MEDIA RELEASE

FOOD PRICE MONITOR: AUGUST 2009

EXECUTIVE SUMMARY

The Consumer Price Index report released by Statistics South Africa (Stats SA) confirms that a period of high food inflation is definitely on the decline. The year-on-year (i.e. July 2008 to July 2009) increase in the Consumer Price Index for food and non alcoholic beverages, as reported by Stats SA, was 8.3 %, which is 1.9 percentage points lower than the figure released in June 2009 (10.7 %). Food and non alcoholic beverages inflation nevertheless remains one of the significant drivers of overall inflation in South Africa.

Across the world food inflation slowed over the last number of months. South Africa's food inflation compares favourably with that of other African countries, but is still higher than in most developed countries.

Prices of the most important grain commodities declined significantly compared to mid-2007. Apart from sunflower oil prices that also declined, bread and maize meal prices are still sticky. With the drop in wheat prices to date one would expect bread prices to have come down by now.

The increase in meat and dairy prices year-on-year supported prices at retail level. The rate of increase however slowed considerably. Vegetables prices remain strong.

People living in rural areas had to pay R8.03 more than people in urban areas to buy a selected basket of food items in July 2008. The price difference increased to R16.50 in April 2009. In July 2009 the price difference increased to R16.72.

From July 2008 to July 2009 the cost of a basic food basket increased by R45 (14%) to R374 in nominal terms. The cost of a basic food basket remained relatively constant from January 2009 to July 2009.

The cost of the food basket expressed as a share of the average monthly income of the poorest 30% of the population increased from 29% in July 2008 to 33% in July 2009 while the cost of the food basket expressed as a share of the average monthly income of the wealthiest 30% of the population only increased slightly from 2.3% to 2.6% over the same period.

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

536 Schoemanstreet
Meintjies Plein
A Block, 4th Floor
Arcadia
Pretoria
Tel: +27(0)12 341 1115
Fax: +27(0)12 341 1811

1. Foreword

The Consumer Price Index report released by Statistics South Africa (Stats SA) confirms that a period of high food inflation is definitely on the decline. The year-on-year (i.e. July 2008 to July 2009) increase in the Consumer Price Index for food and non alcoholic beverages, as reported by Stats SA, was 8.3 %, which is 1.9 percentage points lower than the figure released in June 2009 (10.7 %). This is the first single digit inflation recorded since the COICOP method for measuring inflation was used in the country. The overall CPI, as reported by Stats SA, reflects a year-on-year increase of 6.7 %, which is 0.7 percentage points higher than the 6 % upper limit of the inflation target set by the South African Reserve Bank (SARB). This figure is again 0.2 percentage points lower than 6.9 % recorded for June 2009 and 1.7 percentage points higher than 8.4 % recorded for April 2009. According to Stats SA, the main contributors to the annual increase of 6.7 % in the CPI were housing & utilities (1.8 %), miscellaneous goods and services (1.7 %), food & non-alcoholic beverages (1.3 %), alcoholic beverages & tobacco (0.6 %), recreation & culture (0.6 %), household contents and services (0.4 %), restaurants and hotels (0.3 %), clothing & footwear (0.2 %), health (0.2 %), education (0.2 %), residual (0.1 %) and transport, which contributed negatively, i.e. -0.7 %. Food and non alcoholic beverages inflation therefore remains one of the significant drivers of overall inflation in South Africa.

2. Overall inflation and food inflation: South Africa and the World

Table 1 compares South Africa's overall inflation rate and inflation of food & non alcoholic beverages to that of other countries. While countries such as the United States and Canada recorded negative inflation between July 2008 and July 2009, South Africa's overall inflation remained higher than 6 %. Tanzania is the only country in Table 1 to experience double digit inflation between July 2008 and July 2009. Tanzania and Botswana experienced double digit inflation figures for food and non alcoholic beverages. Compared to previous inflation data published in the Food Price Monitor (FPM) food inflation has slowed significantly in the countries under consideration.

Table 1: Overall inflation and food inflation

Country	Month	Overall inflation (%)	Inflation of food and non alcoholic beverages (%)
Botswana	Jun-09	7.0	15.3
Tanzania	Jul-09	10.9	16.9
South Africa	Jul-09	6.7	8.3
Turkey	Jul-09	5.4	8.5
Canada	Jul-09	-0.9	5.0*
Brazil	Jul-09	4.1	2.2*
United States	Jul-09	-2.1	1.1**
United Kingdom	Jul-09	1.7	4.1

* specified as only food

** specified as food and beverages

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

3. Urban and rural food price trends: July 2008 – July 2009

This section reports the price trends for 76 different food items that are sold in urban areas, and 39 food items sold in rural areas across South Africa. Detailed data on the selected food items are presented in Appendix A and Appendix B. These show prices levels and prices changes between April 2009 and July 2009, and year-on-year (July 2008 to July 2009) price changes for selected food items, in urban and rural areas respectively.

Appendix C shows food items, in urban areas and rural areas respectively, whose prices increased year-on-year by more than the South African Reserve Bank (SARB)'s 6 % inflation target. Food items whose inflation averaged below 6 % in urban areas include brown bread 700g (3.64 %), white bread 700g (3.83 %), spaghetti 500g (4.47 %), macaroni plain 500g (4.53 %), beef rump steak 1kg (4.30 %), beef T-bone 1kg (3.54 %), fresh milk full cream 2ℓ (2.50 %), fresh low fat milk 1ℓ (5.27 %) and low fat milk 2ℓ (3.02 %). Food products that experienced price decreases include cake flour 2.5kg (-15.85 %), maize special 5kg (-1.71 %), sunflower oil 750ml (-18.78 %), medium fat spread 1kg (-3.53 %), lettuce 1kg (-3.30 %), pork chops 1kg (-4.82 %), lamb 1kg (-9.40 %), skimmed milk powder 1kg (-0.82 %) and oranges 1kg (-16.69 %).

Food items that experienced inflation of lower than 6 % in the rural areas include brown bread, single loaf 700g (3.34 %), maize meal 12.5kg (1.53 %), maize meal 2.5kg (5.51 %), sunflower oil 500ml (1.23 %), full cream milk long life 1ℓ (3.65 %), butter beans 420g (0.89 %), white sugar 500g (5.58 %) and pilchards in tomato sauce 425g (5.95 %). Food products that experienced price decreases include samp 1kg (-7.39 %), sunflower oil 2ℓ (-20.83 %), sunflower oil 750ml (-16.44 %), margarine 125g (-34.22 %), full cream long life milk 500ml (-9.92 %) and pilchards in tomato sauce 155g (-12.00 %).

Looking in more detail at trends

The prices of agricultural commodities continue to decrease. The domestic price of wheat decreased, by 37.29 %, between July 2008 and July 2009. During the same period, maize and sunflower prices decreased by 31.83 % and 45.92 % in the domestic market, respectively. Following the decreases in the prices of these important agricultural commodities, food inflation at the retail level slowed down in both rural and urban areas. Wheat product inflation in urban areas, as reported in the May 2009 FPM, decreased from 15.57 % for the period from April 2008 to April 2009, to 0.12 % for the period July 2008 to July 2009. In the rural areas, year-on-year wheat product inflation decreased from 13.76 % in April 2009 to 9.04 % in July 2009.

In the urban areas, the price of maize products increased on average by 4.54 % between July 2008 and July 2009. This is lower than 6.33 % reported in May 2009 FPM. During the same period, the price of maize products in the rural areas increased by 9.08 %, which is also lower compared to 13.24 % reported in May 2009 FPM. In both urban and rural areas, the price of sunflower products decreased, by 4.67 % and 3.79 %, between July 2008 and July 2009, respectively. This follows the double digit increase in the price for this product category between April 2008 and April 2009, i.e. 21.90 % and 17.79 %, respectively.

The price of fish in the urban areas increased at a lower rate (19.68 %) compared to 34.67 % reported in May 2009 FPM. The price of pilchards in rural areas decreased, on average, by 3.02 %, following the 6.84 % inflation reported in May 2009 FPM. Prices of dairy products in urban areas increased, on average, by 6.91 %, year-on-year. The opposite situation prevails in the rural areas, where dairy product prices decreased, on average, by 3.14 %.

Inflation in the price of fresh and processed vegetables in the urban areas averaged 21.70 % and 19.21 % between July 2008 and July 2009. During the same period, inflation in prices for processed meat declined from 25.65 %, reported in May 2009 FPM, to 23.32 %. The inflation for unprocessed meat also decreased, from 10.55 % to 5.04 %.

Product categories such as tea & coffee, beans, white sugar, rice and peanut butter showed double digit inflation in the rural areas between July 2008 and July 2009, i.e. 28.13 %, 13.11 %, 16.88 %, 31.51% and 17.85 %, respectively.

4. Comparison between the urban and rural prices

This section compares urban and rural food prices for selected food items. Table 2 shows that in July 2008, white bread, brown bread, sunflower oil and margarine were cheaper in the rural areas than in the urban areas. In April 2009, white bread, brown bread and tea were cheaper in the rural areas than in urban areas.

Table 2 further confirms that food prices in rural areas are generally higher than food prices in urban areas. People living in rural areas had to pay R8.03 more than people in urban areas to buy the basket of food items in July 2008. The price difference increased to R16.50 in April 2009. In July 2009 the price difference increased to R16.72. The reasons for the higher food prices in the rural areas than in the urban areas are discussed in detail in February 2008 FPM, available at http://www.namc.co.za/pages/pub_FPM2009.htm.

Table 2: Comparison between urban and rural food prices (selected food items)

Product	Rural food prices (R)			Urban food prices (R)			Price difference (Jul-08)	Price difference (Apr-09)	Price difference (Jul-09)
	Jul-08	Apr-09	Jul-09	Jul-08	Apr-09	Jul-09	R/unit	R/unit	R/unit
Full cream long life milk 1L	9.62	9.44	9.97	8.31	9.20	9.52	1.31	0.23	0.45
Loaf of brown bread 700g	6.64	6.92	6.86	6.86	7.17	7.11	-0.22	-0.25	-0.25
Loaf of white bread 700g	7.45	7.61	8.71	7.58	7.87	7.87	-0.13	-0.26	0.84
Maize meal 5kg	26.03	28.36	29.05	22.21	22.68	23.94	3.82	5.68	5.11
Margarine 500g	11.95	14.04	14.37	12.29	13.84	13.31	-0.34	0.20	1.06
Peanut butter 410g	14.26	21.76	17.37	13.38	15.90	16.07	0.88	5.86	1.30
Rice 2kg	21.49	29.53	30.45	21.00	26.28	25.24	0.49	3.25	5.21
Sunflower oil 750ml	16.29	14.47	13.61	16.35	14.30	13.28	-0.06	0.17	0.33
Tagless tea bags 62.5g	5.86	5.89	7.09	5.70	6.92	6.85	0.16	-1.03	0.24
White sugar 2.5kg	17.85	20.29	20.45	15.74	17.65	18.02	2.11	2.64	2.43
Total							**8.03**	**16.50**	**16.72**

5. The estimated impact of food inflation on consumers

The purpose of this section is to illustrate the impact of food inflation on consumers. The analysis presented in the first part of this section is based on the monthly cost of a basic food basket[1] (as compiled by the Food Price Monitoring Committee in 2003), for the period July 2008 to July 2009. From July 2008 to July 2009 the cost of a basic food basket increased by R45 (14%) to R374 in nominal terms (see left axis). This increase took place between July 2008 to January 2009, whereafter the cost of the food basket remained relatively stable until July 2009. This means that the average cost of the basket has changes marginally from February 2009 to July 2009. Over the depicted period the cost of the food basket expressed as a share of the average monthly income[2] of the poorest 30% of the population increased from 29% in July 2008 to 33% in July 2009, while the cost of the food basket expressed as a share of the average monthly income of the wealthiest 30% of the population only increased slightly from 2.3% to 2.6%.

