



MEDIA RELEASE

FOOD PRICE MONITOR:
FEBRUARY 2010

EXECUTIVE SUMMARY

The Consumer Price Index (CPI) report released by Statistics South Africa (Stats SA) in February 2010 indicates that food inflation fell below the lower limit of the South African Reserve Bank's target inflation bracket. Inflation on food and non alcoholic beverages slowed down to 2.4% on a year-on-year basis (i.e. January 2009 to January 2010).

The period of high inflation is over for most countries; however, Turkey and Tanzania are still under pressure from high inflation. South Africa's food inflation is higher than that of most developed countries.

Food commodity prices continued to decrease at a double digit rate. In general grain products experienced retail price decreases in both rural and urban areas during the 12-month period ending January 2010. However, in the rural areas, maize products experienced average increase in prices during the same period. In the urban areas, the inflation for dairy, fish, fresh and processed vegetables, fresh and processed meat, and other products slowed down from the figures reported in the November 2009 Food Price Monitor (FPM). In rural areas inflation also slowed for most food products.

The prices of food remain higher in the rural areas than in the urban areas. In January 2009, people living in rural areas had to pay R9.75 more than people in urban areas for food products monitored by the NAMC. The price difference increased to R17.49 in January 2010 fuelled mainly by rice, maize meal and sugar.

The cost of the food basket expressed as a share of the average monthly income of the poorest 30% of the population increased slightly from 33.2% in January 2009 to 33.4% in January 2010 while the cost of the food basket expressed as a share of the average monthly income of the wealthiest 30% of the population remained constant at 2.6% over the same period.

The farm-to-retail price spreads for full cream milk and low fat milk increased between January 2009 and January 2010. During the same period, the farm value shares of the two products decreased.

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Strategic positioning of South African Agriculture in dynamic global markets

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1. Foreword

The Consumer Price Index (CPI) report released by Statistics South Africa (Stats SA) in February 2010 indicates that food inflation fell below the lower limit of the South African Reserve Bank's target inflation bracket. The year-on-year (i.e., January 2009 to January 2010) increase in the CPI for food and non-alcoholic beverages, as reported by Stats SA, was 2.4 %, which is 1.2 percentage points lower than the figure released in December 2009 (3.6 %). The overall CPI, as reported by Stats SA, reflects a year-on-year increase of 6.2 %. This figure is 0.1 percentage points lower than the 6.3 % recorded for December 2009, and 0.3 percentage points higher than the 5.9 % recorded for October 2009. According to Stats SA, the main contributors to the CPI's annual increase of 6.2 % were housing & utilities (1.6 %), miscellaneous goods and services (1.3 %), transport (1.1 %), alcoholic beverages & tobacco (0.6 %), food & non-alcoholic beverages (0.4 %), recreation & culture (0.3 %), household contents and services (0.2 %), restaurants and hotels (0.2 %), clothing & footwear (0.2 %), education (0.2 %) and health (0.1 %)

2. Overall inflation and food inflation: South Africa and the selected countries

Table 1 compares South Africa's overall inflation rate and inflation of food & non-alcoholic beverages to that of other countries. The period of high inflation is over for most countries; however, Turkey and Tanzania are still under pressure from high inflation. Tanzania continued to experience double-digit inflation rates for all items and food between January 2009 and January 2010. The overall and food inflation rates for Turkey were 8.2 % and 9.4 % during the same period, respectively. The Unites States and Canada experienced inflation rates of 2.6 % and 1.9 % for the period, respectively. The United States is the only country that experienced deflation in the food sector (-0.4 %).

Table 1: Overall inflation and food inflation

Country	Month	Overall inflation (%)	Inflation of food and non alcoholic beverages (%)
Botswana	Jan-10	6.1	3.6
South Africa	Jan-10	6.2	2.4
Tanzania	Jan-10	10.9	11.3*
Turkey	Jan-10	8.2	9.4
Canada	Jan-10	1.9	1.4*
Brazil	Jan-10	4.5	2.7*
United States	Jan-10	2.6	-0.4*
United Kingdom	Jan-10	3.4	1.9

* specified as food inflation
Source: Central banks and statistics reporting institutions of these countries, as well as press

3. Urban and rural food price trends: January 2009 – January 2010

This section reports the price trends for 65 different food items that are sold in urban areas across South Africa, and 39 food items sold in rural areas. Detailed data on the selected food items in urban areas is presented in Appendix A, and Appendix B shows the price levels and price changes between October 2009 and January 2010, as well as year-on-year (January 2009 to January 2010) price changes of selected food items in rural areas.

Appendix C shows food items in urban and rural areas whose year-on-year prices changes were lower than the South African Reserve Bank's 6 % inflation target. Food items in urban areas whose inflation averaged above the South African Reserve Bank's 6 % inflation target included: baked beans (28.14 %), butter beans (17.83 %), chopped peeled tomatoes (23.95 %), tomato & onion mix (20.62 %), canned peas (11.42 %), baby carrots (9.76 %), green peas (27.30 %), sliced beans (6.97 %), carrots (6.87 %), onions (13.07 %), potatoes (42.11 %), meatballs in gravy (12.79 %), picnic ham (10.74 %), pork sausage (9.08 %), chicken portions - fresh (11.75 %), longlife milk - full cream (22.18 %), total butter (14.19 %), cheese (15.35 %), apples (7.48 %), fish 155g (11.90 %) king korn (6.98 %), white sugar (8.42 %), Ricoffy (18.78 %), Ceylon/black tea (10.55 %), Imana soya mince - tomato & onion (6.39 &), and eggs (6.69 %).

Food items in rural areas that experienced higher than 6 % price increases include: maize meal 12.5 kg (14.21 %), maize meal 1 kg (28.43 %), samp 2.5 kg (9.64 %), full cream longlife milk 1ℓ (10.33 %), instant coffee 100 g (26.50 %), instant coffee 250 g (19.51 %), tagless tea bags 62.5 g (7.09 %), butter beans 410 g (10.32 %), pilchards in tomato sauce 155 g (12.69 %), pilchards in tomato sauce 425 g (6.23 %), peanut butter 270 g (14.98 %), peanut butter 400 g (18.86 %), and sorghum meal 1 kg (7.36 %).

Looking in more detail at trends

The prices of agricultural commodities continue to decrease. The domestic price of wheat decreased by 24.58 % between January 2009 and January 2010. The domestic price of maize and sunflower seed also decreased, by 22.57 % and 18.49 % respectively, during the same period. Most of the food items in the food basket monitored by the NAMC experienced price decreases, and increases of less than 6 %, in both rural and urban areas.

Wheat products in urban areas experienced an average price decrease of 4.93 % during the 12-month period ending in January 2010. This is higher than the price decrease reported in the November 2009 Food Price Monitor (FPM) for the period of October 2008 to October 2009, i.e., -0.08 %. In rural areas, the year-on-year wheat product inflation rate also decreased, from 1.20 % in October 2009 to -1.64 % in January 2010.

