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MEDIA RELEASE

Food price trends: October 2005 to October 2006

The regular announcements by STATSSA on the consumer price index (CPI) have in recent months made a continuous reference to the sharp increase in food prices contributing to increased consumer inflation. In September 2006 and October 2006 STATSSA reported food price inflation of 8.5% and 9.9% respectively.

In this media release, we provide the year on year October 2005 to 2006 price changes for the major food products as well as the price changes between January and October 2006. In support of the figures reported by STATSSA the analysis of individual food items provides a more comprehensive analysis and highlights the main groups of commodities responsible for the increase in the cost of the basic food basket. We also provide analysis of the main factors that contributed to food price inflation. The first section of the document highlights products whose prices have increased by more than the inflation target of 6%. This section is followed by a detailed discussion on the major food commodities.

Based on the 75 food products monitored by the NAMC at retail level, national average prices of these products increased on average by 7.3% between October 2005 and October 2006. It should be noted that these figures differ from those of STATSSA because we take a simple average while STATSSA uses a weighted average based on the income and expenditure survey. Based on the products we monitor, the cost of the basket of food was R871.22 in October 2005 and increased by R63.39 to R934.61 in October 2006. This increase is considerably higher than the figure of 6.03% for the period July 2005 to July 2006 reported in our October media release. This is a sharp increase and warrants some detail discussion. Increased inflationary pressure in September and October are a particular concern in light of the up coming festive season, which is usually associated with higher inflationary trends due to increased demand for food items. The main culprits from the food commodities in our basket, that increased by more than the inflation target of the Reserve Bank of 6% are:

- brown bread (6.08%),
- spaghetti (11.92%),
- macaroni (13.48%),
- super maize meal (46.49%),
- special maize meal (36.16%),
- cooking oil (18.51),
- Butter Beans (10.35%),
- tinned chopped peeled tomato(10.61%),
- sweat potato (28.62%)
- lamb chops (17.60%),
- boerewors (14.98%),
- beef brisket (45.40%),
- beef mice (24.06%),
- stewing beef (19.38%),

- whole fresh chicken (20.73%)
- whole frozen chicken (19.38%),
- eggs (10.78%),
- oranges (11.54%)
- pilchards (21.47%)
- king korn (17.93%).

Products whose prices decreased over the same period are: carrots (-10.85%), potatoes (-20.99%), pork chops (-7.17%), apples (-6.63%), and skimmed milk powder (-19.37%).

The tables below report the average price in October 2005, January 2006 and October 2006 together with the percentage change from January 2006 to October 2006 as well as the year on year percentage change between October 2005 and October 2006. In addition we report the percentage changes of the main commodity prices to assist readers in understanding why retail prices increased on average by 7.3%.

Wheat Products	Price level			Percentage change	
	05-Oct	06-Jan	06-Oct	Jan-06 to Oct-06	Oct-05 to Oct-06
Bread - White Sliced	4.68	4.62	4.75	3.00%	1.70%
Bread - Brown Sliced	4.24	4.22	4.49	6.60%	6.10%
Flour 2.5kg	10.69	10.88	10.99	1.00%	2.80%
Spaghetti Plain 500g	4.73	4.63	5.29	14.30%	11.90%
Macaroni Plain 500g	4.72	4.64	5.36	15.60%	13.50%
Average				8.10%	7.20%
SAFEX Wheat R/ton	1106	1017	1621	59%	47%

Maize Products	Price level			Percentage change	
	05-Oct	06-Jan	06-Oct	Jan-06 to Oct-06	Oct-05 to Oct-06
Maize Super 5kg	12.12	13.03	17.75	36.2%	46.5%
Maize Special 5kg	9.55	11.19	13	16.2%	36.2%
Average				26.2%	41.3%
SAFEX White Maize R/ton	836	1082	1275	18%	53%

Sunflower Products	Price level			Percentage change	
	05-Oct	06-Jan	06-Oct	Jan-06 to Oct-06	Oct-05 to Oct-06
Cooking Oil 750ml	5.78	5.85	6.85	17.1%	18.5%
Medium Fat Spread 1kg Tub	11.6	11.84	12.71	7.3%	9.6%
Margarine 500g Brick	7.69	7.26	8.04	10.7%	4.5%
Average				11.7%	10.9%
SAFEX Sunflower R/ton	1106	1017	1621	59%	47%