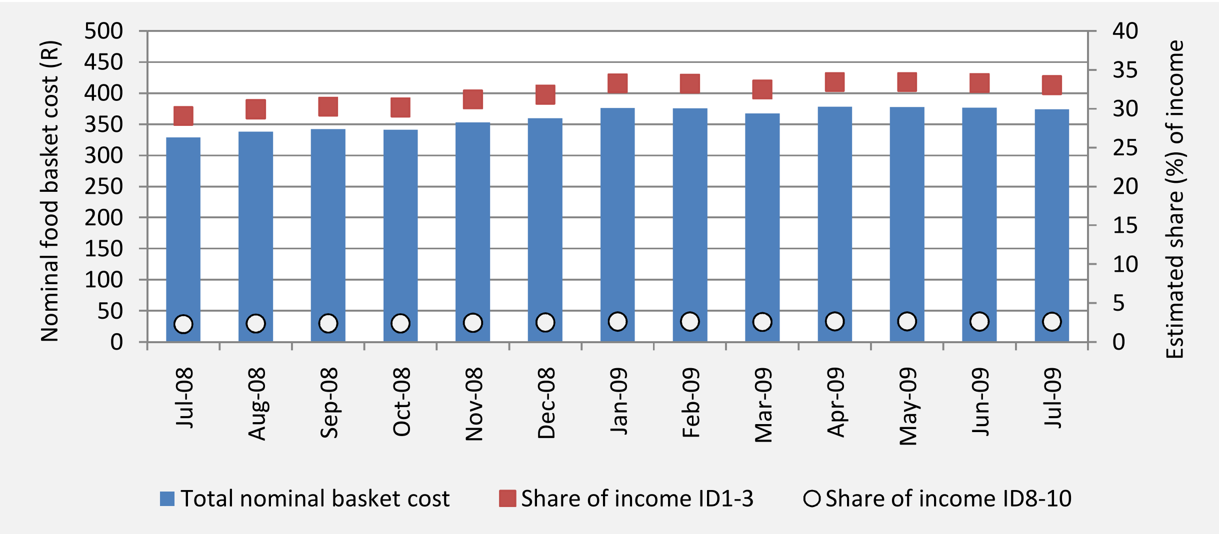

Figure 1: The monthly cost of a typical consumer food basket for the period July 2008 to July 2009, expressed in nominal terms and as share of the average income of the poorest 30% of households (Income Deciles [ID] 1 to 3) and the wealthiest 30% of households (ID 8 to 10)

To further explore the impact of inflation on consumers, Figure 2 presents an illustration of the average annual nominal cost of specific food groups within the basic food basket, for the period July 2008 to July 2009. Figure 2 illustrates the dominance of animal protein foods, as well as breads and cereals within the cost of the basic food basket. Furthermore, it is clear that from July 2008 to July 2009, among the dominant food groups, the bread / cereals category experienced relatively low inflation (about 9%), but significant inflation was observed for the vegetable category (30%) as well as for dairy and eggs (18%). The high inflation rates for the vegetable, dairy and eggs categories could impact negatively on consumers' ability to afford diversity within their food basket.

[1] Composition of food basket: loaf of white bread (700g), loaf of brown bread (700g), super maize meal (5kg), special maize meal (5kg), rice (2kg), tinned butter beans (410g), onions (1kg), cabbage (1kg), potatoes (1kg), tomatoes (1kg), apples (1kg), bananas (1kg), orange (1kg), whole fresh chicken, stewing beef, longlife full cream milk (1L), extra large eggs (1.5 dozen), sunflower oil (750ml), brick margarine (500g), peanut butter (410g), instant coffee regular (750g) and black / ceylon tea - tagless tea bags (62.5g) and canned tuna *(replacing canned pilchards due to data limitations).*

[2] The cost of the typical food basket was expressed as a share of estimated average monthly income of Income Deciles 1 to 3, the poorest 30% of the population, as calculated from the STATSSA survey: 'Income & Expenditure of households 2005/2006' *(calculations excludes imputed rent on owned dwelling)*

The impact of inflation on very poor consumers is further explored below, based on the typical portion sizes of very poor consumers of the five most widely consumed food items in South Africa represented by maize porridge, brown bread, sugar, tea and full cream milk (National Food Consumption Survey - Steyn & Labadarios, 2000[3]; Oldewage-Theron *et al.*, 2005[4]). Figure 3 illustrates the estimated portion costs for these foods, calculated from monthly food price data for July 2008 and July 2009. The significant cost contribution of maize meal and bread to the basic daily food selection for poor consumers are emphasised by the results in Figure 3. When comparing the costs associated with the typical portion sizes of very poor consumers for the five most widely consumed food items in South Africa, based on July 2009 versus July 2008 prices the results in Figure 3 indicated a minimal increase of about 6%

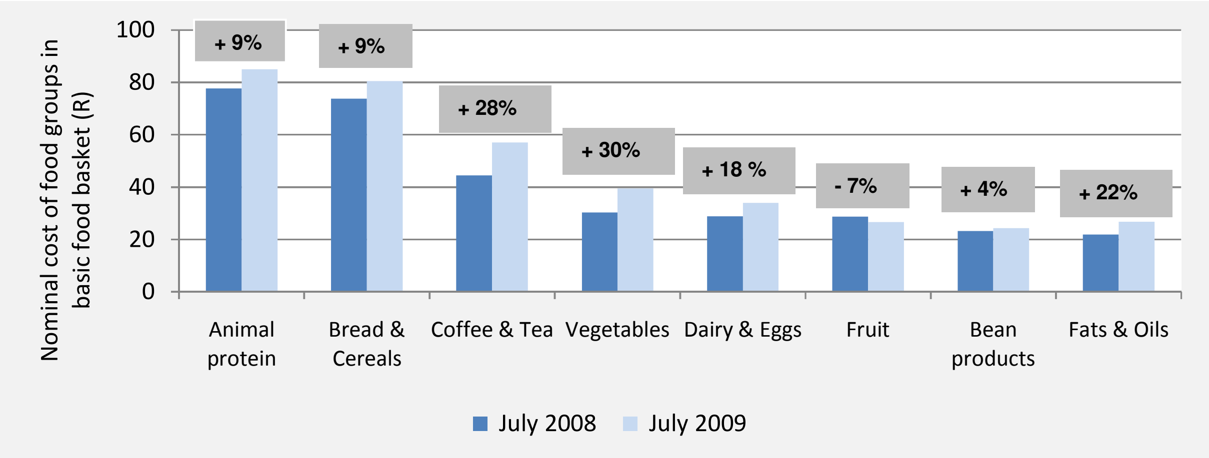

Figure 2: Nominal monthly cost of specific food groups within the basic food basket, for July 2008 and July 2009

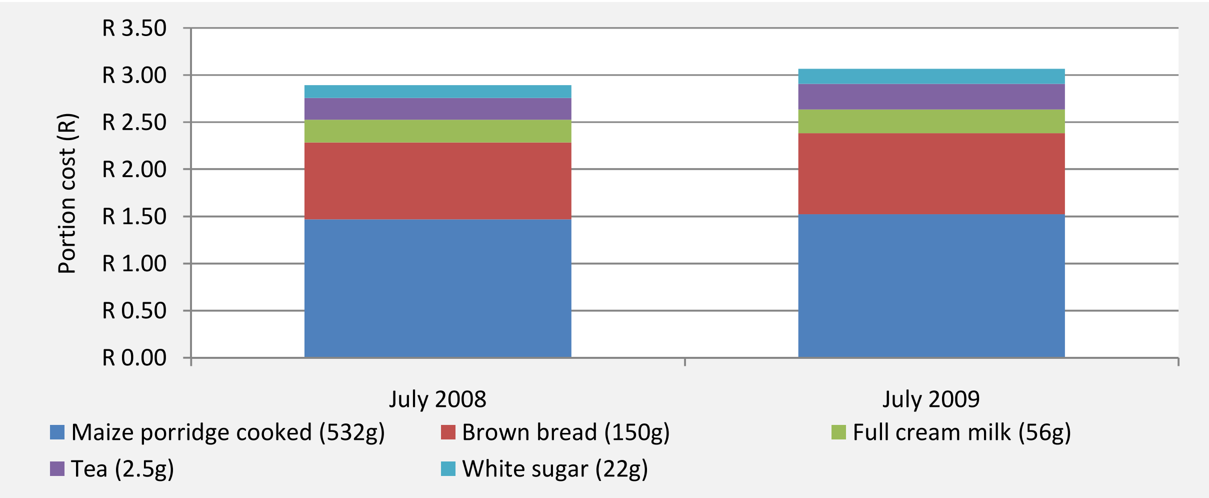

Figure 3: Average nominal cost for the typical portions of the five food items most widely consumed by very poor consumers in South Africa, for July 2008 and July 2009

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[3] Steyn NP, Labadarios D. *National Food Consumption Survey: Children aged 1–9 years, South Africa, 1999.* Cape Town: The Department of Health Directorate Nutrition, 2000

[4] Oldewage-theron W, Dicks E, Napier C, *et al.* Situation analysis of an informal settlement in the Vaal Triangle. *Development Southern Africa* 2005 ; 22 (1): 13-26

6. A view from a supermarket[5]

The supermarket industry is continuously evolving in response to both customer and competitive dynamics. The race to get ahead in the market is becoming increasingly tough as the gap narrows between players – both manufacturers and retailers. This means that relying on short term tactics such as deep cut-price promotions will be insufficient to deliver sustainable growth, and one can see that a more sophisticated battle for customer loyalty and commercial sustainability is beginning to take shape.

It is anticipated that going forward, market supremacy will be determined by the strength of long term business planning and the use of more holistic and integrated marketing strategies, in addition to the basics of short-term tactical business management.

Some of the most influential 'external' dynamics impacting the industry include:

- High grocery price increases in the midst of recessionary conditions have intensified the focus on pricing and pressure on margins. This dynamic has made it significantly more difficult to deliver profit and still hold on to, let alone grow, market share.

  Price fighting between retailers on a basket of 'Known Value Items' (KVIs), has become the order of the day, with supplier negotiations becoming increasingly tough as a result. Further, shoppers are extending their repertoire of stores, cherry-picking the best priced lines between them which negatively impacts both basket value and profitability. This dynamic, however, does have a potential up-side as consumers modify their lifestyles, spending more time living and entertaining at home. This creates room for an increase in sales of more indulgent, feel-good products. Managing the balance between high volume/low margin must-haves, and lower volume/higher margin nice-to-haves is essential for retailers and their suppliers to remain in the game.

- Increasingly hectic lifestyles and the associated focus on time-saving solutions have contributed to the rising demand for convenient meal solutions that require reduced preparation times without compromising on the quality and appetite appeal of the finished product. This trend has given rise to a flurry of innovations in both branded and private label near complete, heat and eat meals, as well as the introduction of ready to eat retail offerings – the most successful being deli prepared barbeque chickens.