In urban areas, the price of maize products decreased, on average, by 1.43 % between January 2009 and January 2010. This is lower than the decrease reported in the November 2009 FPM, i.e., -2.01 %. During the same period, the price of maize products in rural areas increased by 6.94 %, which is also higher than the 4.48 % reported in the November 2009 FPM. In both urban and rural areas, the price of sunflower products decreased, on average, by 12.23 % and 5.84 % respectively, between January 2009 and January 2010.

Year-on-year prices of dairy products in urban areas increased, on average, by 7.96 %. The opposite situation prevails in rural areas, where dairy product prices decreased, on average, by 2.33 %.

The inflation of fish continues decelerating in both urban and rural areas. The price of fish in urban areas increased at a lower rate (3.54%) than its 12.62 % reported in the November 2009 FPM. The inflation of pilchards in rural areas decreased from 12.04 % in October 2009 to 9.46 % in January 2010.

The year-on-year inflation for fresh and processed vegetables in urban areas decreased from 27.25 % and 20.83 % in October 2009 to 4.74 % and 16.86 %, respectively, in January 2010. During the same period, the inflation for processed meat averaged 8.42 %, while processed meat averaged 0.51 %. The two rates are significantly lower than what was reported in the November 2009 FPM (i.e., 20.77 % and 2.04 %, respectively). The price of fruits decreased, on average, by 4.10 % between January 2009 and January 2010. The category of 'other products' experienced a price increase of 5.38 % during the same period.

In the rural areas the rice and white sugar product categories experienced a price decrease (4.28 % and 0.59 %) during the 12-month period ending in January 2010. During this period, product categories such as tea and coffee, beans, peanut butter and sorghum meal experienced price increases of 11.17 %, 3.28 %, 12.83 % and 1.66 %, respectively. All these rates are lower than the corresponding rates reported in the November 2009 FPM.

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 January 2009, brown bread, white bread, sunflower oil, tagless tea bags and margarine were cheaper in rural areas than in urban areas. In October 2009, only brown bread, white bread and sunflower oil were cheaper in rural areas.

Table 2 further confirms that food prices in rural areas are generally higher than food prices in urban areas. In January 2009, the people living in rural areas had to pay R9.75 more than people in urban areas to buy the basket of food items. The price difference increased to R15.46 in October 2009. In January 2010, the price difference further increased to R17.49. This big price difference is mainly attributable to rice, maize meal and white sugar products. The reasons for the higher food prices in the rural areas are discussed in detail in the South African Food Cost Review: 2008, which is available at http://www.namc.co.za (*See what's new*).

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

Product	Rural food prices (R)			Urban food prices (R)			Price difference (Jan-09)	Price difference (Oct-09)	Price difference (Jan-2010)
	Jan-09	Oct-09	Jan-10	Jan-09	Oct-09	Jan-10	R/unit	R/unit	R/unit
Full cream long life milk 1L	9.43	10.08	10.40	8.27	10.07	10.11	1.15	0.01	0.29
Loaf of brown bread 700g	6.88	6.87	6.90	7.18	7.04	6.97	-0.30	-0.17	-0.07
Loaf of white bread 700g	7.66	7.74	7.70	7.91	7.88	7.83	-0.25	-0.14	-0.13
Maize meal 5kg	28.75	29.10	27.54	23.33	23.00	22.93	5.42	6.10	4.61
Margarine 500g	13.52	13.85	13.76	14.23	13.10	12.88	-0.71	0.75	0.88
Peanut butter 410g	15.64	17.58	16.37	15.22	15.92	14.98	0.42	1.66	1.39
Rice 2kg	28.11	28.48	28.96	26.65	23.83	23.14	1.46	4.65	5.82
Sunflower oil 750ml	16.11	12.45	15.25	16.37	12.81	12.81	-0.26	-0.36	2.44
Tagless tea bags 62.5g	6.26	7.23	6.70	6.35	7.03	7.02	-0.09	0.20	-0.32
White sugar 2.5kg	19.63	20.93	20.72	16.74	18.16	18.15	2.89	2.77	2.57
Total							**9.75**	**15.46**	**17.49**

5 Price trends (week 4 of each month)

Prices normally cited in the FPM are obtained from Stats SA and AC Nielsen (see Appendix F for more detail on how the prices are collected). An important issue to note is that prices are generally collected during weeks 1 to 3 of each month. During the 4th week of each month, retailers usually have specials on various items they sell which is why prices are not collected during week 4. In an effort to include food price trends during week 4 for 7 retail chains, data was obtained from Ad check. Table 3 shows the percentage change in the prices of selected food items; for most products prices have decreased since January 2009, except for the price of long life full cream milk, milk sachets and lamb shoulder/braai chops.

Table 3: January 2009 to January 2010 inflation of selected food items for various retailers (in %)

Product	Retailer A	Retailer B	Retailer C	Retailer D	Retailer E	Retailer F	Retailer G	Retailers average
Cheapest Boerewors Per Kg	-5.61	2.50	0.76	-2.71	-21.27	-1.41	1.60	-3.73
Cheapest Bread Brown Unsliced 700g	-9.45	-11.94	-0.96	0.65	-6.85	-10.93	1.80	-5.38
Cheapest Bread White Sliced Standard 700g	2.49	-1.81	3.48	-8.47	-6.72	-8.01	0.44	-2.66
Cheapest Chicken Frozen Whole p/kg	-3.48	0.00	-26.21	-26.90	-25.70	3.39	-6.12	-12.15
Cheapest Cooking Oil 750ml	-25.56	-28.48	-31.02	-17.70	-23.20	-26.26	-20.44	-24.67
Cheapest Maize Meal 5kg	-0.09	-2.29	-3.64	-2.80	-0.14	-3.95	-6.13	-2.72
Cheapest Milk Long Life Full Cream Uht 1lt	21.84	23.10	21.92	19.12	12.48	18.97	7.94	17.91
Cheapest Milk Sachet 1lt	-5.12	2.44	0.08	-4.55	3.69	4.96	-1.16	0.05
Lamb Shoulder/Braai Chops Per Kg	4.43	2.36	3.37	4.19	-0.23	6.37	7.91	4.06
Pork Loin Chops Per Kg	1.45	-1.43	6.06	-1.96	-12.77	-1.89	-1.90	-1.78
Rice 2kg	-9.91	-21.02	-23.76	-28.01	-27.28	-10.95	-14.23	-19.31

Source: Adcheck, 2010.

6. 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 cost of a basic food basket[1] (as compiled by the Food Price Monitoring Committee in 2003), based on monthly food price data for the period January 2009 to January 2010. From January 2009 to January 2010 the cost of a basic food basket remained relatively constant, increasing by only R1.27 (0.3%) in nominal terms.

