• National Agricultural Marketing Council •

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MEDIA RELEASE

Food price trends: December 2005 to December 2006

In the latest statement of the Monetary Policy Committee, the Governor of the Reserve Bank Mr Tito Mboweni stated that "food price inflation, which has been a major driver of CPIX inflation over the past few months, has shown some signs of moderation". STATSSA reported an annual food price inflation of 7.7% for December 2006, a marked decrease from the 9.4% food price inflation seen in October 2006. This media release supports this statement by providing further detail and analysis of the price levels and price trends for individual food items.

As usual we report on the year on year (December 2005 to December 2006) price changes for the major food products as well as the price changes between June and December. In support of the figures reported by STATSSA the analysis of individual food items provides a more comprehensive analysis and highlights the main groups of commodities responsible for the increase in the cost of the basic food basket. We also provide analysis on the looming drought conditions, becoming more apparent given the recent heat waves, and the possible effects on food prices and food availability. The first section of the document highlights products whose prices have increased by more then the inflation target of 6% which is then followed by a detailed discussion on the price trends of the major food commodities.

Based on the food items monitored by the NAMC at retail level, national average prices increased on average by **7.88%** between December 2005 and December 2006. It should be noted that these figures differ from those of STATSSA because we take a simple average while STATSSA uses a weighted average based on the income and expenditure survey. The expectation of increased inflationary pressure in November and December for the major food items was highlighted in our previous media release in light of the normal than higher demand over the festive season. The analysis presented here provides a good opportunity to reflect on how prices changed over the most recent festive season. The food commodities, in our basket, that increased by more than the inflation target of the Reserve Bank of 6% are:

- spaghetti (20.73%),
- macaroni (19.54%),
- super maize meal (36.16%),
- special maize meal (20.52%),
- cooking oil (19.51%),
- medium fat spread (12.59%),
- margarine brick (7.74%)
- Butter Beans (9.98%),
- tinned chopped peeled tomato(10.46%),
- tinned tomato and onion mix (6.48%),
- canned peas (8.35%),
- frozen peas (21.30%),
- frozen baby carrots (12.51%),
- onions (12.15%)

- tinned meatballs in gravy (10.89%),
- streaky bacon (11.81%),
- brisket beef (21.09%),
- beef mice (14.86%),
- stewing beef (31.69%),
- frozen chicken (27.21%)
- tinned sliced peaches (12.27%),
- tinned pear halves (9.29%),
- apricot jam (8.36%),
- pilchards in tomato sauce (18.67%),
- king korn (18.51%),
- sugar (12.60%),
- rice (11.96%),

Products whose prices decreased over the same period are: beans in tomato sauce (-0.26%), potatoes (-32.54%), French polony (-1.71%), boerewors (-1.21%), low fat (-0.46%) and full cream milk (-1.19%) sachets, skimmed milk powder (-14.98%), strawberry jam (-2.08%), granny smith apples (-3.20%), and oranges (-16.7%).

The tables below report the average price in December 2005, June 2006 and December 2006 together with the percentage change from June 2006 to December 2006 as well as the year on year percentage change between December 2005 and December 2006. In addition we report the percentage changes of the main commodity prices to assist readers in understanding why retail prices increased on average by 7.88%.

Table 1: Wheat Products

	Price level			**Percentage change**	
Wheat Products	**Dec-05**	**Jun-06**	**Dec-06**	**June-06 to Dec-06**	**Dec-05 to Dec-06**
Bread – White Sliced	4.62	4.64	4.78	3.12%	3.60%
Bread – Brown Sliced	4.22	4.37	4.35	-0.42%	3.25%
Flour 2.5kg	10.57	10.19	10.92	7.12%	3.31%
Spaghetti Plain 500g	4.42	5.07	5.33	5.17%	20.73%
Macaroni Plain 500g	4.43	5.08	5.30	4.28%	19.54%
Average				**3.86%**	**10.09%**
SAFEX Wheat R/ton	1404.00	1360.48	1746	28.34%	24.36%

