CHAPTER 3

NATIONAL AVERAGE MONTHLY RETAIL PRICES: JANUARY 2000 TO OCTOBER 2003

3.1 Introduction

The FPMC reached an agreement with the Consumer Goods Council of South Africa by which they facilitated access to an independent database on retail prices managed by AC Nielsen. These data originate from the retail scanner data as well as from a monthly audit of 7 000 stores across the country. The price series covers the period January 2000 up to October 2003 and provides lowest, highest and average prices for a large range of food products. In this Chapter, we review only the average monthly retail prices for all the products the Committee decided to monitor, plus a few additional products of interest. The trends reported in this analysis are at the end of the Chapter and are also compared with the data recorded at the individual monitoring points. This is done to verify and confirm the trends reported here.

3.2 Grain products

Maize meal

The updated figure of the trend in retail level maize meal prices has some positive attributes – a general stabilisation and an inclination to decline even further are observed. Given the normal time lag (of 3-4 months) in the milling chain, maize meal prices continue to decrease due to the large drop in the producer price for white maize.

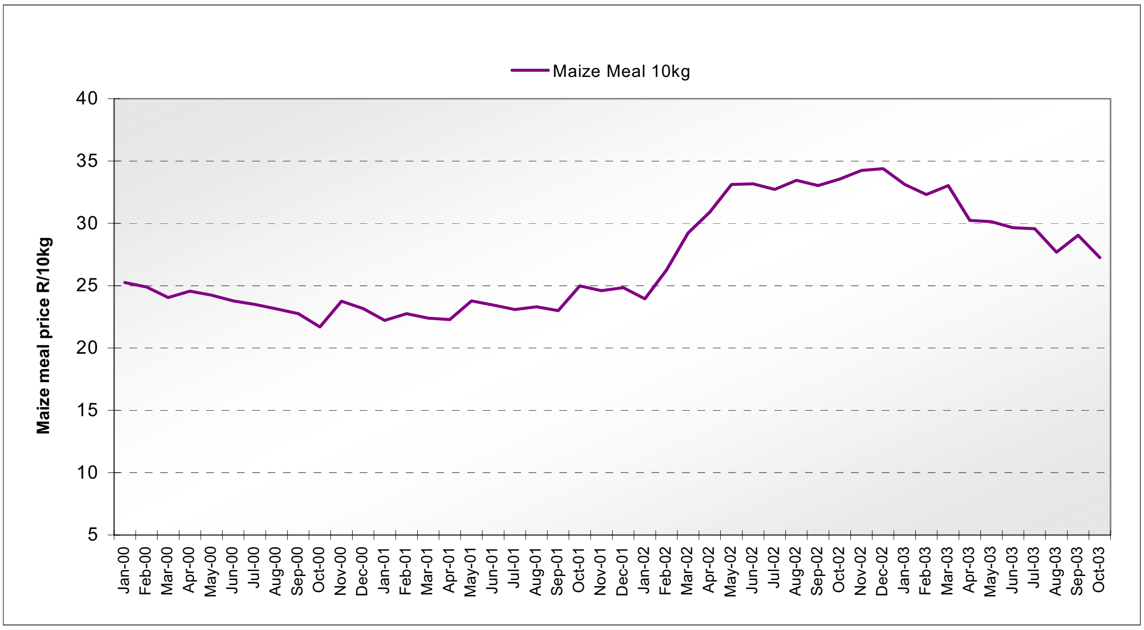

Figure 3.1: National average retail price for 10 kg maize meal: Jan 2000 to Oct 2003

The analysis of maize meal prices was expanded by also focusing on the trends of the major brands of super maize meal, namely: Ace, Iwisa, and Impala. Again, a very similar trend is noticed in Figure 3.2, showing consistently declining prices since its peak in November / December 2002. This declining trend has been observed for the last 10 months following a 12 - 14 month rally in maize meal prices since November/December 2001.

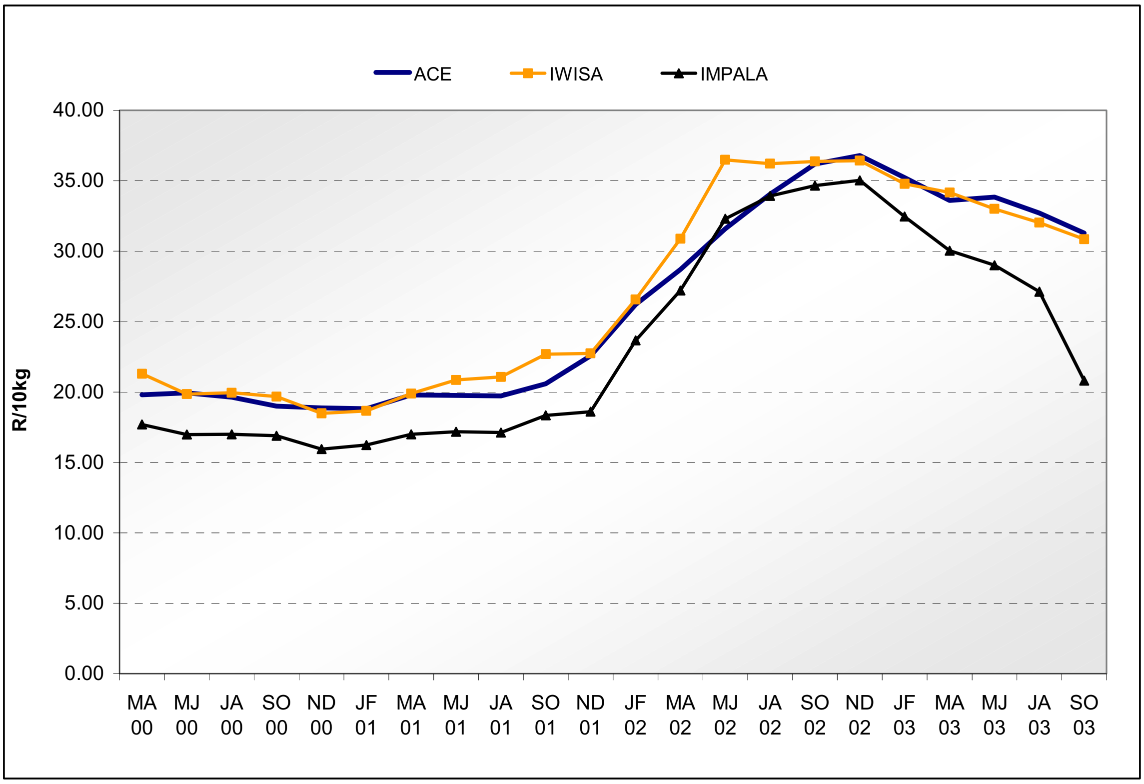

Figure 3.2: Bi-monthly average retail prices for different brands of super maize meal: March/April 2000 to Sept/Oct 2003

Bread and flour

Both white and brown bread prices follow a similar trend with the only difference in price being the VAT on white bread. The average price of brown bread for January 2000 to December 2001 was R2.68 per 700g standard loaf. Subsequently, prices increased steadily until December 2002 where prices peaked at R3.53 for standard brown bread loaves. Prices decreased in January, February, and March 2003, but returned to their highest levels in April 2003. Bread prices subsequently decreased in price again and have stabilized around R3.56/700g loaf.

Cake flour prices remained stable around R20 per 5kg for the period January 2000-December 2001 after which a five-month price rally increased prices by 35% to R27 per 5kg. Although prices appear to have a declining trend over the past 12 months they continue to remain high compared to the previous average.

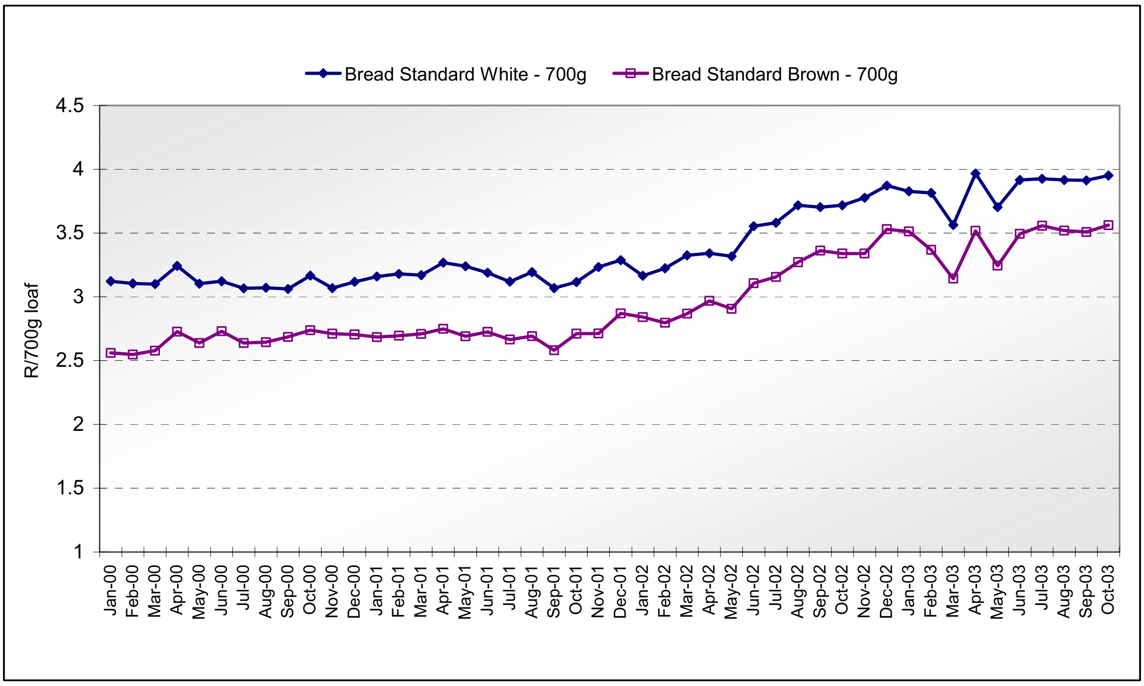

Figure 3.3: Brown and white bread (700g loaves) national average prices: Jan 2000 to Oct 2003

