

• National Agricultural Marketing Council •

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MEDIA RELEASE

Food price trends: April 2005 to April 2006

Statistics South Africa (STASS SA) published the Consumer Price Index (CPI) for April 2006. In that publication STASS SA indicated that the CPI in the historical metropolitan areas was 3.3% in March 2006, 0.7% points lower than in January 2006 (4.0%). The consumer price index for food (CPIF) for April 2006 was 6.2%, while that of January 2006 was 4.4% indicating a faster increase in food prices. The purpose of this media release is not to replicate or duplicate the work done by STASS SA, but to provide the consumers with more detail on price trends of certain food products. The NAMC monitors a basket of 75 food items. Prices are collected by marketing firm AC Nielsen, from Pick n' Pay, Checkers, and Spar stores country wide.

As in previous media releases, this one will focus on year on year price changes for April 2005 to April 2006 and price changes for the period January to April 2006. In addition, a section is presented regarding the direct effect of changes in fuel prices on retail level food prices.

Based on the basket of 75 goods surveyed by the National Agricultural Marketing Council (NAMC), year on year April food price inflation averaged 5.65% with prices increasing on average by 1.45% between January and April 2006. Year on year price changes are important because they exclude seasonal fluctuations in price. Overall, prices that increased year on year in April by more than 6% are: plain macaroni (6.6%), super maize meal (12.4%), special maize meal (9.6%), margarine (12.6%), frozen baby carrots (7.0%), sweet potatoes (13.4%), cauliflower (27%), meatballs in gravy (8.5%), streaky bacon (7.3%), lamb chops (13.8%), brisket beef (17.6%), beef mince (26.4%), stewing beef (20.8%), frozen chicken (12.3%), fresh whole chicken (18.8%), cheddar cheese (14.6%), apples (39.9%), bananas (12.3%), pilchards (10.8%), king korn (11.6%), sugar (6.9%), and rice (8.5%). From the above it is clear that meat products showed the highest increases in price. Some prices did however decrease by more than 6% in the same period, they are: frozen corn (-10.2%), onions (-15.6%), cabbage (-19.2%), sliced tinned peaches (-7.9%), and strawberry jam (-6.9%).

The tables below provides a summary of the price levels and average price changes for the period April 2005 to April 2006 as well as for the period January 2006 to April 2006. The tables are followed by a detailed discussion on selected products.

	Price level			Percentage change	
Wheat Products	05-Apr	06-Jan	06-Apr	Apr-05 to Apr-06	Jan-06 to Apr-06
Bread - White Sliced	4.65	4.62	4.73	1.78%	2.45%
Bread - Brown Sliced	4.15	4.22	4.30	3.75%	2.10%
Flour 2.5kg	10.87	10.88	10.89	0.18%	0.11%
Spaghetti Plain 500g	4.47	4.60	4.72	5.62%	2.75%
Macaroni Plain 500g	4.46	4.60	4.76	6.61%	4.49%
Average				3.59%	2.37%

	Price level			Percentage change	
Maize Meal	05-Apr	06-Jan	06-Apr	Apr-05 to Apr-06	Jan-06 to Apr-06
Maize Super 5kg	13.22	13.03	14.87	12.47%	14.07%
Maize Special 5kg	10.20	11.19	11.18	9.61%	-0.12%
Average				11.04%	6.97%

	Price level			Percentage change	
Sunflower Products	05-Apr	06-Jan	06-Apr	Apr-05 to Apr-06	Jan-06 to Apr-06
Cooking Oil 750ml	5.63	5.85	5.79	2.90%	-0.99%
Medium Fat Spread 1kg Tub	11.89	11.83	11.45	-3.67%	-3.23%
Margarine 500g Brick	7.31	7.31	8.24	12.68%	12.79%
Average				3.97%	2.86%