Processed Vegetables	Price level			Percentage change	
	Oct-05	Jan-06	Oct-06	Jan-06 to Oct-06	Oct-05 to Oct-06

Beans in Tomato Sauce 420g	3.92	3.86	3.90	0.84%	-0.56%
Butter Beans in Brine 410g	6.24	6.31	6.89	9.18%	10.35%
Chopped Peeled Tomato 410g	6.09	6.17	6.74	9.29%	10.61%
Tomato & Onion Mix 410g	5.53	5.76	6.06	5.31%	9.71%
Canned Peas 410g	4.77	4.80	5.14	7.18%	7.81%
Frozen Green Peas 1kg	16.63	14.34	16.83	17.38%	1.19%
Frozen Baby Carrots 1kg	21.10	22.16	23.50	6.08%	11.41%
Frozen Corn 1kg	19.42	19.69	19.35	-1.72%	-0.35%
Frozen sliced beans 1kg	20.15	20.98	22.42	6.86%	11.24%
Average				6.71%	6.82%

	Price level			Percentage change	
Fresh Vegetables	Oct-05	Jan-06	Oct-06	Jan-06 to Oct-06	Oct-05 to Oct-06
Carrots 1kg Pack	5.96	5.98	5.31	-11.12%	-10.85%
Onions 1kg Pack	5.38	5.01	5.23	4.46%	-2.73%
Potatoes BS- 7kg	19.13	18.63	15.11	-18.89%	-20.99%
Tomatoes per kg	9.25	9.02	9.88	9.55%	6.81%
Sweet Potatoes 1kg	5.52	7.14	7.10	-0.62%	28.62%
Average				-3.33%	0.17%

	Price level			Percentage change	
Red Meat and Chicken	05-Oct	06-Jan	06-Oct	Jan-06 to Oct-06	Oct-05 to Oct-06
Meatballs in Gravy 400g	8.34	8.31	8.27	-0.5%	-0.9%
Picnic Ham 300g	15.42	15.41	15.67	1.7%	1.6%
French Polony 1kg	17.64	17.65	17.15	-2.8%	-2.8%
Rind less Back Bacon 250g	14.12	14.28	15.26	6.9%	8.1%
Streaky Bacon 250g	12.67	13.06	13.86	6.1%	9.4%
Pork Chops per kg	38.93	35.1	36.13	3.0%	-7.2%
Lamb Chops per kg	41.05	46.64	48.28	3.5%	17.6%
Boerewors per kg	26.74	30.3	30.74	1.5%	15.0%
Brisket per kg	24.64	26.87	35.83	33.4%	45.4%
Beef Mince per kg	26.67	26.3	33.08	25.8%	24.1%
Beef Stewing per kg	25.63	28.83	34.44	19.5%	34.4%
Chicken - Whole Frozen	17.52	18.37	20.92	13.9%	19.4%
Chicken - Whole Fresh	17.97	20.35	21.69	6.6%	20.7%
Average				9.1%	14.2%
Beef (weaners) R/kg	9.96	11.15	15.31	37%	54%
Beef (grain fed carcass) R/kg	14	15.8	20.71	31%	48%
Mutton (abattoir price) R/kg	24.3	26.45	30.08	14%	24%
Pork (abattoir price) R/kg	12.04	12.37	13.82	12%	15%

	Price level			Percentage change	
Dairy and Eggs	Oct-05	Jan-06	Oct-06	Jan-06 to Oct-06	Oct-05 to Oct-06
Butter 500g	15.87	16.13	15.81	-1.96%	-0.33%

Cheese – Cheddar	36.91	33.04	35.95	8.81%	-2.61%
Fresh Milk Full Cream 2l	9.79	10.05	10.24	1.85%	4.57%
Fresh Milk Low Fat 2l	10.12	10.36	10.63	2.67%	5.07%
Fresh Milk Low Fat 1L Sachet	4.89	4.86	4.95	1.86%	1.21%
Fresh Milk Full Cream 1L Sachet	4.64	4.63	4.64	0.38%	0.05%
Skimmed Powder Milk 1kg	52.86	50.01	42.62	-14.76%	-19.37%
LongLife Milk Full Cream 1L	6.51	6.38	6.53	2.31%	0.32%
Eggs 30's	26.02	24.14	28.82	19.38%	10.78%
Average				2.28%	-0.03%