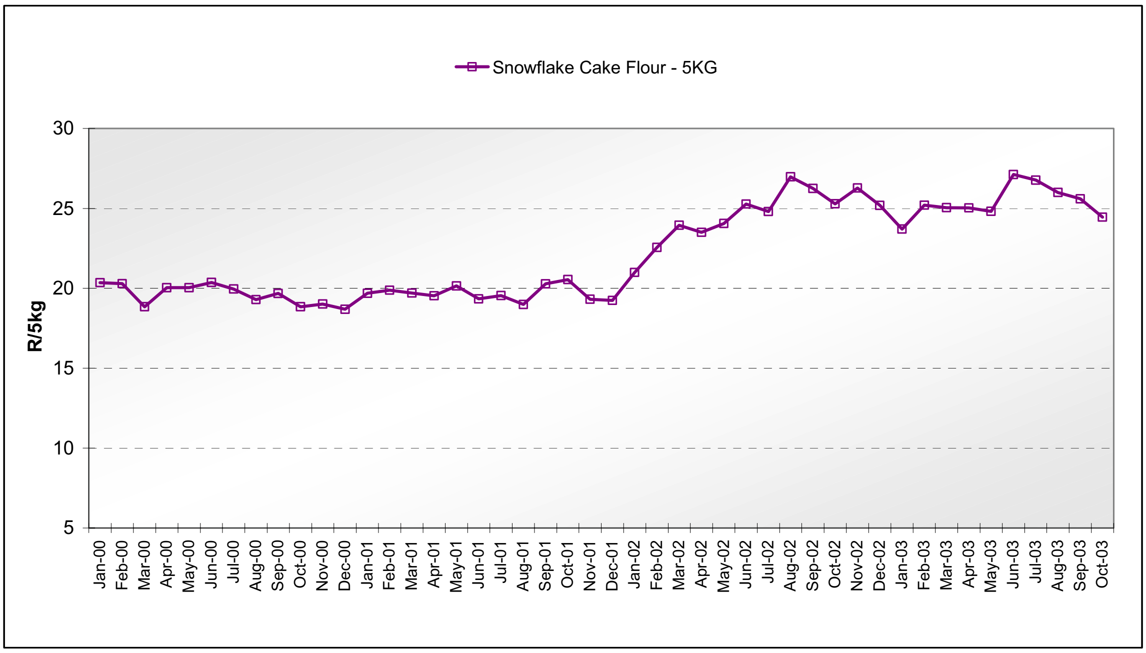

Figure 3.4: National average retail price of cake flour: Jan 2000 to Oct 2003

Rice

Until December 2001 the price of rice was fairly stable with an average of R6.70/kg. Between December 2001 and April 2002, the price of rice saw a price increase similar to maize. In fact, the price of rice increased by 16% in this period. Rice is mostly imported, thus the price increase is likely to be related to exchange rate fluctuations. The price of rice peaked in April 2002, after which it began to decrease again. The national average declining trend in the rice price continued until May 2003 where it returned to previous equilibrium levels where it has remained to date.

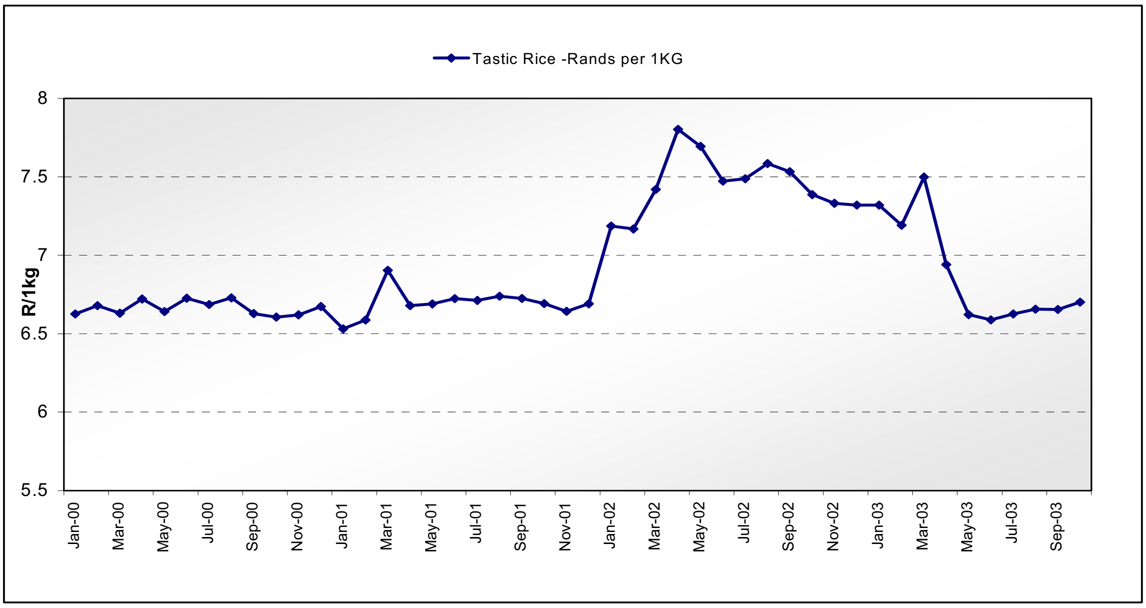

Figure 3.5: Tastic rice national average price: Jan 2000 to Oct 2003

3.3 Oilseeds

Sunflower oil and Margarine

Cooking oil and margarine prices are relatively stable with few fluctuations from the average price. The price of cooking oil however drastically increased by 59% between May 2001 and February 2002. The price then stabilized around R6.73 per 750ml. Although prices appear to have a decreasing trend they remain high compared to the average price of R3.86 in 2000.

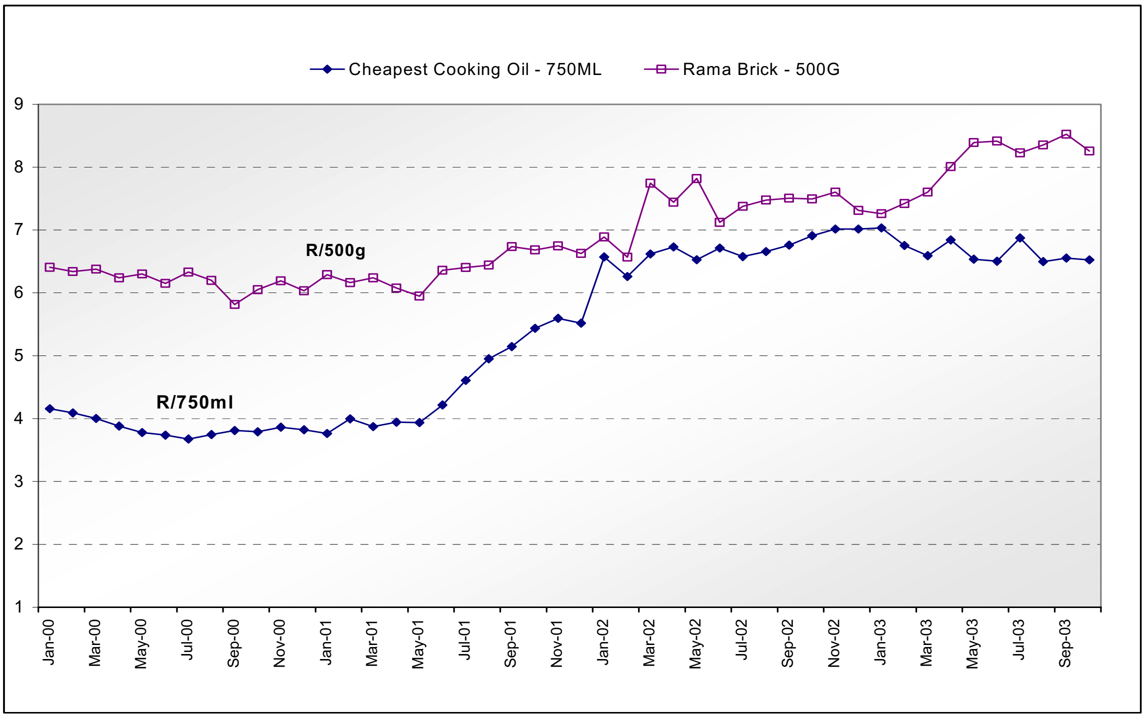

Figure 3.6: National average prices for 750 ml cooking oil and 500g margarine brick: Jan 2000 to Oct 2003

Margarine, although closely related to cooking oil in terms of inputs, did not follow the same trend in price increase. In fact the margarine price remained stable around R6.33/500g brick for the period January 2000 to February 2002. From February to March 2002 a 17.8% increase occurred in the margarine price. Prices remained high and have continued to increase until October 2003.

Peanut butter

Peanut butter prices remained stable around R6.55/ 410g until April 2002 after which they steadily rallied. The price is currently R9.58/ 410g. Peanut butter prices increased by 46% in the past 19 months.

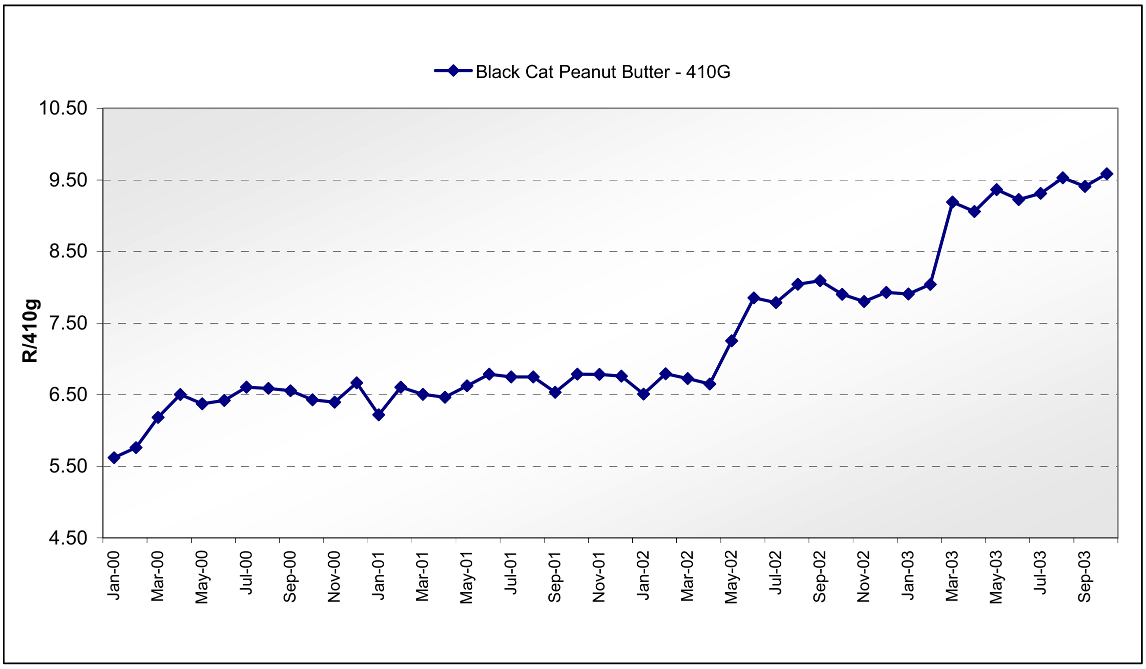

Figure 3.7: National average retail prices for peanut butter: Jan 2000-Oct 2003

3.4 Dairy products

Dairy prices, that is, fresh milk, powdered milk, cheese, and butter do not deviate much from the trend of the past three years. The various dairy products display very similar trends. The consumer price of fresh milk does, however, increase at a faster rate than that of powdered milk. It is interesting to note that the changes in the price of fresh milk precede those of evaporated milk by approximately 3 months. The prices of milk have not seen large increases over the past 3 years except for the period December 2001 to April 2002 when the price increased by 13% in 4 months. This can be attributed to the maize price increase, a major component in intensive milk production systems.

