

# • National Agricultural Marketing Council •

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## MEDIA RELEASE

### **Food price trends: December 2004 to December 2005**

On the 25<sup>th</sup> of January 2006 STATSSA published the Consumer Price Index (CPI) for December 2005. In this publication STATSSA indicated that the CPI in the historical metropolitan areas was 3.6% at December 2005, 0.2% points higher than the corresponding rate in November 2005. The increase in the CPI was mainly attributed to an increase in the CPI for food, which increased from 2.4% in November 2005 to 4.3% in December 2005. The purpose of this media release is not to replicate or duplicate the work done by STATSSA, but to provide the consumer with more detail on price trends of certain food products.

Fresh fruit, vegetables, and dairy tend to display cyclical price patterns due to the biological nature of the production system. These cycles are caused by supply surpluses when an item is in season and supply shortages when an item is not in season. This occurs also in the dairy industry as cows tend to calf in the spring so cows begin to lactate, lactation reaches a peak (supply surplus and lower prices) after which it begins to decrease until the next cycle begins. Calculating a year on year price change removes the effect of cyclical price changes as the same month and therefore season is compared from one year to the next. Although the products and methodologies that STATSSA and the National Agricultural Marketing Council (NAMC) use in calculating price changes are quite different, the end result does not change. Year on year food prices did increase with fresh fruit and vegetables and meat being the items whose prices increased the most.

In this media release the focus will again be on year on year price changes, together with the actual price levels in 2005. Price levels and price changes are also reported for the period September to December 2005.

Based on the basket of 75 goods surveyed by the National Agricultural Marketing Council, year on year December food price inflation averaged 2.0%. This is basically saying that if prices in December 2005 are compared to prices in December 2004, consumers are paying on average 2.0% more for the same basket of food products. It should be noted that this figure is different to that published by STATS SA for two reasons: the first is the choice of products and number of products and the second and more important reason is the calculation method. STATS SA calculates the CPI food weighting the products according to the income and expenditure survey while the NAMC calculates an arithmetic mean.

The prices of a number of food products increased by more than 6% for the period December 2004 to December 2005 and include: Margarine (6.4%), frozen sliced beans (7.1%), cauliflower (27%), cabbage (13.1%), potatoes (15.1), picnic ham (7.9%), lamb chops (13.1%), boerewors (7.2%), brisket beef (15.9%), beef mince (6.9%), frozen chicken (7.2%), fresh chicken (16.2), granny smith apples (11%), bananas (21.7%), and oranges (26.3%).

Although many product prices have increased year on year many have also decreased by more than 6%. These products include: super maize meal (-8.8%), tinned tomatoes and onion mix (-10.2%), frozen peas (-32.4%), carrots (-8.2%), pork chops (-14.7%), stewing beef (-6.2%), cheddar cheese (-8.6%), tinned sliced peaches (-8.5%), apricot jam (6.6%), and peanut butter (-7.0%).

The table below provides a summary of the trends in average prices for selected food products for the one year period December 2004 to December 2005 as well as for the period September 2005 to December 2005.

<b>Wheat Products</b>	<b>DEC 04</b>	<b>SEP 05</b>	<b>DEC 05</b>	<b>SEP 05 to DEC 05</b>	<b>DEC 04-Dec 05</b>
Bread - White Sliced	4.59	4.61	4.62	0.2%	0.5%
Bread - Brown Sliced	4.04	4.13	4.22	2.0%	4.2%
Flour 2.5KG	10.96	10.47	10.57	0.9%	-3.7%
Spaghetti Plain 500g	4.55	4.63	4.42	-4.9%	-3.1%
Macaroni Plain 500g	4.55	4.51	4.43	-1.8%	-2.6%
Average				-0.7%	-0.9%