The cost of the food basket expressed as a share of the average monthly income[2] of the poorest 30% of the population increased slightly from 33.2% in January 2009 to 33.4% in January 2010 while the cost of the food basket expressed as a share of the average monthly income of the wealthiest 30% of the population remained constant at 2.6% over the same period.

[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)*

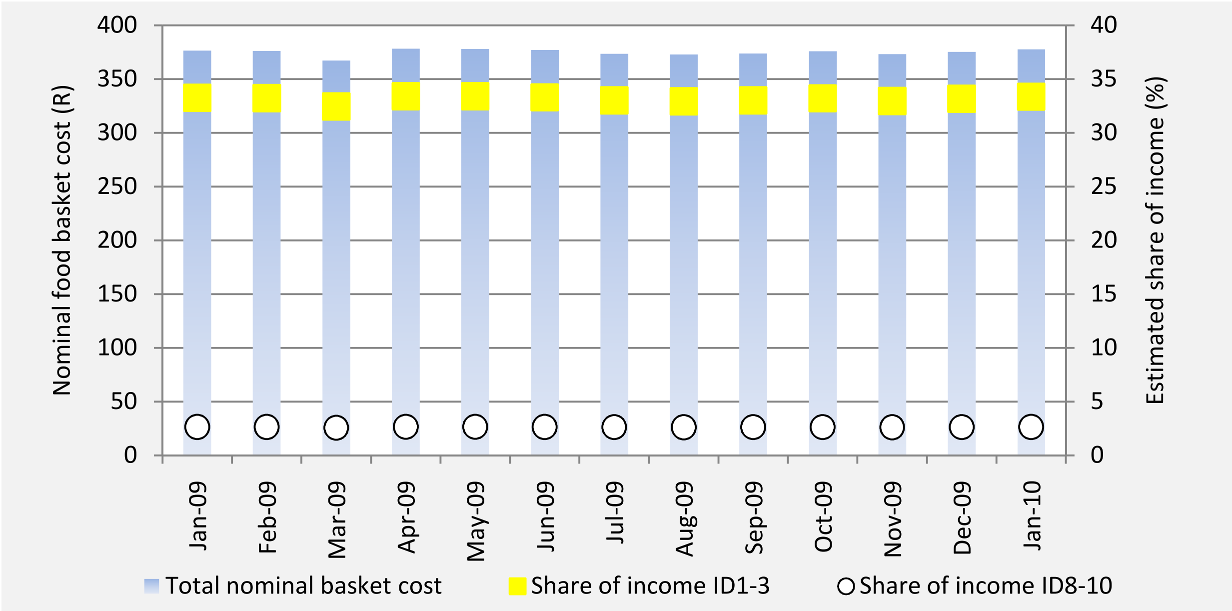

Figure 1: The monthly cost of a typical consumer food basket for the period January 2009 to January 2010, expressed in nominal terms and as share of the average income of the poorest 30% of households (Income Deciles [ID] 1 to 3) and the wealthiest 30% of households (ID 8 to 10)

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 January 2009 to January 2010. 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 January 2009 to January 2010, among the dominant food groups, bread and cereals experienced deflation (-5%), which will benefit vulnerable groups.

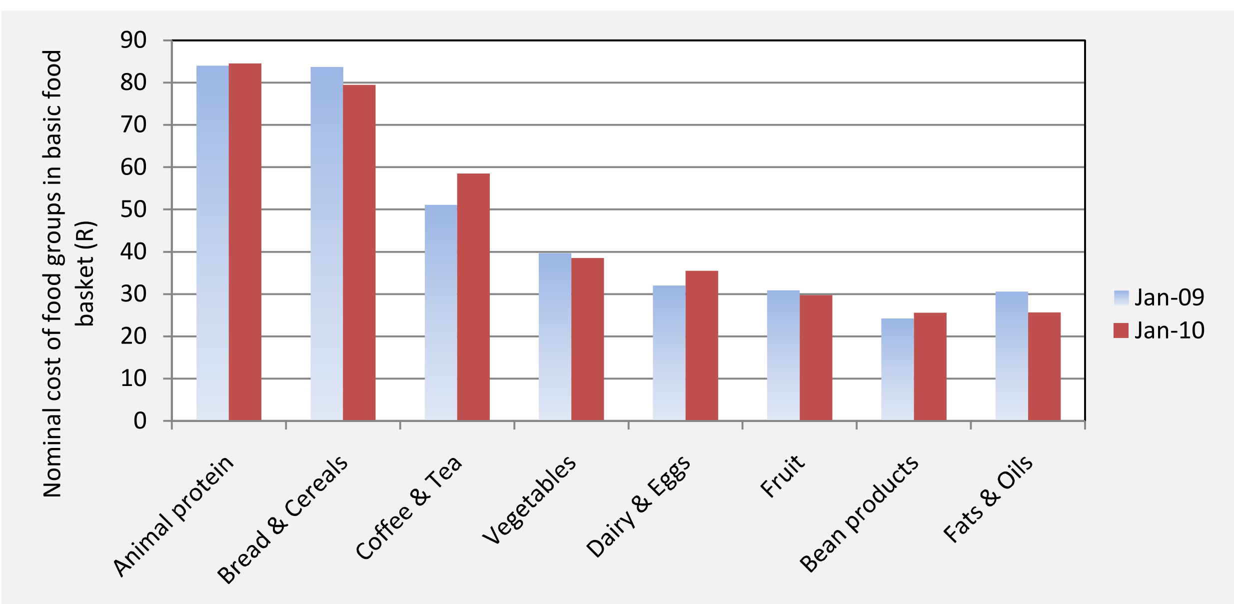

Figure 2: Nominal monthly cost of specific food groups within the basic food basket, comparing January 2009 and January 2010

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 January 2009 and January 2010. The significant cost contribution of maize meal and bread to the typical basic daily food selection for poor consumers are emphasised by the results in Figure 3. Furthermore, despite the relatively low weight contribution of bread to this 'food plate', the bread component costs significantly more than the maize porridge component. 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 January 2010 versus January 2009 prices the results in Figure 3 indicated a minimal increase of about 1.2% (to R3.11), despite the reduced portion costs for maize porridge and bread (due to deflation on these staple food items). The slight increase can be attributed to the inflation experienced on the non-staple items, i.e. milk, tea and sugar.