All the figures below (Fig 3.8 – 3.13) clearly indicate that dairy product prices have been consistently increasing over the past three years.

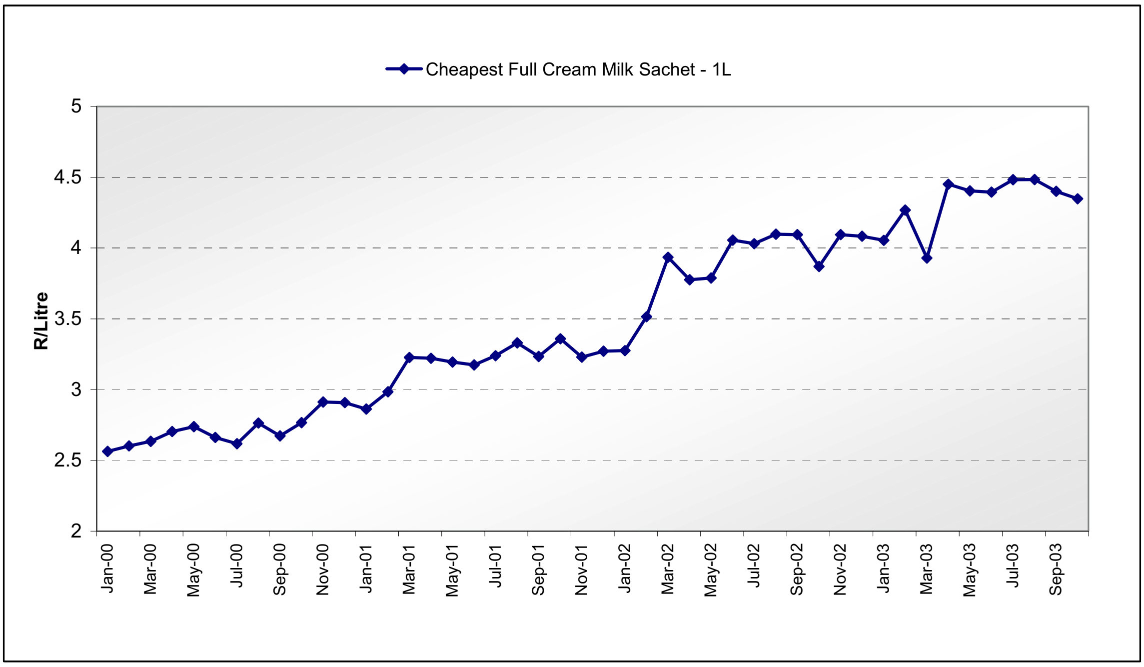

Figure 3.8: National average price for cheapest full cream milk sachet: Jan 2000 to Oct 2003

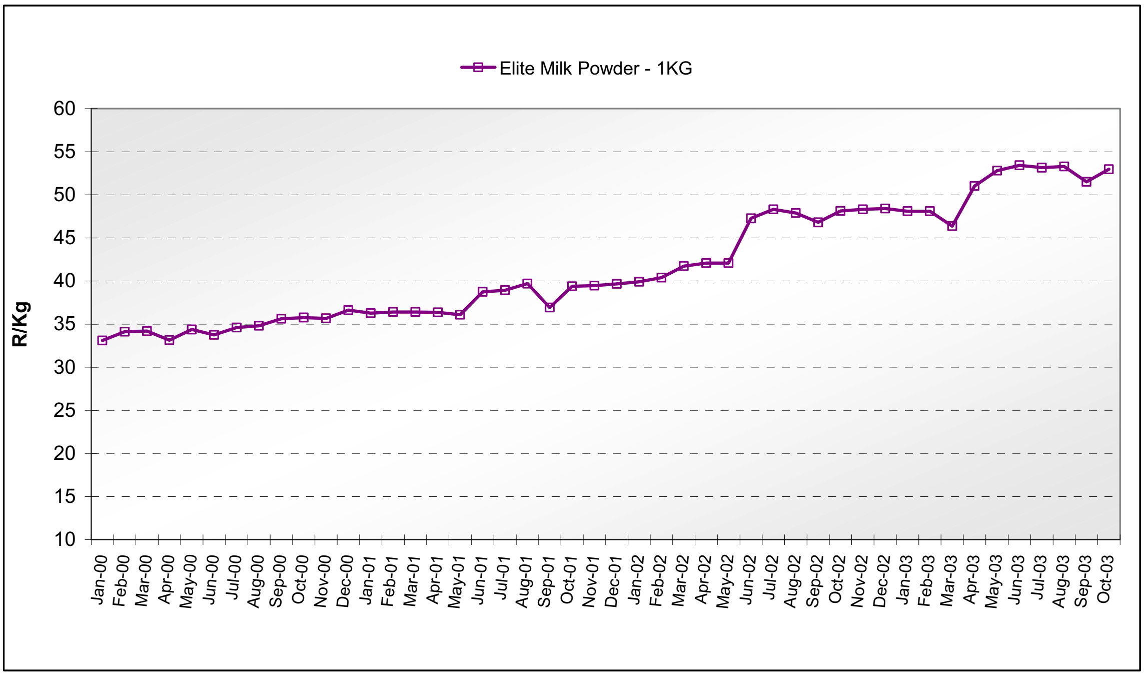

Figure 3.9: National average retail price for 1 kg Elite milk powder: Jan 2000-Oct 2003

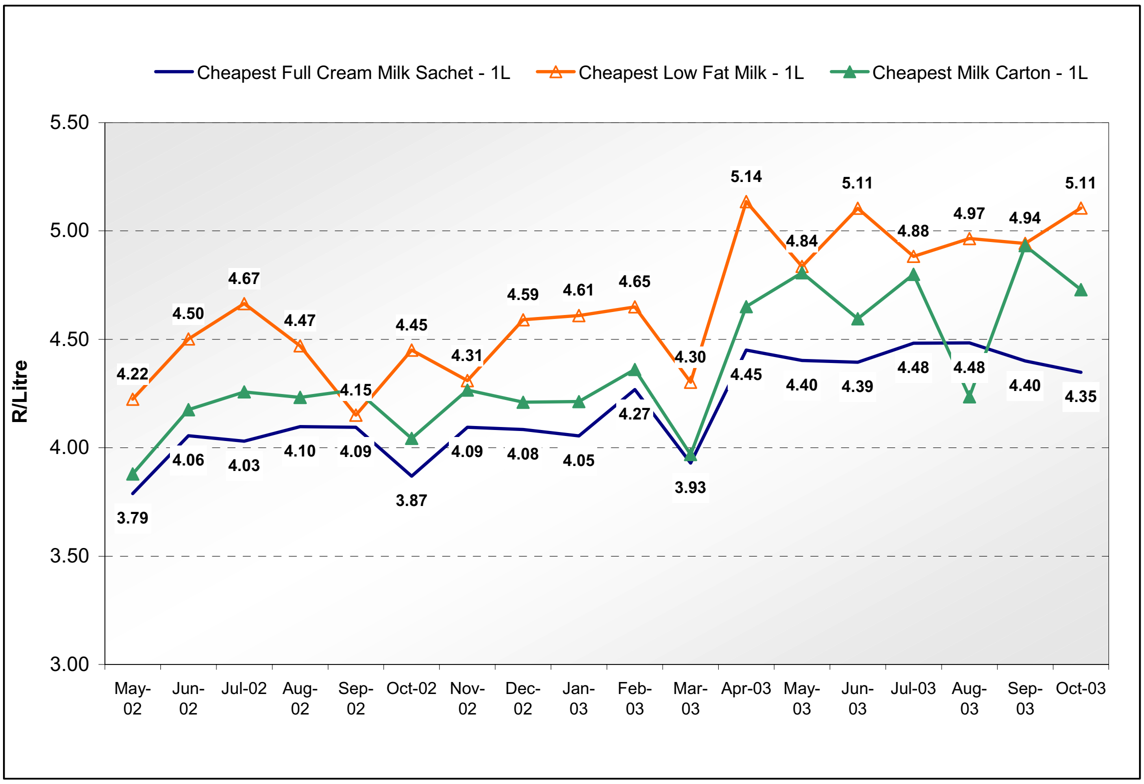

Figure 3.10: Average monthly retail prices of 'fresh milk': May 2002 to October 2003

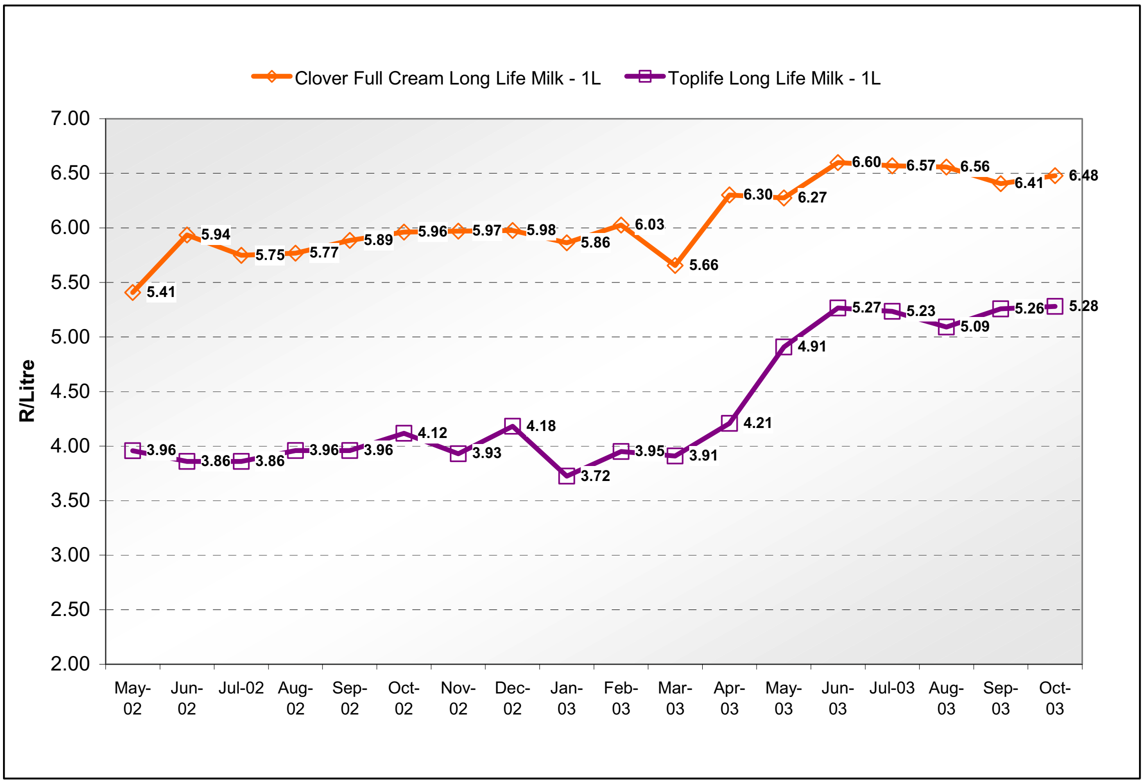

Figure 3.11: Average monthly retail prices of 'Long life milk': May 2002 to October 2003

