National Agricultural Marketing Council
Strategic positioning of South African Agriculture in dynamic global markets

QUARTERLY FOOD PRICE MONITOR

February 2009

MEDIA RELEASE

Food price trends: January 2008 to January 2009

Contents:

EXECUTIVE SUMMARY

The new CPI index was released in February 2009. A new Headline Inflation measure (the CPI for all urban areas) would be the inflation target measure in future. The new base period is set to 2008, whereas the previous base period was 2000. The weight for food and non-alcoholic beverages in the new CPI basket is smaller, i.e. it was reduced from 22.09 to 15.68 in the new basket. According to Stats SA, the lower weight does not mean that South Africans are spending less money on food, but rather it reflects higher income levels, which resulted in more money being spent on other goods.

The year-on-year (i.e. January 2008 to January 2009) increase in the CPI for Food was 16.1 %, which is 1.0 percentage point lower than the figure released in December 2008 (17.1 %). The overall CPI reflects a year-on-year increase of 8.1 %, which is 1.4 percentage point lower than the 9.5 % recorded for December 2008.

The year-on-year increase in the price of maize products was 8.59 %, which is higher that 7.62 % reported in the November Food Price Monitor (FPM) press release. Between July 2008 and January 2009, maize products experienced a 9.53 % average increase in price. Between January 2008 and January 2009 the maize commodity price increased by 1.20 %, while between July 2008 and January 2009 it decreased by 7.66 %.

Wheat products experienced average year-on-year price increases of 29.51 %, which is lower than the 37.89 % reported in the November 2008 FPM. The wheat price declined by 30.81 % between July 2008 and January 2009. The year-on–year decline in the wheat price was 13.37 %.

Sunflower product prices increased, on average, by 43.60 %, which is lower than 60.55 % reported in the November 2008 FPM. The price of sunflower declined by 22.89 % between July 2008 and January 2009. The year-on–year decline in the price of this commodity was 12.29 %.

Dairy product prices decreased, on average, by 0.46 %. Between July 2008 and January 2009, the prices of dairy products decreased, on average, by 0.05 %.

Fresh meat prices increased, on average, by 7.88 % between January 2008 and January 2009. This is 4.91 percentage points lower than the corresponding rates reported in November 2008 FPM. On the other hand, the rate of increase in the price of the processed meat accelerated to 23.40 % during the same period.

The year-on-year price increase for fresh vegetables was at 78.54 %, which is significantly higher than the 10.63 % released in November 2008 FPM. The prices of processed vegetables increased by 18.32 %, year-on-year, which is higher that 16.44 % reported in November 2008 FPM. Between July 2008 and January 2009 these products experienced an average price increase of 3.48 %.

In January 2008 people living in rural areas had to pay, on average, R3.75 more for a 5kg bag of maize meal than people in the urban areas. This increased further to R5.42 in January 2009. Consumers in rural areas paid R9.45 more than consumers in urban areas for the products shown in Table 4 in January 2008. This declined to R8.03 in July 2008, but increased again to R9.75 in January 2009.

A pilot study conducted by the NAMC in the Limpopo Province indicated that the difference between urban and rural food prices can largely be attributed to the following: (i) cost of transport and maintenance of vehicles; (ii) inability to attract significant discounts from wholesalers/processors due to the low volumes sourced; (iii) stock losses due to spoilage, breakage, products exceeding their expiry dates and stock theft and (iv) casual labour associated with loading.

EXECUTIVE SUMMARY (continued)

- *Global commodity trends*

Between January 2008 and January 2009 international maize and wheat prices decreased by 13.18 % and 31.94 %, respectively. In contrast, the January 2009 rice price was 57.66 % higher than in January 2008.

Currently prices of skim milk and whole milk powder are at similar levels than in 2006 after significant increases in 2007/08. Similar trends were observed for sunflower seeds.

Between November 2007 and November 2008 the price of bovine meat increased by 14.33 %. The price of pig meat increased by 17.77 % between October 2007 and October 2008. The price of poultry meat has increased by 21.99 % year-on-year ending October 2008.

- *Transport cost*

The cost of transport, particularly road transport, is a more complex matter than generally perceived. There are only four major cost drivers that make up the majority of vehicle owning and operating costs, namely depreciation, cost of capital, fuel and maintenance (including tyres). These four cost drivers account for anything between 60 and 85 % of vehicle operating costs, depending on the nature of the operation and the size and type of vehicle. Attention must also be paid to less well-known yet frequently unidentified factors that determine the levels of transport efficiency vehicle owners and operators deliver upon, namely traffic congestion, waiting time at container terminals and yards an loading and unloading at manufacturing plants, distribution centres and retail outlets and working hours. When factors such as those mentioned above are taken into account, the majority of vehicles operate at less than 60 % of their potential efficiency in the case of long haul vehicles; in the case of many secondary distribution vehicles, they operate at less than 20 % due to short distances, small payloads and ongoing delays.

Toll fees payable for class 3 vehicles (i.e. vehicles with 3 and 4 axles) on the major corridor routes to the Tswane Fresh Produce Market from 2006 to 2009 increased between 14.4 % and 22.8 %. Toll fees payable for class 4 vehicles (i.e. vehicles with 5 or more axles) on the major corridor routes to the Tswane Fresh Produce Market from 2006 to 2009 increased between 14.4 % and 22.8 %.

When looking at grain transport, the percentage of grains transported by rail declined from just over 80 % in 1985 to around 30 % in 2008, while the percentage of grains transported by road increase from just below 20 % in 1985 to around 70 % in 2008. Concerning is that of the 12 993 rail trucks ordered from January 08 to March 08 only 5 703 rail trucks were placed, which constitutes a 44 % on rail trucks ordered.

- *Outlook*

Poor economic growth worldwide continues to hamper further improvement in commodity prices, and only when information regarding possible negative supply side shocks enters the market (that could reduce stock levels significantly) do world prices respond positively. The fading import demand of China will put pressure on prices, while at the same time the drought conditions in Argentina and Brazil provide price support. Low world energy prices also do not provide a breather for profit margins in the biofuel industry.

It is unlikely that maize prices in South Africa will move as low as deep-sea export parity in the current season, mainly because of the sharp increase in white maize consumption in the human market. Lower chop prices will bring welcome relief in the feedlot industry. Livestock commodity prices are expected to remain firm over the outlook period as a result of public holidays and the positive impact of lower interest rates and fuel prices on consumer buying power. With lower input costs and a positive supply response by farmers a correction in the vegetable market can be expected, but over a short-term outlook (three months), these corrections can be expected to be marginal.

Finally, within the context of food security in the SADC region cognisance should be taken that current economic conditions and agricultural potential, combined with socio-economic problems in Zimbabwe, will provide a significant challenges to ensure household food security within the region. This situation could potentially prolong the cycle of high food prices in South Africa as these countries also depend on South Africa for the supply of many food stuffs.

1. Foreword

The new CPI index was released in February 2009. A number of factors led to Stats SA deciding to change the CPI basket and the weights of products and services included in it. These include, amongst others, changes in consumer expenditure patterns, as reflected in the Income and Expenditure Survey (2005/06); realignment of the way the CPI is presented according to the Classification of Individual Consumption by Purpose (COICOP) system, which is the international standard for classification of goods and services measured in a CPI, as well as the introduction of an owners' equivalent rent (OER) as a measure for the cost of owner-occupied housing. According to Stats SA, the latter intervention means that interest rates on mortgage bonds as an indicator of housing costs, will not be included in the CPI any more. As a consequence of the dropping of interest rates from the CPI basket, the Minister of Finance announced that the CPIX would cease to be the inflation target measure as of January 2009. Instead, a new Headline Inflation measure (the CPI for all urban areas) would be the inflation target measure. This indicator is the most comprehensive measure of inflation, and all future inflation reporting by Stats SA will focus on this Headline measure[1]. The new base period was set to 2008, whereas the previous base period was 2000.

Table 1 shows the changes in weights for the different expenditure categories that are included in the CPI. Notably, the weights for food and non-alcoholic beverages are smaller, i.e. it was reduced from 22.09 to 15.68 in the new basket. According to Stats SA, the lower weight does not mean that South Africans are spending less money on food, but rather it reflects higher income levels, which resulted in more money being spent on other goods. The result is that the proportion of expenditure is lower for food items relative to other goods and services. Other expenditure categories whose weights have decreased include housing and utilities, household contents, equipment and maintenance, health, and education. The expenditure categories whose weights increased included alcoholic beverages and tobacco, clothing and footwear, transport, communication, recreation and culture, and miscellaneous items. A restaurant and hotels category was also added.

Table 1: Comparison of weights for the new and old CPI and CPIX measures

Category	New headline	Old headline	Old CPIX
Food and non-alcoholic beverages	15.68	22.09	26.92
Alcoholic beverages and tobacco	5.58	2.54	3.05
Clothing and footwear	4.11	3.25	4.06
Housing and utilities	22.56	25.36	15.55
Household contents, equipment and maintained	5.86	7.39	8.37
Health	1.47	5.72	6.13
Transport	18.80	14.50	15.01
Communication	3.22	2.98	3.19
Recreation and culture	4.19	3.70	3.79
Education	2.19	3.48	3.77
Restaurants and hotels	2.78	0.00	0.00
Miscellaneous	13.6	8.99	10.16
	100	**100**	**100**

[1] For more information about the reasons behind the CPI basket changes, visit the following website: http://www.statssa.gov.za/news_archive/03February2009_1.asp

The year-on-year (i.e. January 2008 to January 2009) increase in the Consumer Price Index for Food (CPI-Food), as reported by Stats SA, was 16.1 %, which is 1.0 percentage point lower than the figure released in December 2008 (17.1 %). The overall CPI, as reported by Stats SA, reflects a year-on-year increase of 8.1 %, which is 2.1 percentage points higher than the 6 % upper limit for inflation set by the South African Reserve Bank (SARB). It is nevertheless 1.4 percentage point lower than the 9.5 % recorded for December 2008. According to Stats SA, the main contributors to the annual increase of 8.1 % in the CPI were food & non-alcoholic beverages (2.4 %), housing & utilities (2.1 %), miscellaneous goods and services (1.4 %), alcoholic beverages & tobacco (0.6 %), recreation & culture (0.4 %), restaurants and hotels (0.4 %), household contents and services (0.3 %), clothing & footwear (0.2 %), education (0.2 %) and health (0.1 %). Food inflation therefore remains one of the major drivers of overall inflation in South Africa.

The purpose of this Media Release is to provide further details and analysis of food price levels and trends in order to promote better understanding of the main factors underlying food price increases.

2. Urban Food Price Trends: January 2008 to January 2009

This section reports the price trends for 64 different food items that are sold in urban areas across South Africa (detailed comparisons for the selected food items are presented in Appendix A). The data used pertaining to the food items in this report was sourced from both AC Nielsen and Stats SA. The food products whose prices increased by more than the SARB target inflation rate of 6 % between January 2008 and January 2009 are shown in Table 2.

Table 2: Prices in the urban areas that experienced inflation higher than the SARB inflation target (January 2008 – January 2009)

Grain & grain products		Meat & meat products and dairy & dairy products		Fresh and processed fruits and vegetables and others	
	%		%		%
Loaf of brown bread 700g	34.21%	Skimmed Powder Milk 1kg*	7.36%	Chopped peeled tomato 410g*	25.10%
Loaf of white bread 700g	34.30%	Meatballs in gravy 400g*	18.63%	Butter beans 410g	23.53%
Cake flour 2.5kg	31.74%	Beef brisket - fresh	6.65%	Baked beans - tinned 420g	24.21%
Soya Mince Tomato & Onion 200g*	20.21%	Whole chicken-frozen	6.39%	Tomato & onion mix 410g*	17.41%
Macaroni Plain 500g*	18.46%	Beef mince-fresh	12.31%	Canned Peas 410g*	16.42%
Maize Special 5kg*	7.43%	Whole chicken-fresh	11.93%	Baby Carrots 1kg*	15.25%
Maize Super 5kg*	9.75%	Bacon 250 gram	22.84%	Green Peas 1kg*	11.11%
Sunflower oil 750ml	28.90%	Chicken portions -fresh	13.80%	Sliced Beans 1kg*	10.10%
Medium fat spread 1kg*	48.73%	Beef t-bone-fresh	6.23%	Super Juicy Corn 1kg*	21.76%
Brick margarine 500g	53.18%	Total Butter 500g*	11.94%	Carrots	14.32%
Rice 2kg	98.88%	Picnic Ham 300g*	31.08%	Onions	431.68%
Ricoffy Reg 750g*	41.82%	Pork Sausage	11.43%	Potatoes bag 10kg*	16.28%
Peanut butter 410g	34.45%	Polony 1kg	32.45%	Tomatoes	48.97%
Spaghetti 500g	28.85%	Beef chuck - fresh	8.86%	Sweet potatoes	17.77%
				Cabbage	44.38%
				Lettuce	99.54%
				Cauliflower	30.89%
				Apples	8.59%
				Bananas	35.05%
				White sugar 2.5kg	13.18%
				Ceylon/black tea 62.5	15.25%
				Eggs 1.5 Dozen	26.49%
				Tuna – Tinned 70 Gram	35.79%

Products whose prices increased at a rate lower than 6 % over the period under consideration include: pumpkin (3.04 %), pork chops (2.74 %), chicken portions frozen (2.41 %), beef rump steak (2.06 %), fresh milk full cream 1ℓ (5.21 %), fresh milk full cream 2ℓ (5.50 %), fresh milk low fat 1ℓ (5.35 %) and fresh milk low fat 2ℓ (5.81 %). Products whose prices decreased during the same period include long life milk full cream 1ℓ (5.86 %), lamb chops (1.68 %), oranges (11.20 %), cheddar cheese (39.01 %) and king korn 1kg (0.92 %).

Appendix A reports the average nominal prices for all food products covered in January 2008, July 2008 and January 2009, the percentage change from July 2008 to January 2009, as well as the year-on-year percentage change between January 2008 and January 2009. The main commodity prices are also reported to give readers a sense of the increase in procurement costs many food processors are experiencing.