<b>Maize Meal</b>	<b>DEC 04</b>	<b>SEP 05</b>	<b>DEC 05</b>	<b>SEP 05 to DEC 05</b>	<b>DEC 04-Dec 05</b>
Maize Super 5KG	14.04	10.94	12.91	15.3%	-8.8%
Maize Special 5KG	10.47	9.61	11.09	13.3%	5.6%
Average				14.3%	-1.6%

<b>Sunflower Products</b>	<b>DEC 04</b>	<b>SEP 05</b>	<b>DEC 05</b>	<b>SEP 05 to DEC 05</b>	<b>DEC 04-Dec 05</b>
Cooking Oil 750ml	6.14	5.77	5.99	3.6%	-2.5%
Medium Fat Spread 1kg	11.64	11.25	11.49	2.1%	-1.3%
Margarine 500g Brick	6.91	7.58	7.38	-2.7%	6.4%
Average				1.0%	0.9%

<b>Vegetables, Processed</b>	<b>DEC 04</b>	<b>SEP 05</b>	<b>DEC 05</b>	<b>SEP 05 to DEC 05</b>	<b>DEC 04-Dec 05</b>
Baked Beans in Tomato Sauce	3.93	3.90	3.84	-1.4%	-2.2%
Butter Beans in Brine 410g	5.93	6.32	6.29	-0.6%	5.7%
Chopped Peeled Tomato 410g	6.25	6.19	6.09	-1.6%	-2.6%

Tomato & Onion Mix 410g	6.09	5.65	5.52	-2.3%	-10.2%
Canned Peas 410g	4.57	4.76	4.77	0.2%	4.1%
Frozen Green Peas 1kg	18.02	15.83	13.61	-16.3%	-32.4%
Frozen Baby Carrots 1kg	19.79	21.09	20.77	-1.5%	4.7%
Frozen Corn 1kg	18.70	19.59	19.86	1.4%	5.9%
Frozen Sliced Beans 1kg	19.54	20.05	21.03	4.7%	7.1%
Average				-2.0%	-2.2%

<b>Vegetables, Fresh</b>	<b>DEC 04</b>	<b>SEP 05</b>	<b>DEC 05</b>	<b>SEP 05 to DEC 05</b>	<b>DEC 04-Dec 05</b>
Cauliflower - Each (Head)	5.91	4.19	8.09	48.2%	27.0%
Carrots 1kg Pack	6.27	4.52	5.80	22.0%	-8.2%
Onions 1kg Pack	4.89	5.57	5.11	-9.0%	4.3%
Cabbage - Each (Head)	3.55	3.36	4.09	17.8%	13.1%
Potatoes BS - 7kg	16.72	15.96	19.69	19.0%	15.1%
Tomatoes per kg	8.80	9.25	9.13	-1.3%	3.6%
Sweet Potatoes 1kg	6.90	7.11	7.09	-0.2%	2.8%
Average				13.8%	8.2%

<b>Red Meat and Chicken</b>	<b>DEC 04</b>	<b>SEP 05</b>	<b>DEC 05</b>	<b>SEP 05 to DEC 05</b>	<b>DEC 04-Dec 05</b>
Meatballs in Gravy 400g	7.98	8.22	8.32	1.3%	4.2%
Picnic Ham 300g	13.74	15.49	14.91	-3.9%	7.9%
French Polony 1kg	15.98	15.80	16.90	6.5%	5.4%
Rindless Back Bacon 250g	13.63	14.19	14.39	1.4%	5.3%
Streaky Bacon 250g	12.60	12.74	12.65	-0.7%	0.4%
Pork Chops per kg	37.61	44.17	32.78	-34.7%	-14.7%
Lamb Chops per kg	44.02	43.76	50.64	13.6%	13.1%
Boerewors per kg	29.52	27.86	31.82	12.4%	7.2%
Brisket per kg	25.92	26.23	30.82	14.9%	15.9%
Beef Mince per kg	26.88	24.21	28.88	16.2%	6.9%
Beef Stewing per kg	29.94	25.86	28.19	8.3%	-6.2%
Chicken - Whole Frozen	16.92	17.25	18.24	5.4%	7.2%
Chicken - Whole Fresh	17.61	18.80	21.03	10.6%	16.2%
Average				3.9%	5.3%