Table 2: Maize Products

	Price level			**Percentage change**	
Maize Products	**Dec-05**	**Jun-06**	**Dec-06**	**June-06 to Dec-06**	**Dec-05 to Dec-06**
Maize Super 5kg	12.91	16.43	17.58	6.97%	36.16%
Maize Special 5kg	11.09	14.02	13.36	-4.67%	20.52%
Average				**1.15%**	**28.34%**
SAFEX White Maize R/ton	1105.15	1293.86	1381	6.74%	24.96%

Table 3: Sunflower Products

	Price level			Percentage change	
Sunflower Products	**Dec-05**	**Jun-06**	**Dec-06**	**June-06 to Dec-06**	**Dec-05 to Dec-06**
Cooking Oil 750ml	5.99	5.83	7.16	22.82%	19.51%
Medium Fat Spread 1kg Tub	11.49	10.89	12.94	18.82%	12.59%
Margarine 500g Brick	7.38	7.80	7.95	1.88%	7.74%
Average				**14.51%**	**13.28%**
SAFEX Sunflower R/ton	**2195**	**2191**	**2444**	11.55%	11.34%

Table 4: Processed Vegetables

	Price level			Percentage change	
Processed Vegetables	**Dec-05**	**Jun-06**	**Dec-06**	**June-06 to Dec-06**	**Dec-05 to Dec-06**
Beans in Tomato Sauce 420g	3.84	3.72	3.83	2.95%	-0.26%
Butter Beans in Brine 410g	6.29	6.22	6.91	11.05%	9.98%
Chopped Peeled Tomato 410g	6.09	6.23	6.73	8.06%	10.46%
Tomato & Onion Mix 410g	5.52	5.67	5.88	3.77%	6.48%
Canned Peas 410g	4.77	4.78	5.17	8.23%	8.35%
Frozen Green Peas 1kg	13.61	14.83	16.51	11.32%	21.30%
Frozen Baby Carrots 1kg	20.77	22.24	23.37	5.10%	12.51%
Frozen Corn 1kg	19.86	16.46	20.58	25.05%	3.62%
Frozen sliced beans 1kg	21.03	21.11	22.21	5.24%	5.64%
Average				**8.97%**	**8.68%**

Table 5: Fresh Vegetables

	Price level			Percentage change	
Fresh Vegetables	**Dec-05**	**Jun-06**	**Dec-06**	**June-06 to Dec-06**	**Dec-05 to Dec-06**
Carrots 1kg Pack	5.80	6.72	6.05	-9.97%	4.43%
Onions 1kg Pack	5.11	5.80	5.73	-1.24%	12.15%
Potatoes BS- 7kg	19.69	15.53	13.28	-14.49%	-32.54%
Tomatoes per kg	9.13	10.16	9.53	-6.22%	4.36%
Sweet Potatoes 1kg	7.09	6.77	7.22	6.61%	1.75%
Average				**-5.06%**	**-1.97%**

Table 6: Meat

	Price level			Percentage change	
Red Meat and Chicken	**Dec-05**	**Jun-06**	**Dec-06**	**June-06 to Dec-06**	**Dec-05 to Dec-06**
Meatballs in Gravy 400g	8.32	8.04	9.23	14.76%	10.89%
Picnic Ham 300g	14.91	15.22	15.05	-1.17%	0.89%
French Polony 1kg	16.90	15.17	16.61	9.45%	-1.71%
Rind less Back Bacon 250g	14.39	14.69	15.26	3.90%	6.08%
Streaky Bacon 250g	12.65	13.35	14.14	5.94%	11.81%
Pork Chops per kg	32.78	30.04	36.43	21.26%	11.12%
Lamb Chops per kg	50.64	48.82	59.25	21.37%	17.01%