The following trends are noteworthy:

- The year-on-year increase in the price of maize products was 8.59 %, which is higher that 7.62 % reported in the November Food Price Monitor (FPM) press release. During this period, the price of maize meal special increased by 7.43 % while that of maize meal super increased by 9.75 %. Between July 2008 and January 2009, maize products experienced a 9.53 % average increase in price. Between January 2008 and January 2009 the maize commodity price increased by 1.20 %, while between July 2008 and January 2009 it decreased by 7.66 %.
- The year-on-year increases in brown and white bread prices were 34.21 % and 34.30 %, respectively, which are lower than the previous year-on-year increases reported in the November 2008 FPM press release. Wheat products experienced average year-on-year price increases of 29.51 %, which is lower than the 37.89 % reported in the November 2008 FPM. The wheat price declined by 30.81 % between July 2008 and January 2009. The year-on–year decline in the wheat price was 13.37 %.
- Sunflower product prices increased, on average, by 43.60 %, which is lower than 60.55 % reported in the November 2008 FPM. The price of sunflower cooking oil increased by 28.90 %, which was lower than the increase (69.14 %) reported in the November 2008 FPM. During the same period (January 2008 to January 2009), the price of medium fat spread and brick margarine, increased by 48.73 % and 53.18 %, respectively. The price of sunflower declined by 22.89 % between July 2008 and January 2009. The year-on–year decline in the price of this commodity was 12.29 %.
- Dairy product prices decreased, on average, by 0.46 %. Between July 2008 and January 2009, the prices of dairy products decreased, on average, by 0.05 %.
- Fresh meat prices increased, on average, by 7.88 % between January 2008 and January 2009. This is 4.91 percentage points lower than the corresponding rates reported in November 2008 FPM. On the other hand, the rate of increase in the price of the processed meat accelerated to 23.40 % during the same period.
- The year-on-year price increase for fresh vegetables was at 78.54 %, which is significantly higher than the 10.63 % released in November 2008 FPM. During this period the price of onions increased remarkably by 431.68 %. Between July 2008 and January 2009, fresh vegetables experienced price increases of 83.91 %. On the other hand, the prices of processed vegetables increased by 18.32 %, year-on-year, which is higher that 16.44 % reported in November 2008

FPM. Between July 2008 and January 2009 these products experienced an average price increase of 3.48 %.

Refer to Appendix B for monthly price trends between January 2008 and January 2009 for selected food stuffs.

3. Rural Food Price Trends: January 2008 to January 2009

The rural food price monitoring activity is executed throughout the country in over 180 stores and shops in rural areas. In this section, food price trends for 39 food items are summarized; some of which are reported in two or more units, e.g. the price change for a loaf of white bread is reported in two sizes, namely 600g and 700g. The food products whose prices increased by more than the target inflation rate of 6 %, between January 2008 and January 2009, are shown in Table 3.

Table 3: Products in rural areas that experienced higher than the inflation target increases in prices (January 08 to January 09)

Grain and grain products	%	Other products	%
Loaf of brown bread 600g	28.40%	Full cream long life milk 500ml	29.05%
Loaf of brown bread 700g	27.90%	Tagless tea bags 250g	25.35%
Loaf of white bread 600g	30.31%	Tagless tea bags 62.5g	13.15%
Loaf of white bread 700g	26.49%	Instant coffee 100g	33.01%
Maize meal 1kg	14.71%	Instant coffee 250g	36.74%
Maize meal 2.5kg	10.24%	Pilchards in tomato sauce 155g	24.54%
Maize meal 5kg	15.80%	Pilchards in tomato sauce 425g	25.02%
Samp 1kg	17.44%	White sugar 1kg	17.44%
Margarine 125g	31.44%	White sugar 2.5kg	12.34%
Margarine 250g	41.76%	White sugar 500g	21.87%
Margarine 500g	48.37%		
Sunflower oil 2L	48.19%		
Sunflower oil 500ml	47.02%		
Sunflower oil 750ml	43.08%		
Beans 1kg	33.74%		
Beans 500g	23.43%		
Butter beans 410g	23.55%		
Butter beans 420g	13.94%		
Rice 1kg	119.28%		
Rice 2kg	77.28%		
Rice 500g	89.59%		
Peanut butter 270g	17.30%		
Peanut butter 400g	14.31%		
Peanut butter 410g	23.67%		
Sorghum-meal 1kg	7.24%		
Sorghum-meal 500g	14.62%		

The food products whose price increased by less than 6 % include samp 2.5kg (3.28 %) and full cream long life milk 1ℓ (0.13 %). Maize meal 12.5kg is the only food item that experienced a price decrease during the same period, i.e. 3.52 %.

Appendix C shows that most of food products sold in the rural areas experienced double digit inflation between January 2008 and January 2009. Compared to the data released in the November 2008 FPM (October price increases), the January 2009 price inflation

for maize and wheat products decreased from 14.41 % and 39.83 % to 9.66 % and 28.28 %, respectively. The rate of increase in prices of sunflower products decreased from 60.65 % to 43.31 %. Food products whose inflation decelerated during the same period include dairy, peanut butter and sorghum meal. The food products whose inflation accelerated between the previous PFM release in November 2008 and January 2009 include beans, tea and coffee, pilchards, sugar and rice. The next section provides a comparison between selected urban and rural food prices.

4. Comparison between Urban and Rural Food Prices (Selected Items)

Table 4 shows a comparison between urban and rural food prices for selected food items. In January 2009, the following products were cheaper in rural areas: white bread, brown bread, margarine, sunflower oil and tea. In January 2008 only margarine and sunflower oil were cheaper in the rural areas than in the urban areas. In January 2008 people living in rural areas had to pay, on average, R3.75 more for a 5kg bag of maize meal than people in the urban areas. This increased further to R5.42 in January 2009. Consumers in rural areas paid R9.45 more than consumers in urban areas for the products shown in Table 4 in January 2008. This declined to R8.03 in July 2008, but increased again to R9.75 in January 2009.

Table 4: Comparisons between urban and rural food prices (selected food items)

	Rural food prices (R)			Urban food prices (R)			Price difference (Jan-08)	Price difference (Jul-08)	Price difference (Jan-09)
Product	**Jan-08**	**Jul-08**	**Jan-09**	**Jan-08**	**Jul-08**	**Jan-09**	**R/unit**	**R/unit**	**R/unit**
Full cream long life milk 1L	9.41	9.62	9.43	8.79	8.31	8.27	0.63	1.31	1.15
Loaf of brown bread 700g	5.38	6.64	6.88	5.35	6.86	7.18	0.03	-0.22	-0.30
Loaf of white bread 700g	6.05	7.45	7.66	5.89	7.58	7.91	0.16	-0.13	-0.25
Maize meal 5kg	24.83	26.03	28.75	21.08	22.21	23.33	3.75	3.82	5.42
Margarine 500g	9.12	11.95	13.52	9.29	12.29	14.23	-0.17	-0.34	-0.71
Peanut butter 410g	12.65	14.26	15.64	11.32	13.38	15.22	1.33	0.88	0.42
Rice 2kg	15.85	21.49	28.11	13.40	21.00	26.65	2.45	0.49	1.46
Sunflower oil 750ml	11.26	16.29	16.11	12.70	16.35	16.37	-1.44	-0.06	-0.26
Tagless tea bags 62.5g	5.53	5.86	6.26	5.51	5.70	6.35	0.02	0.16	-0.09
White sugar 2.5kg	17.48	17.85	19.63	14.79	15.74	16.74	2.69	2.11	2.89
Total							**9.45**	**8.03**	**9.75**

4.1 Reasons for higher food prices in rural areas

In previous issues of the Food Price Monitor and Food Cost Review reports it was postulated that the difference between rural and urban food prices is due to, amongst others, additional transport and other transaction costs, product wastage and lack of competition. In an effort to better explain the differences that exist between urban and rural food prices the NAMC conducted a pilot study in the Limpopo Province involving four rural retail outlets. They were selected from the NAMC-DoA-STATS SA database

of rural retailers that are surveyed on a monthly basis to collect prices of selected food items. These retailers were selected on the basis of their distance from the Gauteng market. Note should be taken that all the rural retailers included in the pilot study sell food and non-food items, and thus it is difficult to directly link any specific cost to food alone. However it can safely be postulated that any costs incurred will also be included in the food prices in rural areas.

The pilot study involved personal interviews with the owners of the selected rural retail outlets using a structured questionnaire. Additional information was also obtained through in-store observations.

The pilot study indicated that the difference between urban and rural food prices can largely be attributed to the following: (i) cost of transport and maintenance of vehicles; (ii) inability to attract significant discounts from wholesalers/processors due to the low volumes sourced; (iii) stock losses due to spoilage, breakage, products exceeding their expiry dates and stock theft and (iv) casual labour associated with loading. These issues are discussed in further detail below.

- ***Transport costs***

  Transport costs were identified as one of the major contributors to the disparity between urban and rural food prices. For the purposes of this investigation transport costs include fuel and maintenance costs. It emerged that fuel and maintenance costs for rural retailers located closer to Gauteng were significantly lower than their more distant counterparts. For example, monthly fuel costs ranged from R 2 000 for rural retailers closer to Gauteng to R 7 500 for those more distantly located. In addition to the aforementioned, the following were cited as reasons why these retailers incur significant transport cost:

  - *Frequency of trips to and from the suppliers*

  Rural retailers indicated that they can make up to four trips a month to suppliers. The frequency of trips is determined by the size and availability of storage facilities and the volume of goods that can be bought. The latter is determined by the ability of the shop owner to buy large quantities of stock and the size of the vehicle they use to transport the stock from the supplier to the retail outlet.

  - *Distance from suppliers*

  The distance that rural retailers have to travel to procure stocks ranged between ±50 and ±120 kilometres. This, added to the high frequency of trips that have to be made, adds significantly to the overall transportation costs of making food available in rural areas.

- ***Low or no volume discounts***

  Due to the size of their operations and their inability to move large volumes of goods rural retailers indicated that they do not attract volume discounts on the items they procure (if any discounts are given they are relatively small). They usually procure from wholesalers, not directly from processors.

- ***Stock losses***

  Stock losses refer to spoilage, breakage and products exceeding their expiry dates. Stock losses ranged between R500 and R1 000 a month. The type of vehicle used, the type of packaging, the nature of the product, the way that the vehicle is packed,

available storage and refrigeration and weather conditions all affect stock losses. Theft also has a significant impact.

- ***Loading cost***

  Due to the nature of vehicles being used respondents indicated that they have to make use of casual labour at procurement points to assist with the loading of goods, and that this additional cost ranged between R150 to R500 per month.

As indicated earlier, one of the reasons for higher food prices in rural areas could potentially be the lack of competition. However, the majority of rural retailers included in the pilot project are within a 0.5 kilometre radius of other rural retailers selling similar food products. Thus, if the number of retailers in a specific area can be used as a proxy for competition it appears as if there is sufficient competition.

Cognisance should also be taken that certain food items such as bread, milk and maize meal are delivered to the retailers included in the pilot study. The prices at which these items are procured will therefore include transportation costs incurred by suppliers.

5. Overall Inflation and Food Inflation: South Africa and the World

Table 5 shows overall and food inflation for selected countries. As indicated previously South Africa experienced single digit CPI inflation (8.1 %) between January 2008 and January 2009. Food inflation remained relatively high at 16.1 % during the same period; this is lower than food inflation rates experienced in 2008. Botswana's overall and food inflation rates were 13.7 % and 24.9 % between December 2007 and December 2008, respectively. Concerning is the relatively high rate of food inflation. China's overall inflation was 1.0 %, between January 2008 and January 2009. During the same period China's food inflation was recorded at 4.2 %. Turkey experienced 9.5 % overall inflation and 11.5 % food inflation between January 2008 and January 2009. During the same period, Brazil experienced 6.1 % and 8.6 % increases in overall and food inflation, respectively. Brazil's 6.1 % rate of overall inflation is within the bands of its inflation target (2.5 % to 6.5 %). Between January 2008 and January 2009 Canada's overall inflation stayed at 1.1 %, while their food inflation stayed at 7.3 %. During the same period the United States and the United Kingdom experienced overall inflation rates of 0.4 % and 3.0 %, respectively, while their food inflation rates stayed at 5.3 % and 10.2 %, respectively. Australia experienced 3.7 % and 5.6 % overall and food inflation between December 2007 and December 2008, respectively. Most of the overall inflation figures in Table 5 are lower when compared to the corresponding figures reported in the November 2008 Food Price Monitor.

Table 5: Overall inflation and food inflation

Country	Month	Overall inflation (%)	Food inflation (%)
Botswana	December 2008	13.7	24.9
South Africa	January 2009	8.1	16.1
China	January 2009	1.0	4.2
Turkey	January 2009	9.5	11.5
Canada	January 2009	1.1	7.3
Brazil	January 2009	6.1	8.6
United States	January 2009	0.4	5.3
United Kingdom	January 2009	3.0	10.2
Australia	December 2008	3.7	5.6

Source: Central banks and statistics reporting institutions of these countries, as well as press

6. Global Commodity Price Trends

This section highlights world commodity price trends, more specifically price trends for cereal grain, dairy and meat. Figure 1 shows that the global commodity prices for maize, wheat and rice peaked between March 2008 and June 2008. Between January 2008 and January 2009 maize and wheat prices decreased by 13.18 % and 31.94 %, respectively. In contrast, the January 2009 rice price was 57.66 % higher than in January 2008.

In January 2007 the price of maize was US$ 166.23/ton. This increased to US$ 203.20/ton in January 2008, after which it increased steeply, peaking at US$ 294.18/ton in June 2008. This was followed by a rapid decrease to US$ 158.36/ton in December 2008. However, prices subsequently increased by US$ 18.06/ton between December 2008 and January 2009 to reach US$176.42.

From May 2007 the price of wheat increased steeply from US$ 203.00/ton, peaking at US$ 481.50/ton in March 2008. The price then decreased rapidly to US$ 235.25/ton in December 2008, i.e. a decrease of 51.14 %. As in the case of maize, the price of wheat subsequently increased by US$ 21.15/ton between December 2008 and January 2009 to reach US$ 256.4/ton.

Between January 2005 and October 2007 rice showed modest price changes. From October 2007 the price of increased from US$ 337.50/ton to US$ 385.00/ton in January 2008. This was followed by a rapid increase that peaked at US$ 962.60/ton in May 2008. Between May 2008 and December 2008 rice prices decreased steeply by 39.54%. However, it increased again by US$ 25.00/ton between December 2008 and January 2009.