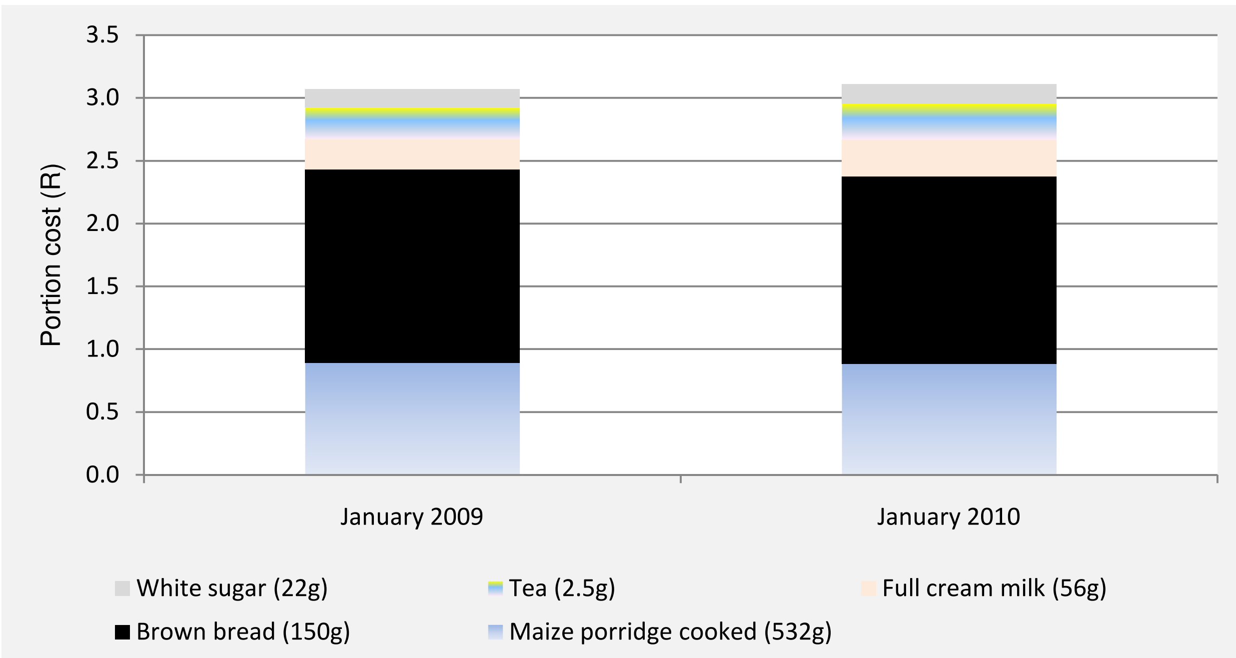

Figure 3: Average nominal cost for the typical portions of the five food items most widely consumed by very poor consumers in South Africa, for January 2009 and January 2010

7. Dairy industry

The purpose of this section is to present information on the South African dairy industry, including background about the dairy industry and dairy price trends as well as the retail value, farm value, farm-to-retail price spread and farm value share of milk.

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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

Background about the dairy industry[5]

The domestic annual production of milk increased significantly between 2002 and 2009. According to an MPO report, the total milk to market volume in 2008 was estimated at 2.93 billion litres, which is 5 % higher than in 2007. In 2009, production decreased by 4.1 % to 2.49 billion litres and it is predicted that milk production for 2010 will be 2.58 billion litres. MPO statistics show significant annual increases in the consumption of milk since 2004, which has resulted in milk shortages in the domestic market during 2005, 2006, 2007 and 2009. Expectations are that domestic markets will experience milk shortages again in 2010.

Between January 2007 and August 2009, the number of milk producers decreased by 11.3 % from 3 899 to 3 458. The annual total production of milk did, however, not decrease between 2007 and 2009 as one would have expected. This implies expansion of production scales for those who remained in milk production.

At the secondary level, the dairy industry is characterised by a few larger processors operating nationally, a large number of smaller processors operating at within specific regions and a number of producers who sell their produce directly to retailers and consumers.

Milk in South Africa is consumed in both liquid and concentrated milk product form. Almost half of the liquid milk consumed in South Africa is in the form of pasteurised milk while over half of the concentrated milk product consumed is in the form of cheese.

Since 2005, South Africa has been a net importer of dairy products, on a milk equivalent basis. Milk powders and milk & cream make up almost half of South African's dairy product imports and over half of South Africa's dairy product exports.

Dairy price trends

The FAO dairy price index confirms that inflation of dairy products averaged 66.0 % on global dairy markets between January 2009 and January 2010. On the domestic dairy market, the producer price of milk increased by 7.1 % year-on-year ending in December 2010. The opposite situation prevailed during the second quarter of 2009, i.e. the price decreased by 4.8 % between July 2009 and December 2009. The NAMC database shows that dairy products experienced an average price increase of 7.96 % between January 2009 and January 2010 (see Appendix A, Table A.8).

Retail value, farm value, farm-to-retail price spread and farm value share

Figure 4 below shows that, in January 2005, the real retail value of full cream milk was R5.34/litre, while that of low fat milk was R5.57/litre. Prices of both full cream and low fat milk decreased to their lowest level, R5.17/litre and R5.44/litre, respectively, in December 2006. Following this decrease, prices increased drastically to reach R6.83/litre and R6.95/litre in March 2008. They fluctuated to reach R6.18/litre and R6.50/litre in December 2009, thereby reflecting a year-on-year increase of 5.9 % and 8.9 %, respectively, from December 2008. Figure 1 clearly shows that there has been a substantial shift in the real retail value of milk between the two periods, namely January 2005 to December 2006 and January 2007 to December 2010. According to industry experts, the most important reason for this was the decrease in reserve stock levels in both the international and local market from 2007. This phenomena resulted in a more volatile milk market.

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[5] For more information and statistics on the dairy industry see Lacto Data, Volume 12 No 2, released in November 2009 and/or Industry information, Item 7.1 of the MPO, released in February 2010.