Boerewors per kg	31.82	27.13	31.44	15.88%	-1.21%
Brisket per kg	30.82	33.38	37.32	11.79%	21.09%
Beef Mince per kg	28.88	30.80	33.17	7.70%	14.86%
Beef Stewing per kg	28.19	34.13	37.12	8.75%	31.69%
Chicken - Whole Frozen	18.24	16.49	23.20	40.70%	27.21%
Chicken - Whole Fresh	21.03	19.48	21.80	11.95%	3.70%
Average				**13.25%**	**11.80%**
Beef (weaners) R/kg	**10.78**	**11.86**	**15.76**	**32.88%**	**46.20%**
Beef (grain fed carcass) R/kg	**15.77**	**17.85**	**19.87**	**11.32%**	**26.00%**
Mutton (abattoir price) R/kg	**27.42**	**28.93**	**32.21**	**11.34%**	**17.47%**
Pork (abattoir price) R/kg	**10.29**	**9.92**	**13.08**	**31.85%**	**27.11%**

Table 7: Dairy and Eggs

	Price level			**Percentage change**	
Dairy and Eggs	**Dec-05**	**Jun-06**	**Dec-06**	**June-06 to Dec-06**	**Dec-05 to Dec-06**
Butter 500g	16.24	15.39	15.68	1.86%	-3.47%
Cheese – Cheddar	32.65	36.74	33.79	-8.03%	3.48%
Fresh Milk Full Cream 2l	9.71	10.13	9.93	-1.99%	2.27%
Fresh Milk Low Fat 2l	10.10	10.55	10.31	-2.23%	2.08%
Fresh Milk Low Fat 1L Sachet	4.79	4.93	4.77	-3.18%	-0.46%
Fresh Milk Full Cream 1L Sachet	4.58	4.75	4.53	-4.70%	-1.19%
Skimmed Powder Milk 1kg	49.96	44.22	42.48	-3.93%	-14.98%
LongLife Milk Full Cream 1L	6.15	6.22	6.51	4.65%	5.80%
Eggs 30's	24.12	27.03	28.84	6.69%	19.59%
Average				**-1.21%**	**1.46%**

Table 8: Fruit

	Price level			**Percentage change**	
Fruit	**Dec-05**	**Jun-06**	**Dec-06**	**June-06 to Dec-06**	**Dec-05 to Dec-06**
Sliced Peaches 410g	5.04	5.95	5.65	-4.98%	12.27%
Pears Halves 410g	7.04	7.23	7.69	6.33%	9.29%
Strawberry Jam 450g	9.99	9.27	9.78	5.48%	-2.08%
Apricot Jam 450g	7.24	7.37	7.85	6.53%	8.36%
Granny Smith Apples 1.5kg	9.59	7.11	9.29	30.58%	-3.20%
Orange 2.5 kg	11.40	8.20	9.50	15.86%	-16.70%
Average				**9.97%**	**1.32%**

Table 9: Fish

Fish	Price level			Percentage change	
	Dec-05	Jun-06	Dec-06	June-06 to Dec-06	Dec-05 to Dec-06
Pilchards in Tomato 425g	6.41	7.38	7.60	3.10%	18.67%
Tuna Shredded in Brine 170g	6.72	6.31	7.03	11.44%	4.72%
Average				**7.27%**	**11.70%**

Table 10: Other

Other	Price level			Percentage change	
	Dec-05	Jun-06	Dec-06	June-06 to Dec-06	Dec-05 to Dec-06
King Korn 1kg	6.59	7.79	7.81	0.27%	18.51%
Jungle Oats 1kg	12.21	10.98	12.85	17.04%	5.22%
Cornflakes 750g	18.76	19.36	19.90	2.80%	6.09%
Rice Crispies 400g	15.82	15.87	16.09	1.37%	1.69%
Sugar 2.5kg	12.26	13.20	13.81	4.60%	12.60%
Rice 2kg	8.85	8.80	9.90	12.61%	11.96%
Ricoffy Reg 750g	25.91	25.52	26.54	3.99%	2.45%
Glen Tea 100's	9.88	9.75	10.63	9.01%	7.57%
Coca Cola Regular 2l	8.90	10.25	10.47	2.14%	17.55%
Peanut Butter Smooth 410g	8.85	9.12	9.50	4.09%	7.34%
Soya Mince Tomato & Onion	5.76	5.79	5.79	0.06%	0.51%
Average				**5.27%**	**8.32%**

Detailed Discussion

Maize meal

Year on year December 2005-2006 maize meal prices increased on average by 28.34%. This is largely attributable to the course grain commodity price increasing by 25% over the same period. Figure 1 below shows how the SAFEX white and yellow maize nearest month contract prices have increased in 2006 relative to both 2004 and 2005. The figure below also reports the Chicago Board of Trade (CBOT) price of maize, converted into Rands per ton. It should be noted that the CBOT price appears lower then the SAFEX price because it does not include the cost of insurance and freight.