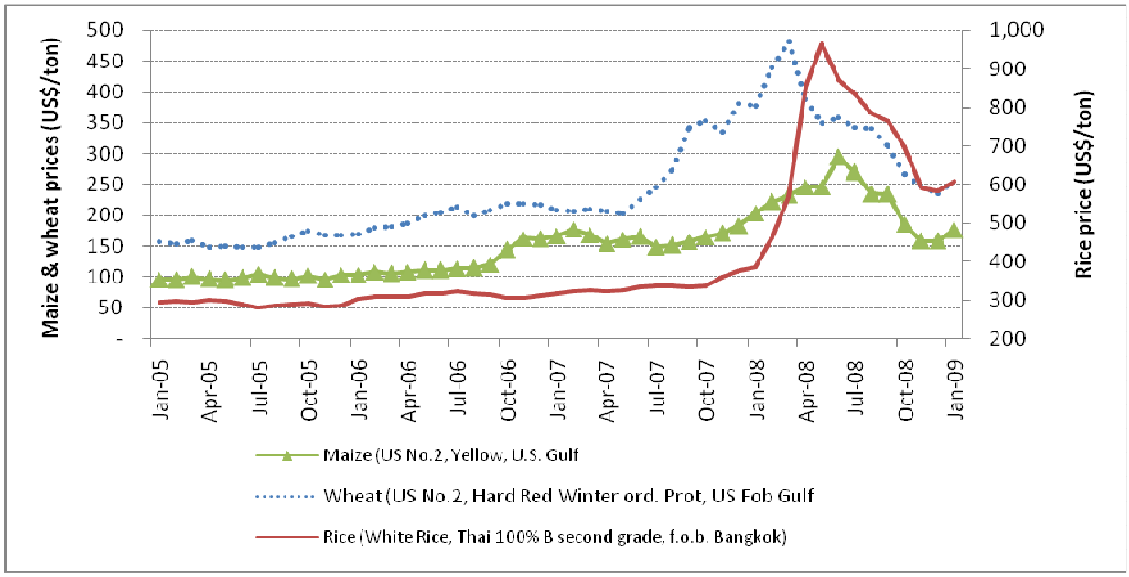


Figure 1: Nominal world cereal price trends: January 2005 – January 2009
Source: Food and Agriculture Organization (FAO)

Figure 2 shows the international price trends for skim milk powder and whole milk powder. The prices of the two products increased steeply between late 2006 and mid 2007. Skim milk powder peaked at US$ 5 150.00/ton in July 2007, while whole milk powder peaked at US$ 4 950.00/ton in October 2007. After peaking, both prices

decreased markedly to US$ 2 000/ton and US$ 2 163/ton, respectively, in December 2008. Currently prices of these two products are at similar levels than in 2006.

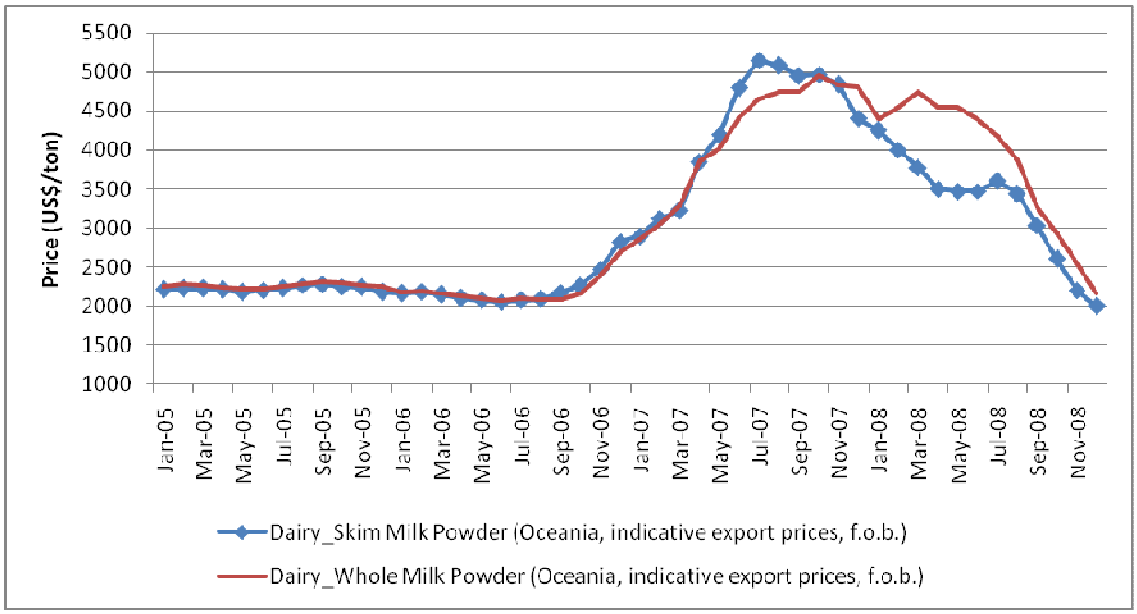


Figure 2: Nominal world dairy price trends: January 2005 – December 2008
Source: Food and Agriculture Organization (FAO)

Figure 3: shows sunflower seed and sunflower oil price trends between January 2005 and December 2008. Since the second quarter of 2007 the prices of both sunflower seeds and sunflower oil have increased at a remarkable rate, from US$ 339/ton and US$ 709/ton in February 2007, to peak at US$ 928/ton and US$ 2 045/ton in April 2008 and June 2008, respectively. Prices then decreased significantly to US$ 316/ton and US$ 759/ton in December 2008.

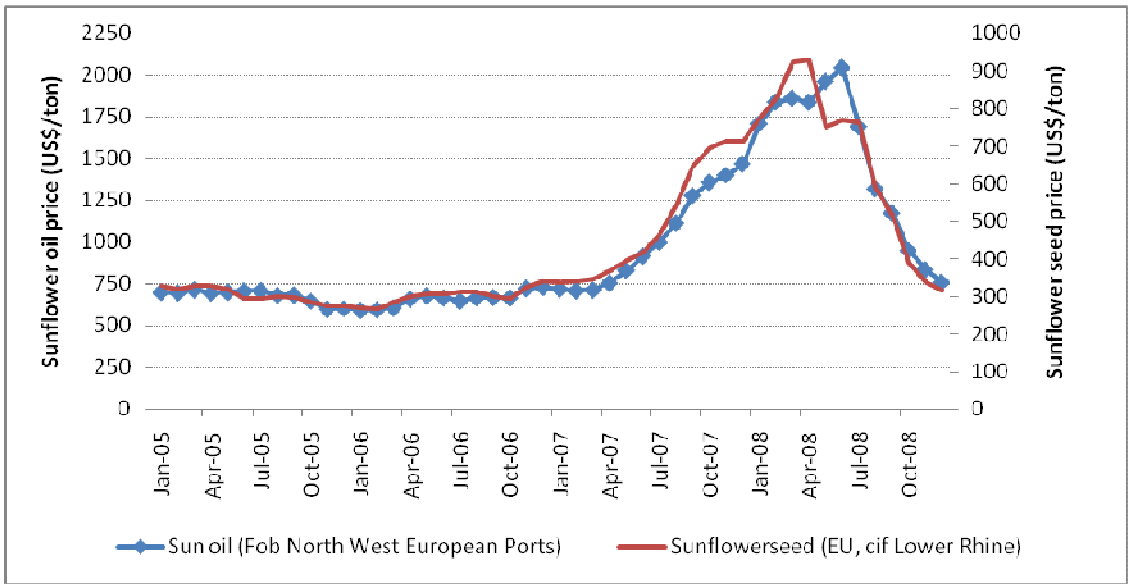


Figure 3: Nominal world sunflower seed & sunflower oil price trends: January 2005 – December 2008
Source: Food and Agriculture Organization (FAO)

Figure 4 shows that the price of bovine meat increased from US$ 3 532/ton to US$ 4 940/ton between April 2007 and November 2008. Between November 2007 and November 2008 it increased, by 14.33 %. The price of pig meat fluctuated around US$ 2 100/ton between mid 2005 and early 2008, and increased by 17.77 % between October 2007 and October 2008. The price of poultry meat has been increasing steadily since mid 2006, but decreased by US$ 286/ton between September 2008 and October 2008. It increased by 21.99 % year-on-year ending October 2008.

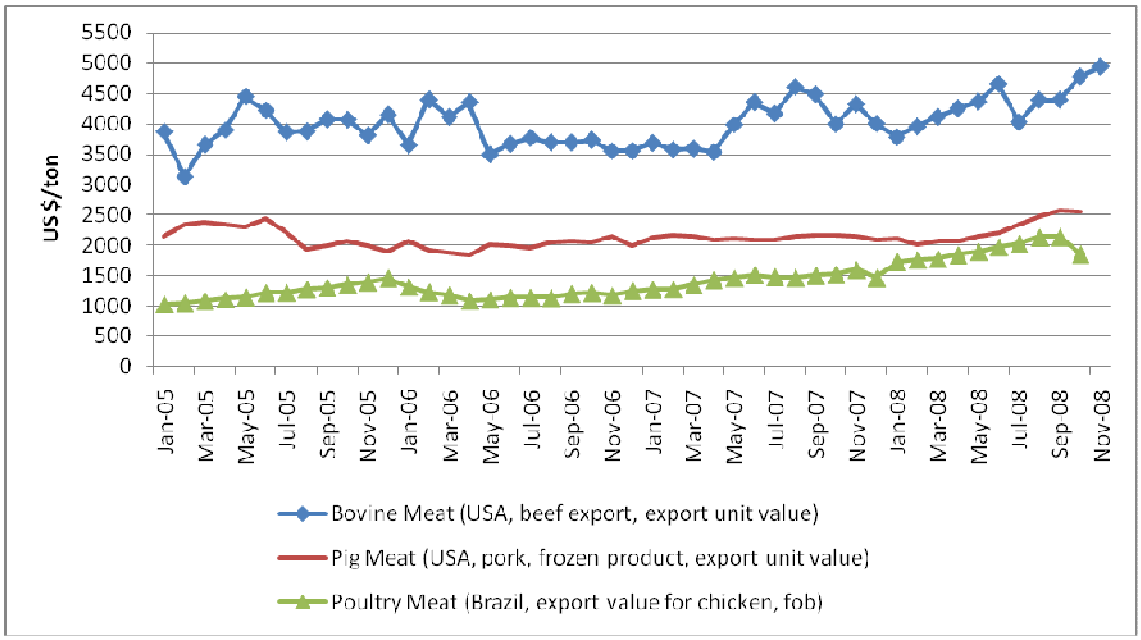


Figure 4: Nominal world sunflower seed & sunflower oil price trends: January 2005 – November 2008

Source: Food and Agriculture Organization (FAO)

7. Domestic maize and maize meal market

Maize prices in global markets have decreased markedly since mid-2008 (see Figure 1 above). Although maize prices in the domestic market also declined from mid-2008, the decline was not as profound as that experienced on the international market (See Figure 5). In January 2009 the prices of these two commodities were R 1 814/ton and R 1 730/ton, respectively.

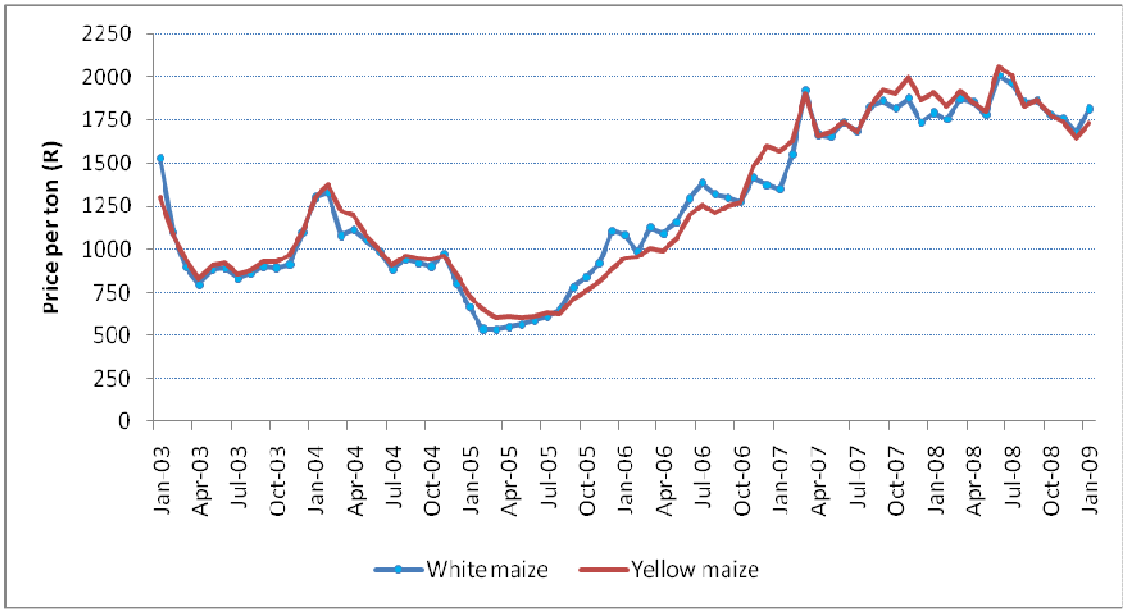


Figure 5: White maize and yellow maize price trends: January 2003 – January 2009

Source: SAFEX

Figure 6 shows price trends for maize meal super and maize meal special. In January 2005 the prices of the two products were R 14.26/5 kg and R 10.77/5 kg, respectively, increasing to R 21.05/5 kg and R 17.58/5 kg in January 2008. By January 2009 the prices of the two products were R 23.10/5 kg and R 18.89/5 kg, respectively. This is an increase of 9.75 % and 7.43 %, respectively, from January 2008 to January 2009.