- The global trends around personal health and body image have certainly found their way into the South African market, resulting in an explosion of products promising related benefits – such as organic foods, products containing low fat and/or salt, no preservatives and/or colourants, diet and body building programmes, specialised vitamins and minerals, etc. The lack of consumer knowledge and the absence of true industry controls have made this a very difficult arena in which to play with confidence and integrity, with global scares around the safety of products and their ingredients such as Melamine and Sudan Red, being testament to the need for more formalised consumer protection.

- Sustainability has become a hot topic in corporate boardrooms around the globe, and South Africa is no different, with significant investments being made by local retailers in projects aiming to reduce waste and carbon footprints, conserve energy, and protect the rights of

[5] This section represents a view of a major retailer in South Africa regarding trends in the retail sector, as well as what factors are driving certain cost elements in the agro-food chain. The inclusion of this section aims to add additional information to the debate on high food prices.

animals. While these initiatives are reflected in brand building campaigns, the consumer relevance still remains low.

- Clear changes have been identified in shopping habits over the last 5-10 years, with the most significant being the increase in the number of grocery purchases made during a month. The significance of bulk, month-end shopping has declined as shoppers shop more often, driven largely by the demand for fresh foods and convenient meal solutions, topping-up on 'pantry-load' items at the same time. This behaviour has fundamentally changed the size and composition of the average grocery transaction, and has stimulated growth in the convenience retail sectors.
- The increasing size and commercial power of the black middle class has significantly changed the consumer landscape, and consequently the focus of both retailer and manufacturer offer development in store numbers and locations, product innovation, promotions, and marketing campaigns.

Increasing professionalism by both suppliers and retailers has also impacted supermarket development. The most noteworthy changes in business practice have been seen in:

- Stock holding optimisation
  The reduction in inflation, the tough economic conditions, and the increased intensity of competition have raised industry focus on the optimisation of stock holdings. This has been addressed in a variety of ways by the key retailers, with the most visible efforts being in more formalised category management, more sophisticated demand planning, and increased centralised distribution.
- Step change supplier management
  In line with the global shift in retailer–supplier relationships, there is a change in the agendas typically discussed with suppliers, moving from being limited to negotiations around ranging and merchandising and pricing, to discussions around a broader scope of efficiency and growth driving opportunities. While the majority of these are biased towards operational 'quick wins', several are beginning to identify and address longer term, more strategic growth building opportunities. A key element of such engagements is a corresponding focus on category level planning, to which supplier development programmes need to be aligned.
- Enhanced information systems
  All of the big retail players have invested in advanced enterprise information systems. This investment directly impacts suppliers, who are required to provide more detailed information and systems alignment. The mutual benefits to be derived are significant and far reaching – extending from more accurate pricing and quicker payments, to value-added promotional mechanics and robust sales analysis.
- One-stop shopping
  Many retailers are augmenting their core grocery offering with pharmacy and liquor propositions, providing customers with greater one-stop shopping convenience, while creating business growth opportunities and strengthening their competitive differentiation.
- Successful franchising
  A visible element of retailer success can be witnessed in the strong growth of franchised operations. The combination of owner management, compact store sizes, and accessible loca-

tions has created a model for success that is being leveraged particularly effectively in the convenience channels.
This model has also provided a strong platform on which to build meaningful BEE opportunities involving not only business ownership but also community participation.

A further implication of this development is the establishment of local supplier bases comprising relatively smaller manufacturers, agents, and farmers.

- Marketing
The last few years have witnessed an increase in retailer investment in brand building – aimed at creating distinctive personalities and market positionings, with the intention being to strengthen their customer appeal and loyalty. The continued dominance of product and price campaigning due to the tough economic climate has marginalised the leverage and subsequent impact of these efforts in the short to medium term, but they certainly provide a platform on which retailers can build their longer term marketing plans. This development will ultimately impact suppliers, with the retailers expecting more customised promotional investment that aligns with their brand image and builds on their brand equity.

In terms of cost and profits the following is noteworthy:

- **Key influences on the cost of doing business with retailers**
The most significant cost incurred when working with retailers relates to the number of stores to which suppliers need to distribute a product. It is anticipated that this cost will be reduced significantly with the move to centralised distribution.

  Aggressive competition between retailers has intensified their pricing negotiations with suppliers. Suppliers of KVIs will be impacted the most, with those offering a wide basket of products being best able to absorb and off-set this margin pressure.

  As product ranges proliferate with the high rate of innovation and new market entrants, it becomes increasingly difficult to secure effective visibility and share of voice. This challenge has resulted in an increase in multi-media, through-the-line marketing campaigns.

  As retailers become more sophisticated, the skills set of supplier staff increases, as they need to be able to establish and manage multiple levels and points of contact. This trend is evident in increased levels of supplier investment in the skills base of customer facing personnel.

- **Typical retailer cost drivers**
The huge scale of lines offered and stores managed by the mainstream retailers are the major drivers of both complexity and expense. Labour, stock, and capital investment in store openings and revamps are key contributors to the retail cost base. Added to this are strategic investments in marketing, social responsibility, sustainability, and continuous improvement in operational efficiencies.

- **Competitive house brand pricing**
In order to succeed against established proprietary brands, house brands need to be competitively priced. However, in order to deliver an effective value proposition they still need to offer comparative quality. Achieving this balance is not an easy task, with the price advantage largely being derived through reduced investment in packaging and design elements, as well as in ongoing marketing due to the fact that house brands benefit directly from the halo effect of their retail brand image and marketing investment.

- **Volume versus profit**
  In order to cover the significant fixed costs incurred by the large retailers, they need a considerable and consistent base sales volume. This is typically delivered through big brands, and in particular KVIs, which, due to their pricing competitiveness realise low margin levels. The high rate of sale of these lines enables retailers to make money through the interest on the cash generated before having to pay their suppliers for the stock purchased. Ultimately, retailer profit is achieved through effective mix management, with a large number of smaller lines with relatively higher margins being added to the cash and interest generated by the high volume lines.

- **More detailed explanation of financial figures**
  Generally income earned from all the business activities of retailers, except interest, is shown in trading profit. Other income earned include includes income from franchise fees and rental from ancillary space in the property centers some retailers own. However, this 'other income' is generally very small in comparison to the retail trading income of retailers.

6.2 Price trends – week 4

Prices normally cited in the FPM are obtained from Stats SA and AC Nielsen (see Appendix F for more details how the prices are collected). An important issue to note is that prices are generally collected during week 1 to 3 of each month. During week 4 of each month retailers usually have specials on various items they sell and hence the reason why prices are not collected during week 4. In an effort to also reflect food price trends in week 4 for seven retail chains data was obtained from Adcheck. Table 3 shows the price trends. Only two food items showed a drop in prices for the period July 2008 to July 2009, namely brown bread and Cooking oil.

Table 3: July 2008 to July 2009 inflation of selected food items for various retailers (in %)

Product	Retailer A	Retailer B	Retailer C	Retailer D	Retailer E	Retailer F	Retailer G	Average-retailers
White Bread 700g	4.26	-12.03	-2.43	10.70	7.25	2.99	-5.10	0.80 ↑
Brown Bread 700g	8.61	4.59	1.80	-9.98	-10.48	-7.49	2.03	-1.56 ↓
Maize Meal 5kg (cheapest)	8.89	4.75	3.60	7.72	5.19	5.75	-1.01	4.99 ↑
Rice 2kg	-4.98	-6.43	9.86	14.86	-7.72	-1.74	6.05	1.41 ↑
Fresh Milk 1l sachet	4.16	4.59	9.57	3.57	14.31	8.19	6.27	7.24 ↑
Long Life Full Cream Milk 1l	5.51	4.47	8.97	8.56	-0.58	15.88	12.04	7.84 ↑
Cooking Oil 750ml	-35.81	-33.12	-40.49	-41.68	-30.31	-33.24	-35.61	-35.75 ↓
Chicken Frozen Whole 1kg		37.16	78.17	3.23	28.79	21.96	15.27	30.76 ↑
Cheapest Boerewors per Kg	-10.08	9.45	3.63	9.88	1.31	-0.69	11.71	3.60 ↑
Lamb Shoulder/Braai Chops 1Kg	-2.29	-3.23	6.35	5.23	-2.32	-1.68	-1.28	0.11 ↑
Pork Loin Chops 1Kg	7.03	12.36	21.48	0.37	1.95	8.72	8.71	8.66 ↑

Source: Adcheck, 2009.

7. Outlook

In the FPM of May 2009 the possibility was raised that the negative growth in the economy will bottom out from the middle towards the end of 2009. The Gross Domestic Product numbers that were released by Statistics South Africa for the second term of 2009 report that the seasonally adjusted estimate of the real GDP at market prices decreased by 3 percent. Although this is a significant improvement from an annualised decrease of 6.4 percent for the first quarter of 2009, it still implies that the economy has contracted, but at least at a reduced rate. Despite of recent surges in future markets, there is still a general atmosphere of wary optimism amongst chief bankers and economists and the term “green shoots” is frequently used to explain some of the recovery in the global economy. The bottom line is that many businesses and households continue to experience considerable difficulty getting access to credit.

Over the Outlook period crude oil prices are expected to benefit directly from the fresh signs that the global economic recovery is gathering pace and it seems as if $70/barrel is a relatively strong support level for the oil price. However, the outlook for most cereal and coarse grain prices is expected to be dominated by the marked improvement in the production outlook of many field crops in the Northern Hemisphere. For example, export prices of maize plunged from $190/ton (US no.3 YM, fob Gulf) to $160/ton over the past two months on the back of the greatly improved prospects of the US maize crop. Although wheat markets were still concerned about Argentina’s next crop, the ample global supply position and the recent sharp fall in maize prices caused wheat prices to trade much softer. World prices of maize and wheat are not expected to recover by any significant margin over the next two to three months. The outlook for global oilseed prices seems to be far more complicated as market participants are faced with a number of plausible scenarios. On the one hand the US is expecting a record soybean crop, but on the other hand demand prospects for US soybeans and meal are bullish as the world markets could become highly dependent on US supplies. This dependency could increase with any adverse El Niño weather conditions in South America. The EU’s GMO zero-tolerance policy provides an additional complication for the global demand and supply situation and it is hard to gauge in what direction oilseed markets will move over the next three months.

On the local front a maize crop in excess of 11.6 million tons is expected and large volumes of maize have already been exported. Over the next three months the local maize market will move into a typical cycle of “pre-season uncertainty” where local speculation regarding the next season’s plantings and weather patterns will influence price movements. Given the latest information regarding an increased possibility of El Niño weather patterns and the fact that relatively low prices are likely to induce a reduction in plantings, maize prices are likely to trade above export parity levels over the next three months. The complexities of market fundamentals, which role players face in the meat industry, are expected to increase rapidly over the outlook period. Typically, meat prices should be moving into an upward trend by October and November, but this year the increasing price trend could be dampened by a significant positive shift in the supply of beef. Beef supply is expected to increase over the outlook period due to two main reasons: First, many maize producers have opted not to sell their maize at the low market prices but rather use the maize as feed for their weaners. Second, the improved margins in feedlots over the past six months led to an increase in the demand for weaners. Therefore, the stocking rates in the feedlots are high. A significant amount of risk for all beef producers is embedded in this market behaviour because weaner prices have increased due to the positive shift in demand and the limited offering of weaners. In other words, the costs of beef production have increased, which implies that any decrease in the price of beef due to an increase in the supply can put margins under pressure.