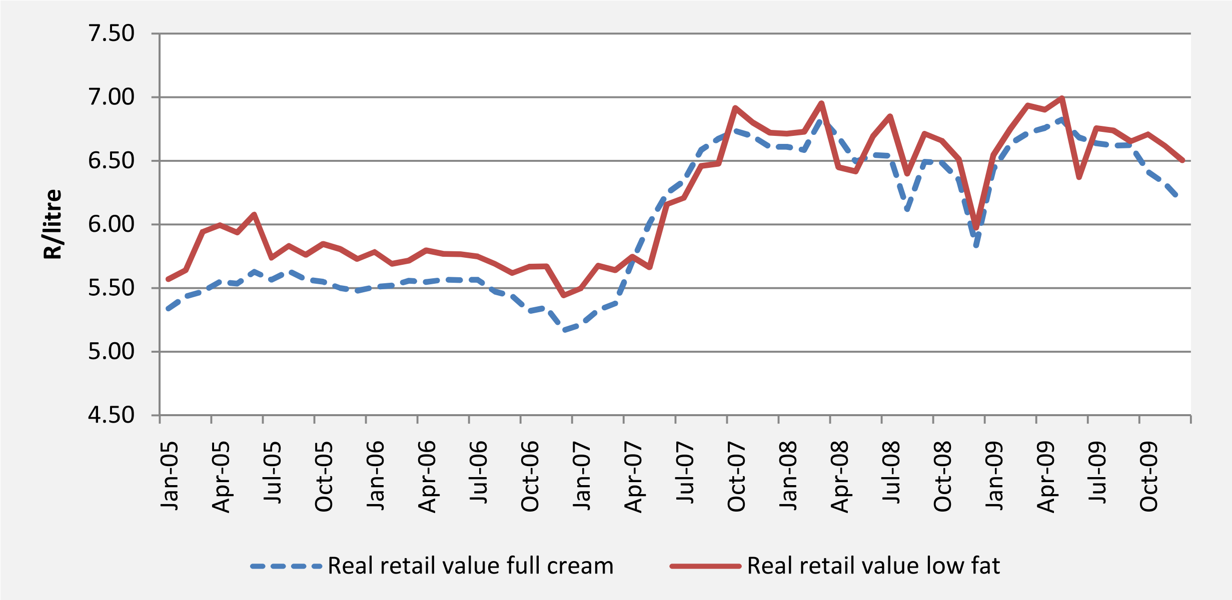

Figure 4: Real retail values for full cream milk and low fat milk (January 2005 –December 2009)

Figure 5 shows the trends in the real farm values[6] for full cream milk and low fat milk as well as the producer price of milk. In January 2005, the real farm values for full cream milk and low fat milk were R2.07/litre and R1.45/litre, respectively, while the milk producer price was R1.79/litre. These values all increased steadily between January 2005 and December 2006, after which they showed a dramatic rise to peak at R3.20/litre, R2.24/litre and R3.30/litre, in April 2008 respectively. They then showed a significant decrease to R2.58/litre, R1.81/litre and R2.80/litre, respectively, in January 2009. However, this trend did not continue as milk prices increased again to reach R2.61/litre, R1.83/litre and R3.00/litre, respectively, in December 2009. The farm values for both full cream and low fat milk increased by 0.8 % year-on-year ending in December 2009. In contrast, the producer price of milk rose by 7.1 % during the same period.

Given the fact that, during the period between December 2008 and December 2009, the farm value decreased, in real terms, by 0.8 % while the retail value increased, in real terms, by more than 5.0 %, one might have expected the farm value share to decrease and the farm-to-retail price spreads (FTRPS) to increase over the same period. (Both the FTRPS and the farm value shares are discussed below).

[6] The farm value is the value of the farm product's equivalent in the final food product purchased by the consumers. Farm values are calculated by multiplying disappearance quantities on a farm-weight basis with prices received by farmers. The farm value does not include the value of by-products.

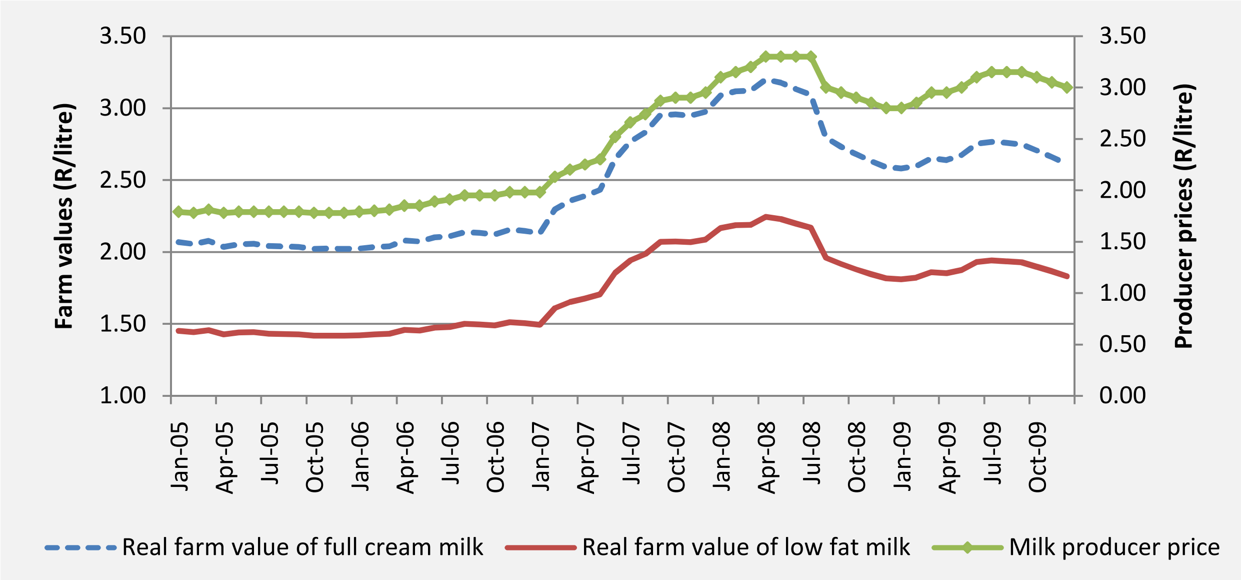

Figure 5 Real farm values for full cream milk and low fat milk as well as milk producer price (January 2005 – December 2009)

Figure 6 shows the real Farm-To-Retail Price Spreads (FTRPS)[7] for full cream milk and low fat milk. The real FTRPS narrowed between January 2005 and December 2006, when the FTRPS for full cream milk decreased from R3.27/litre to R3.02/litre while that of low fat milk decreased from R4.12/litre to R3.94/litre. Following these decreases, the spreads increased to peak at R4.15/litre and R5.12/litre, respectively, in May 2009. They then declined to R3.57/litre and R4.67/litre, respectively, in December 2009. Between December 2008 and December 2009, the FTRPS of full cream milk and low fat milk increased, in real terms, by 10.0 % and 12.4 %.