	Price level			Percentage change	
Processed Vegetables	05-Apr	06-Jan	06-Apr	Apr-05 to Apr-06	Jan-06 to Apr-06
Beans in Tomato Sauce 420g	3.8	3.87	3.88	2.20%	0.19%
Butter Beans in Brine 410g	6.11	6.32	6.33	3.62%	0.25%
Chopped Peeled Tomato 410g	6.19	6.15	6.12	-1.17%	-0.44%
Tomato & Onion Mix 410g	5.78	5.76	5.7	-1.34%	-0.96%
Canned Peas 410g	4.71	4.77	4.77	1.30%	0.08%
Frozen Green Peas 1kg	15.44	14.5	14.86	-3.77%	2.52%
Frozen Baby Carrots 1kg	20.91	22.22	22.38	7.03%	0.71%
Frozen Super Juicy Corn 1kg	19.47	19.77	17.47	-10.26%	-11.60%
Frozen sliced beans 1kg	20.04	20.98	21.04	4.98%	0.24%
Average				0.29%	-1.00%

	Price level			Percentage change	
	05-Apr	06-Jan	06-Apr	Apr-05 to Apr-06	Jan-06 to Apr-06
Fresh Vegetables					
Cauliflower -(Head)	7.31	8.06	9.29	27.02%	15.14%
Carrots 1kg Pack	6.6	6	6.8	3.00%	13.34%
Onions 1kg Pack	6.76	5.01	5.71	-15.63%	13.86%
Cabbage - Each (Head)	4.72	4.69	3.81	-19.26%	-18.83%
Potatoes BS- 7kg	15.2	19.87	15.69	3.27%	-21.01%
Tomatoes per kg	10.03	9.18	9.65	-3.75%	5.16%
Sweet Potatoes 1kg	6.16	7.23	6.99	13.43%	-3.32%
Average				1.15%	0.62%

	Price level			Percentage change	
	05-Apr	06-Jan	06-Apr	Apr-05 to Apr-06	Jan-06 to Apr-06
Red Meat and Chicken					
Meatballs in Gravy 400g	7.80	8.31	8.46	8.49%	1.74%
Picnic Ham 300g	15.26	15.52	15.44	1.20%	-0.49%
French Polony 1kg	16.96	17.94	17.40	2.62%	-2.98%
Rindless Back Bacon 250g	14.22	14.21	14.97	5.24%	5.34%
Streaky Bacon 250g	12.89	13.11	13.83	7.27%	5.46%
Pork Chops per kg	25.21	31.87	25.57	1.40%	-19.8%
Lamb Chops per kg	37.90	46.65	43.15	13.85%	-7.50%
Boerewors per kg	29.47	30.02	29.98	1.76%	-0.12%
Brisket per kg	26.73	25.32	31.45	17.68%	24.23%
Beef Mince per kg	25.00	27.81	31.60	26.42%	13.66%
Beef Stewing per kg	25.22	28.47	30.49	20.89%	7.09%
Chicken - Whole Frozen	16.51	18.73	18.55	12.36%	-0.96%
Chicken - Whole Fresh	18.31	20.52	21.75	18.81%	6.02%
Average				10.62%	2.44%

	Price level			Percentage change	
	05-Apr	06-Jan	06-Apr	Apr-05 to Apr-06	Jan-06 to Apr-06
Dairy and Eggs					
Butter 500g	16.18	16.05	16.09	-0.55%	0.28%
Cheese – Cheddar	36.71	33.03	42.08	14.64%	27.40%
Fresh Milk Full Cream 2l	10.16	10.05	10.05	-1.14%	-0.01%
Fresh Milk Low Fat 2l	10.43	10.36	10.48	0.48%	1.21%
Fresh Milk Low Fat 1L Sachet	4.98	4.86	4.90	-1.66%	0.82%
Fresh Milk Full Cream 1L Sachet	4.61	4.63	4.69	1.67%	1.33%
Skimmed Powder Milk 1kg	49.54	50.03	48.16	-2.78%	-3.73%

LongLife Milk Full Cream 1L	6.39	6.33	6.16	-3.66%	-2.61%
Eggs 30's	25.66	24.28	26.50	3.28%	9.16%
Average				1.14%	3.76%