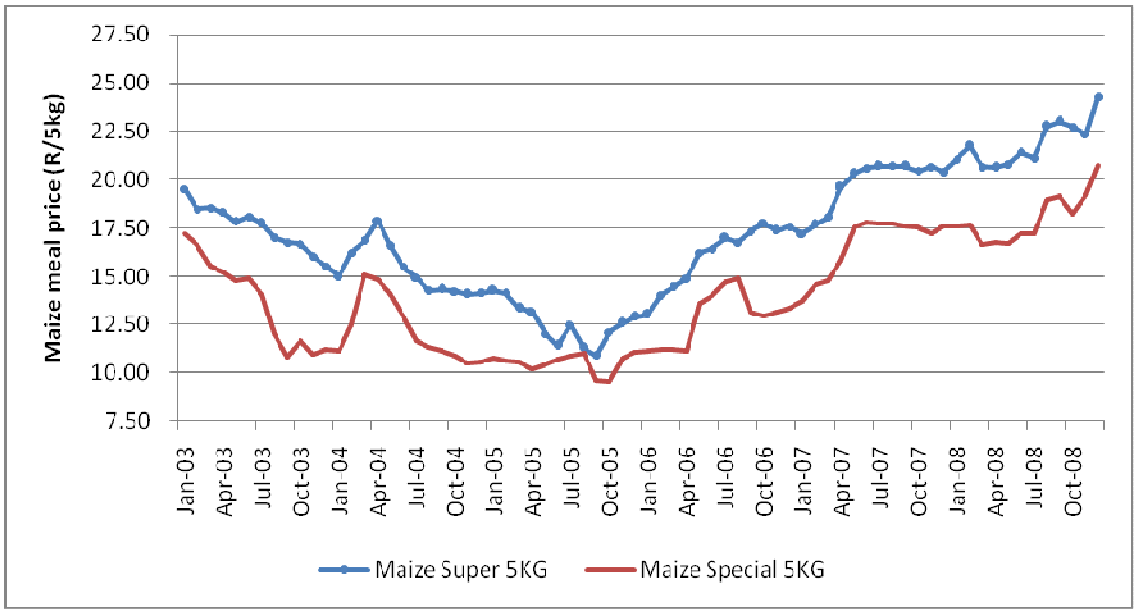


Figure 6: Maize meal super and maize meal special price trends: January 2003 – January 2009

Source: AC Nielsen

Figure 7 shows the year-on-year price change for maize meal super and maize meal special According to this Figure the last price decrease experienced by maize meal super was during the period between January 2004 and February 2006. Since then the price of maize meal super has increased continuously, with its highest rate of 58.3 % occurring in September 2006. The year-on-year rate of increase was the lowest in July 2008 at 2.1 %. As mentioned the January year-on-year increase was 9.75 % for maize meal super.

Maize meal special experienced a similar trend in price increases; the rate of increase peaked at 42.1 % in April 2007. The rate of price increases slowed thereafter, and on a year-on-year basis actually reached a negative of 4.7 % in May 2008 (i.e. on a year-on-year basis the price was lower in May 2008 that in May 2007). More recently, the January year-on-year price increase was measured at 7.43 % for maize meal special.

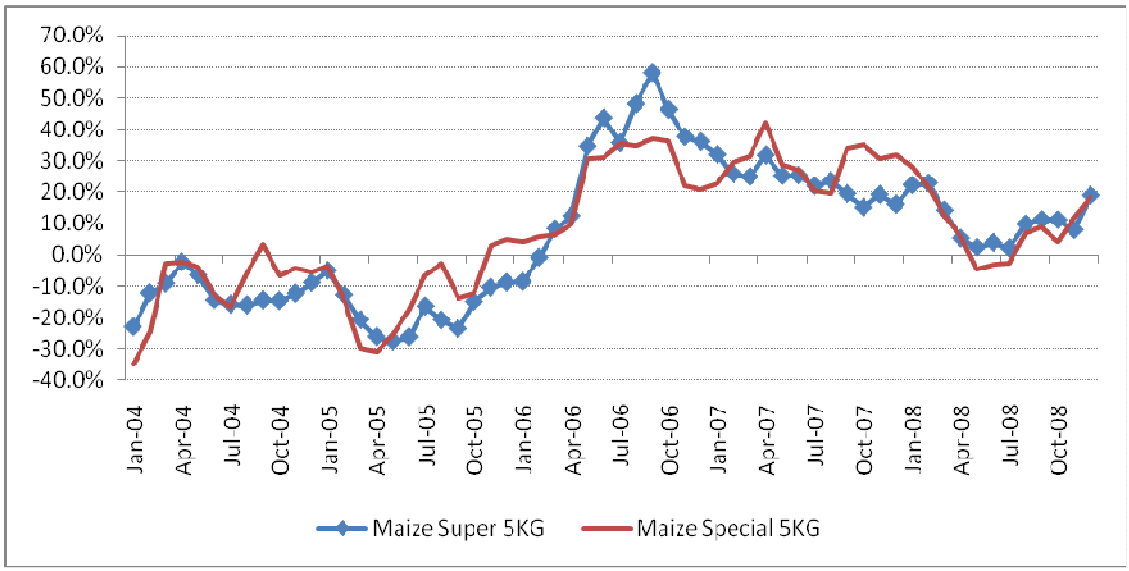


Figure 7: Year-on year-price changes for maize meal super and maize meal special (Jan 2004 – Jan 2009)

Source: Own calculation

Figure 8 shows the trends in the SAFEX price, import parity price and export parity price of maize between January 2003 and January 2009. The SAFEX price of maize moves between import parity and export parity prices. During the period when the domestic supply of maize is low (shortage) the SAFEX price moves close to the import parity price. When supply is high (surplus) it moves close to the export parity price. For example, in 2005/2006 maize production for commercial use was at 11.45 million tons (surplus) and the domestic price moved close to export parity price. In 2006/2007 production amounted to 6.62 million tons (shortage) and the SAFEX price moved close to the import parity price. In 2007/2008 production was 7.13 million tons (shortage) and the SAFEX price remained close to import parity price again. In 2008/2009 production increased to 12.02 million tons and the SAFEX price moved closer to the export parity price. The aforementioned clearly shows the importance of ensuring sufficient grain supplies in the local market through local production. This will only be the case when grain (maize) farmers deem it a profitable option after discounting for, amongst other, price and weather risks.

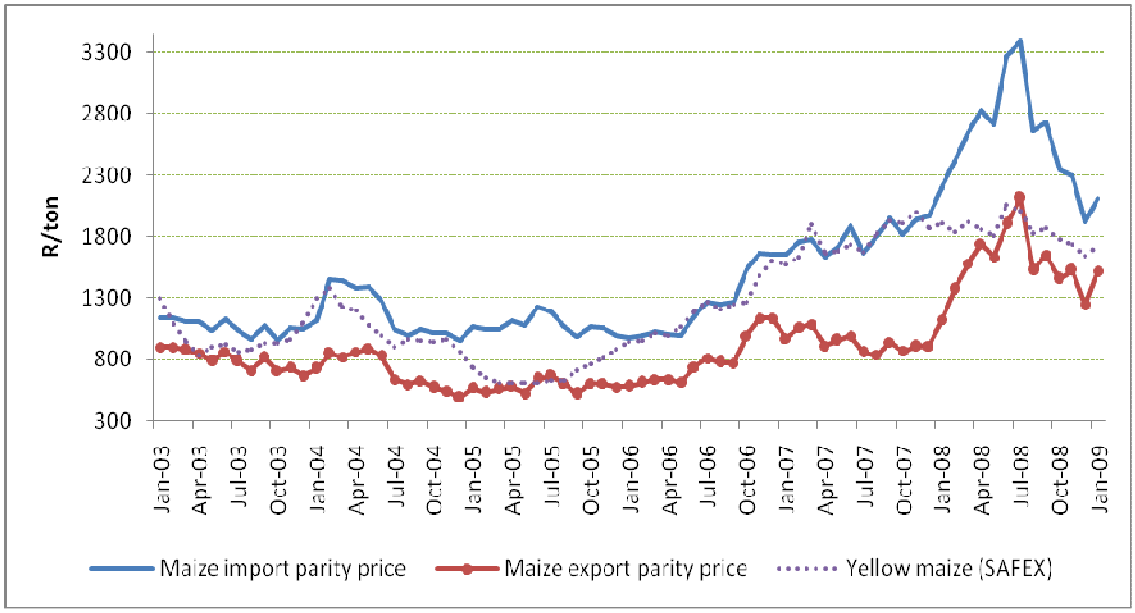


Figure 8: The trend in the SAFEX price, import parity price and export parity price of maize: January 2003 – January 2009

Source: SAGIS and SAFEX

8. Price Trends in the Domestic Potato Industry

In the November 2008 report of the Food Price Monitor, trends in potato prices were discussed. It was indicated that the NAMC sent requests to the major retail groups to assist in providing a clearer picture of why the price gap between producer and retail prices changed quite significantly over time and also to explain the significant differences between different packaging sizes. Unfortunately, by the time of going to press with this issue of the Food Price Monitor only one retailer has responded and the issue can't be elaborated on further. The NAMC will again engage with the major retailers on this issue.

9. Moving Food around the Country – a Costly Affair

9.1 Introduction[2]

Transport costs, in particular changes in the price of fuel, have been cited by many as one of the main contributors to increasing food prices. Hence, one would naturally expect food prices to react immediately when there is a drop in fuel prices. The fact that there was no significant decline in food prices after recent declines in fuel prices, has resulted in irritation and frustration and many have even expressed anger. However, the cost of transport, particularly road transport, is a more complex matter that deserves deeper contemplation than it generally receives. This is necessary so that company management, businesses and undertakings that provides or make use of road transport services, can better understand factors influencing road transport costs. In this issue of the Food Price Monitor attention is given to factors determining the cost of transport. A more comprehensive analysis will be provided in the Food Cost Review later this year.

[2] This sub-section was contributed by Mr Max Braun. Mr Braun is a Transport Management, Distribution and Logistics Consultant.

There are only four major cost drivers that make up the majority of vehicle owning and operating costs. These are:

- Depreciation
- Cost of Capital
- Fuel
- Maintenance, including tyres

These four cost drivers account for anything between 60 and 85 % of vehicle operating costs, depending on the nature of the operation and the size and type of vehicle. Driver and crew wages and contributions, insurance and licences are included in these costs, but overheads and administration expenses and toll fees are also to be accounted for, since they are not easily allocated to vehicle operating expenses.

Attention must also be paid to less well-known yet frequently unidentified factors that determine the levels of transport efficiency vehicle owners and operators deliver upon. These items generally reside in a variety of places that are difficult to control, and are beyond the control of the operator. These include:

- Traffic congestion, especially in Metro areas, with particular reference to ring and other major access roads.
- Waiting time at container terminals and yards. Loading and unloading at manufacturing plants, distribution centres and retail outlets. For example, recent credible research confirms that the average waiting time at super markets is nearly four hours – this equates to nearly 50 % of a normal, working day.
- Working hours – goods and products can only be delivered during the consignee's working hours. Many retailers, for example, are unwilling to incorporate night deliveries.

Components of road transport efficiency include the number of kilometres travelled and the payload tonnes carried. When factors such as those mentioned above are taken into account, the majority of vehicles operate at less than 60 % of their potential efficiency in the case of long haul vehicles; in the case of many secondary distribution vehicles, they operate at less than 20 % due to short distances, small payloads and ongoing delays.

Deteriorating roads (especially in rural areas), the lack of consistent and predictable road traffic law enforcement, insufficient access to affordable and credible driver training programmes and the absence of a meaningful industry voice to lobby Government, stakeholders and role players, not only adds billions of Rands in costs to road transport, but fails to inspire and motivate the industry to adopt sensible work standards and commit to ongoing self-regulation. In the spirit of the national transportation policy, steps need to be taken to realise the goal of achieving ongoing cost improvements and improving service standards to meet the needs of the economy both now and in the future.

9.2 Variable cost as part of truck operational costs

Vehicles typically used in the transport of agricultural products include: insulated vans for fresh deli, 6x4 Rigid medium flat deck truck, 6x4 Rigid medium flat deck truck with trailer, 14.7m 6-axle artic reefers, 14.7m 6-axle flat deck and 7-axle artic flat deck inter links. The calculation of the operating cost of trucks is based on specific assumptions concerning annual kilometres, working days, fridge working hours and useful life. Operational costs consist of standing cost and variable cost. Variable cost contributes between 46 % and 64 % to the total operating cost of the vehicles mentioned. Figure 9

shows the composition of annual variable cost for the different vehicles as calculated during February 2009.

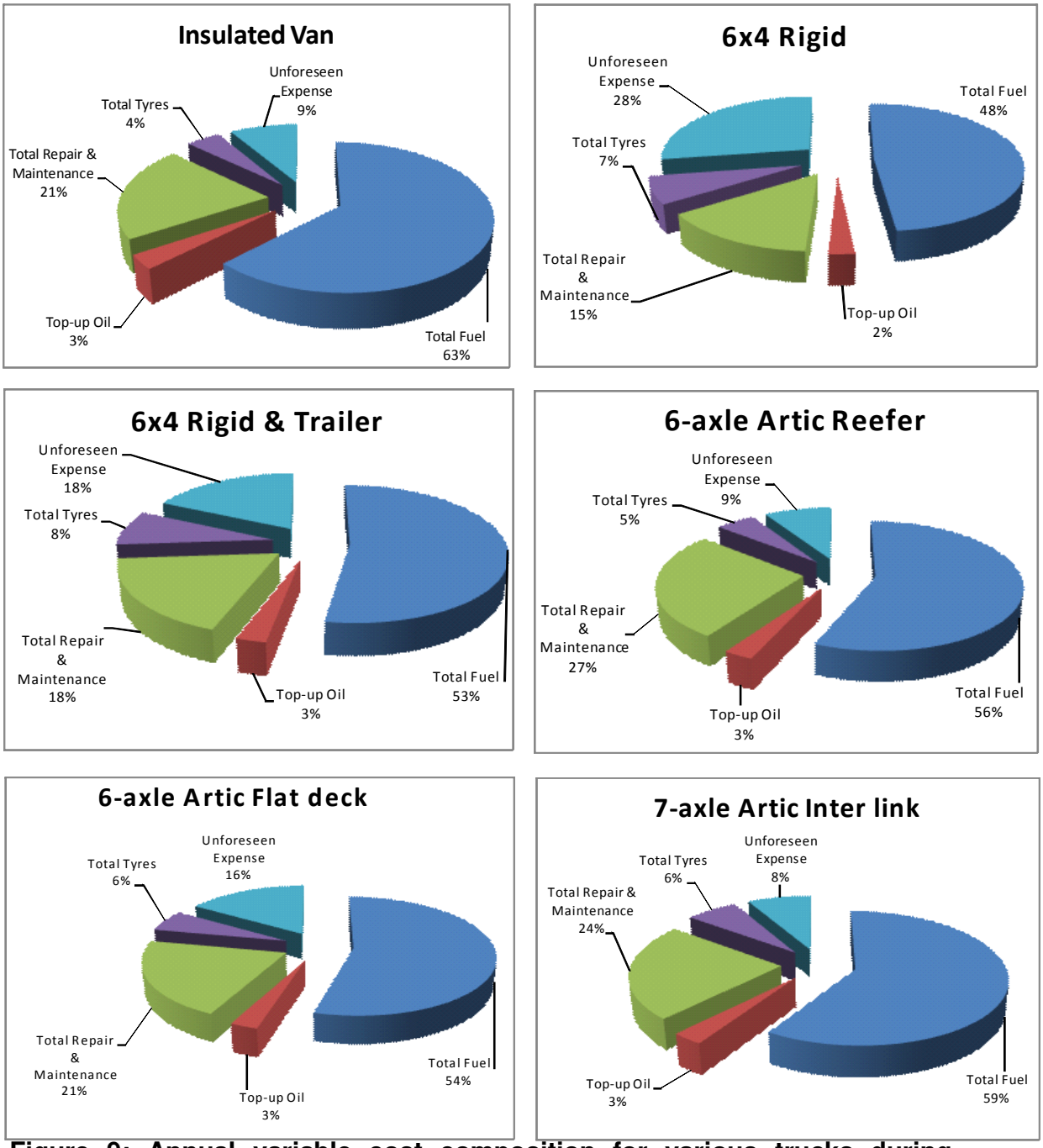


Figure 9: Annual variable cost composition for various trucks during February 2009

Source: FleetWatch - market related truck operating benchmarks (February 2009)

Figure 10 illustrates the annual total variable cost of truck operations from February 2006 to February 2009. These calculations are done and published quarterly. For example, the annual total variable cost for operating a 7-axle Artic Inter link increased

with 47.9 % during the depicted period. The annual total variable cost for operating a 7-axle Artic Inter link increased with 97.3 % from February 2006 to May 2008 after which it declined by 25.1% until February 2009. The price of diesel at the coast and in Gauteng showed a similar pattern with 97.3 % and 94.9 % increases and declines of 20.3 % and 19.9%, respectively during the same periods. However, the monthly diesel prices at the coast and in Gauteng peaked only in July 2008, thus it increased further by of 13.5 % and 13.3% from May 2008 to July 2008, respectively.