Severe cold weather in parts of the country where the crop is not normally affected by frost has damaged a significant portion of the crop that was scheduled for early delivery on the market. Prices are expected to remain high until farmers respond to the high prices and increase plantings. The general shift in consumption patterns towards home entertainment, which was caused by the economic crises, where consumers tend to rather buy fresh food that can be prepared at home is still evident in the market. The outlook pertaining to disposable income of consumers remains unchanged, i.e. no significant improvement is expected over the short run.

APPENDIX A: DATA ON URBAN FOOD PRICE TRENDS

Table A.1: Wheat products

Wheat Products	Price level			Percentage change	
	Jul-08	Apr-09	Jul-09	Apr-09 to Jul-09	Jul-08 to Jul-09
Loaf of brown bread 700g	6.86	7.17	7.11	-0.84%	3.64%
Loaf of white bread 700g	7.58	7.87	7.87	0.00%	3.83%
Cake flour 2.5kg	21.07	18.23	17.73	-2.74%	-15.85%
Spaghetti 500g	10.07	10.41	10.52	1.06%	4.47%
Macaroni Plain 500g*	7.89	7.97	8.25	3.55%	4.53%
Average				**0.21%**	**0.12%**
SAFEX Wheat R/ton	3,974	2,526	2,492	-1.35%	-37.29%

*Data from AC Nielsen

Table A.2: Maize products

Maize Products	Price level			Percentage change	
	Jul-08	Apr-09	Jul-09	Apr-09 to Jul-09	Jul-08 to Jul-09
Maize Special 5kg*	17.21	17.62	16.91	-4.01%	-1.71%
Maize Super 5kg*	21.14	22.20	23.42	5.50%	10.80%
Average				**0.74%**	**4.54%**
SAFEX White maize R/ton	1,965	1,630	1,339	**-17.83%**	**-31.83%**

*Data from AC Nielsen

Table A.3: Sunflower products

Sunflower products	Price level			Percentage change	
	Jul-08	Apr-09	Jul-09	Apr-09 to Jul-09	Jul-08 to Jul-09
Sunflower oil 750 mℓ	16.35	14.30	13.28	-7.13%	-18.78%
Medium Fat Spread 1kg*	20.37	21.28	19.65	-7.64%	-3.53%
Brick margarine 500g	12.29	13.84	13.31	-3.83%	8.30%
Average				**-6.20%**	**-4.67%**
SAFEX Sunflower R/ton	5,054	2,802	2,733	-2.48%	-45.92%

*Data from AC Nielsen

Table A.4: Processed vegetables

Processed Vegetables	Price level			Percentage change	
	Jul-08	Apr-09	Jul-09	Apr-09 to Jul-09	Jul-08 to Jul-09
Baked beans 420g	5.18	6.75	7.08	4.89%	36.68%
Butter beans 410g	8.53	9.99	10.63	6.41%	24.62%
Chopped Peeled Tomato 410g*	8.43	9.70	10.59	9.17%	25.72%
Tomato & Onion Mix 410g*	6.85	7.60	8.16	7.42%	19.10%
Canned Peas 410g*	6.13	7.06	7.19	1.79%	17.32%
Baby Carrots 1kg*	29.06	29.30	31.62	7.91%	8.82%
Green Peas 1kg*	22.75	24.14	28.19	16.76%	23.93%
Sliced Beans 1kg*	27.06	27.64	29.48	6.65%	8.95%
Super Juicy Corn 1kg*	25.88	27.59	27.90	1.12%	7.79%
Average				**6.90%**	**19.21%**

*Data from AC Nielsen

Table A.5: Fresh vegetables

Fresh Vegetables	Price level			Percentage change	
	Jul-08	Apr-09	Jul-09	Apr-09 to Jul-09	Jul-08 to Jul-09
Carrots - fresh per kg	8.22	10.43	9.76	-6.42%	18.73%
Onions -fresh per kg	6.98	8.09	10.13	25.22%	45.13%
Potatoes bag 10kg*[6]	29.34	47.67	41.83	-12.25%	42.61%
Tomatoes - fresh per kg	9.72	15.36	12.28	-20.05%	26.34%
Sweet potatoes - fresh per kg	8.35	9.60	9.31	-3.02%	11.50%
Cabbage - fresh per kg	6.60	8.39	8.58	2.26%	30.00%
Lettuce - fresh per kg	16.66	16.83	16.11	-4.28%	-3.30%
Pumpkin - fresh per kg	8.42	9.86	9.26	-6.09%	9.98%
Cauliflower - fresh per kg	17.90	22.62	20.47	-9.50%	14.36%
Average				**-3.79%**	**21.70%**

*Data from AC Nielsen

Table A.6: Processed meat

Processed meat	Price level			Percentage change	
	Jul-08	Apr-09	Jul-09	Apr-09 to Jul-09	Jul-08 to Jul-09
Meatballs in Gravy 400g*	10.77	12.34	13.18	6.86%	22.37%
Picnic Ham 300g*	20.06	24.29	25.52	5.05%	27.22%
Pork sausage per kg	44.58	50.67	51.28	1.20%	15.03%
Polony per kg	20.82	26.75	26.79	0.15%	28.67%
Average				**3.32%**	**23.32%**

*Data from AC Nielsen

[6] Average price of the large and medium size potatoes packaged in 10kg potato bags

Table A.7: Unprocessed meat

Unprocessed meat	Price level			Percentage change	
	Jul-08	Apr-09	Jul-09	Apr-09 to Jul-09	Jul-08 to Jul-09
Pork chops - fresh per kg	51.02	53.02	48.56	-8.41%	-4.82%
Lamb - fresh per kg	76.13	69.85	68.97	-1.26%	-9.40%
Beef brisket - fresh per kg	41.24	45.85	44.59	-2.75%	8.12%
Beef chuck - fresh per kg	43.35	47.21	46.79	-0.89%	7.94%
Beef rump steak -fresh per kg	72.85	75.70	75.98	0.37%	4.30%
Beef T-bone - fresh per kg	58.43	61.20	60.50	-1.14%	3.54%
Beef mince - fresh per kg	44.44	47.88	47.14	-1.55%	6.08%
Whole chicken - fresh per kg	26.35	28.00	28.28	1.00%	7.32%
Whole chicken - frozen per kg	23.94	26.11	26.02	-0.34%	8.69%
Chicken portions - fresh per kg	34.73	37.31	37.60	0.78%	8.26%
Chicken portions-frozen per kg	20.68	24.64	23.86	-3.17%	15.38%
Average				**-1.58%**	**5.04%**

*Data from AC Nielsen

Table A.8: Dairy products

Dairy	Price level			Percentage change	
	Jul-08	Apr-09	Jul-09	Apr-09 to Jul-09	Jul-08 to Jul-09
Fresh Milk Full Cream 1ℓ*	6.63	7.18	7.18	0.07%	8.32%
Fresh Milk Full Cream 2ℓ*	15.46	15.44	15.85	2.67%	2.50%
Fresh Milk Low Fat 1ℓ*	6.94	7.33	7.31	-0.27%	5.27%
Fresh Milk Low Fat 2ℓ	15.83	15.84	16.31	2.99%	3.02%
Long Life Milk Full Cream 1ℓ*	8.31	9.20	9.52	3.50%	14.64%
Skimmed Powder Milk 1kg*	56.62	57.79	56.15	-2.84%	-0.82%
Total Butter 500g*	22.10	23.81	24.17	1.48%	9.36%
Cheddar cheese Per kg	70.84	77.59	80.03	3.14%	12.97%
Average				**1.34%**	**6.91%**

*Data from AC Nielsen

Table A.9: Fruits

Fruits	Price level			Percentage change	
	Jul-08	Apr-09	Jun-09	Apr-09 to Jun-09	Jul-08 to Jun-09
Apples - fresh per kilogram	9.52	11.31	10.21	-9.73%	7.25%
Bananas - fresh per kilogram	7.52	9.40	8.86	-5.74%	17.82%
Oranges - fresh per kilogram	6.17	7.36	5.14	-30.16%	-16.69%
Average				**-15.21%**	**2.79%**

Table A.10: Fish products

Fishes - tinned	Price level			Percentage change	
	Jul-08	Apr-09	Jul-09	Apr-09 to Jul-09	Jul-08 to Jul-09
Fish (excl tuna) 155g	5.20	5.78	5.90	2.08%	13.46%
Fish (excl tuna) 425g	9.80	13.17	12.21	-7.29%	24.59%
Tuna 170g	9.15	10.95	11.07	1.10%	20.98%
Average				**-1.37%**	**19.68%**

Table A.11: Other products

Other products	Price level			Percentage change	
	Jul-08	Apr-09	Jul-09	Apr-09 to Jul-09	Jul-08 to Jul-09
King korn 1kg*	9.43	10.06	10.02	-0.45%	6.27%
White sugar 2.5kg	15.74	17.65	18.02	2.10%	14.49%
Rice 2kg	21.00	26.28	25.24	-3.96%	20.19%
Ricoffy Reg 750g*	38.61	47.58	48.49	1.92%	25.59%
Ceylon/black tea 62.5g	5.70	6.92	6.85	-1.01%	20.18%
Peanut butter 410g	13.38	15.90	16.07	1.07%	20.10%
Imana Soya Mince Tomato & Onion 200g*	7.41	8.06	8.66	7.44%	16.80%
Eggs 1.5 dozen	20.51	24.04	24.53	2.04%	19.60%
Average				**1.14%**	**17.90%**

*Data from AC Nielsen

APPENDIX B: DATA ON RURAL FOOD PRICE TRENDS

Table B.1: Wheat products

Wheat products	Jul-08	Apr-09	Jul-09	Apr-09 to Jul-09	Jul-08 to Jul-09
Loaf of brown bread 600g	6.36	6.70	6.82	1.71%	7.15%
Loaf of brown bread 700g	6.64	6.92	6.86	-0.86%	3.34%
Loaf of white bread 600g	6.85	7.38	7.45	0.99%	8.72%
Loaf of white bread 700g	7.45	7.61	8.71	14.50%	16.96%
Average				**4.09%**	**9.04%**

Table B.2: Maize products

Maize products	Jul-08	Apr-09	Jul-09	Apr-09 to Jul-09	Jul-08 to Jul-09
Maize meal 12.5kg	54.01	60.34	54.83	-9.12%	1.53%
Maize meal 1kg	6.41	7.48	7.23	-3.26%	12.86%
Maize meal 2.5kg	13.79	14.28	14.55	1.91%	5.51%
Maize meal 5kg	26.03	28.36	29.05	2.43%	11.62%
Samp 1kg	7.22	6.92	6.68	-3.39%	-7.39%
Samp 2.5kg	12.98	13.17	16.92	28.51%	30.34%
Average				**2.85%**	**9.08%**

Table B.3: Sunflower products

Sunflower products	Jul-08	Apr-09	Jul-09	Apr-09 to Jul-09	Jul-08 to Jul-09
Sunflower oil 2L	38.74	33.93	30.67	-9.61%	-20.83%
Sunflower oil 500ml	11.59	11.45	11.74	2.47%	1.23%
Sunflower oil 750ml	16.29	14.47	13.61	-5.89%	-16.44%
Margarine 125g	8.52	5.51	5.61	1.85%	-34.22%
Margarine 250g	7.86	9.67	10.00	3.49%	27.34%
Margarine 500g	11.95	14.04	14.37	2.37%	20.21%
Average				**-0.89%**	**-3.79%**

Table B.4: Dairy products

Dairy products	Jul-08	Apr-09	Jul-09	Apr-09 to Jul-09	Jul-08 to Jul-09
Full cream long life milk 1L	9.62	9.44	9.97	5.67%	3.65%
Full cream long life milk 500ml	7.26	6.64	6.54	-1.50%	-9.92%
Average				**2.08%**	**-3.14%**