Fruit	Price level			Percentage change	
	Oct-05	Jan-06	Oct-06	Jan-06 to Oct-06	Oct-05 to Oct-06
Sliced Peaches 410g	5.51	5.85	5.87	0.23%	6.48%
Pears Halves 410g	4.77	4.80	5.14	7.18%	7.81%
Strawberry Jam 450g	9.96	10.13	9.77	-3.58%	-1.92%
Apricot Jam 450g	7.33	7.35	7.81	6.25%	6.53%
Granny Smith Apples 1.5kg	7.65	10.63	7.14	-32.86%	-6.63%
Orange 2.5 kg	7.16	12.52	7.99	-36.18%	11.54%
Average				-8.42%	3.97%

Fish	Price level			Percentage change	
	Oct-05	Jan-06	Oct-06	Jan-06 to Oct-06	Oct-05 to Oct-06
Pilchards in Tomato 425g	6.26	6.39	7.60	18.96%	21.47%
Tuna Shredded in Brine 170g	6.50	6.71	6.58	-1.91%	1.30%
Average				8.53%	11.39%

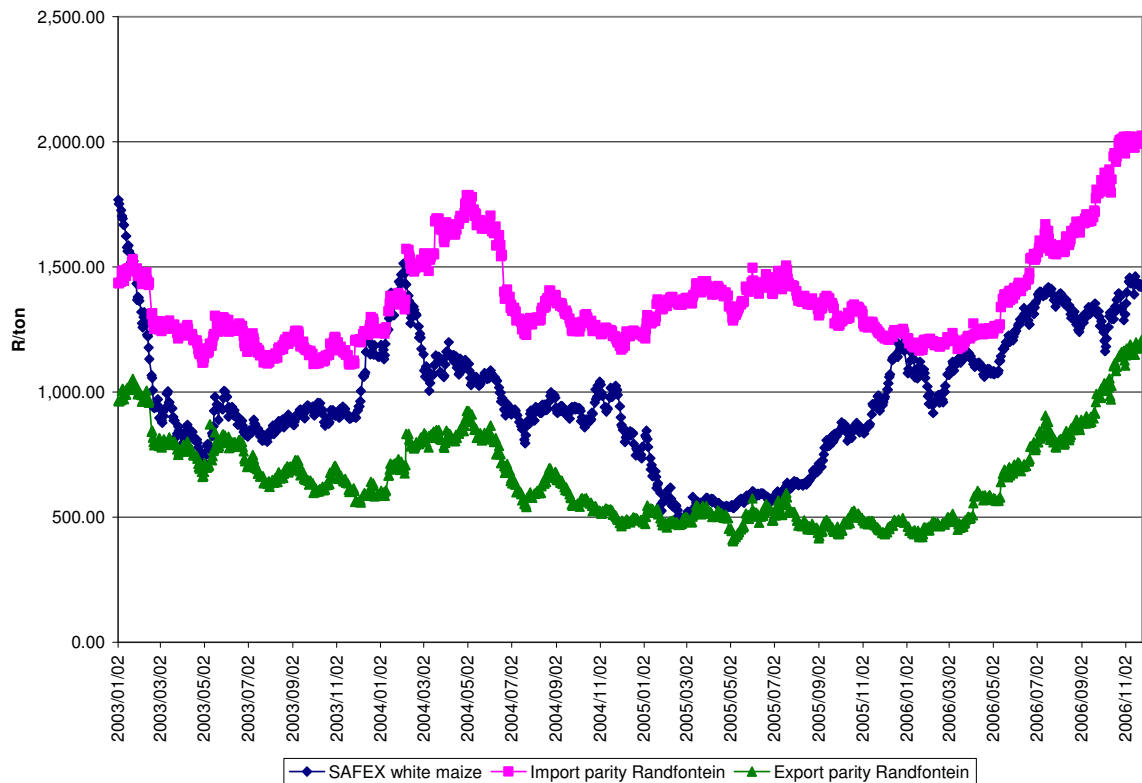
Other	Price level			Percentage change	
	Oct-05	Jan-06	Oct-06	Jan-06 to Oct-06	Oct-05 to Oct-06
King Korn 1kg	6.65	6.58	7.84	19.17%	17.93%
Jungle Oats 1kg	12.37	12.24	12.79	4.47%	3.34%
Cornflakes 750g	19.09	18.28	20.07	9.75%	5.10%
Rice Crispies 400g	15.82	15.60	16.33	4.67%	3.21%
Sugar 2.5kg	12.18	12.53	13.11	4.67%	7.71%
Rice 2kg	8.92	8.86	9.77	10.24%	9.60%
Ricoffy Reg 750g	26.15	26.62	26.73	0.42%	2.22%
Glen Tea 100's	9.91	9.86	10.37	5.23%	4.60%
Coca Cola Regular 2l	10.15	9.71	10.06	3.55%	-0.87%