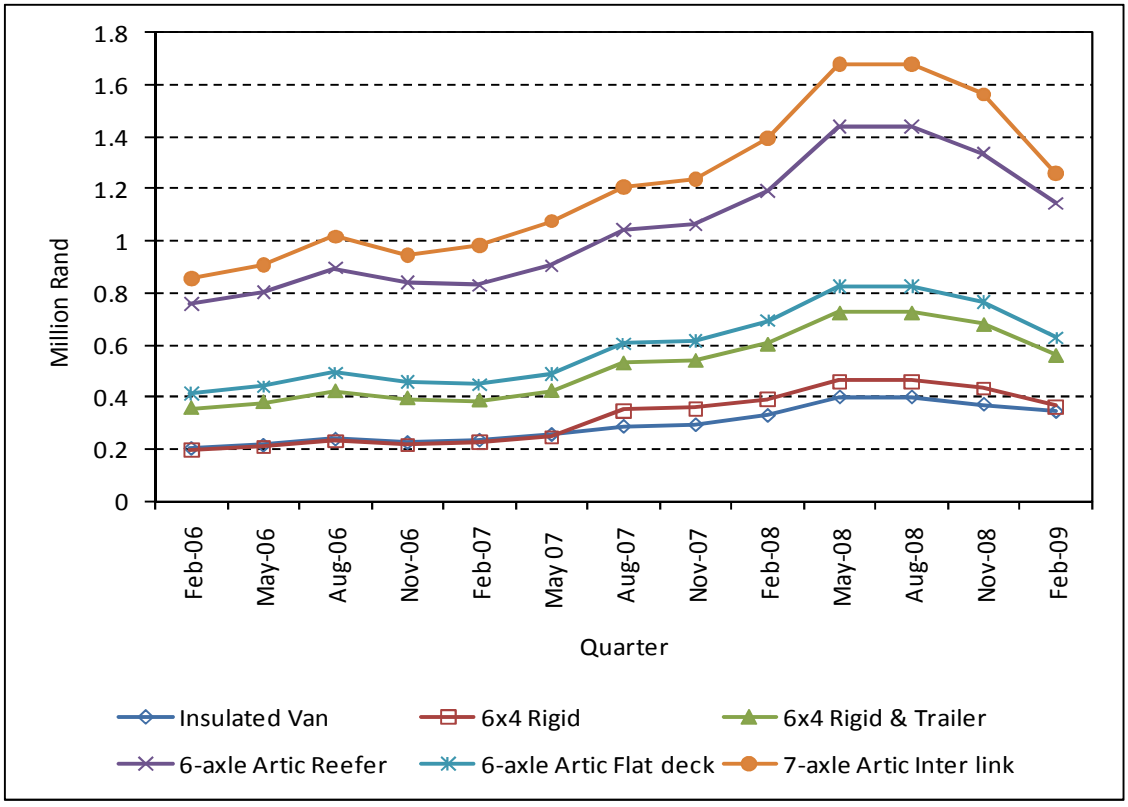


Figure 10: Annual total variable cost of truck operations from February 2006 to February 2009

Source: FleetWatch - market related truck operating benchmarks (February 2009)

Figure 11 shows the annual total operating cost of truck operations from February 2006 to February 2009. These calculations are done and published quarterly. For example, the annual total operating cost for a 7-axle Artic Inter link increased with 47.5% during the depicted period. The annual total operating cost for a 7-axle Artic Inter link increased with 77.4% from February 2006 to May 2008 after which it declined by 16.8% until February 2009. Trends in diesel prices have already been mentioned.

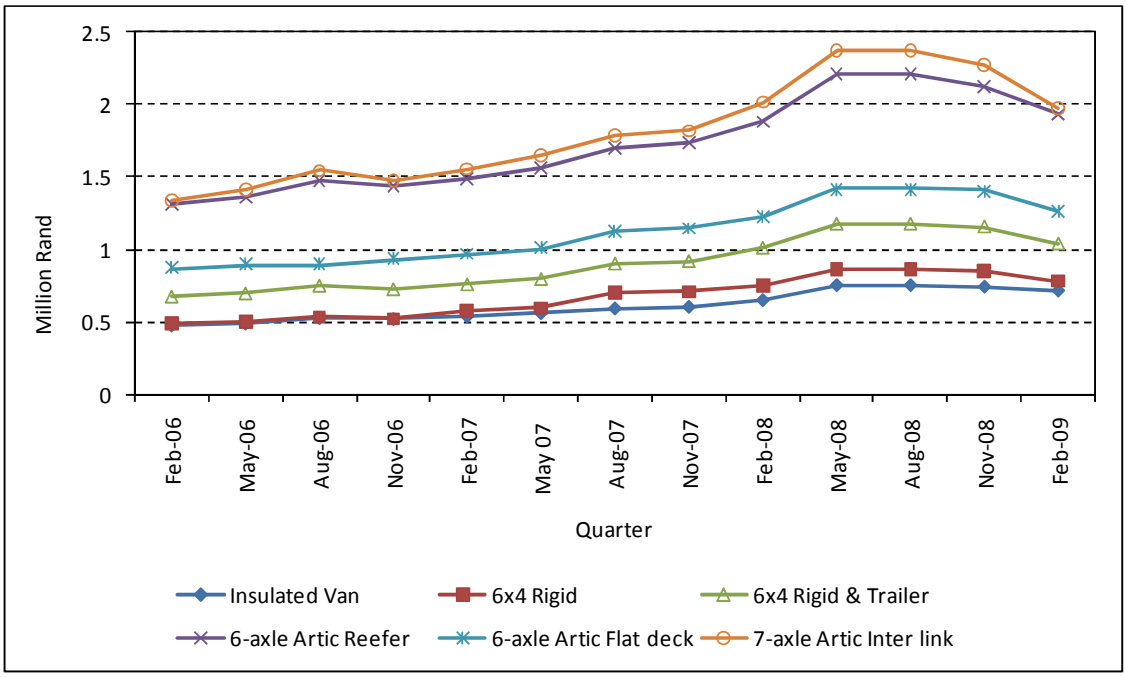


Figure 11: Annual total operating cost of truck operations from February 2006 to February 2009

Source: FleetWatch - market related truck operating benchmarks (February 2009)

Figure 12 illustrates fuel as a percentage of total variable cost of truck operations per annum from February 2006 to February 2009. For example, fuel cost as percentage of total variable cost for a 7-axle Artic Inter link decreased with 9.1% during the depicted period. The fuel cost as percentage of total variable cost for a 7-axle Artic Inter link increased with 5.8% from February 2006 to May 2008 after which it declined by 14.1% until February 2009.

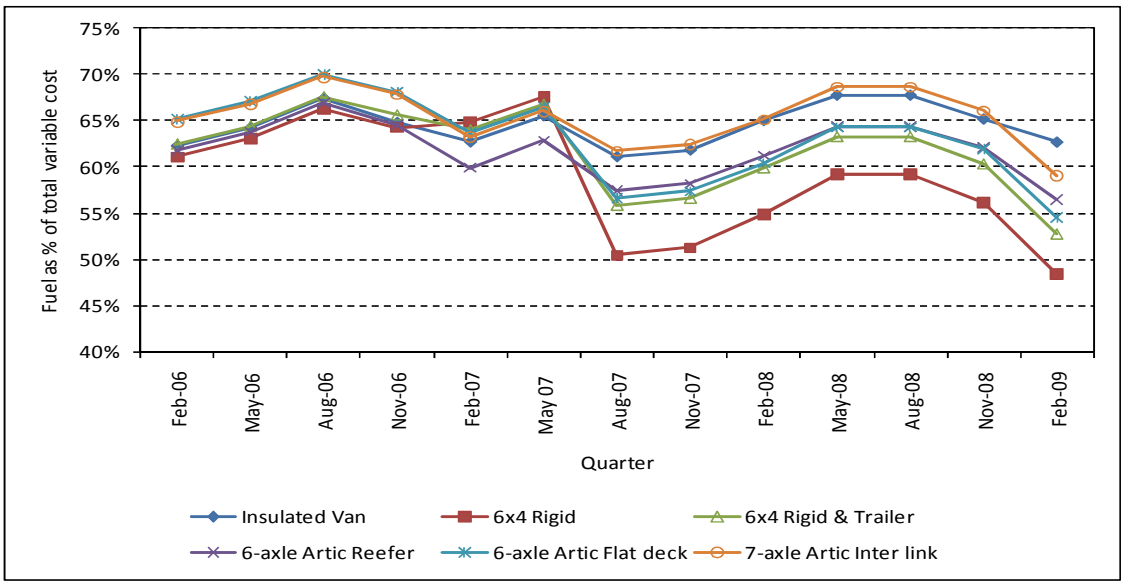


Figure 12: Fuel as percentage of total variable cost of truck operations per annum from February 2006 to February 2009

Source: FleetWatch - market related truck operating benchmarks (February 2009)

Figure 13 shows fuel as a percentage of total operational cost of trucks per annum from February 2006 to February 2009. For example, fuel as percentage of total operating cost for a 7-axle Artic Inter link decreased with 8.9% during the depicted period. The fuel as percentage of total operating cost for a 7-axle Artic Inter link increased with 17.8% from February 2006 to May 2008 after which it declined by 22.7% until February 2009.

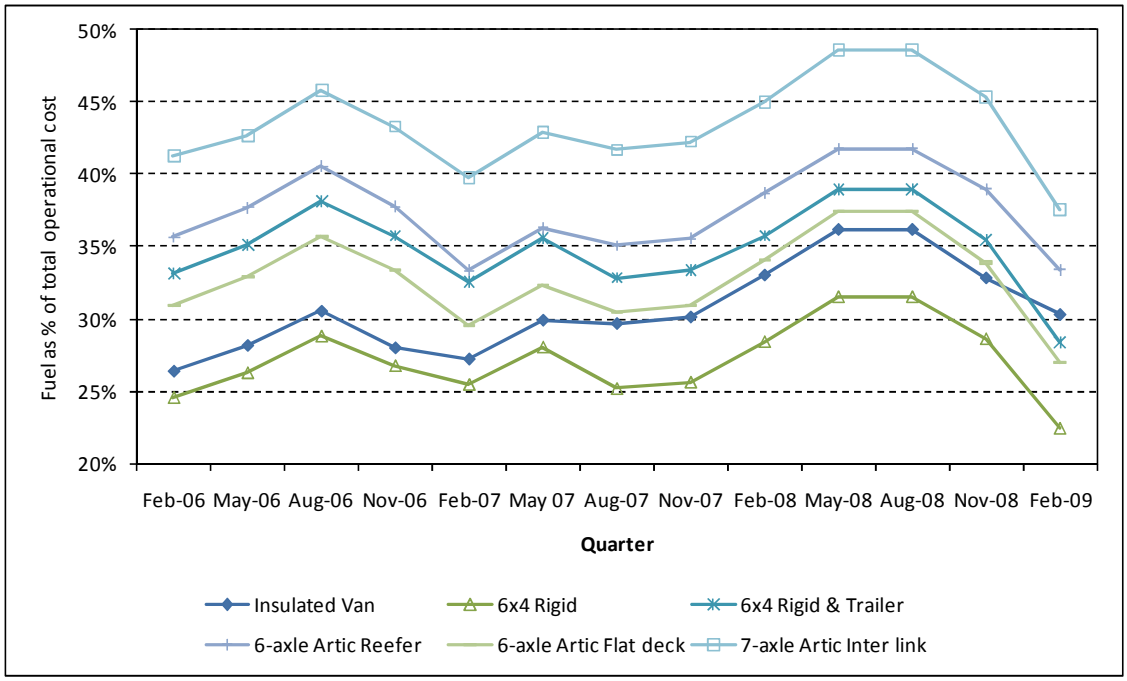


Figure 13: Fuel as percentage of total operational cost of trucks per annum from February 2006 to February 2009

Source: FleetWatch - market related truck operating benchmarks (February 2009)

9.3 Toll fees

To illustrate the cost implications of toll fees on the transport of agricultural products calculations are based on bigger long haul vehicles. Figure 14 shows the toll fees payable for class 3 vehicles (i.e. vehicles with 3 and 4 axles) on the major corridor routes to the Tswane Fresh Produce Market from 2006 to 2009. The route from Durban showed the highest increase in toll fees with 22.8 %, followed by the route from Musina (21.3 %) and the Paarl route with 20.1 %. The toll fee cost per one way trip is the highest from Nkomasi and increased by 14.4 % during the depicted period.

