



21 June 2017

Meat drives up SA's food inflation

Last month's slight uptick in South Africa's food inflation mirrors the tail-end effects of the 2015-16 El Niño induced drought in the livestock sector. As farmers continued to restock their herds, the slaughtering activity eased a bit with that resulting in the increase in meat prices¹. However, the expected recovery in the poultry sector could soften the pace of an increase in overall meat inflation over the coming months.

- Figures released this morning showed that South African food and non-alcoholic beverages inflation accelerated to 6.9% y/y in May 2017 from 6.7% y/y in April 2017 (see *Chart 1 for product movements*). The uptick in food inflation was largely driven by meat, which was no surprise given the ongoing cattle herd restocking process resulting from the recent drought.
- The most recent data shows that farmers slaughtered 193 373 head of cattle in April 2017, down 19% from the previous month and the corresponding period last year. With that being said, the continuous imports of chicken and an expected recovery in local poultry production on the back of lower feed costs could soften the pace of an increase in overall meat inflation over the coming months.
- Meanwhile, the grain, dairy and vegetable related food products inflation decelerated on the back of a recovery in agricultural production. The 2017 summer grain and oilseeds production are set to reach 18.03 million tonnes, which is a 92% annual increase.
- Encouragingly, the most recent weather updates suggest that the fears of another the El Niño weather phenomenon have eased. The recent [report](#) from the Australian Bureau of Meteorology shows that the next summer season could be neutral and thus, not see another drought as previously feared. This suggests that the winter wheat growing areas of the country could potentially have a normal season.

Wandile Sihlobo (wandile@agbiz.co.za)

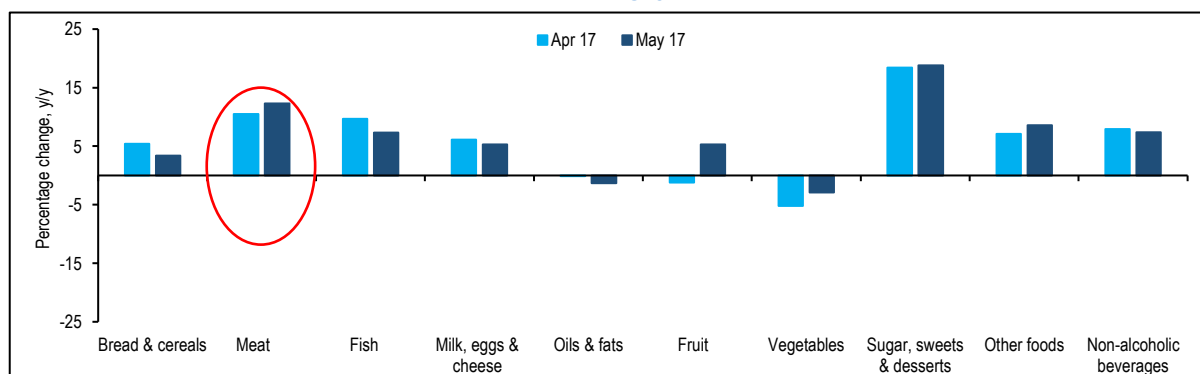


Chart 1: South Africa's Food Inflation (per product)

Source: Stats SA, Agbiz Research

Disclaimer:

Everything has been done to ensure the accuracy of this information, however, Agbiz takes no responsibility for any losses or damage incurred due to the usage of this information

¹ **Meat** has a higher weighting of 5.46% within the CPI basket, which equals to 32% share of Food Inflation basket.