Peanut Butter Smooth 410g	9.08	8.97	9.68	8.01%	6.69%
Soya Mince Tomato & Onion	5.92	5.86	5.76	-1.81%	-2.85%
Average				6.22%	5.15%

Detailed Discussion

Maize meal

Year on year October 2005-2006 maize meal prices increased on average by 41.33%. This is largely attributable to the course grain commodity price increasing by 53% in the same period.

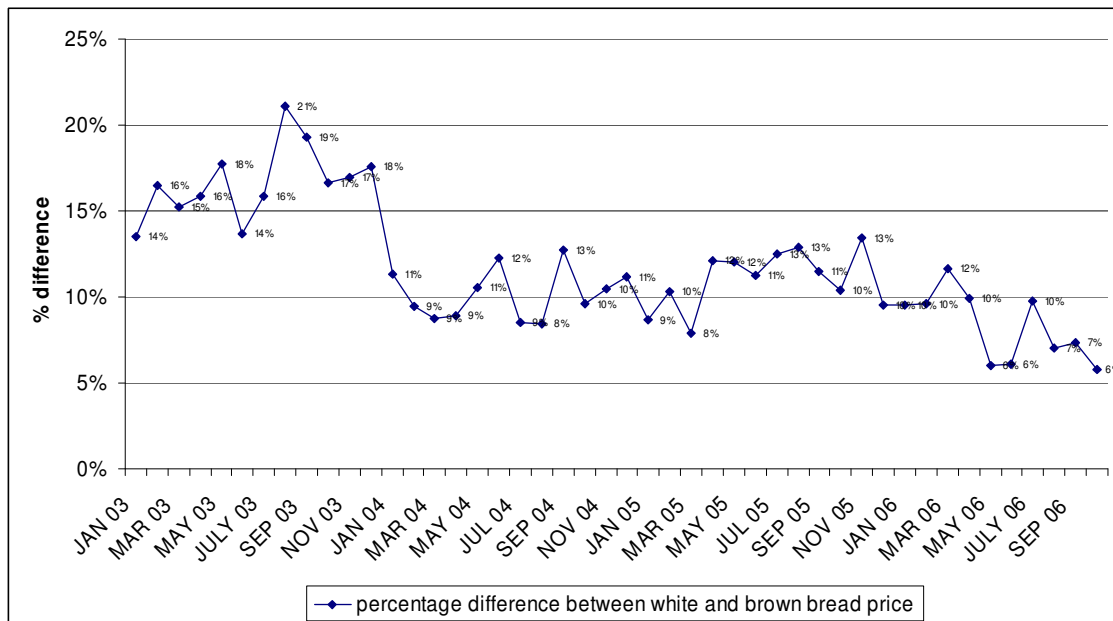


From the above figure, it is clear that domestic maize producer price trades between the import and export parity price and corresponds to expected levels based on market fundamentals. The cost of importing grain includes, among others, the cost of the grain on the international market (in local currency), transport, insurance and tariffs. The import tariff exists to protect farmers from excessively low international prices and is applied when the international price drops below a particular reference price for more than 21 consecutive American trading days. On the 25th of September 2005 a maize tariff of R22.91 was implemented due to low international prices. These prices have since increased substantially and the tariff should have been reduced to zero on the 10th of August 2006. The import tariff on maize was finally reduced to zero on the 8th of December 2006, thus the upper boundary in which the domestic maize price is traded was R22.91 higher than it should have been for 4 months.