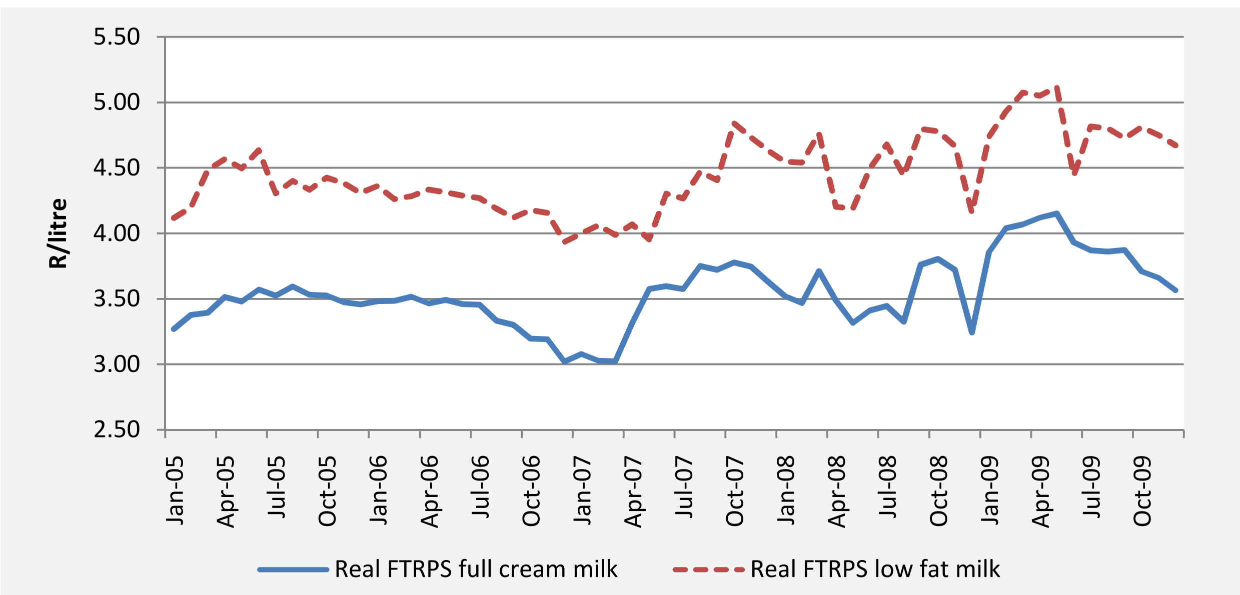

Figure 6: Real farm-to-retail price spreads for full cream milk and low fat milk (January 2005 – December 2009)

[7] The farm-to-retail price spread is the difference between what the consumer pays for the retail food product and the value of the farm products used in that product.

Figure 7 shows the trend in the farm value share of full cream and low fat milk. In January 2005, the farm value of full cream milk was 39 % while that of low fat milk was 26 %. They both increased to peak at 48 % and 35 %, respectively, in May 2008. After peaking, they decreased to reach 42 % and 28 % in December 2009. During the 12 month period ending December 2009, the two farm value shares declined by 4.8 % and 7.4 %, respectively.

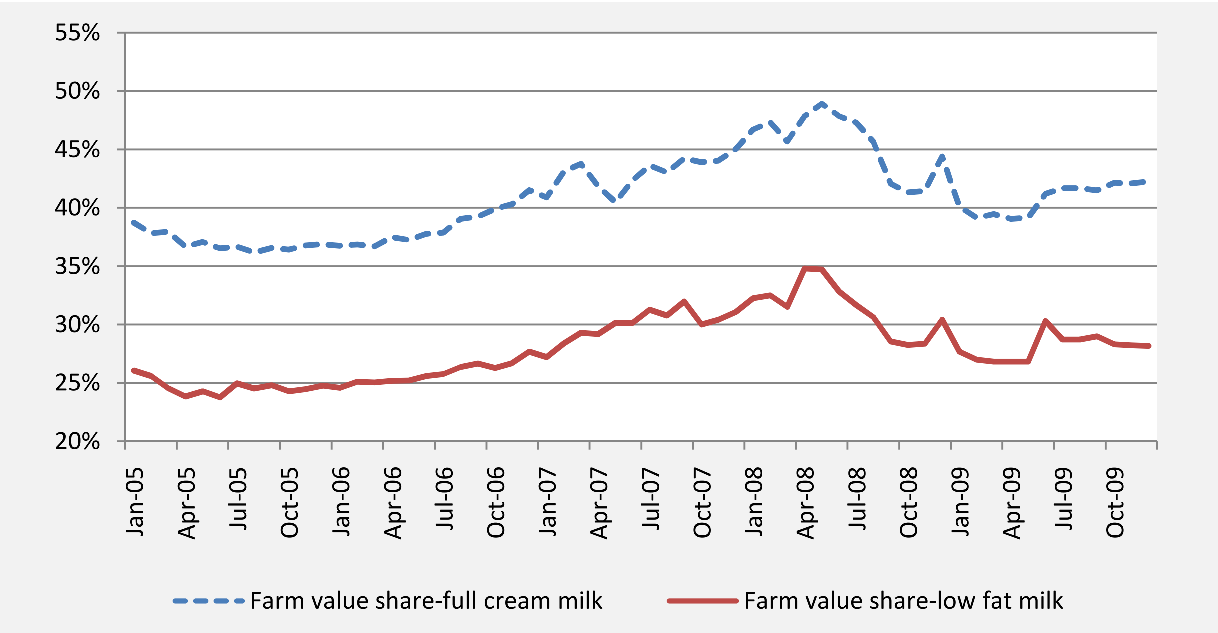

Figure 7: Farm value share for full cream milk and low fat milk (January 2005 – December 2009)

8. March 2010 – May 2010 Outlook

Despite the positive news this week that the gross domestic product jumped by 3.2%, there are a number of key indicators suggesting that the agricultural industry and its consumers will not benefit as much as the rest of the economic sectors will. Whereas most of the sectors posted positive growth rates, the agricultural and retail sectors reported a further contraction. The negative growth in the agricultural sector comes as no surprise, as prices for most primary commodities have softened. It was hoped that a further contraction in the retail sector would be avoided. Yet, despite a cut of five percentage points in interest rates, consumers still have not emerged out of a 'recession mode' to boost sales and thereby support the growth of the local economy. Despite this negative growth in the retail sector, a number of food retailers have still posted significant positive gains and strong financial statements for the past financial year.

A number of basic commodity prices have meaningfully decreased over the past quarter, yet general food price inflation is expected in the region of 2-3% for the three-month outlook period, and to increase in the second half of 2010. The reason for this anticipated increase in food prices is that a number of administered prices as well as costs beyond the control of farmers, processors and food retailers (e.g., fuel, electricity, transportation, wages) within the supply chain are increasing gradually. In the next Food Price Monitor report, we will look at the impact of the recent increase in the price of electricity on food prices and agricultural performance. In the recent budget speech, the Minister of Finance explained that it is government's objective to finance some of the budget's deficit through increased levies and/or tariffs (e.g., the proposed increase of the fuel levy on carbon emissions and the approved increases in electricity costs to finance Eskom's recapitalization programme), which will put upward pressure on food prices.

The period that is covered by this outlook (March 2010 - May 2010) is normally regarded as a 'quieter' or 'stable' period with respect to price volatility and speculation on local futures markets. Good rainfall and growing conditions have boosted the local maize crop and the latest crop estimates project a harvest of 12.8 million tons from 2.7 million hectares, which will be the largest maize crop since 1994, when 13.2 million tons of maize were harvested from 3.9 million hectares, and the third largest crop in the history of South Africa. Maize prices will be trading at export parity levels for a significant period in 2010, until new intentions to plant are released for the 2010/11 production season. As was anticipated in the FPM of November 2009, sunflower seed, oil and cake prices have remained strong and the target sunflower price of R3500/ton is within reach. Prices of imported soybean cake are expected to trade softer, due to a record crop in the US and much higher plantings in South America than previously. This, together with much lower yellow maize prices, means the livestock industry (especially the vertically integrated companies) will benefit from a significant reduction in feed cost.

