

# Food inflation outcomes on the downside for September 2019

 By [Paul Makube](#)

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South Africa's consumer inflation came in on the downside at 4.1% for September 2019 and has remained within the SARB's target range of 3-6% for the 30th consecutive month.



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The food sub-component was also decelerated to 3.7% from August's 3.8% driven by the disinflation in bread and cereals, milk, eggs and cheese, oil and fats, and sugar categories all of which fell by 8.5%, 2.1%, 4.1% and 5.2% respectively year-on-year.

Although the fruit and meat categories were a bit higher at 5% and 1.1% year-on-year, the monthly trend shows a slowdown with fruit in deceleration for the sixth consecutive month.

**Bread and cereals** inflation declined as expected as the harvest outlook turned positive after an early year scare due to poor rains and reduced planting. This saw maize prices edging closer to R3,000/ tonne prior to the harvest before falling by about R116 and R200 per tonne to the current level of R2884/t and R2796/t for white and yellow maize respectively.

Although falling by 11% year-on-year, the 2018/19 maize harvest was better than expected at just over 11 million tonnes

and together with a carryover stock, this ensures enough supplies for the year. The wheat season also started with a bang with good rains improving crop prospects, lifting production and limiting the further upside for prices.

The weather, however, turned negative as the season progressed, but the huge global supply outlook and the fact that SA is a net importer will somewhat offset the impact of contraction in output. The focus now turns to the 2019/20 crop season and weather has become a critical factor in price direction with the wobbly start to the season already providing upside support. This might upset the inflation outlook which has been relatively tamed in the past few months.

In the **meat market**, we saw some increases in prices particularly in pork due to the African Swine Fever (ASF) induced culling in Asia which raised import demand. Nonetheless, the subdued consumer disposable incomes help limit further gains in the meat complex with inflation just up 1.1% year-on-year. Seasonal demand trends will, however, help lift prices in the medium term.

Looking ahead, the recent long-range forecasts call for some rains during the summer of the 2019/20 crop season. The limited rain received thus far is a cause for concern as it might constrain farmers from planting in time or even reduce the planted area. This together with the strength/ weakness of the rand exchange rate will influence grain prices in the short to medium term.

## ABOUT PAUL MAKUBE

Paul Makube is Senior Agricultural Economist at FNB.

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