	Price level			Percentage change	
Fruit	05-Apr	06-Jan	06-Apr	Apr-05 to Apr-06	Jan-06 to Apr-06
Sliced Peaches 410g	6.00	5.91	5.52	-7.99%	-6.55%
Pears Halves 410g	7.04	7.09	7.02	-0.28%	-0.98%
Strawberry Jam 450g	10.16	10.11	9.45	-6.96%	-6.53%
Apricot Jam 450g	7.61	7.49	7.36	-3.21%	-1.75%
Granny Smith Apples 1.5kg	6.11	10.69	8.56	39.95%	-19.92%
Bananas 1kg	5.04	5.60	5.66	12.30%	1.10%
Average				5.64%	-7.76%

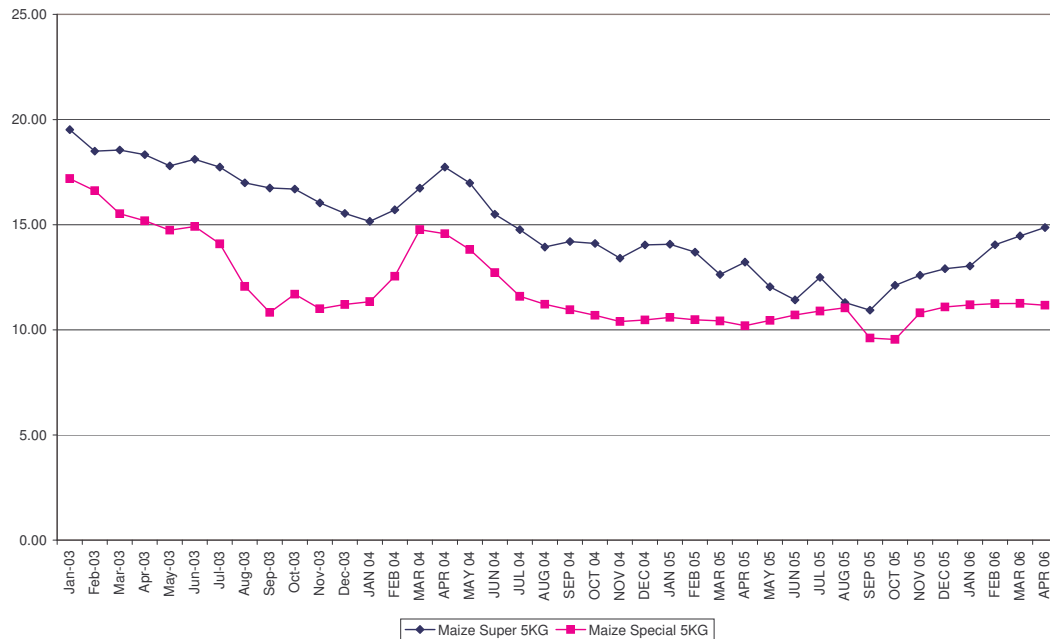
	Price level			Percentage change	
Fish	05-Apr	06-Jan	06-Apr	Apr-05 to Apr-06	Jan-06 to Apr-06
Pilchards in Tomato 425g	6.30	6.45	6.98	10.80%	8.11%
Tuna Shredded in Brine 170g	6.77	6.80	6.69	-1.11%	-1.63%
Average				4.84%	3.24%

	Price level			Percentage change	
Other	05-Apr	06-Jan	06-Apr	Apr-05 to Apr-06	Jan-06 to Apr-06
King Korn 1kg	6.70	6.82	7.48	11.61%	12.34%
Jungle Oats 1kg	11.58	12.04	11.93	2.94%	1.26%
Cornflakes 750g	19.48	19.21	20.58	5.67%	8.07%
Rice Crispies 400g	15.54	15.85	16.23	4.39%	3.62%
Sugar 2.5kg	12.08	12.38	12.92	6.98%	6.12%
Rice 2kg	8.10	8.86	8.79	8.52%	-0.83%
Ricoffy Reg 750g	26.29	26.50	26.47	0.67%	-0.13%
Glen Tea 100's	9.82	9.92	10.22	4.11%	2.98%
Coca Cola Regular 2l	9.54	9.64	9.94	4.21%	3.09%
Peanut Butter Smooth 410g	8.83	8.99	9.02	2.14%	0.41%
Soya Mince Tomato & Onion	5.96	5.80	5.79	-2.85%	-0.09%
Average				4.40%	3.35%