<b>Dairy and Eggs</b>	<b>DEC 04</b>	<b>SEP 05</b>	<b>DEC 05</b>	<b>SEP 05 to DEC 05</b>	<b>DEC 04-Dec 05</b>
Butter 500g	16.01	15.78	16.24	2.8%	1.4%
Cheese - Cheddar	35.47	38.78	32.65	-18.8%	-8.6%
Fresh Milk Full Cream 2 Lt	9.49	9.80	9.71	-0.9%	2.3%

Fresh Milk Low Fat 2 Lt	9.68	10.13	10.10	-0.3%	4.2%
Fresh Milk Low Fat 1L Sachet	4.62	4.81	4.79	-0.5%	3.6%
Fresh Milk Full Cream 1L Sachet	4.35	4.65	4.58	-1.5%	5.1%
Skimmed Powder Milk 1kg	47.17	53.48	49.96	-7.0%	5.6%
LongLife Milk Full Cream 1L	6.44	6.50	6.15	-5.7%	-4.7%
Eggs 30's	25.49	25.97	24.12	-7.7%	-5.7%
Average				-4.4%	0.3%

<b>Fruit</b>	<b>DEC 04</b>	<b>SEP 05</b>	<b>DEC 05</b>	<b>SEP 05 to DEC 05</b>	<b>DEC 04-Dec 05</b>
Sliced Peaches 410g	5.46	6.16	5.04	-22.4%	-8.5%
Pears Halves 410g	6.78	7.03	7.04	0.1%	3.7%
Strawberry Jam 450g	10.23	10.18	9.99	-1.9%	-2.5%
Apricot Jam 450g	7.72	7.01	7.24	3.3%	-6.6%
Granny Smith Apples 1.5kg	8.53	7.37	9.59	23.2%	11.0%
Bananas 1kg	4.91	4.68	6.27	25.3%	21.7%
Oranges Bag 2.5kg	8.40	7.16	11.40	37.2%	26.3%
Average				9.2%	6.5%

<b>Fish</b>	<b>DEC 04</b>	<b>SEP 05</b>	<b>DEC 05</b>	<b>SEP 05 to DEC 05</b>	<b>DEC 04-Dec 05</b>
Pilchards in Tomato 425g	6.04	6.25	6.41	2.5%	5.8%
Tuna Shredded in Brine 170g	6.80	6.41	6.72	4.6%	-1.3%
Average				3.5%	2.3%