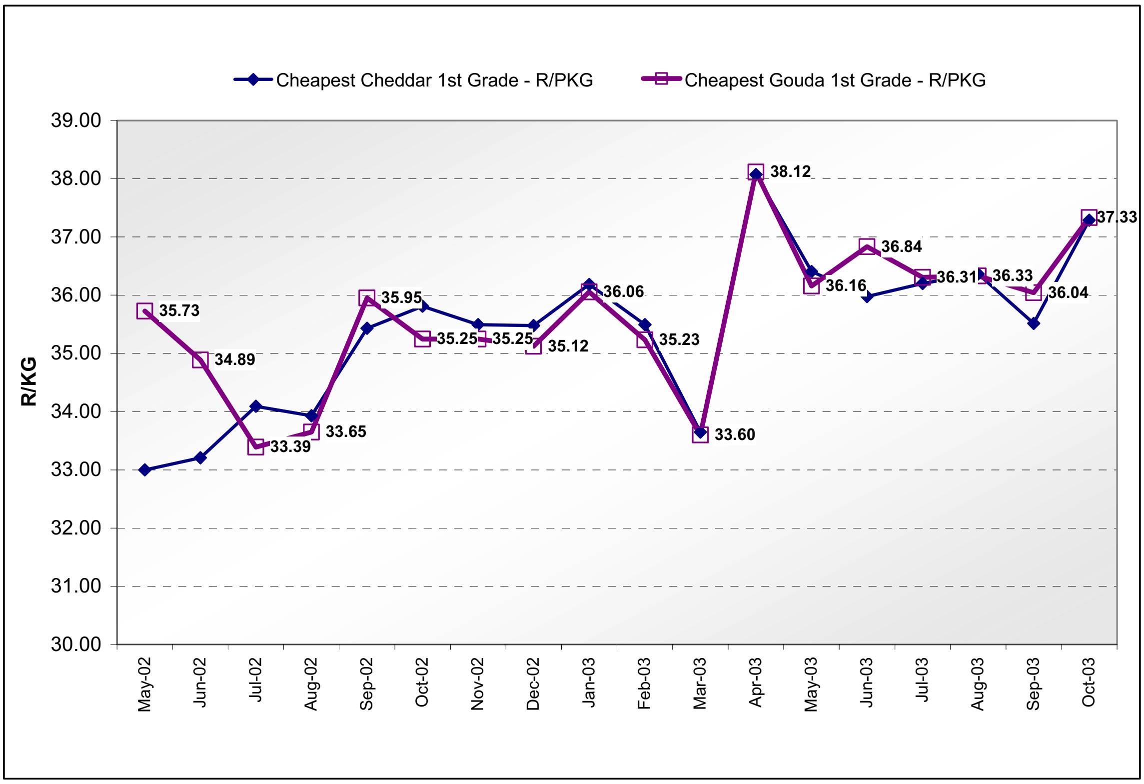

Figure 3.12: Average monthly retail prices of <u>cheese</u>: May 2002 to October 2003

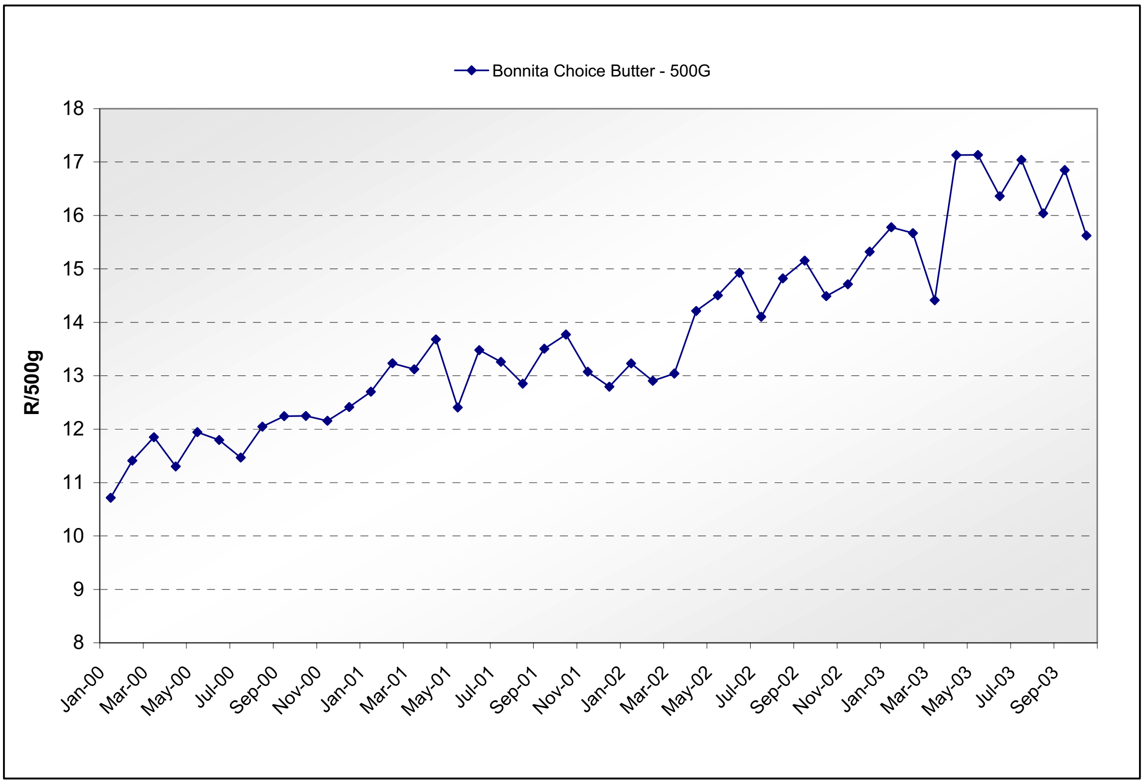

Figure 3.13: Average monthly retail prices of <u>butter</u>: May 2002 to October 2003

3.5 Red meat

Beef

The price of stewing beef remained stable around R18.30/kg for the period January 2000 to October 2001. After November 2001, beef prices began to increase, as did price volatility. Maize is an important input in the production of beef under the feedlot system. Consequently, when maize prices continued to increase, the beef price had to follow. In 2002 and 2003 the beef price followed the fluctuation of the maize price, even though not by the same extent, with a 1 to 2 months lag. Since September 2002 the maize price has been decreasing with the beef price following this trend from November 2002. Both prices are still decreasing to date.

Lean beef mince, and beef sausages follow a similar trend to that of stewing beef with the main difference being that prices peaked in different months. Beef prices have been decreasing since January 2003. Lean beef mince has returned to the price levels of 2000-2001 while beef sausages still remain above these levels.

Pork and lamb prices remained fairy constant until mid 2002. Lamb prices increased from May 2002 until September 2002 while pork prices increased from July 2002 until January 2003. It is interesting to note how the price of pork and lamb follow a similar trend despite the fact that their respective production systems are so different. One explanation for this could be that they are both substitutes for beef and are thus affected by similar demand fluctuations caused by changes in the beef price.

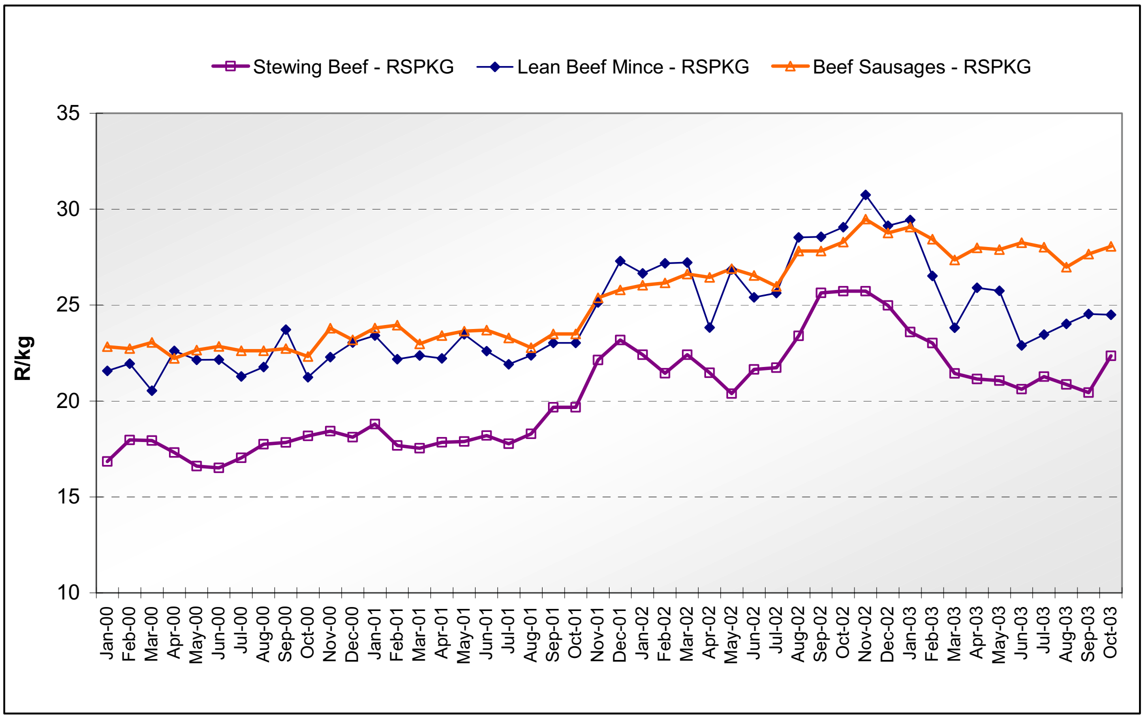

Figure 3.14: Average monthly retail prices for stewing beef, beef sausages, and lean beef mince prices: January 2000-October 2003