	Price level			Percentage change	
Total Food Basket	05-Apr	06-Jan	06-Apr	Apr-05 to Apr-06	Jan-06 to Apr-06
	861.15	896.73	909.78	5.65%	1.45%

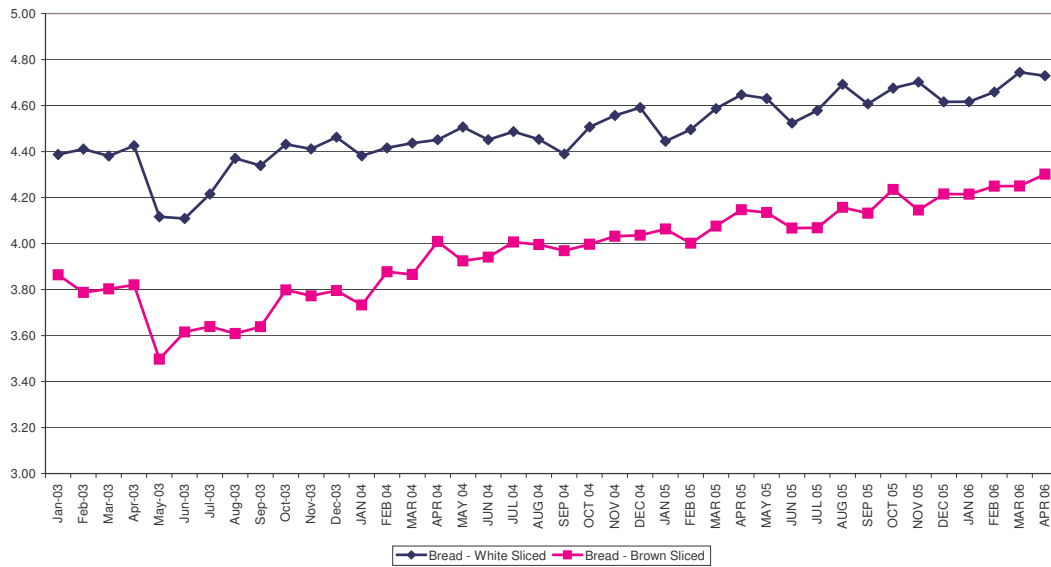
Detailed Discussion

Maize meal



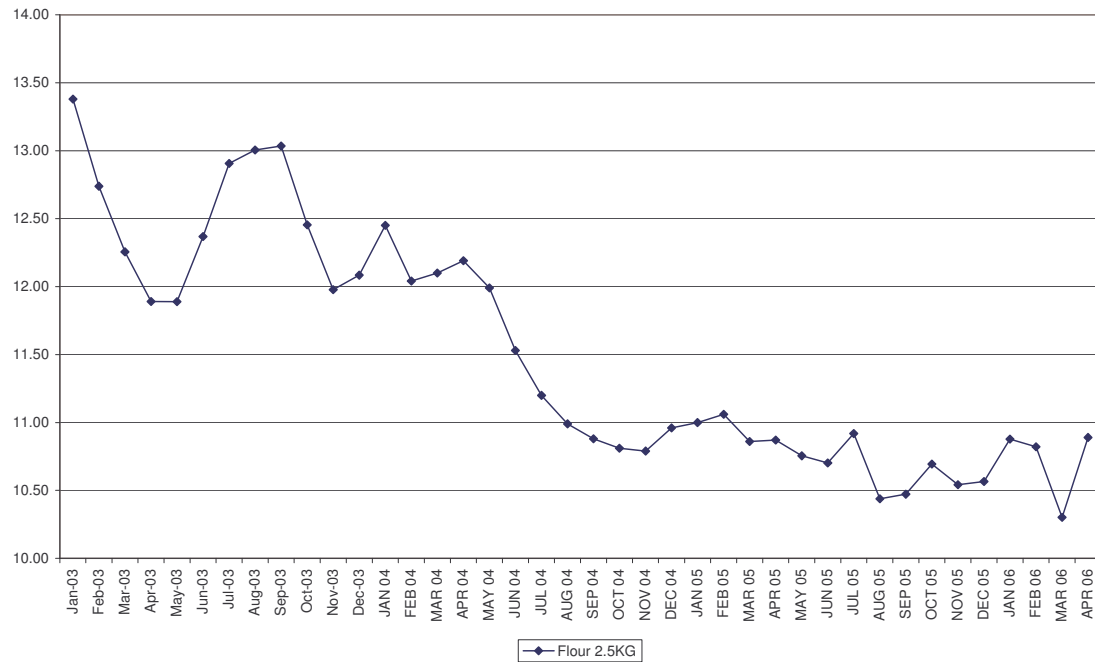
Maize meal prices have increased year on year on average by 11%. South Africa last year experienced a bumper crop of almost 12 million tonnes of maize. This bumper crop resulted in a large carry over stock as domestic consumption is on average 8 million tonnes. The bumper crop also resulted in lower maize prices. Lower maize prices however resulted in decreased plantings in the following production season, which together with speculation pushed up the maize price. Given the reduced plantings, it is expected that this years maize crop will be only 5.8 million tonnes. The above is illustrated in the SAFEX white maize average closing price, in April 2005 was R545/ton, but increased to R1090/ton in April 2006. The increase in the maize price is the main cause of increased maize meal prices.