Bread

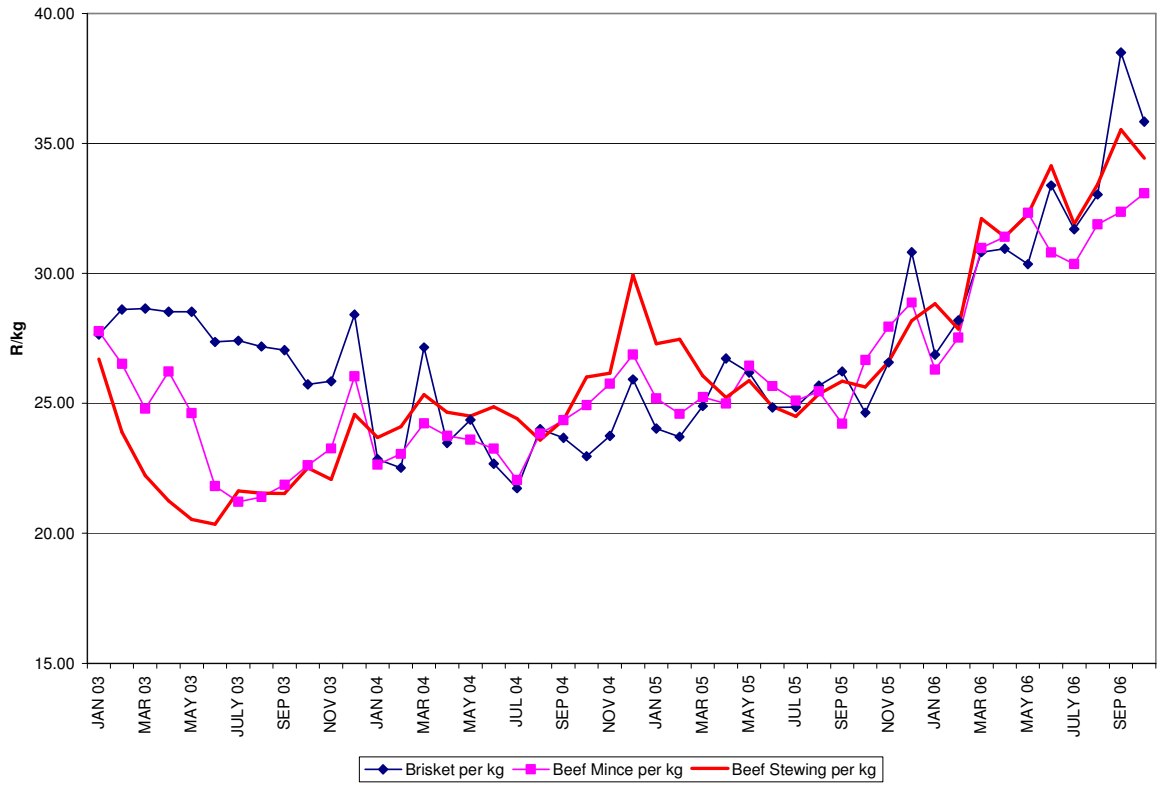
Both white and brown bread prices continue to increase year on year. White bread increased by 1.68% and brown bread increased by 6.08% year on year October, reducing the gap between the two prices a mere 6%. This is a concern given that the two products use almost the same

ingredients, the same production process and transport cost, yet VAT is not levied on brown bread indicating that the difference between the two prices should be at least 14%.