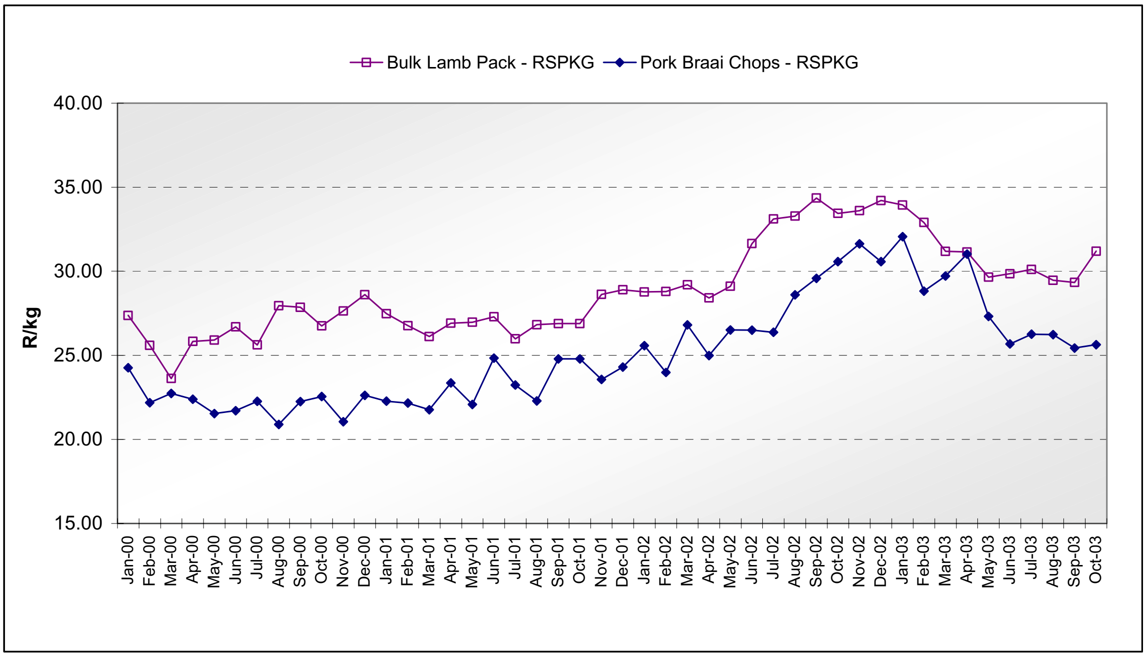

Figure 3.15: Average retail prices for pork braai chops and bulk lamb: January 2000-October 2003

3.6 Poultry products

Chicken

Frozen and fresh whole chicken prices seem to follow similar trends. Frozen chicken prices have however been increasing at a faster rate than those of fresh chicken. This can be seen by the decreasing "gap" that exists between the two prices. The "gap" has been decreasing to the point that the prices were the same in July 2003. There is no clear pattern in the changes in consumer prices of chicken. This is peculiar considering that maize is the main component of broiler feed, which constitutes 55% of the total production cost of chicken.

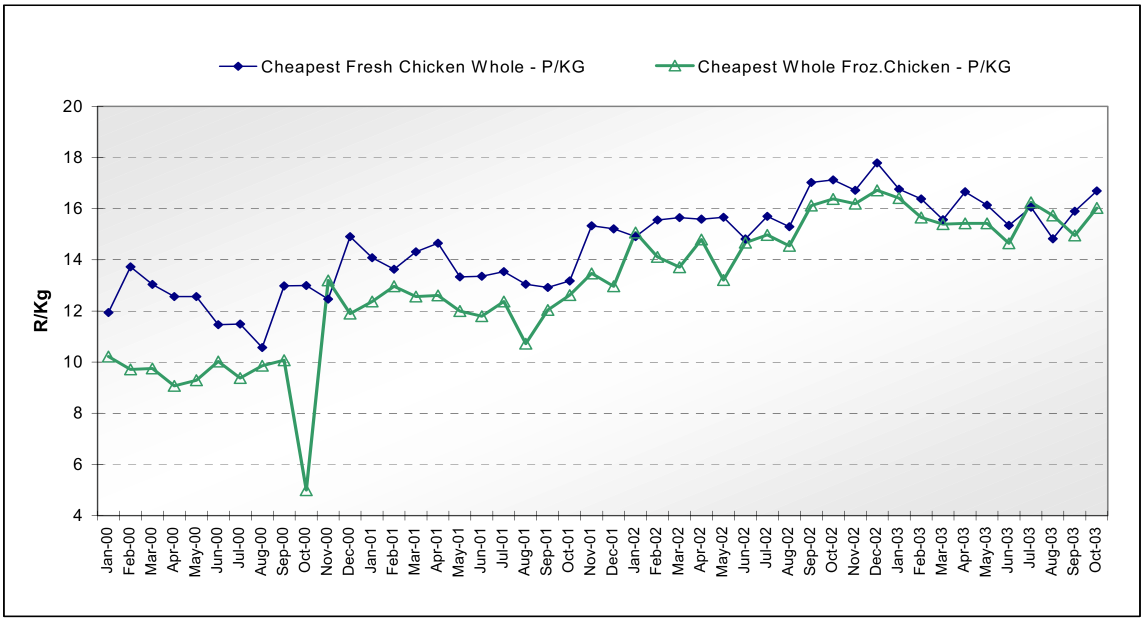

Figure 3.16: Cheapest frozen and fresh chicken prices: January 2000 to October 2003

Eggs

Similar to dairy, the price of eggs does not tend to deviate from it's the general trend. A general trend of increasing prices caused by general inflationary pressures is observed here. Egg prices however began to increase at a faster rate from May 2002 onwards. Egg prices appeared to return to their previous levels in March 2003, this was however short-lived as prices peaked at R9.28 per dozen in May 2003. Egg prices appear to be decreasing in the last 3 months of the series and might, therefore, return to the previous price level of below R7 per dozen.

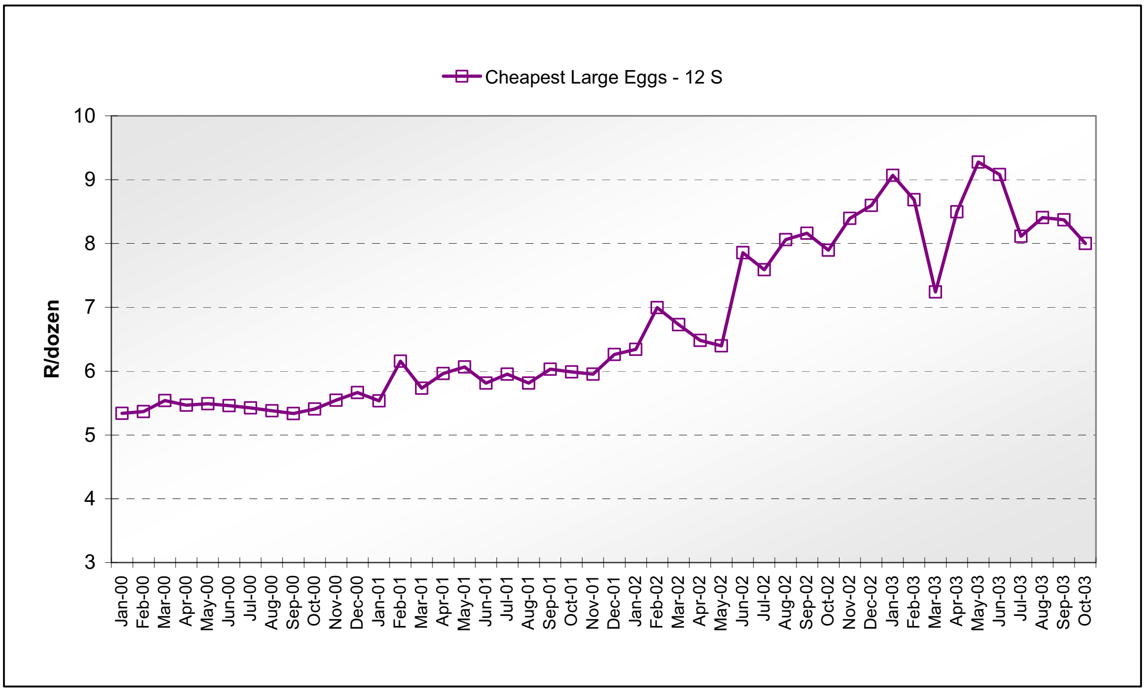

Figure 3.17: National average retail price for eggs (dozen): January 2000 to October 2003.

3.7 Fruit and Vegetables

The prices of fruit and vegetables are generally expected to be quite volatile due to seasonal supply shortages and surpluses. Of all the fruits and vegetables studied here the only one that displays a typical cycle caused by seasonal supply fluctuations are oranges. The prices for other fruits remained fairly stable during the period January 2000 and October 2003.

Tomatoes, onions, and cabbage, apart from seasonal fluctuations, remained on average fairly stable over the period January 2000 to July 2003. Potatoes, however, have quite different price trends. The potato price per pocket has seen large fluctuations over the past three years. The price of potatoes did see a sharp increase in January 2001 when the price went from R8.83 to R20.73 for a 10kg pocket. The price then remained fairly stable around R21.10/10kg pocket until April 2002, after which it increased almost linearly until October 2002 when it peaked at R46.79 per pocket. This high price is however unsustainable and has, in fact, been decreasing, presumably returning to the more stable price of R21.10/10kg pocket.

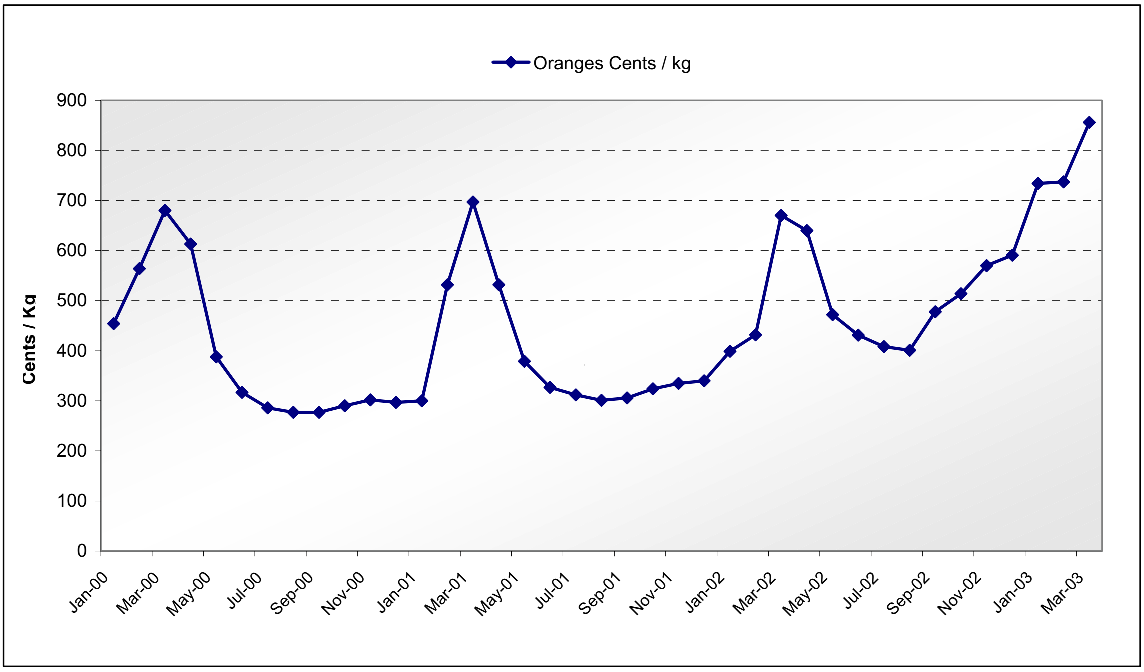

Figure 3.18: National average retail price of oranges: January 2000 to March 2003