Bread



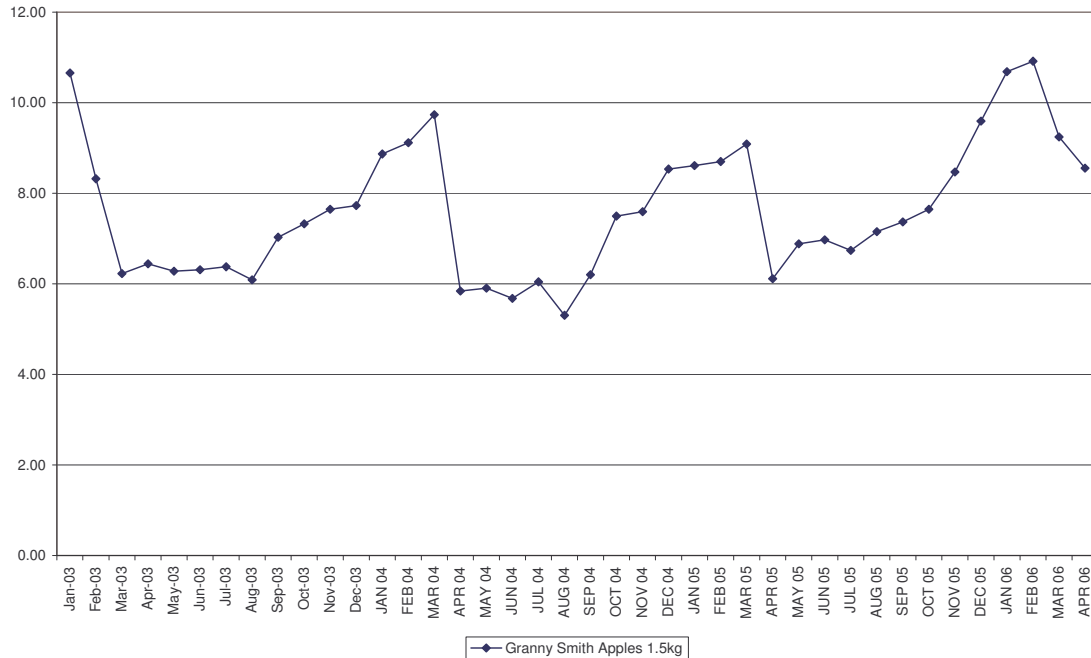
Bread prices on average increased by 2.76% in the period April 2005 to April 2006, with the price of brown bread increasing more rapidly than the price of white bread. There is some concern about this trend as production costs of the two types of bread are very similar.

Flour



The price of cake flour appears to have stabilised around R10.80 per 2.5kg bag, this follows a strong downward trend.

