



the dtic

Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

THE NATIONAL ASSEMBLY

QUESTION FOR ORAL REPLY

QUESTION NO. 292

DATE OF ORAL REPLY: 7 JUNE 2023

Inkosi R N Cebekhulu (IFP) to ask the Minister of Trade, Industry and Competition:

Whether his department has put any measures in place to mitigate the dire situation faced by the South African consumers, as indicated by Statistics South Africa that even though the annual consumer inflation in April slowed down, marking the lowest reading since May 2022, food prices remain obstinately high, and that the economy and employment rate in the Republic leave much to be desired; if not, why not; if so, what are the relevant details?

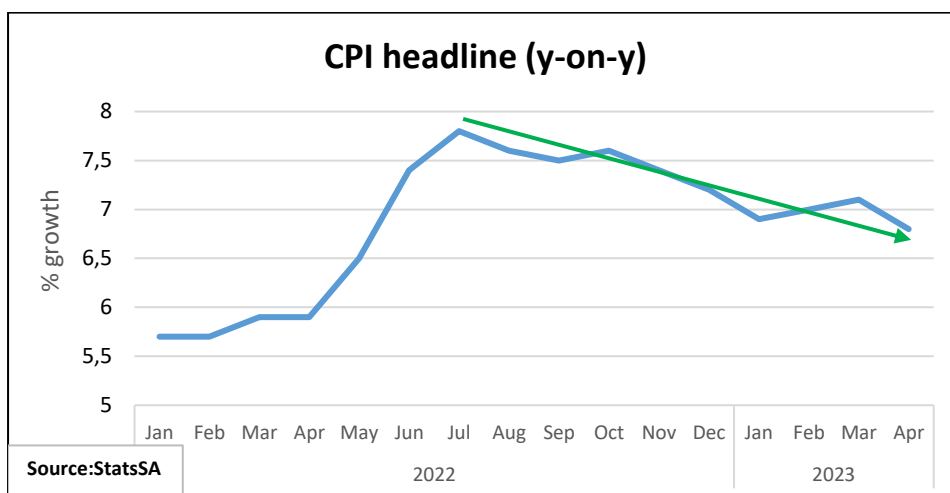
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REPLY:

Inflation remains high worldwide, well above central bank targets in almost all inflation targeting economies, but it is expected to gradually moderate over the course of the year. Global inflation is expected to decrease from 8.8% in 2022 to 6.6% in 2023.

In tandem with the soaring global inflation, the CPI headline for South Africa has been on the rise, averaging 6.9% in 2022; and for the four months in 2023, the average rate has been 7.0%. Although still elevated, the headline CPI has declined since July 2022. The elevation in South Africa's headline inflation rate has been shaped primarily by fuel, electricity and food price inflation. The latter is expected to remain high, reaching 10.8% in 2023 before moderating to 5.0% in 2024, according to the South African Reserve Bank outlook. The pressure on domestic prices is driven by both international developments and domestic challenges.

CPI Headline inflation for May 2022 = 6.5% and Apr'2023= 6.8%.



South Africa's food prices remain high due to a number of factors, including the weakening exchange rate, variable weather conditions, freight and logistics challenges and intensified load-shedding. Concerns have also been raised in regard to margins and markups by firms. The weaker rand exchange against the major trading partners has fuelled food prices in the domestic economy. From December 2022 to March 2023, the trade weighted exchange rate of the Rand (a basket of 20 currencies) depreciated by 6.8%.

Unstable weather patterns and recurring floods, especially in KwaZulu-Natal and Eastern Cape, have impacted on the agricultural sector. In addition, the outbreak of foot and mouth disease (FMD) in late 2022 affected the supply of beef, while flooding in early 2023 curtailed the availability of certain vegetables. A risk of drier weather conditions in coming months has been flagged as the risk of El Nino conditions have risen substantially (World Meteorological Institute).

Although most of the triggers of high food inflation are beyond the control of the Department, **the dtic** has put in place several measure to address the challenge. These include the following:

Through the Agro-Processing Support Scheme (APSS), which aims to support both brown and green field investments, **the dtic** is focused on promoting economic inclusion to support equitable economic growth of production activities within the agro-processing value chain. Through the scheme, the Department aims to increase localisation, encourage investment in upstream and downstream support services, and expand infrastructure to be used by farmers and agro-processors.

The Competition Commission (“Commission”) continues its tracking of pricing for essential food commodities and fresh produce within South Africa’s food value-chain. The Commission’s report on the Essential Food Pricing Monitoring (August 2022) highlights some of the drivers of food inflation focussing on the sunflower oil value chain extending to the price of cooking oil at the wholesale and retail levels. The report also considers pricing trends for bread, maize meal, and margarine.

The Commission launched a Fresh Produce Market Inquiry (Inquiry). The Inquiry will among others, examine whether there are any features in the produce value chain, which results in barriers to entry, expansion and participation. The work continues to identify other areas for enforcement and brings transparency to the margins charged along the value chain, itself important in advocating for change in behaviour. The Fresh Produce Market Inquiry (Inquiry) was launched in March 2023, the Inquiry will among others, examine whether there are any features in the produce value chain, which results in barriers to entry, expansion and participation.

Given the impact of food price inflation on all consumers, and on the poorest households in particular, the Commission will continue to monitor food prices and probe essential food price increases that appear to be abnormal or excessive.

the dtic is also putting efforts into mitigating the negative impact of the current energy crisis in the country through both short- and long-term initiatives. In the short term, the Department has provided the financial support to enterprises including SMMEs to mitigate the impact of load shedding through the energy resilience fund administered through the IDC and NEF. The creation of Energy One-Stop Shop is anticipated to ease energy challenges as well. These efforts should assist with boosting industrial production and lowering production costs, with positive ramifications on the general price level.

Lastly, in considering recommendations from the International Trade Administration Commission (ITAC) in regard to increases on import duties, the effect on food prices is one of the considerations in deciding whether to approve recommendations.

These measures taken collectively are designed to *mitigate* the impact of rising inflation and especially food price inflation on South Africans. This is complemented by efforts to build local food production to provide a buffer against volatile global price movements.

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