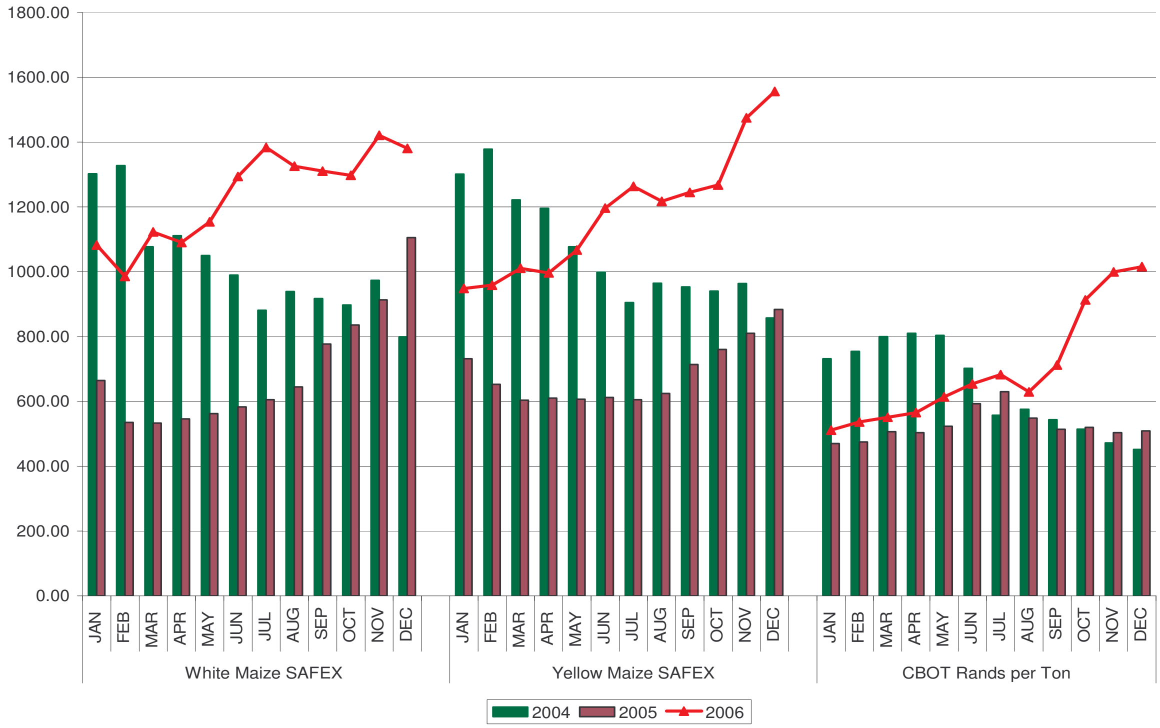

Figure 1: Maize Commodity Prices

Bread

The bread price increased on average by 3.34% between December 2005 to December 2006 well below the inflation target of 6%. In the previous media release, concern was raised regarding the fact that brown bread had increased by more then 6% year on year October, while white bread price increased by only 1.68% in the same period. Our latest statistics show a decrease in the brown bread price for November and December. The difference between the price of white and brown bread has increased to 10% - somewhat higher than the 6% in October.