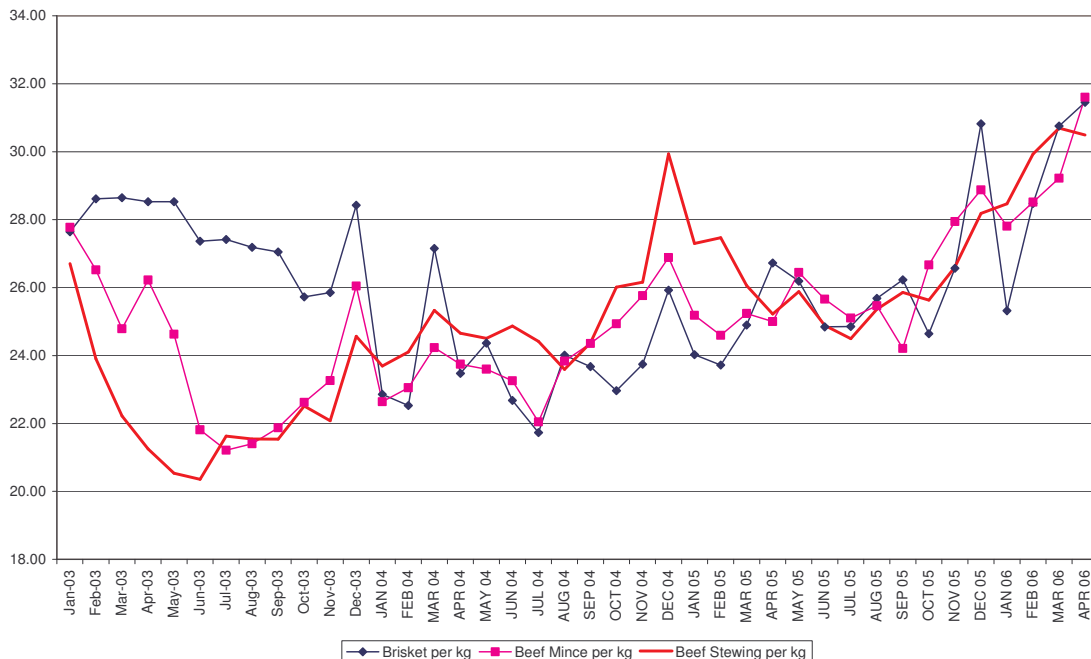
Fresh Fruit and Vegetables



Due to the perishability and seasonal nature of these products it is very difficult for one or more players in the market to manipulate prices. These prices are therefore very much linked to supply and demand fluctuations in the market. The year on year price increase for apples is the result of several factors. Many farmers in the Grabouw area have uprooted their fruit trees and planted vineyards, which are perceived to be more profitable. Farmers that have remained in the industry have improved their production practices and are producing a higher quality product, thus enabling them to supply the more lucrative overseas markets. This together with increasing demand has resulted in higher prices in the domestic market.