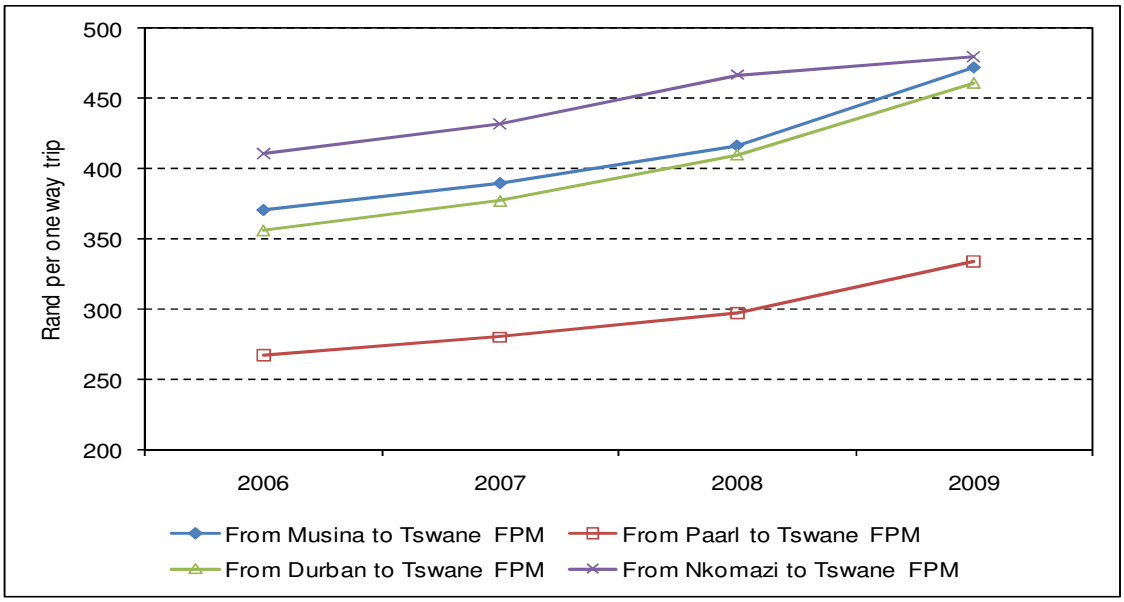


Figure 14: Toll fees for class 3vehicles on the major corridor routes to the Tswane Fresh Produce Market from 2006 to 2009

Source: FleetWatch, 2009

Figure 15 illustrates the toll fees payable for class 4 vehicles (i.e. vehicles with 5 or more axles) on the major corridor routes to the Tswane Fresh Produce Market from 2006 to 2009. The route from Durban showed the highest increase in toll fees with 22.8 % followed by the route from Paarl (21.1 %) and the Musina route with 20.6 %. The toll fee cost per one way trip is the highest from Nkomasi and increased by 14.1 % during the depicted period.

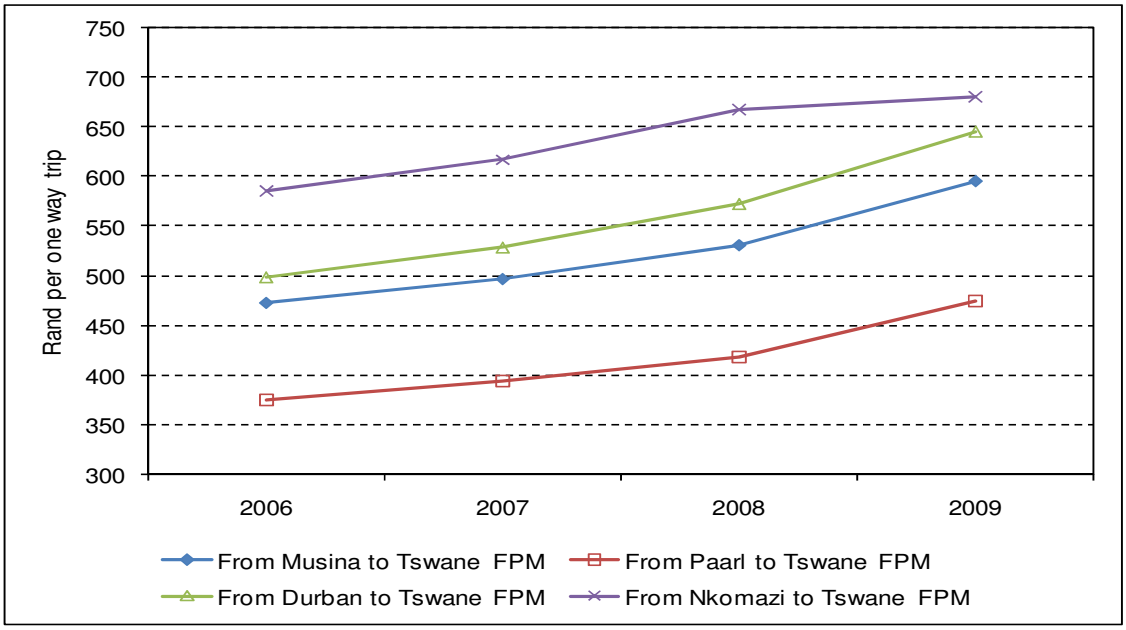


Figure 15: Toll fees for class 4 vehicles on the major corridor routes to the Tswane Fresh Produce Market from 2006 to 2009

Source: FleetWatch, 2009

Figure 15 shows the major corridor movement with volumes (tons) per direction for 2005 (the rail percentage per corridor is shown in brackets)[3]. According to the fourth Annual State of Logistics Survey for South Africa (2007), the major corridors for the movement of goods remain Gauteng-Durban and Gauteng-Cape Town, as also stated in the National Freight Logistics Strategy (NFLS), with almost 40 % of all corridor movement taking place on these two corridors. The movement from Gauteng constitutes double the movement towards Gauteng on these two corridors. Rail accounts for only 25 % of tonnage moved on the Gauteng-Durban corridor and for 15 % on the Gauteng-Cape Town corridor (2005 data).

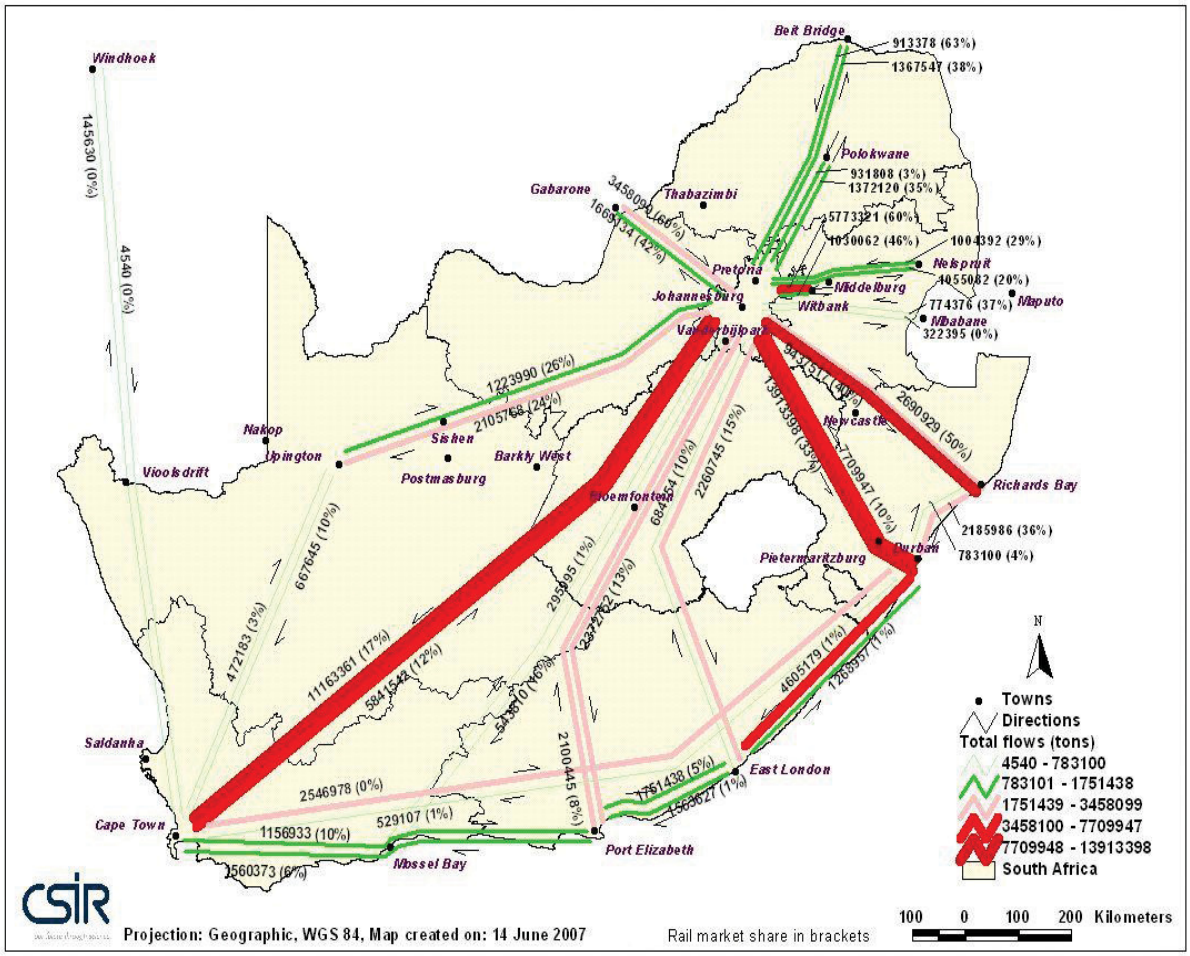


Figure 15: Total tons moved on South African corridors for selected industries[4]

Source: The 4th Annual State of Logistics Survey for South Africa, 2007

[3] The corridor data do not represent all commodities transported but include only a selection of 22 major industries. They also do not include specialised routes such as the Sishen-Saldanha export iron ore route and the Gauteng-Richards Bay export coal route or other similar smaller routes.
[4] CSIR Built Environment and University of Stellenbosch: Department of Logistics data. 2005

9.4 Fast facts

Some fast facts about the transport of agricultural commodities as emerged from a presentation to the Department of Transport by the Department of Agriculture and private sector partners:

- The percentage of grains transported by rail declined from just over 80 % in 1985 to around 30 % in 2008.
- The percentage of grains transported by road increase from just below 20 % in 1985 to around 70 % in 2008.
- Of the 12 993 rail trucks ordered from January 08 to March 08 only 5 703 rail trucks were placed, which constitutes 44 % on rail trucks ordered.

10. Outlook: March to May

The world economy is currently facing one of the most uncertain periods since WWII. Uncertainty is growing towards the sustained long term health of the economic engines of the world economy, namely the USA, the UK, Germany, France, China, India, Japan, Russia and Brazil as the effectiveness of government intervention in financial markets could be much less successful than is hoped. Unemployment levels are growing rapidly as a result of business foreclosures around the world. The impact on South Africa remains uncertain, but expectations are growing that it might be more severe than presently thought since business foreclosure numbers appear to be increasing rapidly.

Despite the significant levels of uncertainty, world soft commodity prices are currently remarkably firm, especially when compared to December 2008 when world markets spiralled down into what seemed the endless depreciation of all commodity prices. However, poor economic growth worldwide continues to hamper further improvement in prices, and only when information regarding possible negative supply side shocks enters the market (that could reduce stock levels significantly) do world prices respond positively. A typical example is the fading import demand of China which causes prices to decline, while at the same time the drought conditions in Argentina and Brazil provide price support. The sunflower crop in Argentina is expected to come in at a 22-year low level, and although some much-needed rains have been received the soybeans now enter their critical phase of development, with soil moisture deficits still prevailing. Low world energy prices also do not provide a breather for profit margins in the biofuel industry. Most U.S. ethanol plants can cover variable costs but the question is by how much fixed costs are currently covered. Although relative changes in prices between ethanol and maize have a high impact on the plant's profitability, cash flow seems to be the crippling constraint on some distillers who are unable to replenish dwindling maize supplies. Many plants are demanding less maize and are not running at full capacity. The sluggish demand in maize for ethanol has a major impact on U.S. maize prices and over the three-month outlook period U.S. maize plantings will be the critical driver of world maize prices.

Local grain and oilseed prices have responded to the good rains that were received, especially over large parts of the North West Province. However, there still exists some uncertainty in the local market, especially regarding maize carry out stock levels and the fact that the current maize crop will only be harvested on 2.5 million hectares. In order for the market to feel more comfortable about maize supplies the current crop will have to yield well in excess of 4t/ha on a national average. Future prices are trading at a margin of approximately R 300/ton above export parity prices. If good widespread rains are received over the next three weeks maize prices could trade slightly lower, moving

closer towards export parity. It is, however, unlikely that maize prices will move as low as deep-sea export parity in the current season, mainly because of the sharp increase in white maize consumption in the human market.

The increase in the milling of white maize has provided a healthy rightward shift in the supply curve of chop, bringing chop prices under pressure. This has provided welcome relief in the feedlot industry where profit margins have been under severe pressure for almost a year. The positive breeze in the feedlot industry has spilled over to the demand for weaners and prices well in excess of R 13/kg are offered. Livestock commodity prices are expected to remain firm over the outlook period as a result of public holidays and the positive impact of lower interest rates and fuel prices on consumer buying power.

Some vegetable and fruit prices have severely been affected by limited supplies. As was projected in the previous Outlook, the spike in input costs in the last three months of 2008 has caused a contraction of hectares dedicated to vegetable production. Furthermore, unfavourable weather conditions have impacted on the production of certain fruits, like mangoes and litchis, and vegetables. With lower input costs and a positive supply response by farmers a correction in the vegetable market can be expected, but over a short-term outlook (three months), these corrections can be expected to be marginal.

Finally, within the context of food security in the SADC region cognisance should be taken that current economic conditions and agricultural potential, combined with socio-economic problems in Zimbabwe, will provide a significant challenges to ensure household food security within the region. This situation could potentially prolong the cycle of high food prices in South Africa as these countries also depend on South Africa for the supply of many food stuffs.

Compiled by:

Price trends and discussion on selected topics:
Nkgasha Tema
André Jooste
Corné Dempers
Juliana Rwelamira
Bonani Nyhodo
Daniel Zwane

Outlook:
Ferdi Meyer
PG Strauss

Enquiries: *André Jooste: (012) 341 1115*
Johann Kirsten: (012) 420 3248

Stats SA and AC Nielsen are acknowledged for assistance provided to the NAMC in terms of food price data. The contributions by rural retailers that participated in the pilot study is also acknowledged and greatly appreciated.