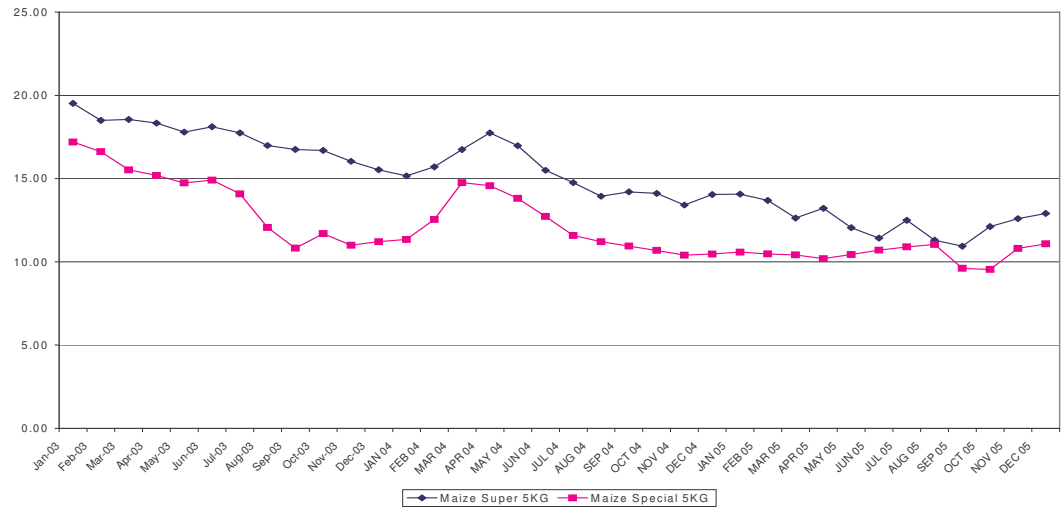
<b>Other</b>	<b>DEC 04</b>	<b>SEP 05</b>	<b>DEC 05</b>	<b>SEP 05 to DEC 05</b>	<b>DEC 04-Dec 05</b>
King Korn 1KG	6.69	6.58	6.59	0.1%	-1.5%
Jungle Oats 1kg	12.85	12.04	12.21	1.4%	-5.3%
Cornflakes 750g	18.96	19.44	18.76	-3.7%	-1.1%
Rice Crispies 400g	15.88	15.58	15.82	1.5%	-0.3%
Sugar 2.5KG	12.15	12.26	12.26	0.0%	0.9%
Rice 2KG	8.44	8.81	8.85	0.4%	4.6%
Ricoffy Reg 750g	25.82	25.76	25.91	0.6%	0.3%
Glen Tea 100's	10.08	9.50	9.88	3.8%	-2.0%
Coca Cola Regular 2L NRB	9.11	10.24	8.90	-15.0%	-2.3%
Peanut Butter Smooth 410g	9.47	8.84	8.85	0.1%	-7.0%
Soya Mince Tomato & Onion	6.09	5.94	5.76	-3.1%	-5.6%

Average				-1.3%	-1.8%
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**Detailed Discussion**

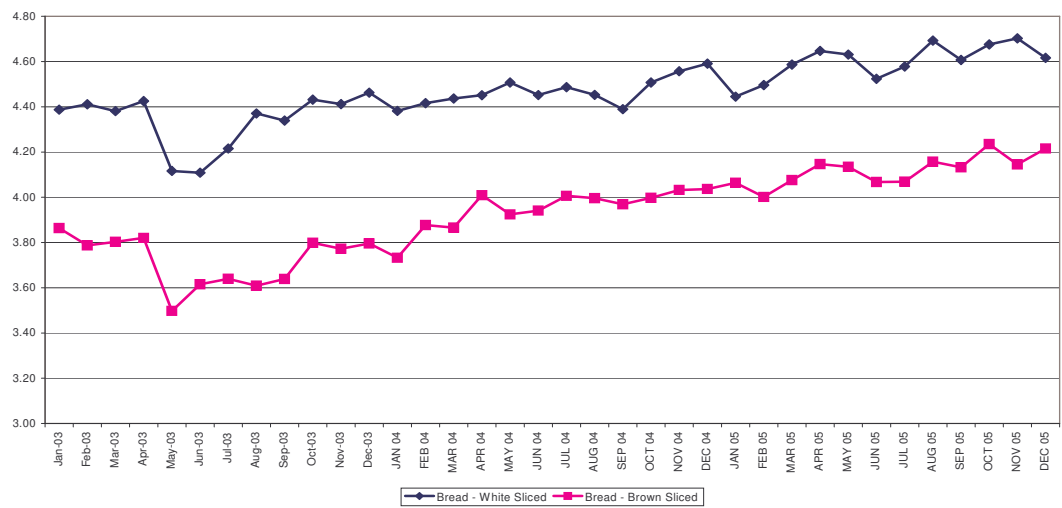
*Maize Meal*

The price of 5 kg special and super maize meal increased by 13% and 15% for the period September 2005 to December 2005. This price increase follows almost 20 months of price decreases. The increase in maize meal price is largely due to the progressive increase of the white maize price since March 2005.