APPENDIX A: DATA ON URBAN FOOD PRICE TRENDS

Table A.1: Wheat products

Wheat Products	Price level			Percentage change	
	Jan-09	Oct-09	Jan-10	Oct-09 to Jan-10	Jan-09 to Jan-10
Loaf of brown bread 700g	7.18	7.04	6.97	-0.99%	-2.92%
Loaf of white bread 700g	7.91	7.88	7.83	-0.63%	-1.01%
Cake flour 2.5kg	19.84	17.04	16.57	-2.76%	-16.48%
Spaghetti 500g	10.45	10.27	10.37	0.97%	-0.77%
Macaroni 500g	9.51	9.35	9.18	-1.82%	-3.47%
Average				**-1.05%**	**-4.93%**
Wheat (R/ton)	**2750**	**2135**	**2074**	**-2.88%**	**-24.58%**

Table A.2: Maize products

Maize Products	Price level			Percentage change	
	Jan-09	Oct-09	Jan-10	Oct-09 to Jan-10	Jan-09 to Jan-10
Maize special 5kg*	18.89	16.90	17.91	5.96%	-5.22%
Maize super 5kg*	23.10	23.48	23.64	0.72%	2.36%
Average				**3.34%**	**-1.43%**
White maize (R/ton)	**1814**	**1493**	**1405**	**-5.89%**	**-22.57%**

*Data from AC Nielsen

Table A.3: Sunflower products

Sunflower products	Price level			Percentage change	
	Jan-09	Oct-09	Jan-10	Oct-09 to Jan-10	Jan-09 to Jan-10
Sunflower oil 750mℓ	16.37	12.81	12.81	0.00%	-21.75%
Medium fat spread 1kg tub*	22.23	19.67	21.01	6.82%	-5.47%
Brick margarine 500g	14.23	13.10	12.88	-1.68%	-9.49%
Average				**1.71%**	**-12.23%**
Sunflower (R/ton)	**3897**	**2702**	**3177**	**17.55%**	**-18.49%**

*Data from AC Nielsen

Table A.4: Processed vegetables

Processed Vegetables	Price level			Percentage change	
	Jan-09	Oct-09	Jan-10	Oct-09 to Jan-10	Jan-09 to Jan-10
Baked beans - tinned 420g	5.90	7.95	7.56	-4.91%	28.14%
Butter beans - tinned 410g	9.03	10.68	10.64	-0.37%	17.83%
Chopped peeled tomato 410g*	8.60	10.55	10.66	1.09%	23.95%
Tomato & onion mix 410g*	7.45	8.94	8.99	0.56%	20.62%
Canned peas 410g*	6.22	6.87	6.93	0.89%	11.42%
Baby carrots 1kg*	28.82	31.45	31.63	0.56%	9.76%
Green peas 1kg*	21.78	28.63	27.73	-3.14%	27.30%
Sliced beans 1kg*	26.77	28.92	28.64	-0.99%	6.97%
Super juicy corn 1kg*	27.28	28.75	28.85	0.35%	5.76%
Average				**-0.66%**	**16.86%**

*Data from AC Nielsen

Table A.5: Fresh vegetables

Fresh Vegetables	Price level			Percentage change	
	Jan-09	Oct-09	Jan-10	Oct-09 to Jan-10	Jan-09 to Jan-10
Carrots - fresh per kg	9.02	8.60	9.64	12.09%	6.87%
Onions -fresh per kg	6.96	9.52	7.87	-17.33%	13.07%
Potatoes bag 10kg*	44.99	57.07	63.94	12.04%	42.11%
Tomatoes - fresh per kg	15.24	16.02	13.35	-16.67%	-12.40%
Sweet potatoes - fresh per kg	10.54	9.94	10.93	9.96%	3.70%
Cabbage - fresh per kg	7.45	8.02	7.53	-6.11%	1.07%
Lettuce - fresh per kg	21.51	19.82	18.80	-5.15%	-12.60%
Pumpkin - fresh per kg	10.84	12.12	10.57	-12.79%	-2.49%
Cauliflower - fresh per kg	21.99	20.63	22.71	10.08%	3.27%
Average				**-1.54%**	**4.74%**

*Data from AC Nielsen

Table A.6: Processed meat

Processed meat	Price level			Percentage change	
	Jan-09	Oct-09	Jan-10	Oct-09 to Jan-10	Jan-09 to Jan-10
Meatballs in gravy 400g*	11.70	13.25	13.19	-0.38%	12.79%
Picnic ham 300g*	23.40	25.25	25.91	2.61%	10.74%
Pork sausage per kg	48.46	52.45	52.86	0.78%	9.08%
Polony per kg	26.12	27.03	26.40	-2.33%	1.07%
Average				**0.17%**	**8.42%**

*Data from AC Nielsen

Table A.7: Unprocessed meat

Unprocessed meat	Price level			Percentage change	
	Jan-09	Oct-09	Jan-10	Oct-09 to Jan-10	Jan-09 to Jan-10
Pork chops - fresh per kg	54.09	48.87	50.08	2.48%	-7.41%
Lamb - fresh per kg	70.97	68.43	72.86	6.47%	2.66%
Beef brisket - fresh per kg	43.12	44.32	45.39	2.41%	5.26%
Beef chuck - fresh per kg	45.97	45.91	47.13	2.66%	2.52%
Beef rump steak -fresh per kg	73.24	73.98	75.60	2.19%	3.22%
Beef t-bone - fresh per kg	59.51	59.79	60.76	1.62%	2.10%
Beef mince - fresh per kg	46.72	47.11	47.96	1.80%	2.65%
Whole chicken - fresh per kg	29.28	28.41	29.43	3.59%	0.51%
Whole chicken - frozen per kg	26.15	25.24	24.09	-4.56%	-7.88%
Chicken portions - fresh per kg	37.12	37.52	41.48	10.55%	11.75%
Chicken portions - frozen per kg	25.46	23.72	22.98	-3.12%	-9.74%
Average				**2.37%**	**0.51%**

*Data from AC Nielsen

Table A.8: Dairy products

Dairy	Price level			Percentage change	
	Jan-09	Oct-09	Jan-10	Oct-09 to Jan-10	Jan-09 to Jan-10
Fresh milk full cream 1ℓ*	6.63	6.99	7.01	0.35%	5.67%
Fresh milk full cream 2ℓ*	14.84	15.64	15.42	-1.40%	3.88%
Fresh milk low fat 1ℓ*	6.75	7.31	6.92	-5.25%	2.57%
Fresh milk low fat 2ℓ*	15.21	16.02	15.98	-0.25%	5.01%
Longlife milk full cream 1ℓ*	8.27	10.07	10.11	0.38%	22.18%
Skimmed powder milk 1kg*	59.17	56.12	56.14	0.03%	-5.13%
Total butter 500g*	22.35	25.41	25.52	0.41%	14.19%
Cheddar cheese per kg	74.42	84.12	85.84	2.04%	15.35%
Average				**-0.46%**	**7.96%**