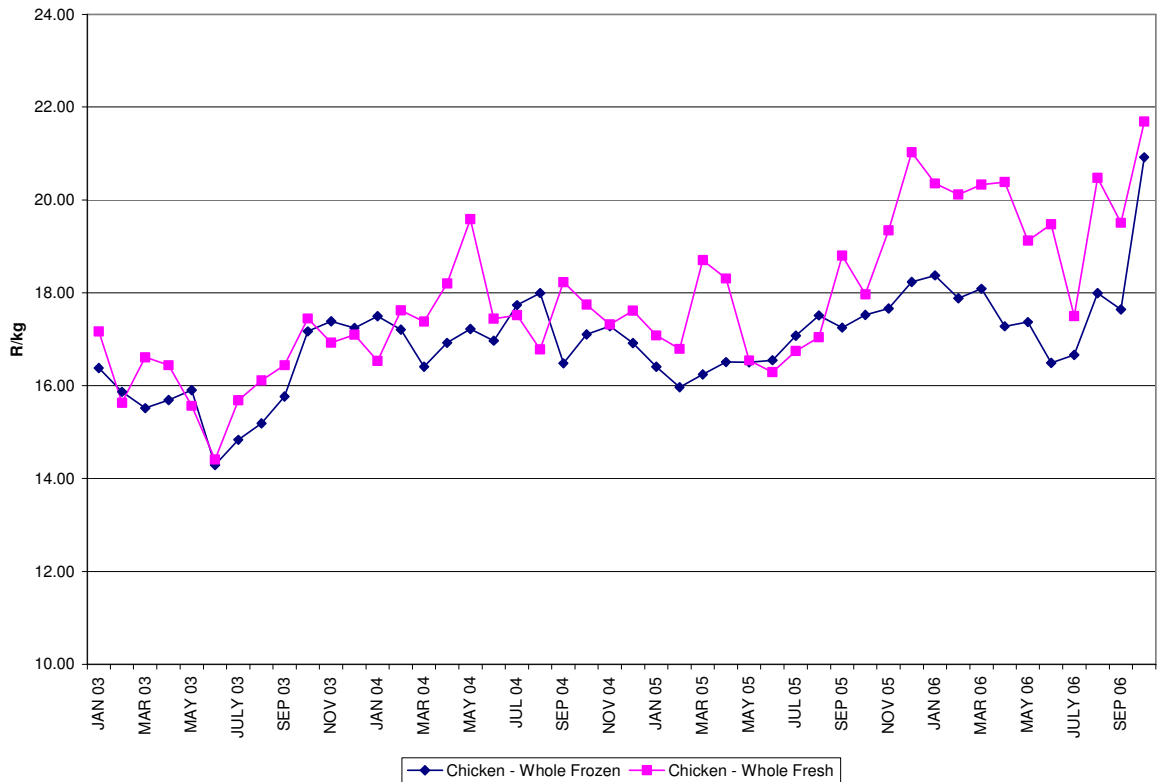


Beef and Poultry products

On average, fresh beef products prices increased by 34.61% year on year at the retail level. The increase in the price of beef is largely due to the increase in weaner and grain fed carcass prices, which increased by 54% and 48% respectively year on year October. This increase in weaner and grain fed carcass price can be attributed to a relative shortage of beef due to: decreased imports of livestock from Namibia, and farmers holding back stock to increase herd sizes. Increases in demand due to rapidly growing LSM groups 8-10 have been met by an increase in imports of meat and edible offal of 12.8%. Import prices of beef have however also increased due to a diversion of imports from Brazil, due to foot and mouth disease, to more expensive Australia.