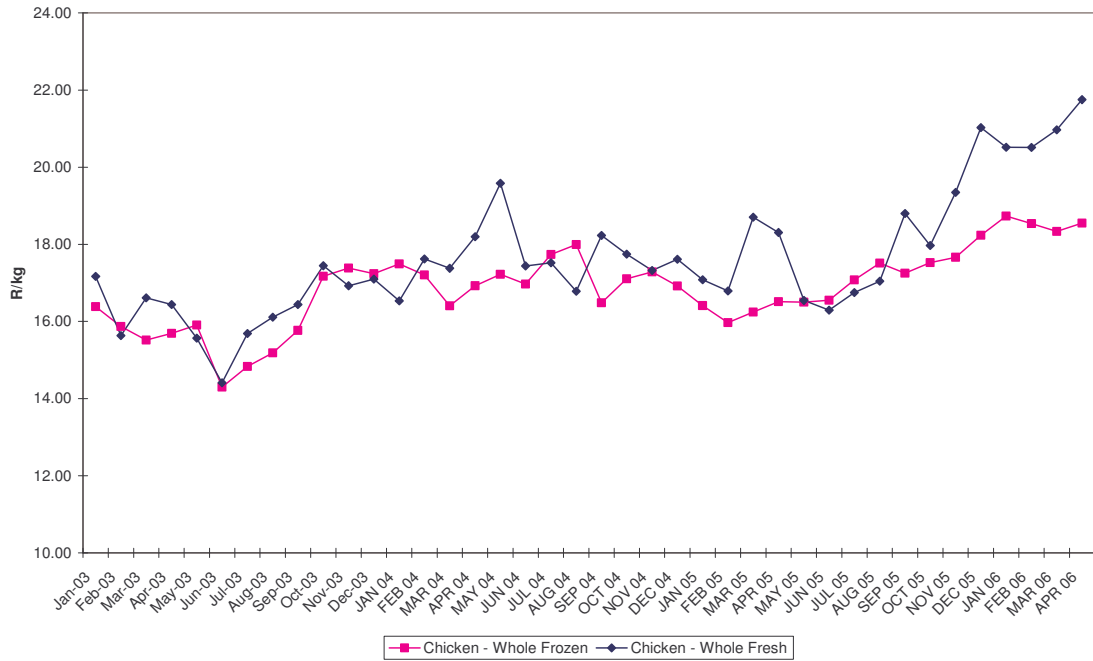
On average, fresh vegetable prices increased by 1.15% for the period April 2005 to April 2006.

Meat products



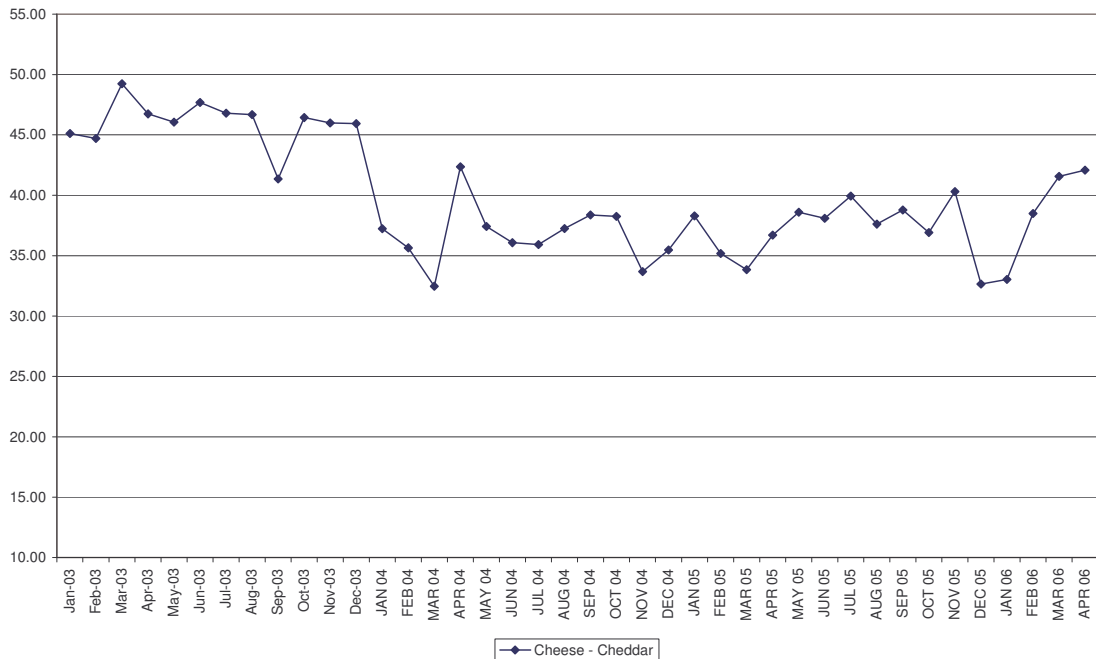
For the period April 2005 to April 2006 almost all meat prices increased by more than 6%. There are

several factor that have caused this. Very little livestock is being imported from Namibia, both adult and weaners. The decrease in imports of young stock from Namibia has resulted in a year on year price increase of 38% for weaners and a 31% increase in the price of carcasses, these increases in turn filtered down to the retail level. The increased prices of both weaners and carcasses has resulted in farmers building up stocks (in particular cows and heifers), this is noticeable not only in the decreased slaughter numbers, but also in the composition of animals within a feedlot.