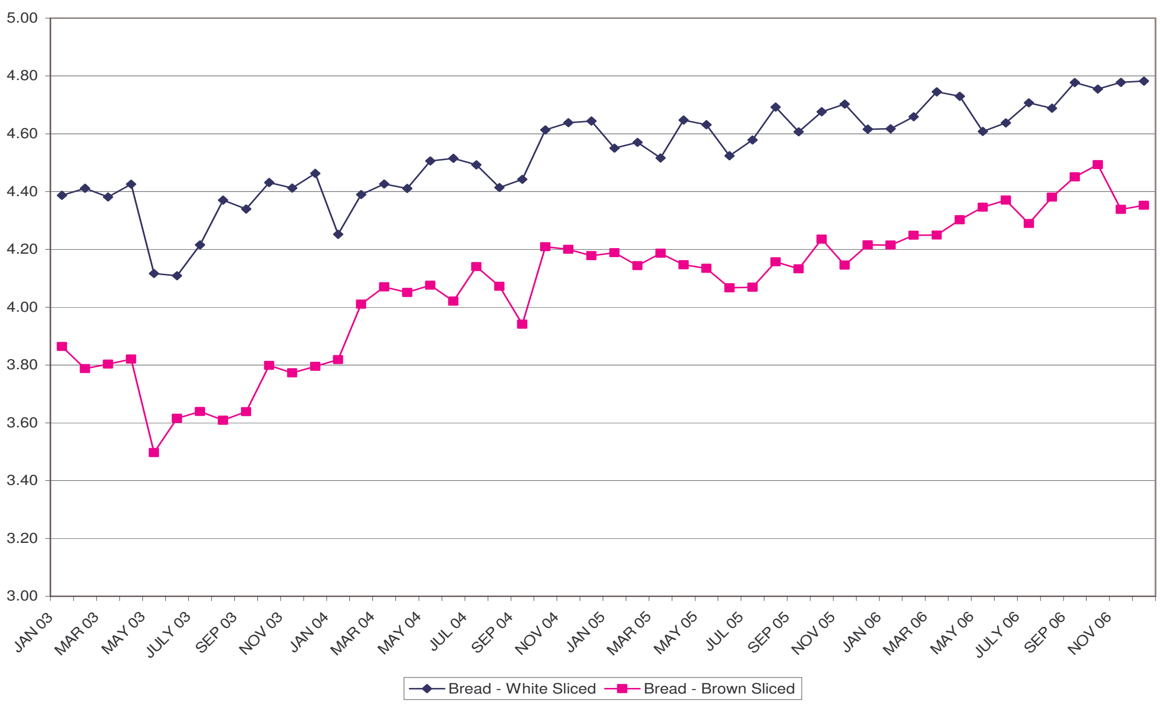

Figure 2: Bread Prices

Beef and Poultry products

All the price trends reported in these press releases by the NAMC are based on the analysis of scanner data from sales food items at all the major retail chains across the country. It is however important to note that scanner data, the data recorded at till points, is not the optimal price data collection method for variable weight products such as fresh meat. Scanners record the price and the product associated with the barcode but not the exact weight, resulting in higher variations in price when averages are determined. In order to verify that the price trends are accurate, prices collected by the NAMC were compared to STATSSAs' meat price index. Correlation coefficients were calculated and it was found that there is a strong significant correlation between the various meat prices collected by the NAMC and the meat price index determined by STATSSA. The figure below reports the beef prices as monitored by the NAMC together with the STATSSA meat price index.