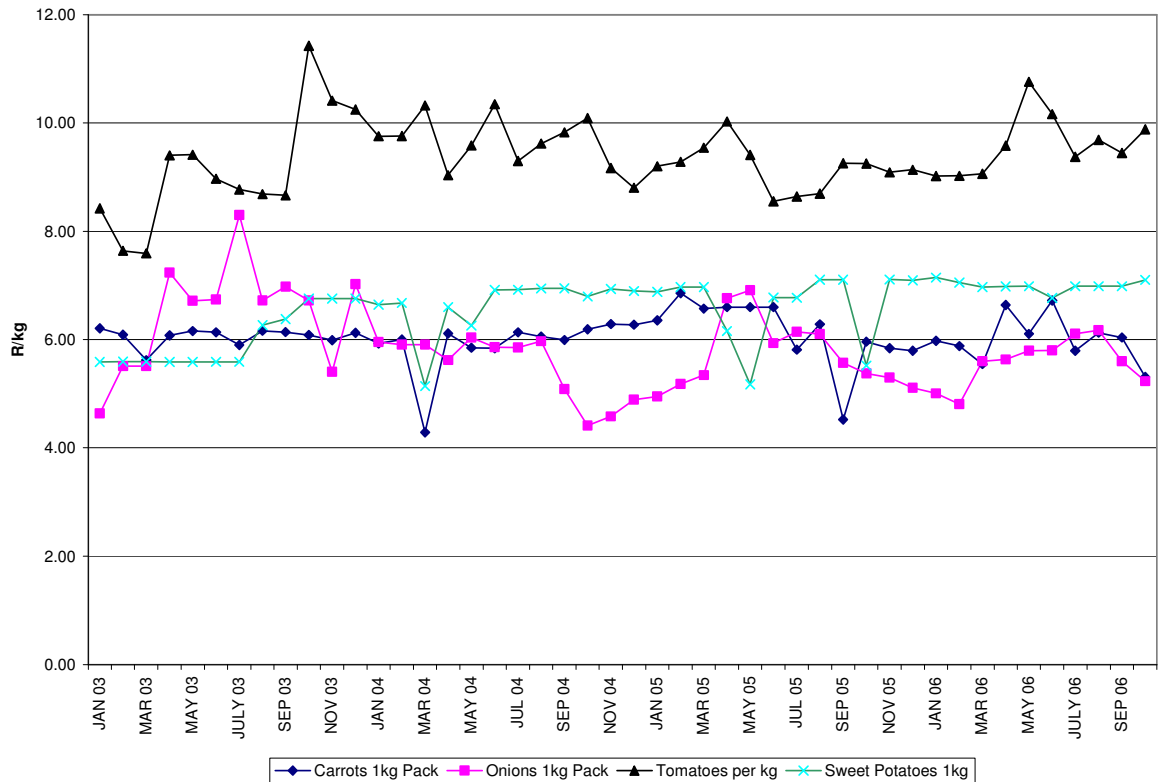


Whole fresh chicken prices increased by 20.73% while frozen chicken prices increased by 19.38% year on year October. The increase in prices of both fresh chicken and frozen chicken is likely due to the increased feed cost.



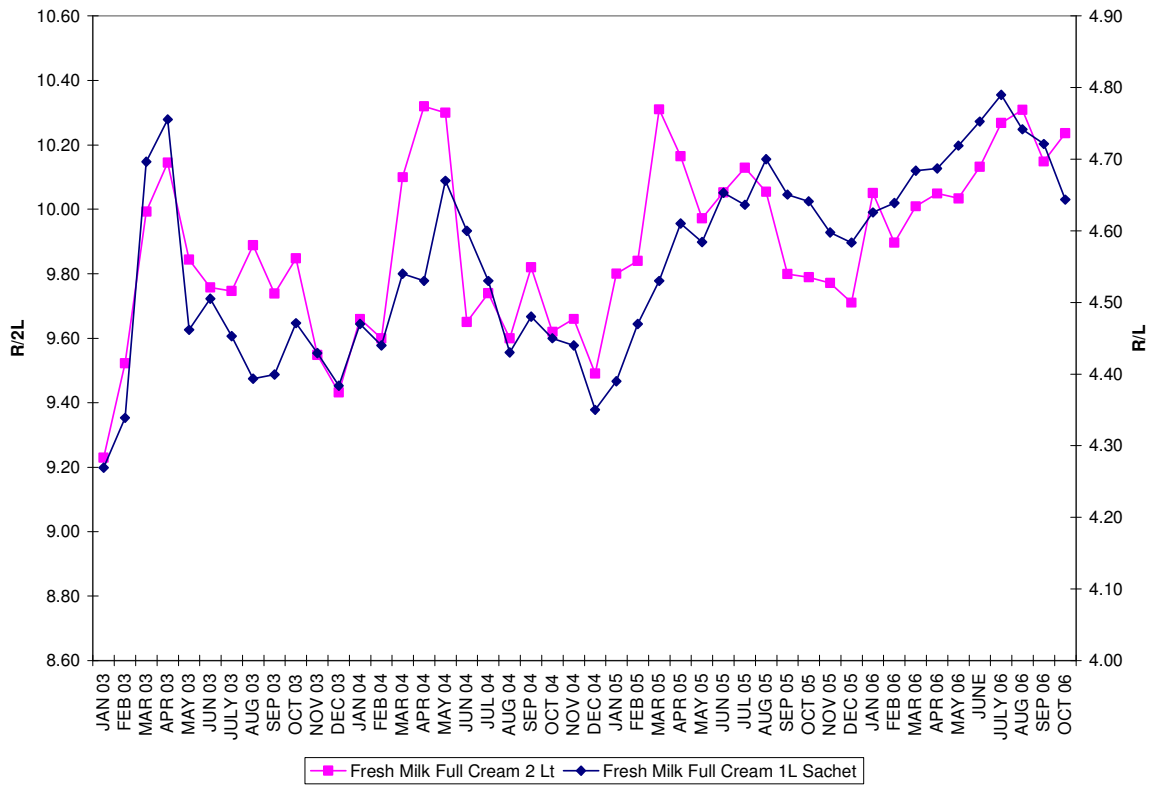
Fresh vegetables

Vegetable prices increased on average by 0.17% between October 2005 and October 2006. Although vegetable prices show a relatively high degree of variation from one month to the next, in the long run they tend to “hover” around the same level year on year.