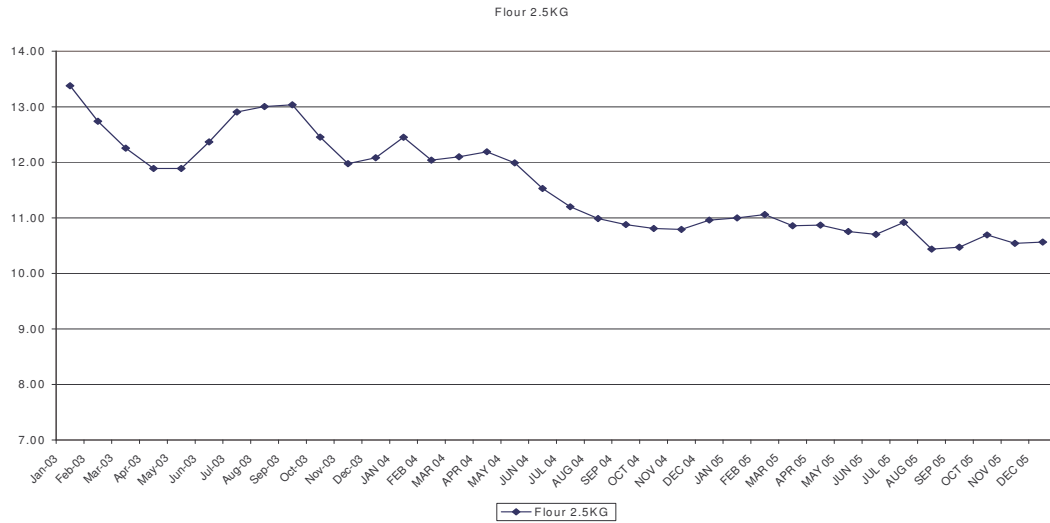
*Bread*

The price of a 700g loaf of white bread showed no price increase for the period September to December 2005. In the same period brown bread prices increased on average by 2% bringing the price of white and brown bread closer together. The difference between the price of a loaf of white bread and a loaf of brown bread in December 2004 was 12% while in December 2005 the difference decreased to only 8%.



### Flour

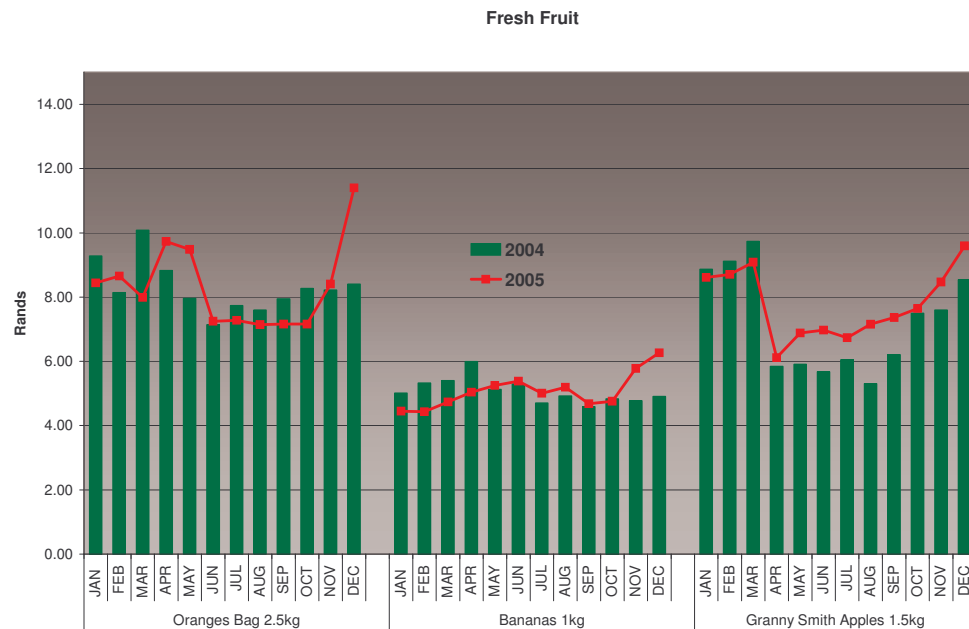
The price of 2.5 kg bag of cake flour stabilised around R10.50 for the period September to December 2005.