APPENDIX A: DATA ON URBAN FOOD PRICE TRENDS[5]

Table A.1: Wheat products

Wheat Products	Price level			Percentage change	
	Jan-08	Jul-08	Jan-2009	Jul-08 to Jan-09	Jan-08 to Jan-09
Loaf of brown bread 700g	5.35	6.86	7.18	4.66%	34.21%
Loaf of white bread 700g	5.89	7.58	7.91	4.35%	34.30%
Cake flour 2.5kg	15.06	21.07	19.84	-5.84%	31.74%
Spaghetti 500g	8.11	10.07	10.45	3.77%	28.85%
Macaroni Plain 500g*	6.37	7.89	7.54	-4.42%	18.46%
Average				**0.51%**	**29.51%**
SAFEX Wheat R/ton	**3 174**	**3 974**	**2 750**	**-30.81%**	**-13.37%**

*Data from AC Nielsen

Table A.2: Maize products

Maize Products	Price level			Percentage change	
	Jan-08	Jul-08	Jan-2009	Jul-08 to Jan-09	Jan-08 to Jan-09
Maize Special 5kg*	17.58	17.21	18.89	9.78%	7.43%
Maize Super 5kg*	21.05	21.14	23.10	9.28%	9.75%
Average				**9.53%**	**8.59%**
SAFEX White maize R/ton	**1 793**	**1 965**	**1 814**	**-7.66%**	**1.20%**

*Data from AC Nielsen

Table A.3: Sunflower products

Sunflower Products	Price level			Percentage change	
	Jan-08	Jul-08	Jan-2009	Jul-08 to Jan-09	Jan-08 to Jan-09
Sunflower oil 750ml	12.70	16.35	16.37	0.12%	28.90%
Medium fat spread 1kg*	14.95	20.37	22.23	9.12%	48.73%
Brick margarine 500g	9.29	12.29	14.23	15.79%	53.18%
Average				**8.34%**	**43.60%**
SAFEX Sunflower R/ton	**4 443**	**5 054**	**3 897**	**-22.89%**	**-12.29%**

*Data from AC Nielsen

Table A.4: Processed vegetables

Processed Vegetables	Price level			Percentage change	
	Jan-08	Jul-08	Jan-2009	Jul-08 to Jan-09	Jan-08 to Jan-09
Baked beans - tinned 420g	4.75	5.18	5.90	13.90%	24.21%
Butter beans 410g	7.31	8.53	9.03	5.86%	23.53%
Chopped peeled tomato 410g*	6.88	8.43	8.60	2.12%	25.10%
Tomato & onion mix 410g*	6.35	6.85	7.45	8.72%	17.41%
Canned Peas 410g*	5.34	6.13	6.22	1.49%	16.42%
Baby Carrots 1kg*	25.00	29.06	28.82	-0.82%	15.25%
Green Peas 1kg*	19.61	22.75	21.78	-4.24%	11.11%
Sliced Beans 1kg*	24.32	27.06	26.77	-1.07%	10.10%
Super Juicy Corn 1kg*	22.40	25.88	27.28	5.40%	21.76%
Average				**3.48%**	**18.32%**

*Data from AC Nielsen

[5] Note: Data in the tables was obtained from both AC Nielsen and Stats SA.
Data marked with * was obtained from AC Nielsen and data unmarked was obtained from Stats SA.

Table A.5: Fresh vegetables

Fresh Vegetables	Price level			Percentage change	
	Jan-08	Jul-08	Jan-2009	Jul-08 to Jan-09	Jan-08 to Jan-09
Carrots	7.89	8.22	9.02	9.73%	14.32%
Onions	8.08	6.98	42.96	515.47%	431.68%
Potatoes bag 10kg*	38.69	29.34	44.99	53.37%	16.28%
Tomatoes	10.23	9.72	15.24	56.79%	48.97%
Sweet potatoes	8.95	8.35	10.54	26.23%	17.77%
Cabbage	5.16	6.60	7.45	12.88%	44.38%
Lettuce	10.78	16.66	21.51	29.11%	99.54%
Pumpkin	10.52	8.42	10.84	28.74%	3.04%
Cauliflower	16.80	17.90	21.99	22.85%	30.89%
Average				**83.91%**	**78.54%**

*Data from AC Nielsen

Table A.6: Processed meat

Processed meat	Price level			Percentage change	
	Jan-08	Jul-08	Jan-2009	Jul-08 to Jan-09	Jan-08 to Jan-09
Meatballs in gravy 400g*	9.86	10.77	11.70	8.60%	18.63%
Picnic Ham 300g*	17.85	20.06	23.40	16.65%	31.08%
Pork Sausage	43.49	44.58	48.46	8.70%	11.43%
Polony 1kg	19.72	20.82	26.12	25.46%	32.45%
Average				**14.85%**	**23.40%**

*Data from AC Nielsen

Table A.7: Fresh meat

Fresh meat	Price level			Percentage change	
	Jan-08	Jul-08	Jan-2009	Jul-08 to Jan-09	Jan-08 to Jan-09
Bacon 250 gram	17.21	18.65	21.14	13.35%	22.84%
Pork chops - fresh	52.65	51.02	54.09	6.02%	2.74%
Lamb- fresh	72.18	76.13	70.97	-6.78%	-1.68%
Beef brisket - fresh	40.43	41.24	43.12	4.56%	6.65%
Beef chuck - fresh	42.23	43.35	45.97	6.04%	8.86%
Beef rump steak -fresh	71.76	72.85	73.24	0.54%	2.06%
Beef t-bone-fresh	56.02	58.43	59.51	1.85%	6.23%
Beef mince-fresh	41.60	44.44	46.72	5.13%	12.31%
Whole chicken-fresh	26.16	26.35	29.28	11.12%	11.93%
Whole chicken-frozen	24.58	23.94	26.15	9.23%	6.39%
Chicken portions -fresh	32.62	34.73	37.12	6.88%	13.80%
Chicken portions- frozen	24.86	20.68	25.46	23.11%	2.41%
Average				**6.75%**	**7.88%**

*Data from AC Nielsen

Table A.8: Dairy products

Dairy	Price level			Percentage change	
	Jan-08	Jul-08	Jan-2009	Jul-08 to Jan-09	Jan-08 to Jan-09
Fresh Milk Full Cream 1ℓ Sachet*	6.31	6.63	6.63	0.06%	5.21%
Fresh Milk Full Cream 2ℓ*	14.07	15.46	14.84	-4.01%	5.50%
Fresh Milk Low Fat 1ℓ Sachet*	6.41	6.94	6.75	-2.83%	5.35%
Fresh Milk Low Fat 2ℓ*	14.38	15.83	15.21	-3.92%	5.81%
Long Life Milk Full Cream 1ℓ*	8.79	8.31	8.27	-0.44%	-5.86%
Skimmed Powder Milk 1kg*	55.12	56.62	59.17	4.52%	7.36%
Total Butter 500g*	19.97	22.10	22.35	1.14%	11.94%
Cheddar cheese	122.02	70.84	74.42	5.05%	-39.01%
Average				**-0.05%**	**-0.46%**

*Data from AC Nielsen

Table A.9: Fruits

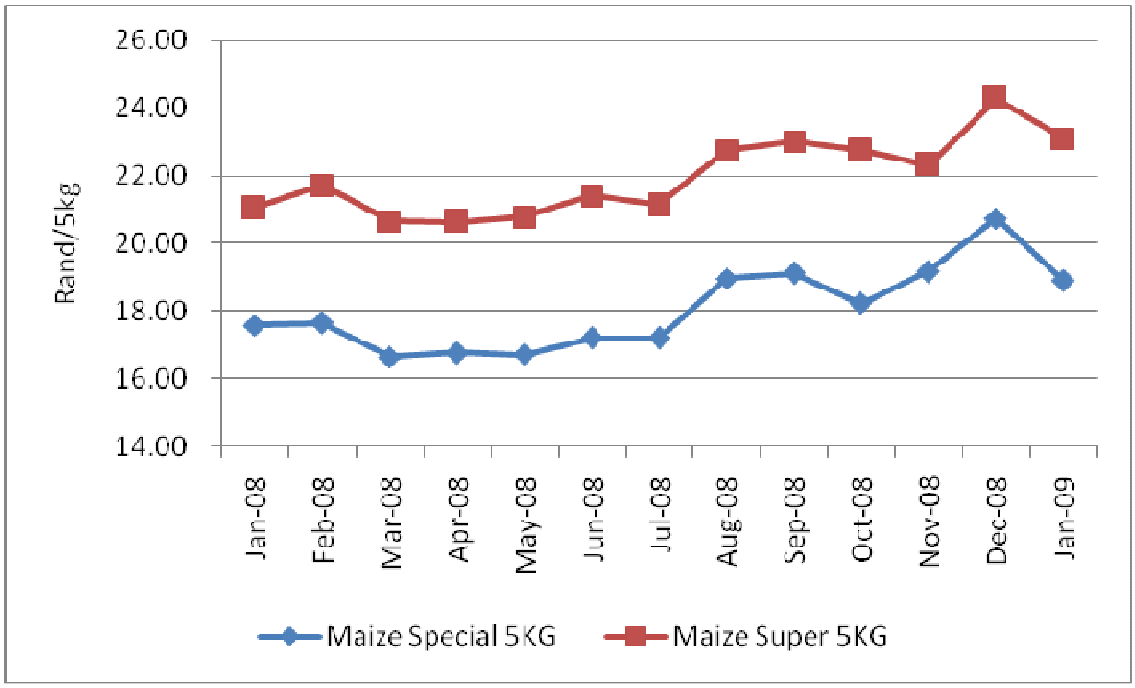
Fruits	Price level			Percentage change	
	Jan-08	Jul-08	Jan-2009	Jul-08 to Jan-09	Jan-08 to Jan-09
Apples	10.71	9.52	11.63	22.16%	8.59%
Bananas	8.56	7.52	11.56	53.72%	35.05%
Oranges	8.66	6.17	7.69	24.64%	-11.20%
Average				**33.51%**	**10.81%**

Table A.10: Other products

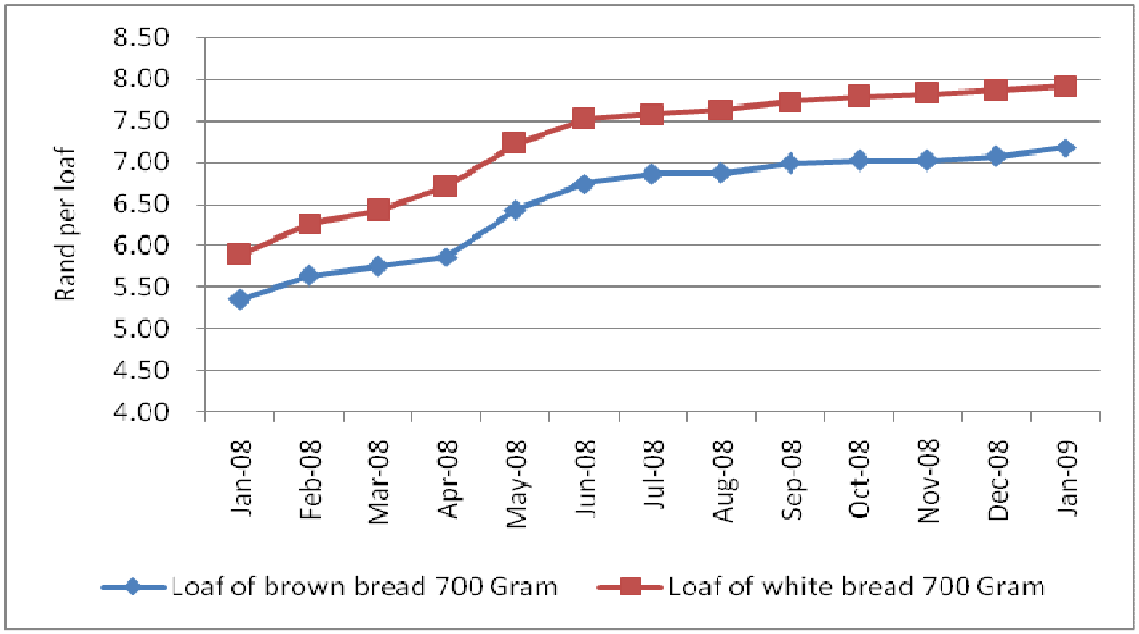
Other products	Price level			Percentage change	
	Jan-08	Jul-08	Jan-2009	Jul-08 to Jan-09	Jan-08 to Jan-09
King Korn 1kg*	9.48	9.43	9.40	-0.34%	-0.92%
White sugar 2.5kg	14.79	15.74	16.74	6.35%	13.18%
Rice 2kg	13.40	21.00	26.65	26.90%	98.88%
Ricoffy Reg 750g*	29.47	38.61	41.79	8.25%	41.82%
Ceylon/black tea 62.5	5.51	5.70	6.35	11.40%	15.25%
Peanut butter 410g	11.32	13.38	15.22	13.75%	34.45%
Soya Mince Tomato & Onion 200g*	6.65	7.41	8.00	7.94%	20.21%
Eggs 1.5 Dozen	18.80	20.51	23.78	15.94%	26.49%
Tuna – Tinned 70 Gram	7.60	9.15	10.32	12.79%	35.79%
Average				**11.44%**	**31.68%**

*Data from AC Nielsen

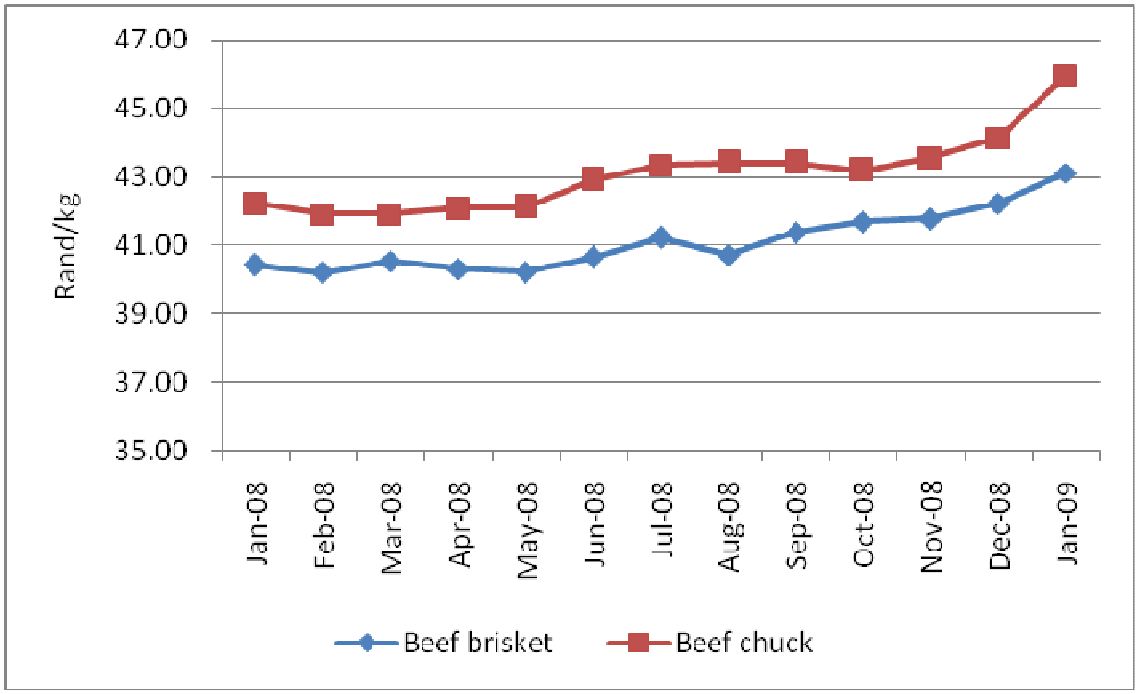
APPENDIX B: MONTHLY PRICE TRENDS FOR SELECTED FOOD ITEMS



