

The targeted CPIX inflation index rose by an annual rate of 4 percent in December, a record low.

But Reserve Bank governor Tito Mboweni has warned about the impact of rising food prices — which make up 26 percent of the CPIX basket — and most analysts now believe that there will be no further cuts in interest rates this year. *Reuters*