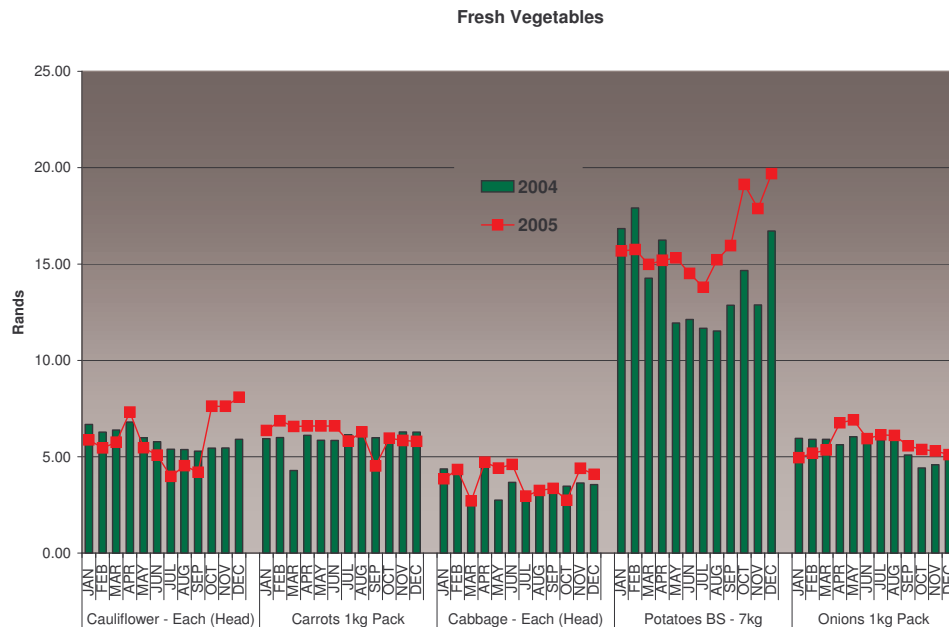
### Fresh Fruit and Vegetables

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 products prices are therefore very much linked to supply and demand fluctuations in the market. All of the fresh fruits monitored by the NAMC increased year on year December by more than 10%, these year on year price increases indicate a relative shortage in the market of these products. In the case of oranges for example, rains, limiting the farmer's access to the orchards, have hampered supply of local early ripening oranges.

The figure below clearly shows that November and December 2005 fresh fruit prices are significantly higher than the same months in 2004. The figure also shows typical seasonal price cycles of fresh fruit.