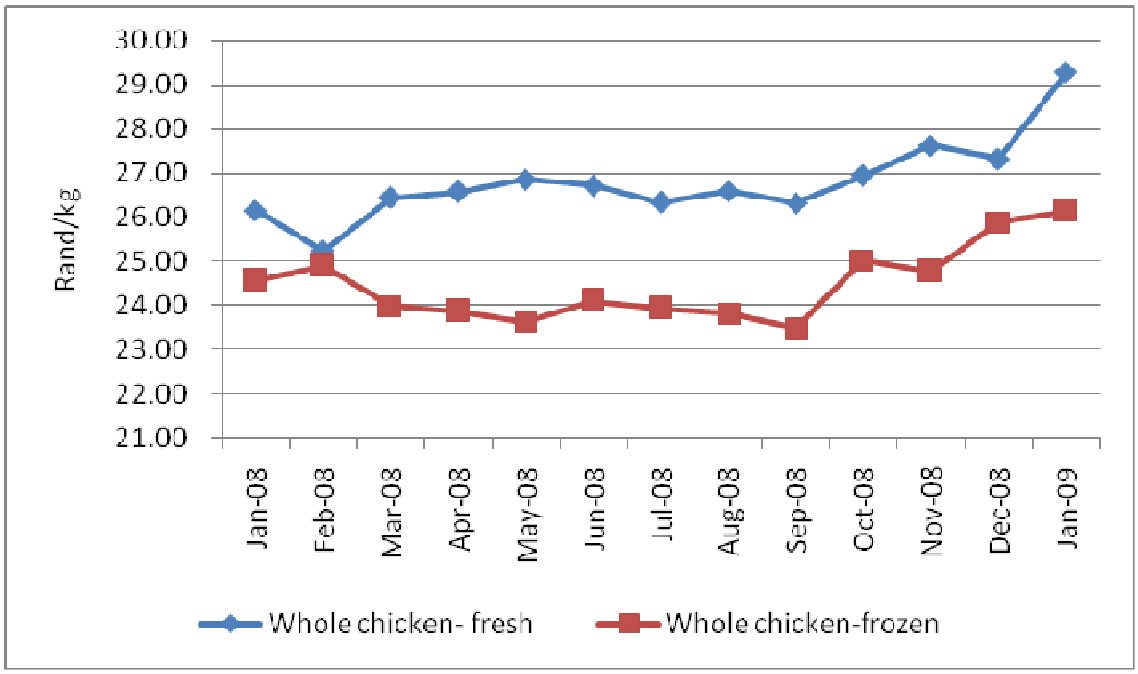
Maize meal price trends (January 2008 to January 2009)



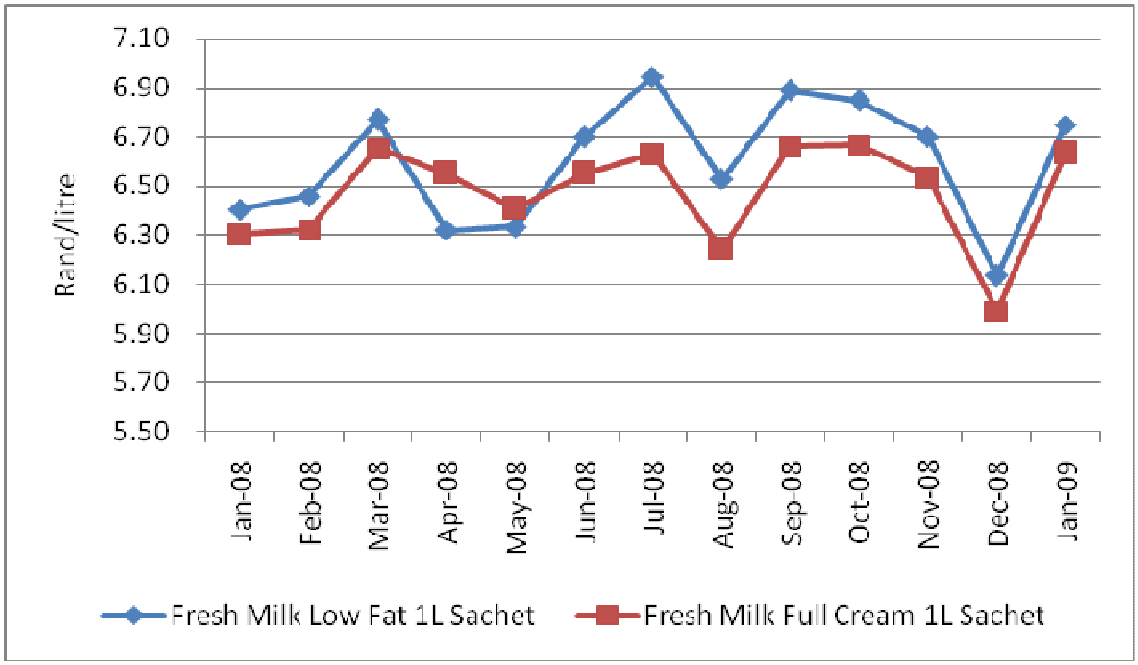
Bread price trends (January 2008 to January 2009)



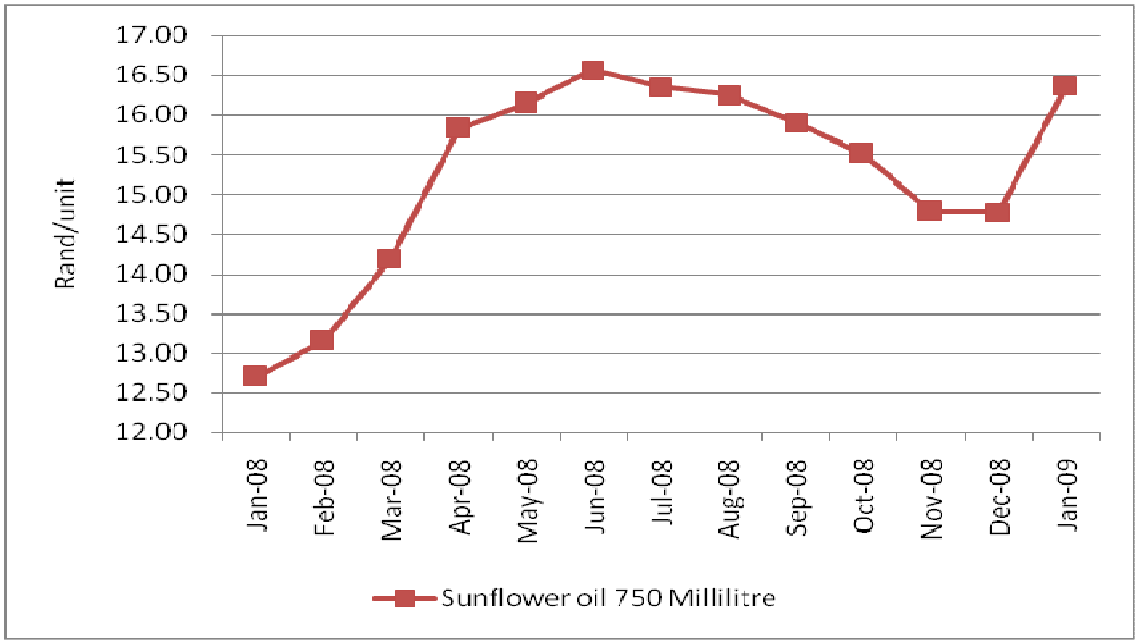
Beef price trends (January 2008 to January 2009)



Chicken price trends (January 2008 to January 2009)



Milk price trends (January 2008 and January 2009)



Sunflower oil price trend (January 2008 to January 2009)

APPENDIX C: DATA ON RURAL FOOD PRICE TRENDS

Table C.1: Wheat products

Wheat products	Price level			Percentage change	
	Jan-08	Jul-08	Jan-09	Jul-08 to Jan-09	Jan-08 to Jan-09
Loaf of brown bread 600g	5.24	6.36	6.72	5.68%	28.40%
Loaf of brown bread 700g	5.38	6.64	6.88	3.65%	27.90%
Loaf of white bread 600g	5.63	6.85	7.34	7.07%	30.31%
Loaf of white bread 700g	6.05	7.45	7.66	2.77%	26.49%
Average				**4.79%**	**28.28%**

Table C.2: Maize products

Maize products	Price level			Percentage change	
	Jan-08	Jul-08	Jan-09	Jul-08 to Jan-09	Jan-08 to Jan-09
Maize meal 12.5kg	52.41	54.01	50.56	-6.38%	-3.52%
Maize meal 1kg	5.88	6.41	6.75	5.27%	14.71%
Maize meal 2.5kg	12.82	13.79	14.13	2.47%	10.24%
Maize meal 5kg	24.83	26.03	28.75	10.47%	15.80%
Samp 1kg	5.97	7.22	7.01	-2.80%	17.44%
Samp 2.5kg	12.99	12.98	13.42	3.36%	3.28%
Average				**2.06%**	**9.66%**

Table C.3: Sunflower products

Sunflower products	Price level			Percentage change	
	Jan-08	Jul-08	Jan-09	Jul-08 to Jan-09	Jan-08 to Jan-09
Margarine 125g	4.28	8.52	5.62	-34.08%	31.44%
Margarine 250g	6.80	7.86	9.63	22.63%	41.76%
Margarine 500g	9.12	11.95	13.52	13.13%	48.37%
Sunflower oil 2L	24.73	38.74	36.65	-5.38%	48.19%
Sunflower oil 500ml	7.84	11.59	11.53	-0.56%	47.02%
Sunflower oil 750ml	11.26	16.29	16.11	-1.10%	43.08%
Average				**-0.89%**	**43.31%**

Table C.4: Dairy products

Dairy products	Price level			Percentage change	
	Jan-08	Jul-08	Jan-09	Jul-08 to Jan-09	Jan-08 to Jan-09
Full cream long life milk 1L	9.41	9.62	9.43	-2.03%	0.13%
Full cream long life milk 500ml	6.00	7.26	7.74	6.74%	29.05%
Average				**2.35%**	**14.59%**

Table C.5: Tea and Coffee

Tea and coffee	Price level			Percentage change	
	Jan-08	Jul-08	Jan-09	Jul-08 to Jan-09	Jan-08 to Jan-09
Tagless tea bags 250g	14.79	15.73	18.54	17.88%	25.35%
Tagless tea bags 62.5g	5.53	5.86	6.26	6.73%	13.15%
Instant coffee 100g	7.70	8.31	10.24	23.25%	33.01%
Instant coffee 250g	15.61	17.82	21.34	19.81%	36.74%
Average				**16.92%**	**27.06%**

Table C.6: Pilchards

Pilchards	Price level			Percentage change	
	Jan-08	Jul-08	Jan-09	Jul-08 to Jan-09	Jan-08 to Jan-09
Pilchards in tomato sauce 155g	5.51	8.01	6.87	-14.28%	24.54%
Pilchards in tomato sauce 425g	10.36	13.04	12.95	-0.69%	25.02%
Average				**-7.48%**	**24.78%**

Table C.7: Beans

Beans	Price level			Percentage change	
	Jan-08	Jul-08	Jan-09	Jul-08 to Jan-09	Jan-08 to Jan-09
Beans 1kg	10.43	12.24	13.95	13.97%	33.74%
Beans 500g	7.15	8.00	8.82	10.32%	23.43%
Butter beans 410g	6.85	7.72	8.47	9.64%	23.55%
Butter beans 420g	6.02	6.51	6.86	5.39%	13.94%
Average				**9.83%**	**23.66%**

Table C.8: Sugar

Sugar	Price level			Percentage change	
	Jan-08	Jul-08	Jan-09	Jul-08 to Jan-09	Jan-08 to Jan-09
White sugar 1kg	7.51	8.27	8.82	6.72%	17.44%
White sugar 2.5kg	17.48	17.85	19.63	9.99%	12.34%
White sugar 500g	4.77	5.26	5.81	10.51%	21.87%
Average				**9.07%**	**17.22%**

Table C.9: Rice

Rice	Price level			Percentage change	
	Jan-08	Jul-08	Jan-09	Jul-08 to Jan-09	Jan-08 to Jan-09
Rice 1kg	7.23	11.94	15.85	32.72%	119.28%
Rice 2kg	15.85	21.49	28.11	30.81%	77.28%
Rice 500g	4.06	6.46	7.70	19.27%	89.59%
Average				**27.60%**	**95.38%**

Table C.10: Peanut butter

Peanut butter	Price level			Percentage change	
	Jan-08	Jul-08	Jan-09	Jul-08 to Jan-09	Jan-08 to Jan-09
Peanut butter 270g	9.93	11.17	11.64	4.24%	17.30%
Peanut butter 400g	12.26	12.87	14.02	8.90%	14.31%
Peanut butter 410g	12.65	14.26	15.64	9.69%	23.67%
Average				**7.61%**	**18.43%**

Table C.11: Sorghum meal

Sorghum products	Price level			Percentage change	
	Jan-08	Jul-08	Jan-09	Jul-08 to Jan-09	Jan-08 to Jan-09
Sorghum-meal 1kg	9.26	9.40	9.93	5.66%	7.24%
Sorghum-meal 500g	5.19	5.77	5.95	3.15%	14.62%
Average				**4.40%**	**10.93%**