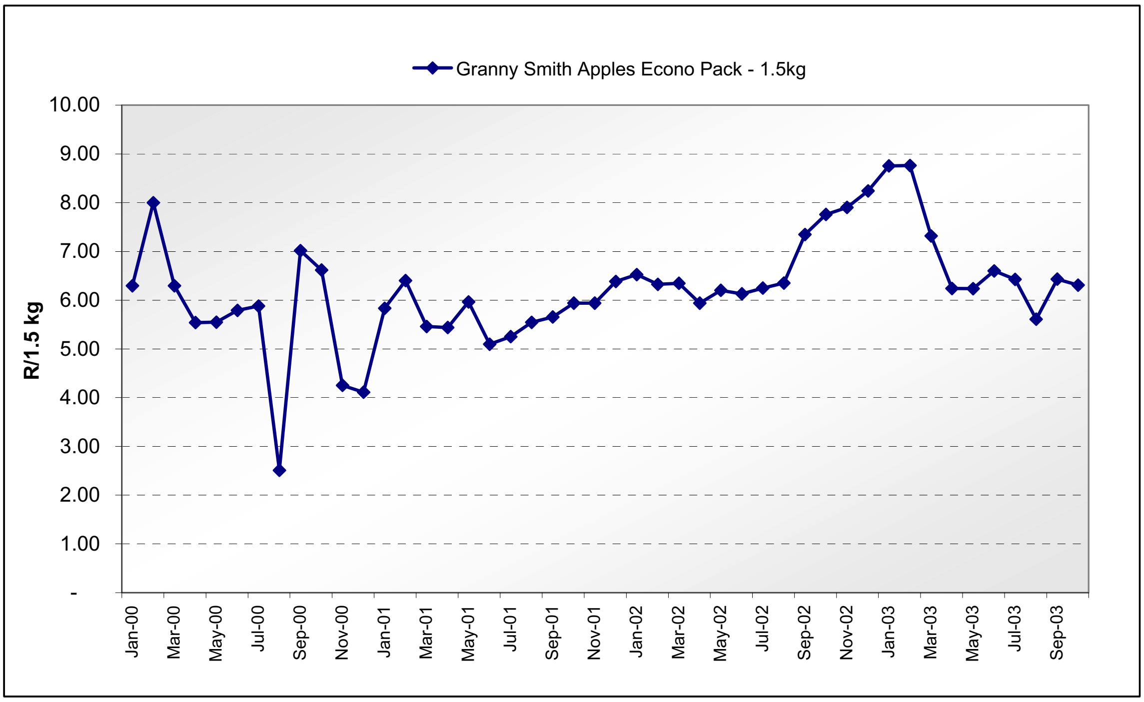

Figure 3.19: National average retail price of Granny Smith apples (1.5kg): January 2000 to October 2003

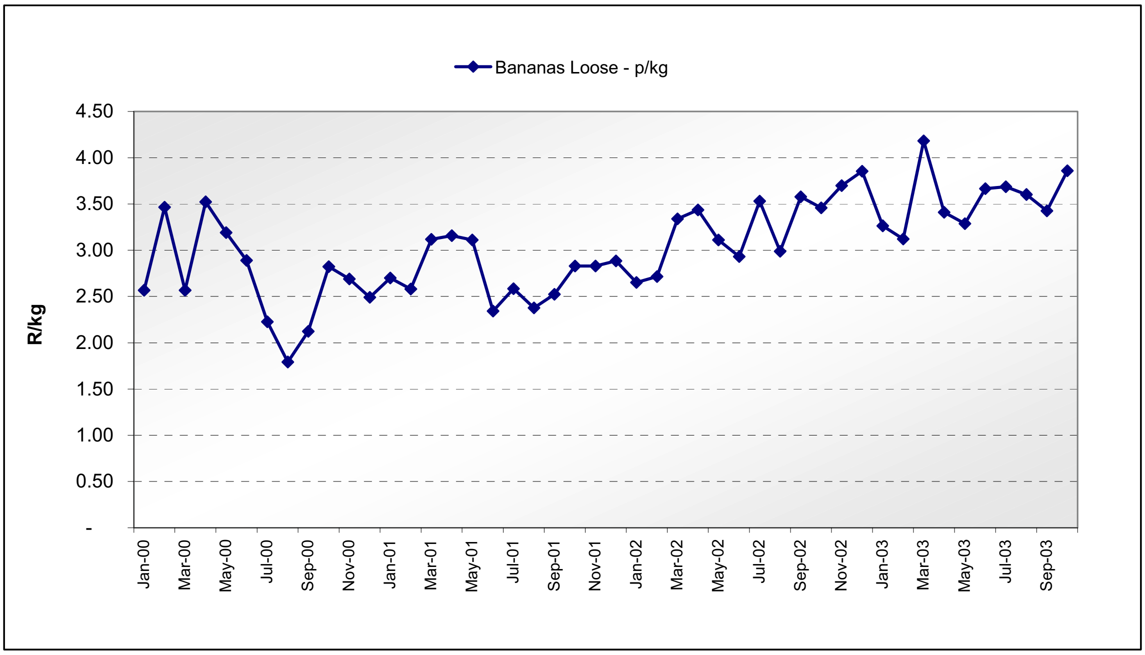

Figure 3.20: National average retail price of loose bananas (kg): January 2000 to October 2003

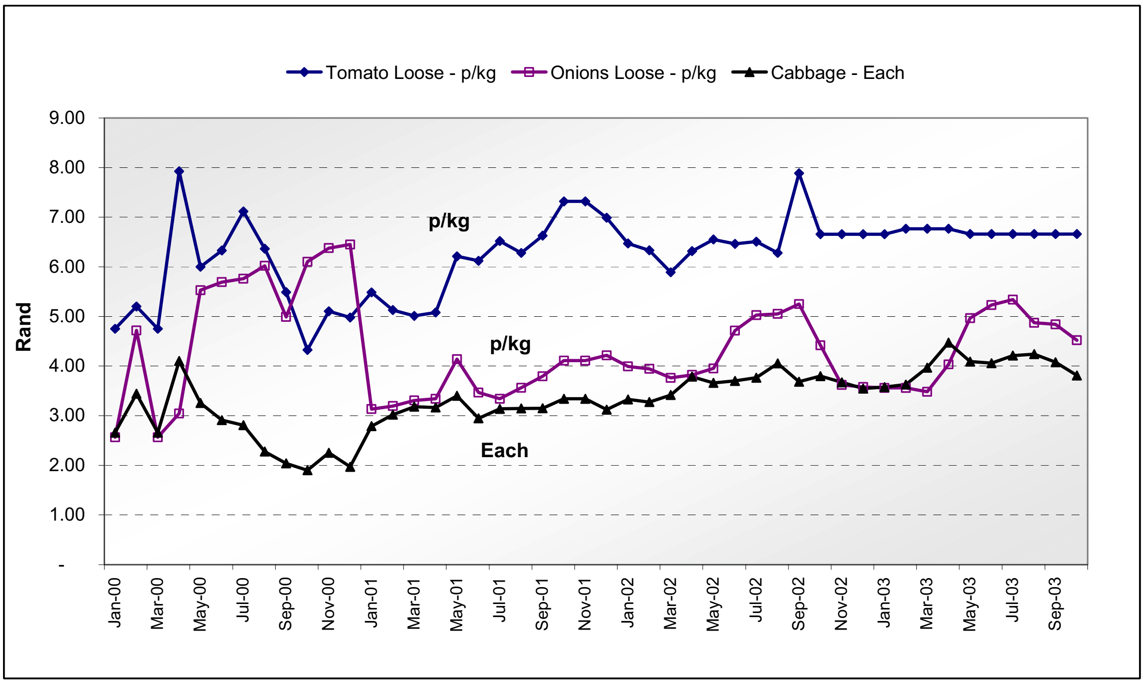

Figure 3.21: Average retail prices for tomatoes, onions, and cabbage: January 2000 to October 2003

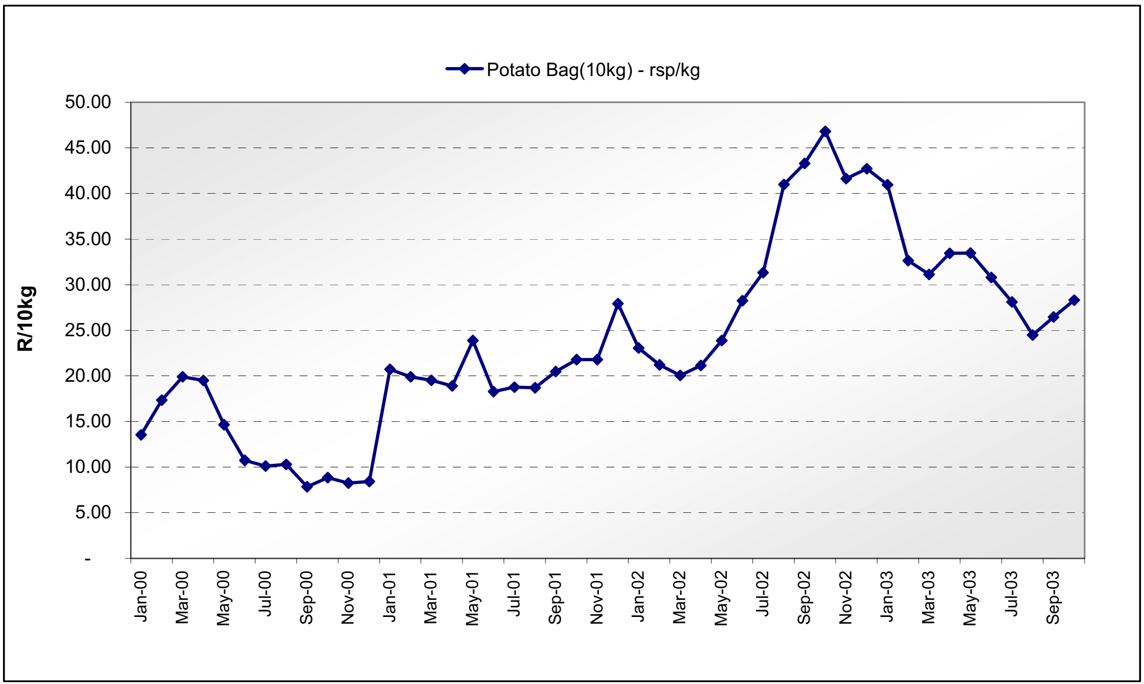

Figure 3.22: Average retail price for potatoes (10 kg bag): January 2000-October 2003

3.8 Sugar, Tea and Coffee

Sugar prices fluctuated around an average price of R9.83 per 2.5kg packet until October 2001. Thereafter prices increased until August 2002, peaking at R11.13/2.5kg packet, an increase of 13% in 10 months. Prices continued to remain high at an average of R10.85/2.5kg packet for the next few months and then showed a sharp increase to R11.70/2.5 kg in July 2003 after which it suddenly dropped back to levels around R11.20.

