


 Animal products 6%

GDP 4,6%

FOOD FACTS AND FIGURES

by Tineil Hurter

The return of consumer spending has bolstered business confidence in South Africa. Still, companies are keeping a wary eye on developments in the second half of the year, which could knock household finances. According to the Bureau for Economic Research (BER), retailer confidence climbed to a six-year high of 54 in the second quarter of 2021 – up from 37 in the first quarter. The BER has, however, issued a warning that renewed lockdown restrictions could curb the surge in business confidence, as uncertainties remain with South Africa trying to flatten the curve of the third wave of the pandemic. Looking to the third quarter, the overall retail sector remains optimistic about sales volumes and business conditions.

One perspective of the Bureau for Food and Agricultural Policy (BFAP) on agriculture's performance in the first quarter of 2021, is that South Africa's seasonally adjusted and annualised gross domestic product (GDP) increased by 4,6% in the

first quarter of 2021. The most significant sectoral contributors to GDP in the first quarter of 2021 were the finance, real estate, and business sectors, with a growth rate of 7,4% and a contribution of 1,5% to the country's GDP growth.

A GOOD SEASON

According to Wandile Sihlobo, chief economist of AgBiz, in the recent past, South Africa's agricultural sector has not had as good a season as the current one. This is evident from the Agbiz–Industrial Development Corporation Agribusiness Confidence Index (ACI), which reached a record high of 75 in the second quarter of this year (since its inception in 2001), increasing from 64 in the first quarter of 2021. According to the BFAP, agriculture's good performance is due to strong output growth in two of the three subsectors. Both field crops and horticulture showed strong growth, and animal products showed a decent growth of 6%. Within the latter percentage, the biggest contributors to growth were respective increases of 26% for pork, 9% for beef, and 4% for mutton and lamb combined. This growth is primarily supported by high meat prices, partly due to constrained supply.

CONSUMER PRICE INDEX

The latest consumer price index published by Statistics South Africa (as of 24 June 2021) shows that annual headline inflation has climbed above the 4,5% midpoint of the South African Reserve Bank's monetary policy target range (3%–6%), accelerating to 5,2% in May, from 4,4% in April. According to Statistics South Africa, this is the highest level reached since November 2018, when the rate was also 5,2%. "The 5,2% annual change in May comes off a low base recorded in May 2020, when fuel prices were low. Core inflation – the consumer price index excluding food and non-alcoholic beverages, fuel, and energy – was 3,1% in May 2021, much lower than the headline rate. This hints at the notable impact that fuel and food inflation has had on overall headline inflation levels."



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DAIRY MARKET SIGNALS

The South African Milk Processors' Organisation (SAMPRO) May 2021 summary of critical markets signals for the dairy industry, indicates that during the first four months of 2021, raw milk production in South Africa was lower than during the same four months of 2020. The BFAP's food inflation brief for May 2021 shows that milk, cheese, and eggs were 1,7% higher than in April 2021 and 5,7% higher than in May 2020.

In each of the first four months of 2021, the producer price index of raw milk increased. The index in April 2021 was 14,5% higher than in April 2020 (the latest available information is in respect of April 2021). Looking into the last half of 2021, SAMPRO states that the South African dairy industry will be confronted by uncertainty regarding the unfolding impact of COVID-19.

The standard sharp seasonal rise in the production of raw milk can be expected from July to October. From 2008 to 2020, the average growth in raw milk production from July to October was 28,7%, the lowest increase of 24,6% having been recorded in 2008. The highest increase, namely 34,3%, was recorded in 2017.

Furthermore, SAMPRO warns that the performance of most dairy products in the retail market

in the first quarter of 2021 does not support optimistic views regarding the demand for dairy products in the coming months. Although it is expected that the South African economy will grow in 2021, the level of economic activity will remain lower than in 2019.

PRICE INCREASES

Some of the largest annual price increases (May 2020 versus May 2021) were recorded for the following goods and services:

• Sunflower oil	+30,3%
• Tomatoes	+29,4%
• Dried beans	+27,0%
• Salad dressing	+18,4%
• Beef offal	+17,6%
• Sweet potatoes	+16,9%
• Chocolate bars	+16,5%
• Stewing beef	+15,4%
• Mixed vegetables (tinned)	+14,9%
• Hot cereals (porridge)	+14,8%
• Flavoured milk	+14,0%
• Whiteners	+13,4%
• White wine	+13,2%
• Fruit juice	+12,8%
• Beetroot	+12,6%
• Instant yeast	+12,6%
• Soup powder	+12,4%
• Powdered milk	+12,3%
• Whole chicken	+12,2%
• White sugar	+11,5%

The data show that annual food and non-alcoholic beverages inflation accelerated to 6,7% in May, from 6,3% in April. [mpo](#)

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