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22 July 2026

South Africa's consumer food price inflation continues to slow

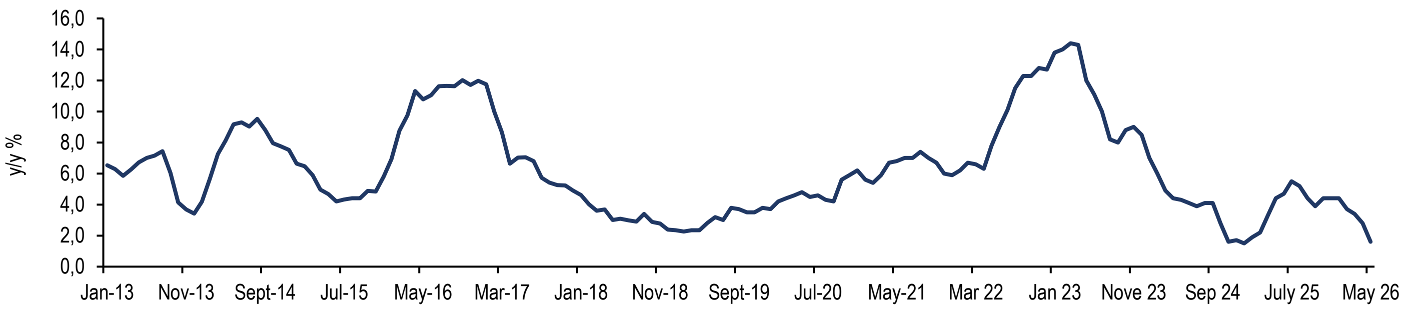
- **The figures released by Statistics South Africa this morning show that consumer food price inflation slowed to 1.4% in June 2026, from 1.6% in May. There was a broad deceleration across the various food products. At the core of moderating consumer food price inflation are lower prices for grains, fruit, vegetables, and meat, driven by ample supply.**

- Cereal products are in deflation as we are in yet another better grain production year. South Africa's summer grains and oilseeds production is forecast at a record 21.5 million tonnes, up 5% from the 2024-25 season. This figure comprises maize, sunflower seed, soybean, groundnuts, sorghum, and dry beans. This ample harvest adds to already large stocks from the past season, keeping grain prices under pressure. Similarly, fruits and vegetables are in deflation. Clearly, while the recent floods are destructive in parts of the Eastern and Western Cape, the country's fruit harvest is ample, thus continuing to add downward pressure. The production conditions for vegetables remain broadly favourable. Regarding meat, the pace of cattle slaughter has declined somewhat, though not notably. Another fact worth keeping in mind is that during foot-and-mouth disease outbreaks, the country is typically temporarily closed to some export markets, leading to increased domestic supplies, even if slaughter has declined somewhat. Base effects on meat prices, along with continued cattle slaughter, have helped ease price inflation. Poultry production conditions are also favourable.

- Overall, the fundamentals of agricultural supply remain solid and point to a moderation in consumer food price inflation in 2026. The renewed U.S.-Iran war and risks in the Strait of Hormuz are the major risks in the near term, likely leading to an increase in fuel costs. Fuel accounts for a substantial share of the distribution costs of food products. Notably, over 80% of staple food products are transported by road. Looking ahead, the medium-term risk is the forecast El Niño drought, but this may only affect the direction of 2027 food price inflation, as it affects the next season's crop.

- South Africa's headline inflation was 5.0% in June 2026, from 4.5% in May.

Exhibit 1: South Africa's consumer food inflation



Source: Stats SA and Agbiz Research