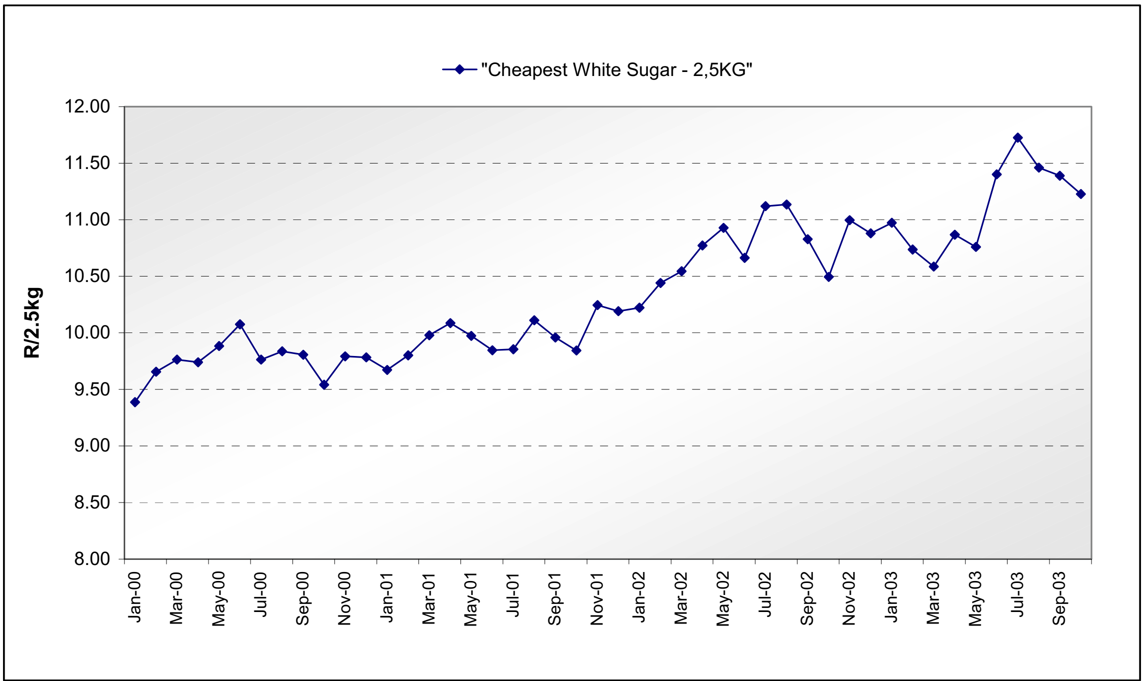

Figure 3.23: Average retail price for white sugar: January 2000 to October 2003

The retail price of tea steadily increased from January 2000 until June 2002 after which it levelled out and began to decrease in April 2003. This decreasing trend is still continuing to date. Tea is mainly an imported product and therefore is affected by exchange rate fluctuations. The strengthening of the exchange rate is the likely reason that prices are decreasing.

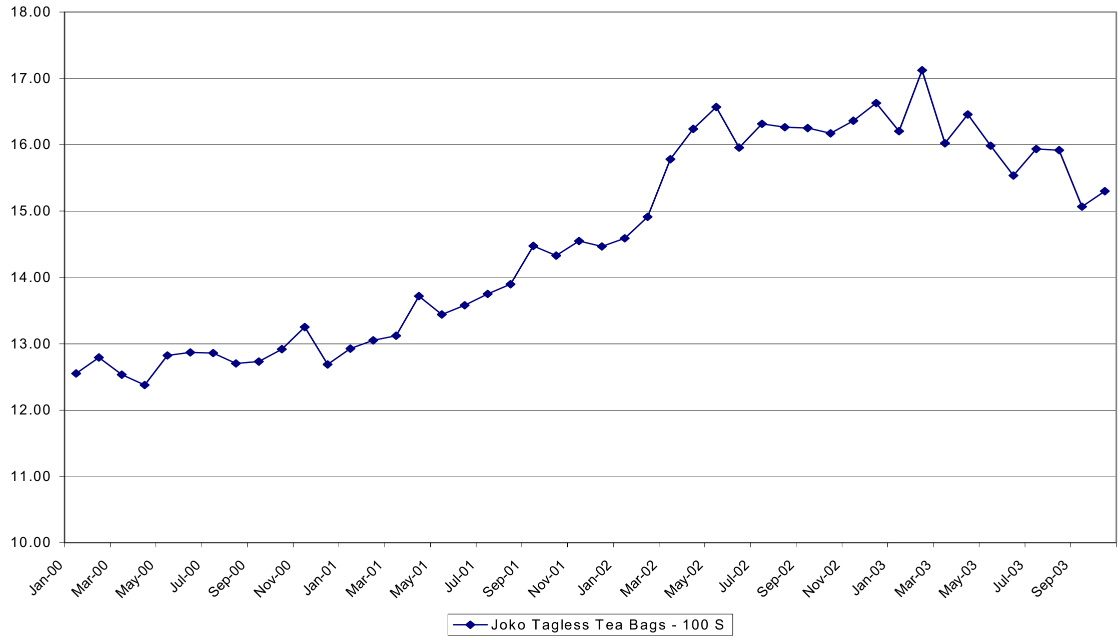

Figure 3.24: Average retail price for tagless teabags: January 2000-October 2003

Similar to tea, coffee is also a product that is mainly imported. The price of instant coffee remained fairly stable around R23/750g until March 2002 after which the price increased by approximately R5 in 3 months. Prices subsequently continue to remain high at an average price of R27.37/750g with little indication of prices returning to their previous levels. The increase in the local producer price for chicory (an important input in instant coffee) was partly to blame for the prices remaining high and came as a result of increased farm production costs.

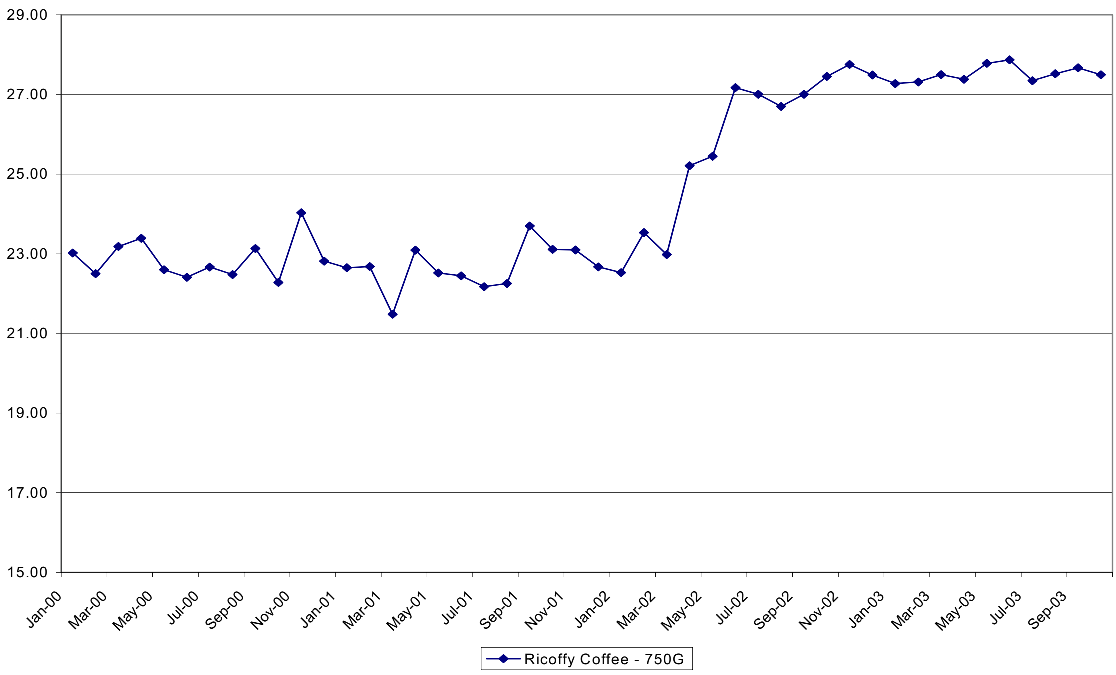

Figure 3.25: Average retail price for filter coffee: January 2000-October 2003

3.9 Summary

Table 3.1 provides a summary of the main trends in retail prices depicted in the various figures above. The table shows how difficult it is to generalise. Yet, all in all, there are some indications of a slowdown in food price inflation, and also in the rate at which food prices increased. In some cases, there were decreases on a year on year basis. However, there remain a few areas of concern where food does not seem to become cheaper.

Table 3.1: Changes in average retail price for selected food products

	Jan 00	Jan 01	Jan 02	Oct 02	Jan 03	Oct 03	Percentage change Jan-03 to Oct-03
Cheapest Maize Meal per 10kg	25.26	22.21	23.94	33.55	33.12	27.25	-17.70%
Bread Brown – 700g	2.56	2.68	2.84	3.34	3.51	3.56	1.41%
Bread White – 700g	3.12	3.16	3.16	3.72	3.83	3.95	3.24%
Snowflake Cake Flour – 5kg	20.35	19.68	20.99	25.29	23.71	24.45	3.12%
Tastic Rice -Rands per 1kg	6.63	6.53	7.19	7.39	7.32	6.7	-8.44%
Cooking Oil – 750ml	4.16	3.76	6.57	6.91	7.03	6.52	-7.25%
Rama Brick – 500g	6.41	6.29	6.89	7.49	7.26	8.26	13.75%
Peanut Butter – 410g	5.62	6.22	6.51	7.8	7.91	9.58	21.19%
Full Cream Milk Sachet – 1L	2.56	2.86	3.28	3.87	4.05	4.35	7.25%
Elite Milk Powder – 1kg	33.09	36.26	39.9	48.13	48.11	52.97	10.11%
Full Cream Long Life Milk – 1L	3.32	3.73	4.15	5.36	5.38	5.88	9.33%
Cheddar 1st Grade - R/kg	27.25	29.08	31.41	35.81	36.18	37.29	3.06%
Choice Butter – 500g	10.71	12.7	13.23	14.49	15.78	15.63	-0.99%
Stewing Beef – R/kg	16.84	18.8	22.41	25.73	23.6	22.36	-5.28%
Bulk Lamb Pack – R/kg	27.38	27.47	28.78	33.44	33.94	31.19	-8.10%
Pork Braai Chops – R/kg	24.26	22.27	25.58	30.57	32.06	25.63	-20.05%
Fresh Chicken Whole – R/kg	11.94	14.09	14.91	17.13	16.76	16.7	-0.36%
Cheapest Large Eggs - 12 S	5.34	5.54	6.34	7.89	9.07	8	-11.76%
Granny Smith Apples - 1.5kg	6.3	5.83	6.52	7.76	8.75	6.31	-27.95%
Tomato Loose – R/kg	4.75	5.49	6.47	6.66	6.66	6.66	0.00%
Onions Loose – R/kg	2.57	3.14	3.99	4.42	3.56	4.52	27.02%
Cabbage – Each	2.66	2.79	3.33	3.8	3.57	3.81	6.63%
Potatoes Bag (10kg) -	13.55	20.73	23.05	46.79	40.95	28.3	-30.89%
Cheapest White Sugar – 2,5kg	9.39	9.67	10.22	10.49	10.97	11.23	2.32%
Joko Tagless Tea Bags - 100 S	12.55	12.93	14.59	16.17	16.20	15.30	-5.6%
Ricoffy Coffee – 750g	23.02	22.65	22.53	27.45	27.27	27.45	0.7%

3.10 Results from individual monitoring points

The FPMC also employed fieldworkers to monitor retail prices at a number of individual monitoring points. In most provinces 6 localities were selected where the prices of the basket of food items were monitored on a monthly basis. A list of individual monitoring points is presented in Table 3.2 below.