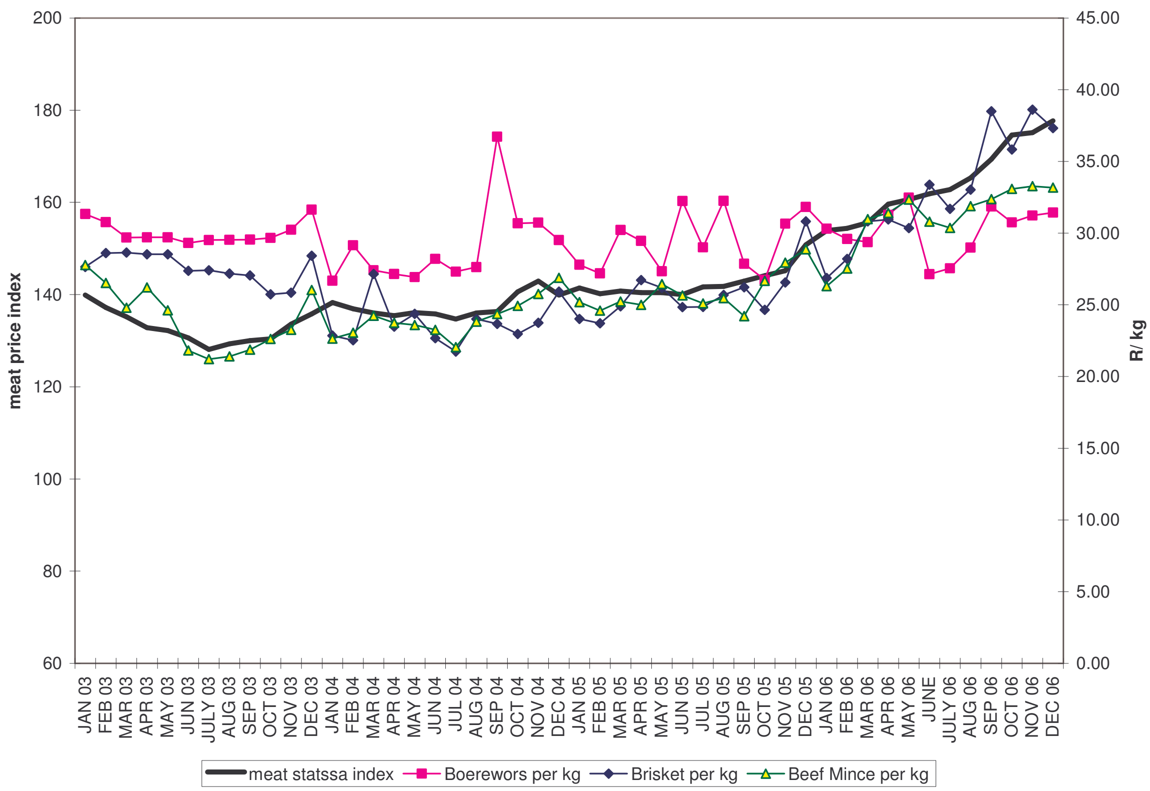

Figure 3: Meat Prices

Fresh vegetables

Fresh vegetable prices decreased on average by 1.97% between December 2005 and December 2006. This decrease in average price is largely due to a decrease in the price of potatoes which decreased on average by 32.54% for a 7kg pocket. Lower potato prices is a result of an exceptionally good production season for the potato industry at large, with an increase of 24% in the number of pockets sold on the fresh produce markets during November and December resulting in the producer price decreasing by 49% between December 2005 and December 2006.

Dairy products

Dairy products, on average decreased by 0.81% between December 2005 and 2006 with skimmed milk powder decreasing by more then 14% in the same period. Over the same period 2 litre fresh milk cartons increased on average by 2.1% while milk sachets on average decreased by 0.82%.

Figure 4: Fresh Milk Prices

Looking ahead

With recent heat waves across the country and lower than normal rainfall in many production areas concerns about the size of the maize and other field crops are being raised while low levels of soil moisture could affect plantings of wheat in the Northern production regions and at the same time the heat and limited rainfall could impact negatively on the availability of grazing. Using the grain and livestock sector model of the Bureau for Food and Agricultural Policy we simulated the effect of a likely drought. According the model results we could expect that annual average white and yellow maize prices could be in the region of R1804/t and R1738/t respectively for the 2007/08 marketing season, with future prices for white maize possibly trading as high as R2000 during specific periods of time during the season

Wheat producer prices could be on average R1973 per ton for 2007 – some R500 higher than the average for 2006. Increased maize and wheat prices are likely to result in increased maize meal and bread prices.

Beef prices however are expected to follow a different cycle. Reduced rainfall could result in poor grazing conditions resulting in an increased supply of weaners to auctions and to feedlots potentially depressing weaner and abattoir prices. Provided full transmission of these trends and market power of retailers not being a factor we expect that consumers could expect a relief in the very high retail prices of fresh meat. Weaner and grain fed carcass prices have already decreased by 13% and 5% respectively between December 2006 and January 2007.

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