The prices of both fresh and frozen chicken have increased year on year by 18.8% and 12.3% respectively. These price increases are most likely due to the shortage of other meat products explained earlier. However it is worrying given that feed costs have dropped considerably.

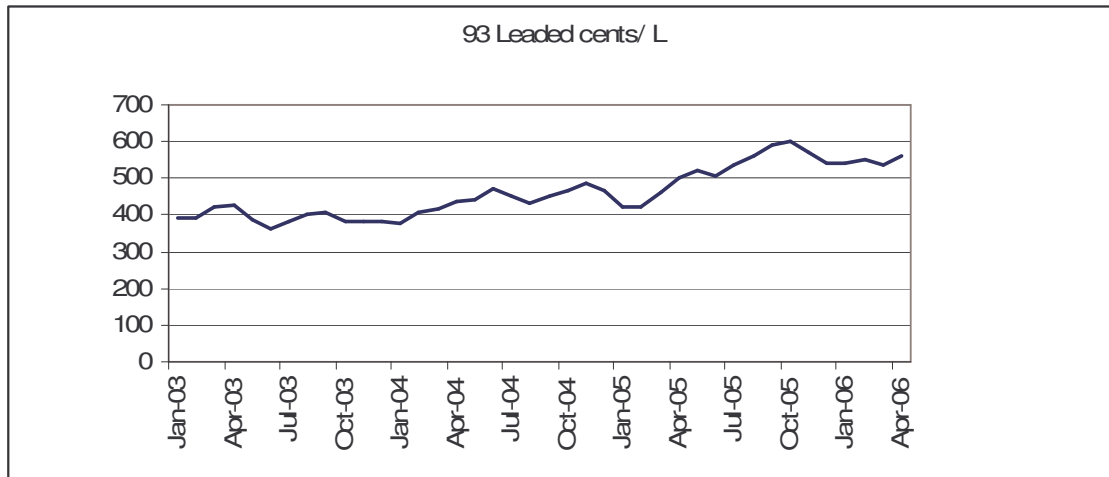
Dairy products



On average, dairy products increased by 0.88% year on year with the most significant price increase being that of cheddar cheese.

The effect of fuel prices on retail prices

Fuel prices over the past few months have increased several times due to high oil prices and the weakening exchange rate. The graph below illustrates how fuel prices have changed over the past 3 years. The year on year April 2005 to April 2006 fuel price increase was 11.75%.



Fuel not only plays an important role in the production process of many food products, but also in the transportation of these products from the farm to the processors, distribution centres and finally to the supermarket. Although fuel and therefore its price plays an important role in the supply chain, the contribution to total cost of production is small. This can be illustrated by calculating the price elasticities of the various food products relative to the fuel price. The elasticity is interpreted as the % change in the price of the particular item given a 1% increase in the fuel price. The table below reports the average year on year price change with the associated fuel price elasticity¹.

	Apr-05 to Apr-06 % change in price	Fuel price elasticity
Wheat Products	3.59%	0.003
Maize Meal	11.04%	0.020
Sunflower Products	3.97%	0.005
Vegetables	0.67%	0.001
Red Meat and Chicken	10.62%	0.036
Dairy and Eggs	1.14%	0.003
Fruit	5.64%	0.006
Fish	4.84%	0.005
Other	4.40%	0.008
Fuel	11.75%	

To illustrate the above, a 1% increase in the fuel price will result in a 0.02% increase in the average price of maize meal. Or put differently, the 11.75% increase in the fuel price contributed only 0.235% of the maize meal price increase, clearly not the determinant factor

¹For more detailed elasticities please contact Michela Cutts

in the 11% increase in the maize meal price. It is clear from the above table that although increasing fuel price are a concern to most consumers, this concern is mainly with regard to own transport costs as the direct effect on food prices is very small.

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