Table 3.2: Individual monitoring points per province

Province	Town	Township / Peri-urban	Rural
Eastern Cape	East London Port Elizabeth	Umtata Queenstown	Viedesgville Kokstad
Free State	Bloemfontein Welkom	Qwaqwa Kroonstad	Bethlehem Koffiefontein
Gauteng	Rosslyn Vereeniging	Atteridgeville Sebokeng	Winterveldt Erasmus
KwaZulu-Natal	Scottsville Ulundi	Imbali Ulundi (Section C)	Sweetwaters Mbilane
Limpopo	Polokwane Louis Trichardt	Thohoyandou Giyani	Kgamphahlele Abbotspoort
Mpumalanga	Ermelo Nelspruit	Ekangala Siyabuswa	Nasi Elukwatini
Northern Cape	Upington Kimberley	Galeshiwe Springbok	Bersia
North-West	Rustenburg Mafikeng	Taung Makau	Setlagole Bodibe
Western Cape	Tygervalley George	Guguletu Thembalethu	Piketberg Beaufort West

The purpose of this exercise was to move the analysis of retail price trends more to the level of the local community and to identify any sharp increases in prices. Without going into too much detail, it is worth reporting that the analysis provided much of the same trends as reported earlier in this Chapter as well as in Chapter 2. Because much of the individual monitoring activity only started in March/April 2003, the Committee was not able to detect any unrealistic price movements. This might well have been a consequence of the fairly stable prices throughout 2003, although they seemed to be higher than in 2002. The confirmation of these trends is provided in the summarised figures below.

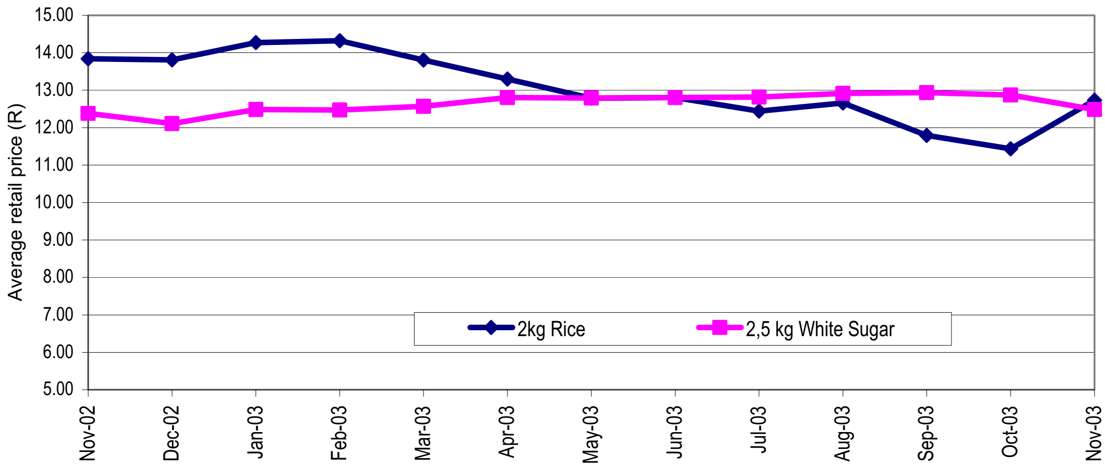

Figure 3.26: Average monthly retail prices of rice and sugar in monitoring points in towns: November 2002 – November 2003

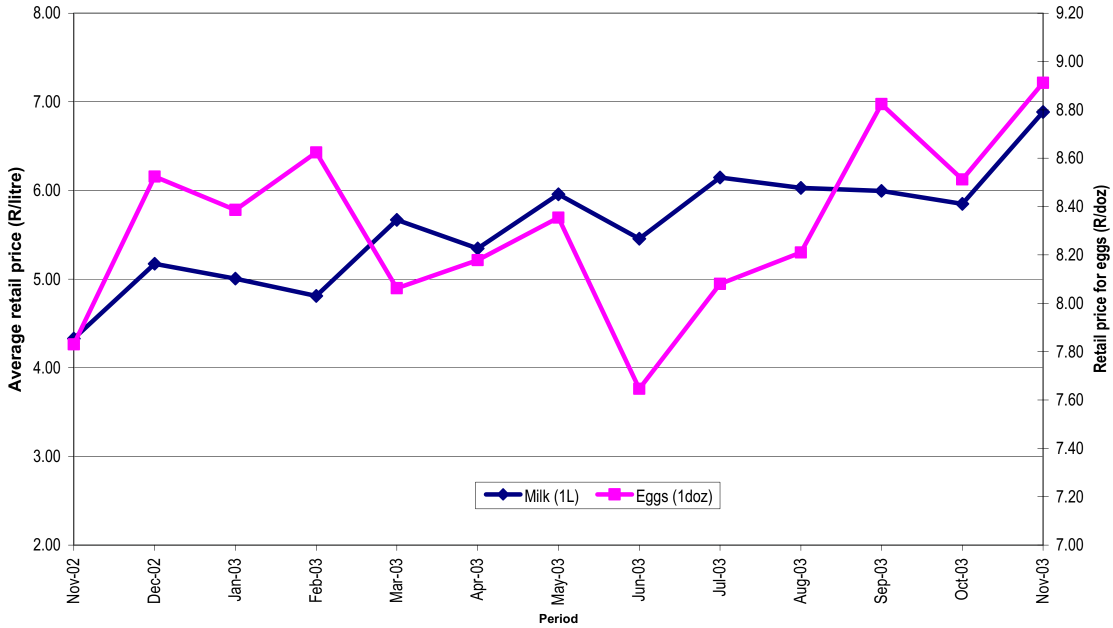

Figure 3.27: Average monthly retail prices of milk and eggs in monitoring points in peri-urban settlements: Nov 2002 – Nov 2003

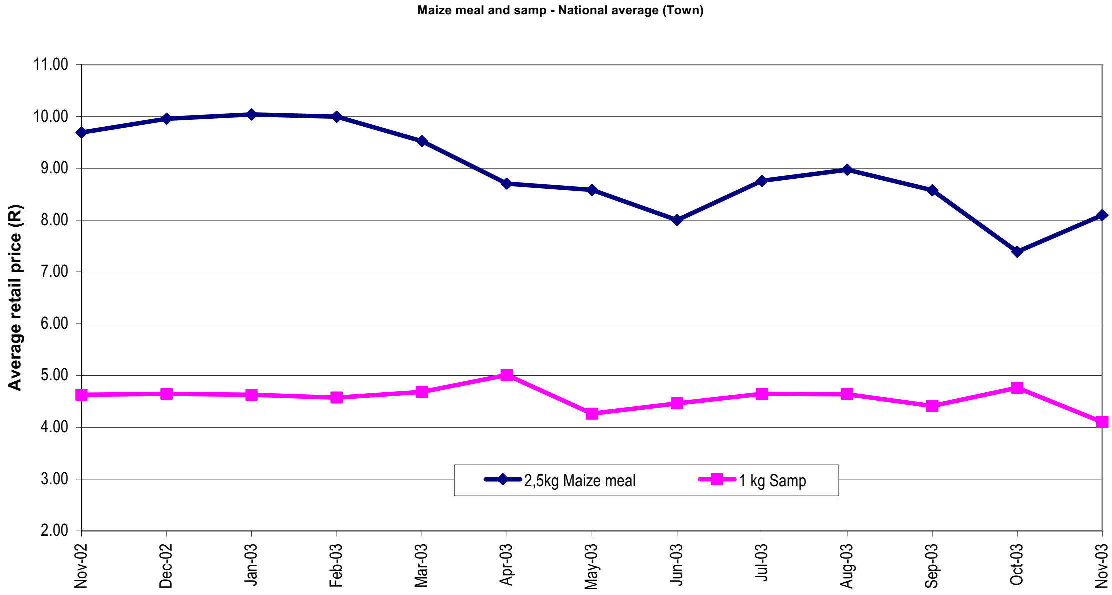

Figure 3.28: Average monthly retail prices of maize meal and samp in monitoring points in towns: Nov 2002 – Nov 2003

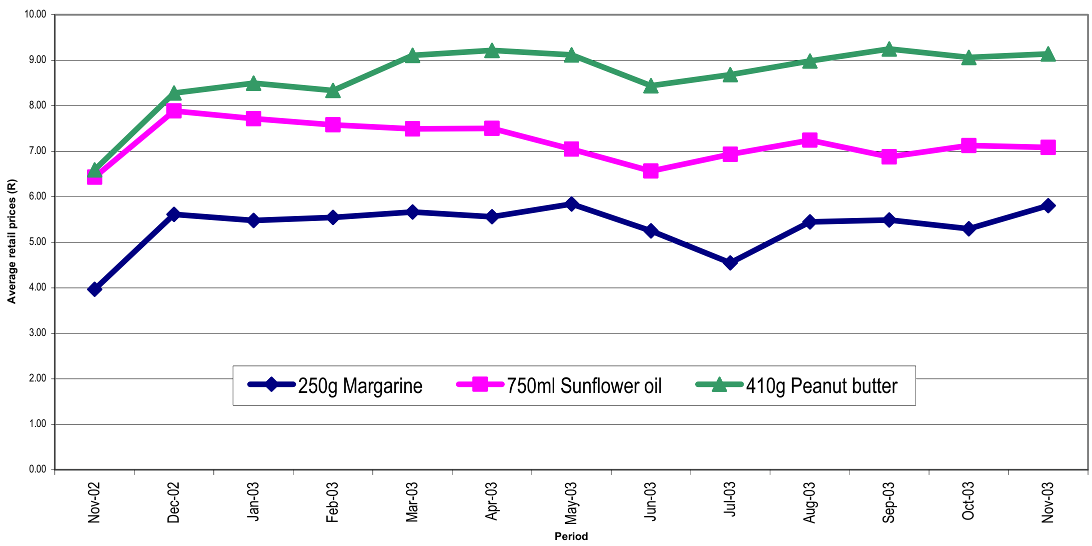

Figure 3.29: Average monthly retail prices of sunflower oil, margarine and peanut butter in monitoring points in peri-urban areas: Nov 2002 – Nov 2003