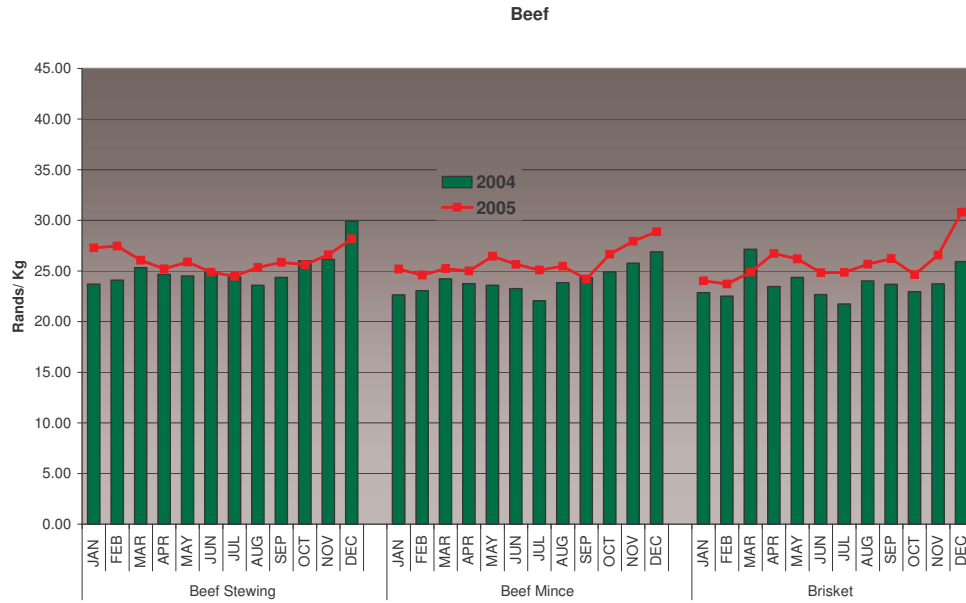
Vegetables, although seasonal, are produced in different regions of the country at different times, thus these products are available year round. Although nationally produced year round, supply is not consistent from one month to the next thus seasonal price changes still occur. From the figure below it is clear that the potato price is significantly higher in 2005 than in 2004. Similarly the cauliflower price in the last three months of 2005 was a lot higher than 2004 prices.



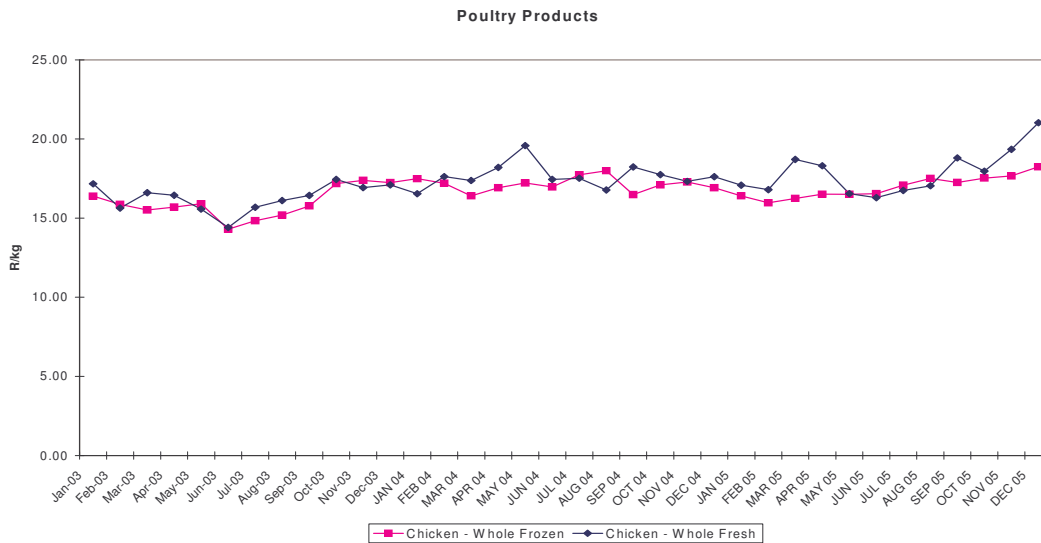
### *Meat products*

The price of processed pork products has increased on average 6.2% year on year, these increases are due to the fact that Brazils pork export program was halted due to an outbreak of foot and mouth disease, forcing processors to source meat from more expensive European markets.

Beef and meat in general, although not really seasonal in production, it tends to have a seasonal demand. Increased demand in the later part of the year is generally the cause of increased meat prices over the Christmas period. Overall prices for all beef cuts surveyed by the NAMC were higher in 2005 than in 2004.



Although the price of fresh whole chicken increased by 16% year on year December 2004-2005 the price has remained fairly stable at around R17/kg over the past three years. This is clearly visible from the figure below.



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