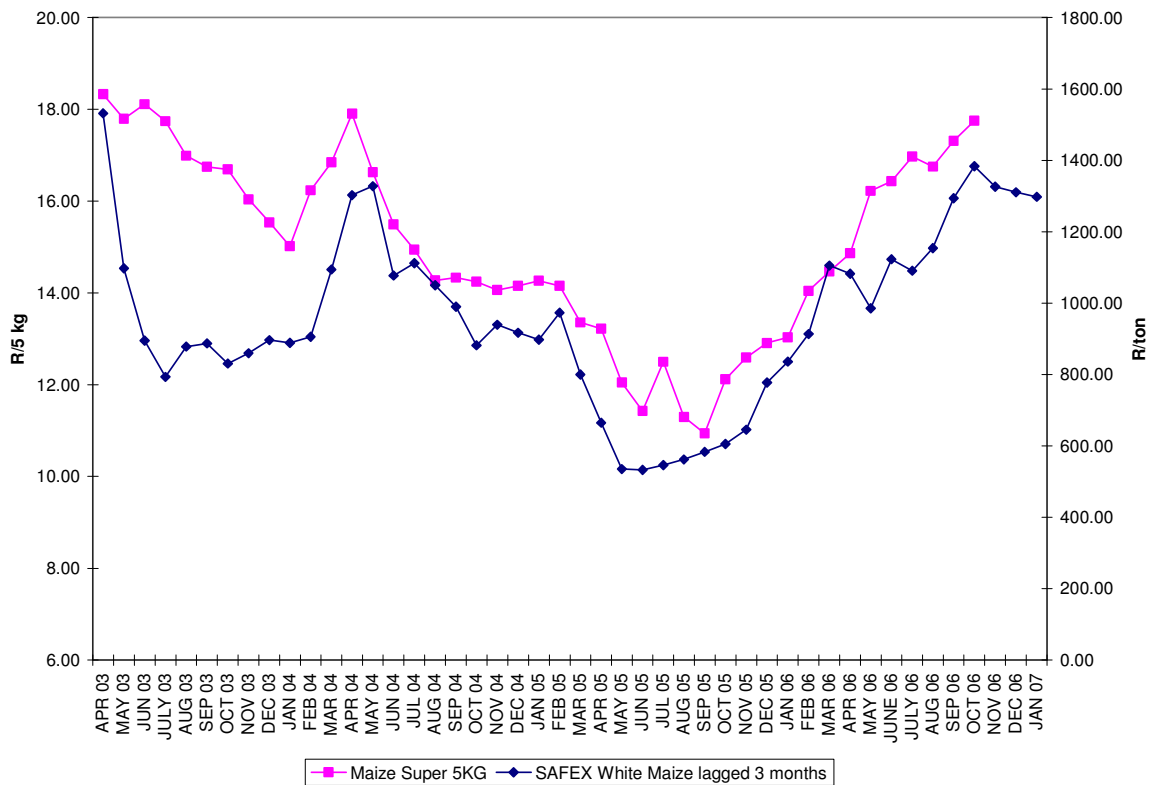
Dairy products

Fresh milk prices increased (2L full cream milk cartons) by 4.57% and full cream milk sachets increasing by 0.05%. Processed milk products, except long life milk all decreased during the reporting period.



Projections for December and January

It takes between 3 to four months for commodity price changes to filter through to the retail sector. The graph below shows the retail price of maize meal and the SAFEX white maize price lagged 3 months. From the graph it is clear how the commodity price is “tracked” by the retail maize meal price with a three month lag.



From the above it is expected that maize meal prices will decrease slightly. With weaner and carcass prices at their current levels and seasonal increases in demand for red meat and chicken, their prices are expected to increase further in December and January. STATSSA reported a PPI for food at the agricultural level in October of 18.4%, it is most likely that food price inflation will continue to increase in the coming months.

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