Table B.5: Tea and coffee

Tea and coffee	Jul-08	Apr-09	Jul-09	Apr-09 to Jul-09	Jul-08 to Jul-09
Instant coffee 100g	8.31	10.52	12.18	15.80%	46.61%
Instant coffee 250g	17.82	22.38	23.58	5.36%	32.34%
Tagless tea bags 250g	15.73	15.49	17.71	14.32%	12.60%
Tagless tea bags 62.5g	5.86	5.89	7.09	20.39%	20.96%
Average				**13.97%**	**28.13%**

Table B.6: Beans

Beans	Jul-08	Apr-09	Jul-09	Apr-09 to Jul-09	Jul-08 to Jul-09
Dried beans 1kg	12.24	14.30	15.05	5.21%	22.92%
Dried beans 500g	8.00	8.57	8.61	0.47%	7.67%
Butter beans 410g	7.72	8.70	9.34	7.30%	20.96%
Butter beans 420g	6.51	6.70	6.57	-2.03%	0.89%
Average				**2.74%**	**13.11%**

Table B.7: White sugar

Sugar	Jul-08	Apr-09	Jul-09	Apr-09 to Jul-09	Jul-08 to Jul-09
White sugar 1kg	8.27	9.17	10.79	17.73%	30.51%
White sugar 2.5kg	17.85	20.29	20.45	0.76%	14.54%
White sugar 500g	5.26	5.57	5.55	-0.30%	5.58%
Average				**6.06%**	**16.88%**

Table B.8: Pilchards

Pilchards	Jul-08	Apr-09	Jul-09	Apr-09 to Jul-09	Jul-08 to Jul-09
Pilchards in tomato sauce 155g	8.01	7.13	7.05	-1.05%	-12.00%
Pilchards in tomato sauce 425g	13.04	13.54	13.81	1.99%	5.95%
Average				**0.47%**	**-3.02%**

Table B.9: Rice

Rice	Jul-08	Apr-09	Jul-09	Apr-09 to Jul-09	Jul-08 to Jul-09
Rice 1kg	11.94	14.15	15.21	7.51%	27.41%
Rice 2kg	21.49	29.53	30.45	3.11%	41.73%
Rice 500g	6.46	7.77	8.10	4.20%	25.41%
Average				**4.94%**	**31.51%**

Table B.10: Peanut butter

Peanut butter	Jul-08	Apr-09	Jul-09	Apr-09 to Jul-09	Jul-08 to Jul-09
Peanut butter 270g	11.17	12.14	12.32	1.52%	10.29%
Peanut butter 400g	12.87	15.21	15.63	2.79%	21.47%
Peanut butter 410g	14.26	21.76	17.37	-20.20%	21.79%
Average				**-5.30%**	**17.85%**

Table B.11: Sorghum meal

Sorghum products	Jul-08	Apr-09	Jul-09	Apr-09 to Jul-09	Jul-08 to Jul-09
Sorghum-meal 1kg	9.40	10.07	10.34	2.66%	9.99%
Sorghum-meal 500g	5.77	5.81	6.24	7.51%	8.23%
Average				**5.09%**	**9.11%**

APPENDIX C: FOOD ITEMS WHOSE INFLATION STAYED ABOVE 6 % (THE UPPER LIMIT OF SARB INFLATION BRACKET) BETWEEN JULY 08 AND JULY 09

Table C.1: Food items in the urban areas that experienced above 6 % inflation (July 08 to July 09)

Grain & grain products	%	Meat & meat products and dairy & dairy products	%	Fresh and processed fruits and vegetables	%
Maize super 5kg	10.80%	Fresh milk full cream 1L	8.32%	Baked beans - tinned 420g	36.68%
Brick margarine 500g	8.30%	Long life milk full cream 1L	14.64%	Butter beans - tinned 410g	24.62%
King korn 1kg	6.27%	Total butter 500g	9.36%	Green peas 1kg	23.93%
Rice 2kg	20.19%	Cheddar cheese 1kg	12.97%	Tomato & onion mix 410g	19.10%
Ricoffy reg 750g	25.59%	Meatballs in gravy 400g	22.37%	Canned peas 410g	17.32%
Peanut butter 410g	20.10%	Picnic ham 300g	27.22%	Baby carrots 1kg	8.82%
Imana soya mince tomato & onion 200g	16.80%	Pork sausage 1kg	15.03%	Chopped peeled tomato 410g	25.72%
		Polony 1kg	28.67%	Sliced beans 1kg	8.95%
		Beef brisket - fresh 1kg	8.12%	Super juicy corn 1kg	7.79%
		Beef chuck - fresh 1kg	7.94%	White sugar 2.5kg	14.49%
		Beef mince - fresh 1kg	6.08%	Ceylon/black tea 62.5g	20.18%
		Whole chicken - fresh 1kg	7.32%	Eggs 1.5 dozen	19.60%
		Whole chicken - frozen 1kg	8.69%	Carrots - fresh 1kg	18.73%
		Chicken portions - fresh 1kg	8.26%	Onions -fresh 1kg	45.13%
		Chicken portions- frozen 1kg	15.38%	Potatoes bag 10kg	42.61%
		Fish (excl tuna) - tinned 155g	13.46%	Tomatoes - fresh 1kg	26.34%
		Fish (excl tuna) - tinned 425g	24.59%	Sweet potatoes – fresh 1kg	11.50%
		Tuna - tinned 170g	20.98%	Cabbage - fresh 1kg	30.00%
				Pumpkin - fresh 1kg	9.98%
				Cauliflower - fresh 1kg	14.36%
				Apples - fresh 1kg	7.25%
				Bananas - fresh 1kg	17.82%

Table C.2: Food items in the rural areas that experienced above 6 % inflation (July 08 to July 09)

Grain and grain products	%	Other products	%
Loaf of brown bread 600g	7.15%	Tagless tea bags 250g	12.60%
Loaf of white bread 600g	8.72%	Tagless tea bags 62.5g	20.96%
Loaf of white bread 700g	16.96%	White sugar 1kg	30.51%
Maize meal 1kg	12.86%	White sugar 2.5kg	14.54%
Maize meal 5kg	11.62%	Peanut butter 270g	10.29%
Samp 2.5kg	30.34%	Peanut butter 400g	21.47%
Margarine 250g	27.34%	Peanut butter 410g	21.79%
Margarine 500g	20.21%	Dried beans 1kg	22.92%
Butter beans 410g	20.96%	Dried beans 500g	7.67%
Rice 1kg	27.41%	Instant coffee 100g	46.61%
Rice 2kg	41.73%	Instant coffee 250g	32.34%
Rice 500g	25.41%		
Sorghum-meal 1kg	9.99%		
Sorghum-meal 500g	8.23%		

APPENDIX D: COMMODITY PRICE AND PRODUCT PRICE TRENDS

D.1 Wheat price trends

Between June 2008 and June 2009:

International wheat price ↓ 27 %

Domestic price of wheat ↓36 %

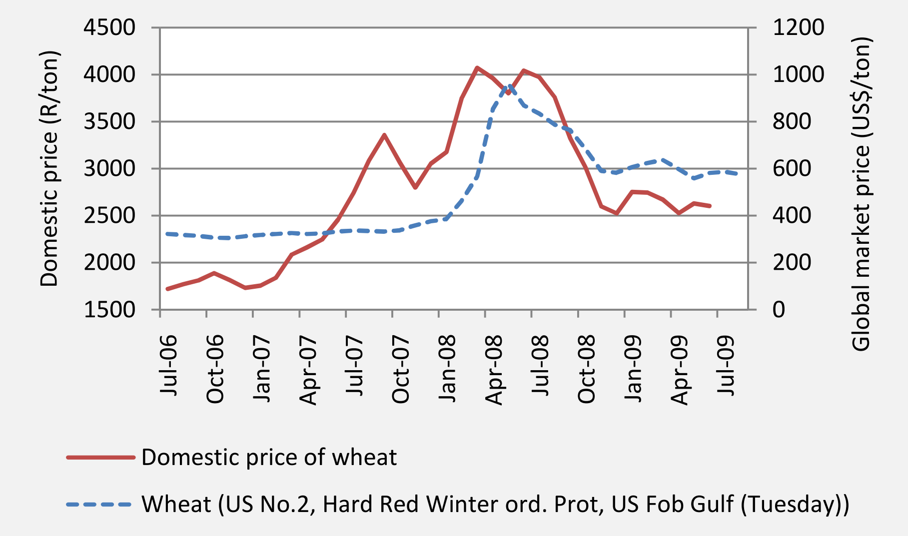


Figure D.1: Domestic market price of wheat against global market price
***Source:* FAO and SAFEX**

Domestic wheat price followed the import parity price of wheat closely, because SA is net importer of wheat.

Between June 2008 and June 2009:

Wheat import parity price ↓ 29 %

Wheat export parity price ↓19 %

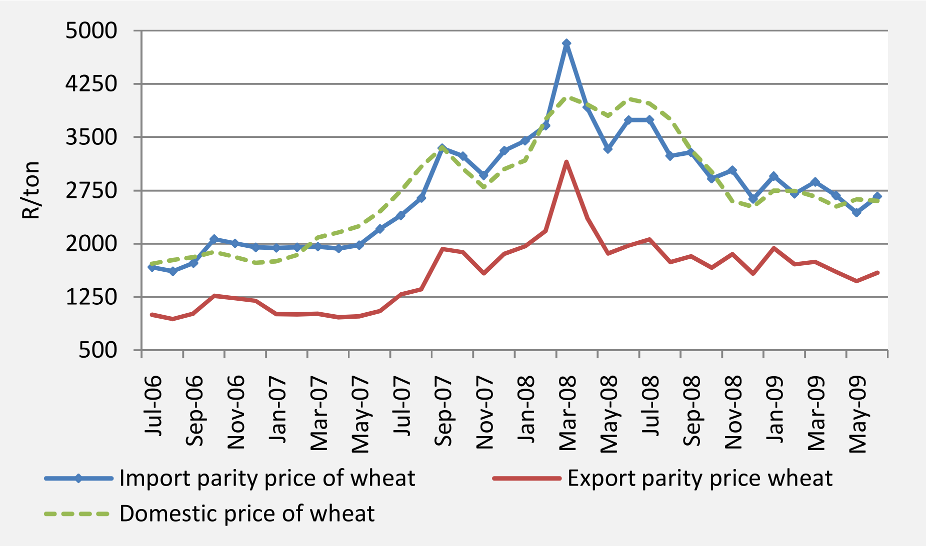


Figure D.2: Import parity, export parity and domestic prices of wheat:
***Source:* SAGIS and SAFEX**

Between July 2008 and July 2009:

Domestic wheat price ↓ 37 %

Brown bread price ↑ 4 %

White bread price ↑ 4 %

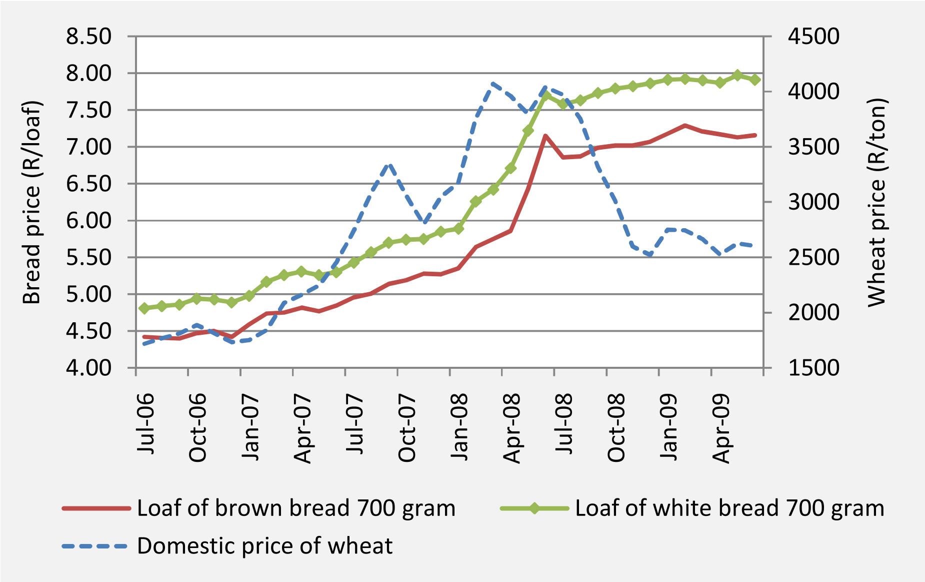


Figure D.3: Domestic market wheat price and bread price trends
***Source:* Stats SA and SAFEX**

D.2 Maize price trends

Between June 2008 and June 2009:

International price of maize ↓ 32 %

Domestic price of maize ↓ 30 %

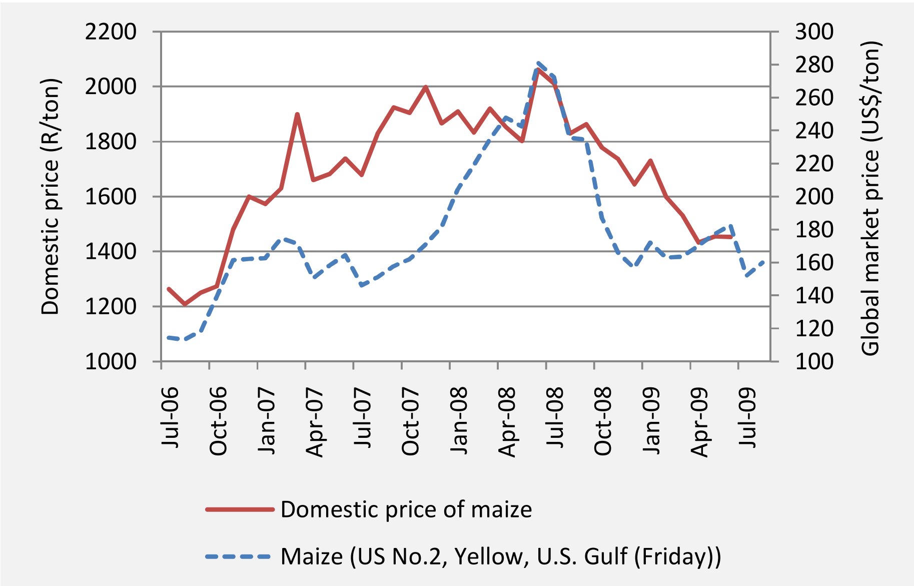


Figure D.4: Domestic market price of maize against global market price
***Source:* FAO and SAFEX**

The domestic maize price followed the import parity price closely until the end of 2007 because of lower availability locally. It followed the export parity price closely since end of 2007 due to significantly higher production volumes

Between June 2008 and June 2009:
Export parity price ↓30 %
Import parity price ↓ 36 %

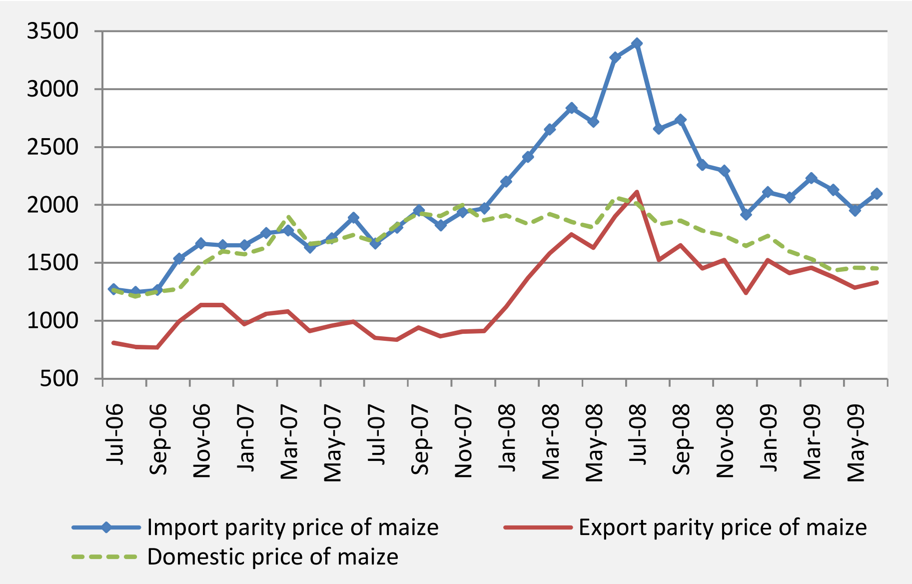


Figure D.5: Import parity, export parity and domestic prices of maize
***Source:* SAFEX and SAGIS**

Between July 2008 and July 2009:

Super maize meal price ↑ 11 %

Special maize meal ↓ 2 %

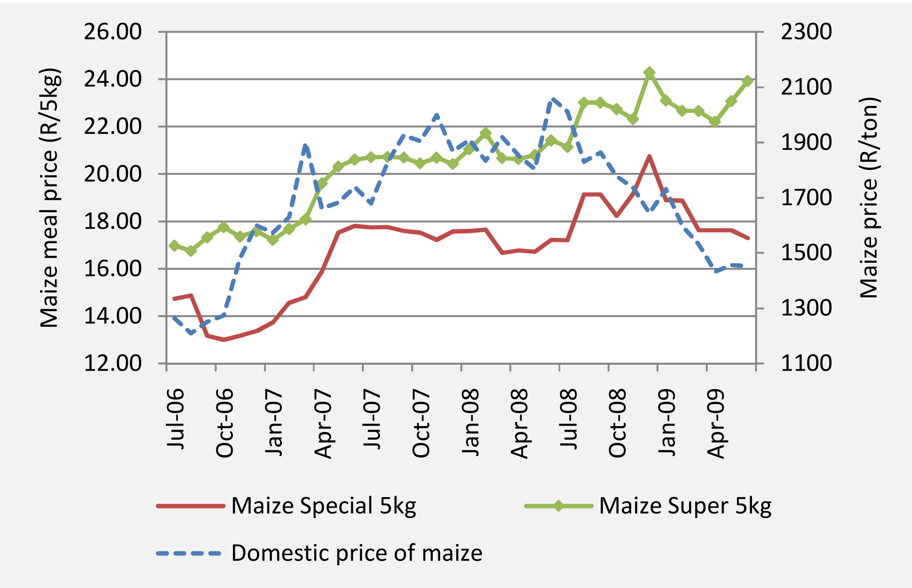


Figure D.6: Maize price and maize meal price trends
***Source:* SAFEX and AC Nielsen**

D.3 Sunflower seeds price trends

The international price and domestic price of sunflower seeds followed similar trends.

Between June 2008 and June 2009:

International price of sunflower seeds ↓ 46 %

Domestic price of sunflower seeds ↓ 40 %

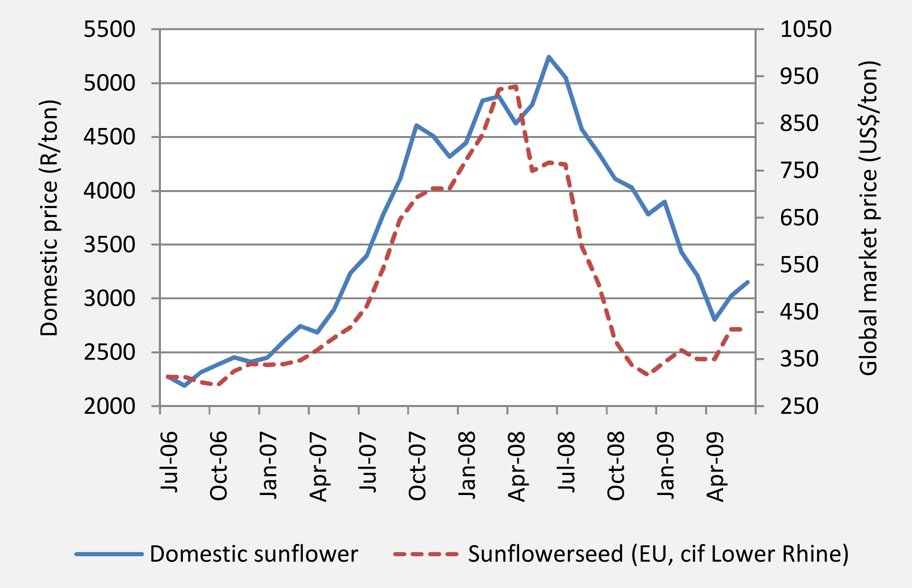


Figure D.7: Domestic market price of sunflower seeds against global market price
***Source:* FAO and SAFEX**

Between June 2008 and June 2009:

Sunflower seeds price ↓ 40 %

Sunflower oil price ↓ 17 %

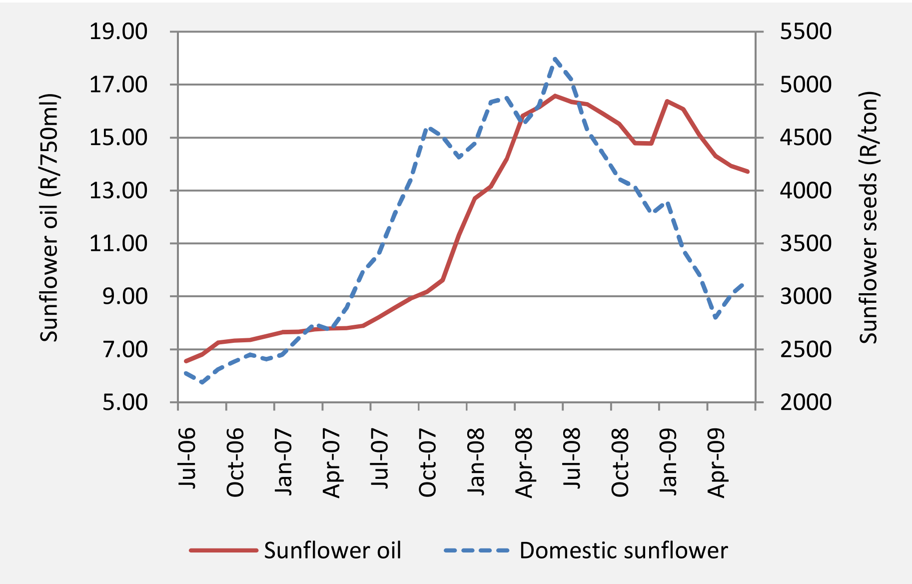


Figure D.8: Sunflower seeds price and sunflower oil price trends
***Source:* SAFEX and Stats SA**

D.4 Dairy price trends

International prices of skim milk powder and whole milk powder peaked in 2007 and decreased significantly until early 2009, after which they started to show signs of recovery.

Between May 2008 and May 2009:

Skim milk powder ↓ 42 %

Whole milk powder ↓ 52 %

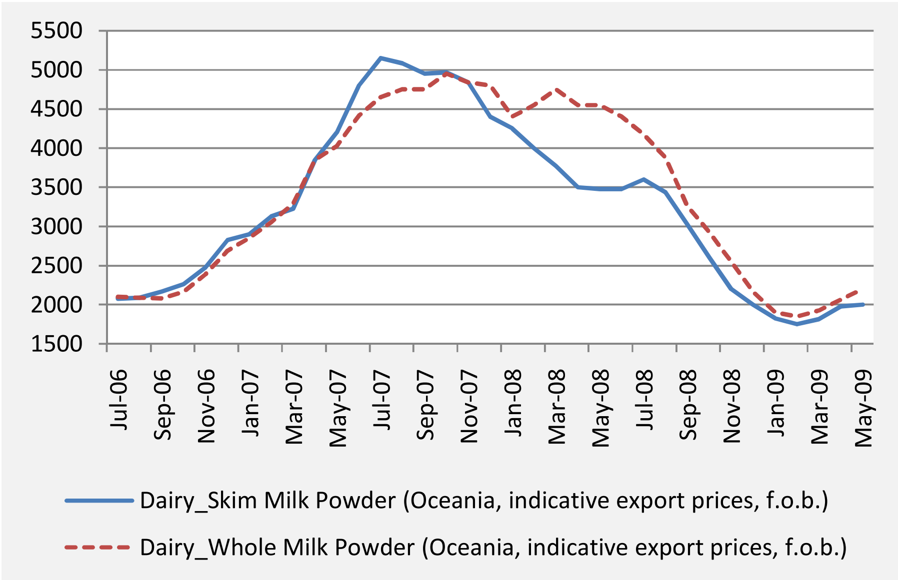


Figure D.9: Skim milk powder and whole milk powder price trends
***Source:* FAO**

Between June 2008 and June 2009:

Milk producer price ↓ 6 %

Full cream milk price ↑ 9 %

Low fat milk price ↑ 2 %

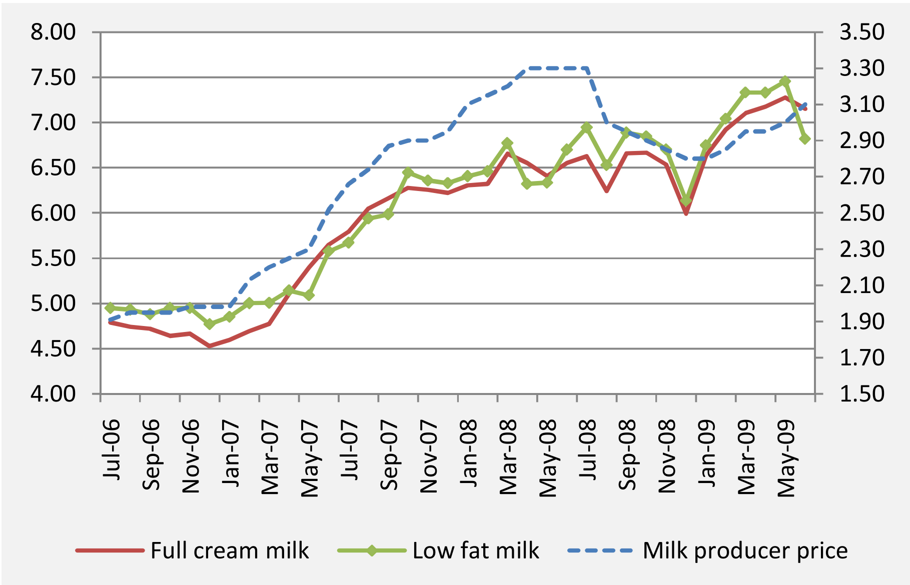
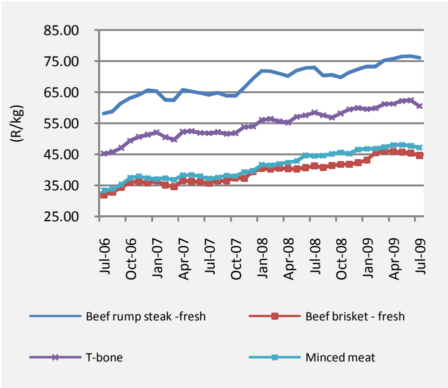


Figure D.10: Domestic producer price and retail price of milk
***Source:* MPO and AC Nielsen**

D.5 Meat price trends

Prices at retail level for most fresh meat categories started moving sideways during the second quarter of 2009.



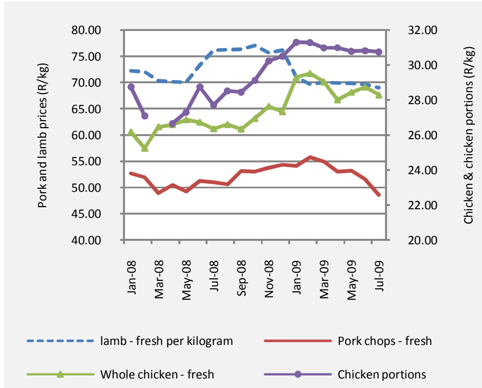


Figure D.11: Retail prices of beef, pork chops, chicken portions, whole chicken and lamb
***Source:* Stats SA**

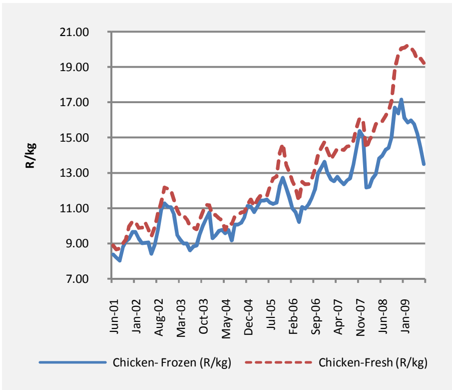
Between July 2008 and July 2009:

Producer price for fresh chicken ↑ 19 %

Frozen chicken price ↓ 6 %

Porker price ↑ 11 %

Baconer price ↑ 5 %



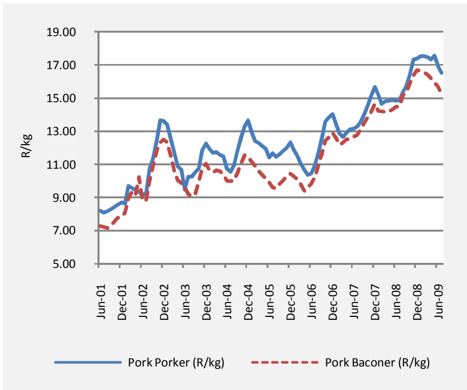


Figure D.12: Producer prices of beef, pork, chicken and lamb
***Source:* AMT**

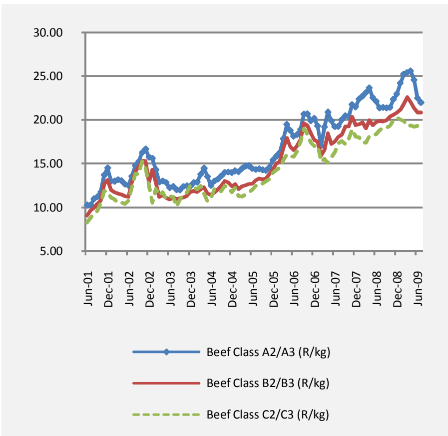
Between July 2008 and July 2009:

Producer price of Beef-class A2/A3 ↑ 3 %

Prices of both class B2/B3 and class C2/C3 ↑ 5 %

Price of lamb-class A2/A3 ↓ 13 %

Prices of class B and class C2/C3 ↓ 3 % and 6 %, respectively



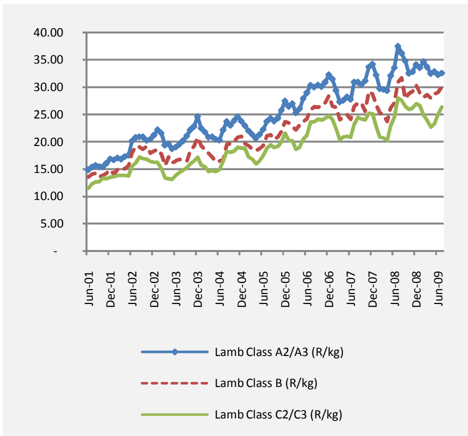


Figure D.13: Producer prices of beef, pork, chicken and lamb
***Source:* AMT**

APPENDIX E: FARM-TO RETAIL PRICE SPREADS AND FARM VALUE SHARES FOR SELECTED FOOD ITEMS

E.1 Wheat

FTRPS for both brown and white bread increased drastically since January 2008.

Between July 2008 and July 2009:

FTRPS for brown bread ↑ 14 %

FTRPS for white bread ↑ 17 %

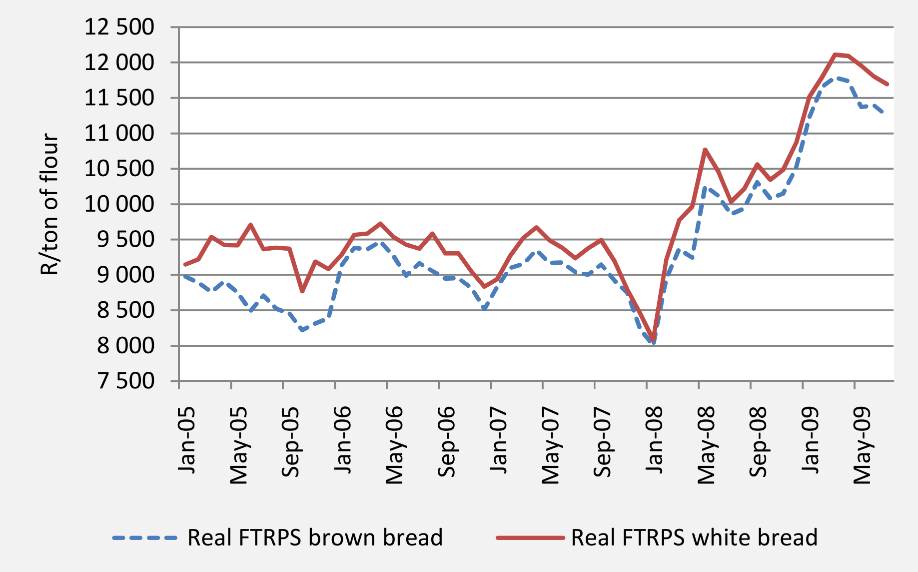


Figure E.1: Trends in the real farm-to-retail price spread for brown bread and white bread
***Source:* SAFEX and Stats SA**

FVS ↓ between January 2008 and July 2008

Between July 2008 and July 2009:

FVS for brown bread ↓ 39 %

FVS for white bread ↓ 39 %

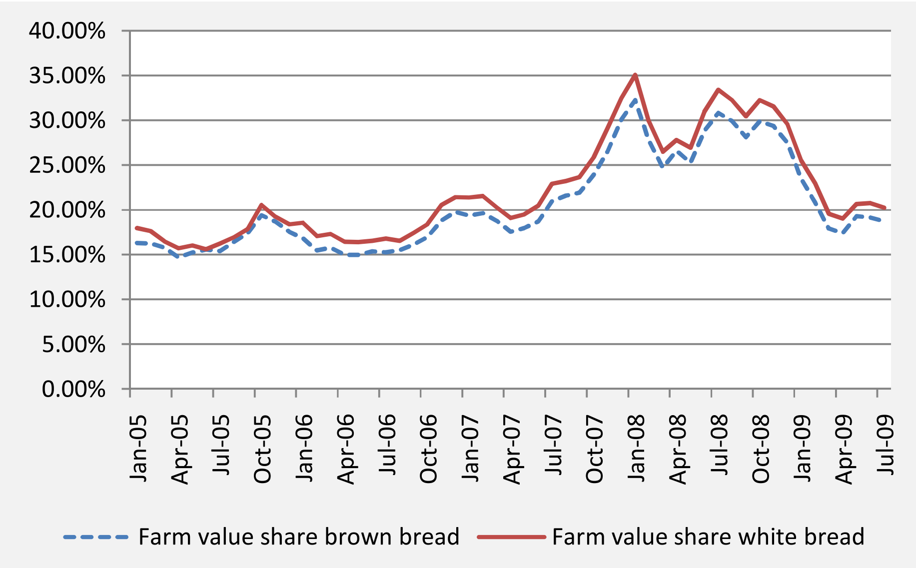


Figure E.2: Trends in the farm value shares of brown bread and white bread
***Source:* SAFEX and Stats SA**

E.2 Maize

FTRPS for maize fluctuated drastically

Between July 2008 and July 2009:

FTRPS for super maize meal ↑ 60 %

FTRPS for special maize meal ↑ 2 %

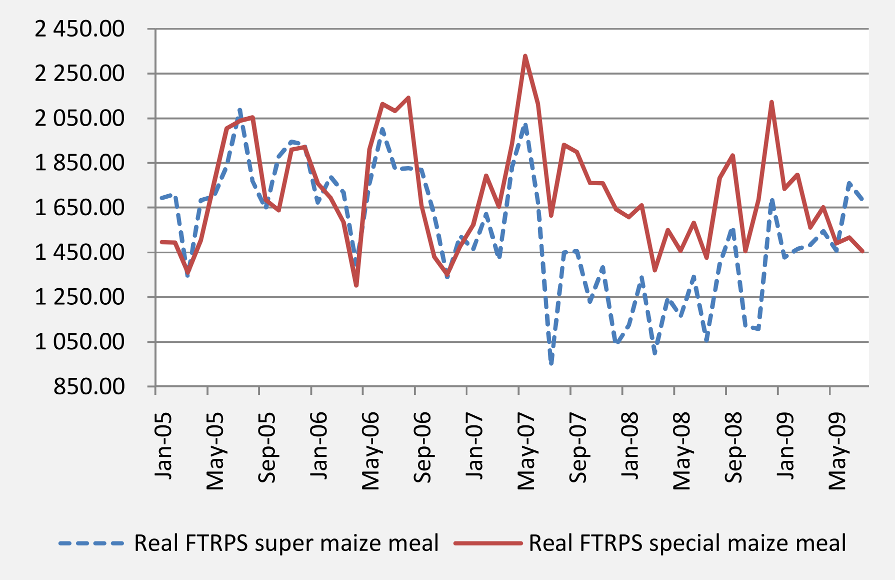


Figure E.3: Trends in the farm-to-retail price spread for super maize meal and special maize meal
Source: **SAFEX and Stats SA**

Between July 2008 and July 2009:

FVS for super maize meal ↓ 18 %

FVS for special maize meal ↓ 8 %

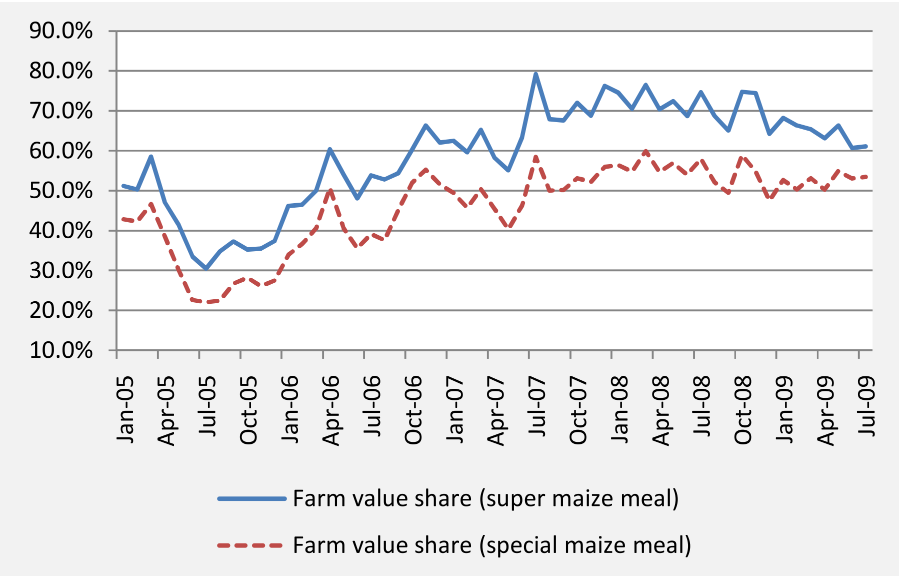


Figure E.4: Trend in the farm value shares of super maize meal and special maize meal
Source: **SAFEX and Stats SA**

E.3 Dairy

Between July 2008 and July 2009:

FTRPS for full cream milk ↑ 12 %

FTRPS for low fat milk ↓ 7 %

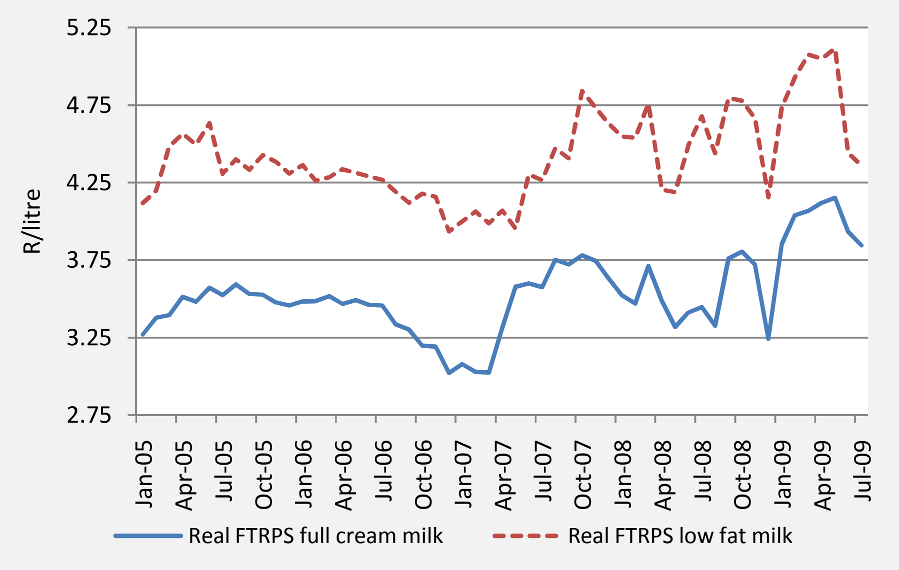


Figure E.6: Trends in the FTRPS for full cream milk and low fat milk
***Source:* MPO and AC Nielsen**

Between July 2008 and July 2009:

FVS for full cream milk ↓ 12 %

FVS for low fat milk ↓ 3 %

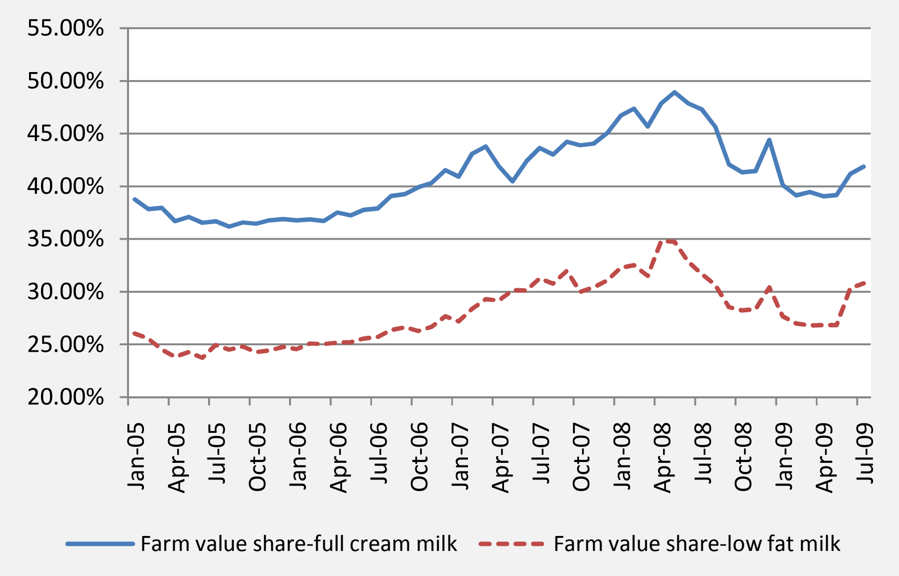


Figure E.6: Trends in the Farm Value Shares of full cream milk and low fat milk
***Source:* MPO and AC Nielsen**

APPENDIX F: DATA COLLECTION

Urban food prices reported by in this media release are obtained from Statistics South Africa (Stats SA) and AC Nielsen. These prices obtained from these two sources are regarded as being representative of changes in food prices in South Africa due to:

- Stats SA price data on all products are sampled from approximately 800 different data collections points across the country on a monthly basis. Food price data is not collected from all the data collection points since some stores that are sampled do not necessarily sell food. In addition, certain food prices are not sampled in all provinces. For example, the price of cheddar cheese is collected from Gauteng, Western Cape, Eastern Cape, KwaZulu-Natal, Free State, Northern Cape, North West and Mpumalanga. Food price data collection by Stats SA also involves field work where price collectors visit stores to collect data, after which such data undergoes a rigorous process to ensure the integrity of the data. The basket of food products that are included was derived from the Income and Expenditure Survey of 2005/06 that was compiled by Stats SA to ensure that the basket is representative of consumer spending on food. For more detailed information on the methodological process involved in the collection of prices visit http://www.statssa.gov.za/cpi/documents/CPI_Sources_Methods.pdf.
- AC Nielsen collects food price data on a monthly basis from approximately 1000 large food chain stores across the country. Food prices are collected through scanners at the tellers in the big food chain stores after which it undergoes a rigorous process to ensure the integrity of the data. As is the case for Stats SA not all prices are collected in all provinces. For example, potato prices are collected from the core urban areas of Gauteng, KwaZulu-Natal, Eastern Cape, Western Cape and Free State provinces.

This media release also reports food prices in deep rural areas. Rural food prices are collected from 190 outlets/shops by field workers of the different provincial departments of agriculture on a monthly basis. The number of outlets/shops per province are as follows: 28 outlets in the Free State, 27 in KwaZulu-Natal, 21 in Mpumalanga, 18 in the Northern Cape, 17 in the Eastern Cape, 16 in Gauteng, 21 in Limpopo, 23 in North West and 19 in the Western Cape.

QUARTERLY FOOD PRICE MONITOR
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Compiled by:

<u>Price trends and discussion on selected topics:</u>
Nkgasha Tema
Louise Kotze
Heidi Phahlane
Hester Vermeulen
André Jooste

<u>Outlook:</u>
Ferdi Meyer
PG Strauss

Enquiries: *André Jooste: 012 341-1115 or*
Johann Kirsten: 012 420-3248

Stats SA, AC Nielsen and the rural food price monitoring respondents are acknowledged for assistance provided to the NAMC in terms of food price data.