*Data from AC Nielsen

Table A.9: Fruits

Fruits	Price level			Percentage change	
	Jan-09	Oct-09	Jan-10	Oct-09 to Jan-10	Jan-09 to Jan-10
Apples - fresh per kg	11.63	10.48	12.50	19.27%	7.48%
Bananas - fresh per kg	11.56	9.15	10.19	11.37%	-11.85%
Oranges - fresh per kg	7.69	5.56	7.08	27.34%	-7.93%
Average				**19.33%**	**-4.10%**

Table A.10: Fish products

Fishes - tinned	Price level			Percentage change	
	Jan-09	Oct-09	Jan-10	Oct-09 to Jan-10	Jan-09 to Jan-10
Fish (excl tuna) - tinned 155g	5.63	6.10	6.30	3.28%	11.90%
Fish (excl tuna) - tinned 425g	13.08	12.30	12.48	1.46%	-4.59%
Tuna - tinned 170g	10.32	10.95	10.66	-2.65%	3.29%
Average				**0.70%**	**3.54%**

Table A.11: Other products

Other products	Price level			Percentage change	
	Jan-09	Oct-09	Jan-10	Oct-09 to Jan-10	Jan-09 to Jan-10
King korn 1kg*	9.40	10.05	10.05	0.03%	6.98%
White sugar 2.5kg	16.74	18.16	18.15	-0.06%	8.42%
Rice 2kg	26.65	23.83	23.14	-2.90%	-13.17%
Ricoffy reg 750g*	41.79	49.44	49.64	0.41%	18.78%
Ceylon/black tea 62.5g	6.35	7.03	7.02	-0.14%	10.55%
Peanut butter 410g	15.22	15.92	14.98	-5.90%	-1.58%
Imana soya mince tomato & onion 200g*	8.00	8.49	8.51	0.24%	6.39%
Eggs 1.5 dozen	23.78	24.17	25.37	4.96%	6.69%
Average				**-0.42%**	**5.38%**

*Data from AC Nielsen

APPENDIX B: DATA ON RURAL FOOD PRICE TRENDS

Table B.1: Wheat products

Wheat products	Jan-09	Oct-09	Jan-10	Oct-09 to Jan-10	Jan-09 to Jan-10
Loaf of brown bread 600g	6.72	7.52	6.45	-14.21%	-4.06%
Loaf of brown bread 700g	6.88	6.87	6.90	0.37%	0.18%
Loaf of white bread 600g	7.34	7.40	7.10	-4.08%	-3.24%
Loaf of white bread 700g	7.66	7.74	7.70	-0.49%	0.57%
Average				**-4.60%**	**-1.64%**

Table B.2: Maize products

Maize products	Jan-09	Oct-09	Jan-10	Oct-09 to Jan-10	Jan-09 to Jan-10
Maize meal 12.5kg	50.56	55.65	57.75	3.77%	14.21%
Maize meal 1kg	6.75	7.78	8.66	11.40%	28.43%
Maize meal 2.5kg	14.13	14.58	14.04	-3.66%	-0.64%
Maize meal 5kg	28.75	29.10	27.54	-5.35%	-4.21%
Samp 1kg	7.01	6.95	6.61	-4.99%	-5.81%
Samp 2.5kg	13.42	12.70	14.71	15.89%	9.64%
Average				**2.84%**	**6.94%**

Table B.3: Sunflower products

Sunflower products	Jan-09	Oct-09	Jan-10	Oct-09 to Jan-10	Jan-09 to Jan-10
Sunflower oil 2L	36.65	28.07	26.42	-5.86%	-27.92%
Sunflower oil 500ml	11.53	10.96	10.25	-6.47%	-11.10%
Sunflower oil 750ml	16.11	12.45	15.25	22.52%	-5.35%
Margarine 125g	5.62	5.57	5.83	4.62%	3.75%
Margarine 250g	9.63	10.07	10.00	-0.66%	3.83%
Margarine 500g	13.52	13.85	13.76	-0.65%	1.72%
Average				**2.25%**	**-5.84%**

Table B.4: Dairy products

Dairy products	Jan-09	Oct-09	Jan-10	Oct-09 to Jan-10	Jan-09 to Jan-10
Full cream long life milk 1L	9.43	10.08	10.40	3.15%	10.33%
Full cream long life milk 500ml	7.74	6.77	6.58	-2.70%	-14.99%
Average				**0.22%**	**-2.33%**

Table B.5: Tea and coffee

Tea and coffee	Jan-09	Oct-09	Jan-10	Oct-09 to Jan-10	Jan-09 to Jan-10
Instant coffee 100g	10.24	12.52	12.96	3.52%	26.50%
Instant coffee 250g	21.34	24.54	25.51	3.95%	19.51%
Tagless tea bags 250g	18.54	17.83	16.99	-4.74%	-8.40%
Tagless tea bags 62.5g	6.26	7.23	6.70	-7.32%	7.09%
Average				**-1.15%**	**11.17%**

Table B.6: Beans

Beans	Jan-09	Oct-09	Jan-10	Oct-09 to Jan-10	Jan-09 to Jan-10
Beans 1kg	13.95	14.12	14.26	0.95%	2.17%
Beans 500g	8.82	8.64	8.63	-0.17%	-2.23%
Butter beans 410g	8.47	9.07	9.34	2.96%	10.32%
Butter beans 420g	6.86	7.00	7.06	0.79%	2.87%
Average				**1.13%**	**3.28%**

Table B.7: White sugar

Sugar	Jan-09	Oct-09	Jan-10	Oct-09 to Jan-10	Jan-09 to Jan-10
White sugar 1kg	8.82	9.23	9.20	-0.30%	4.31%
White sugar 2.5kg	19.63	20.93	20.72	-0.98%	5.56%
White sugar 500g	5.81	5.31	5.13	-3.29%	-11.63%
Average				**-1.52%**	**-0.59%**

Table B.8: Pilchards

Pilchards	Jan-09	Oct-09	Jan-10	Oct-09 to Jan-10	Jan-09 to Jan-10
Pilchards in tomato sauce 155g	6.87	7.35	7.74	5.32%	12.69%
Pilchards in tomato sauce 425g	12.95	14.13	13.75	-2.70%	6.23%
Average				**1.31%**	**9.46%**

Table B.9: Rice

Rice	Jan-09	Oct-09	Jan-10	Oct-09 to Jan-10	Jan-09 to Jan-10
Rice 1kg	15.85	14.99	14.95	-0.30%	-5.66%
Rice 2kg	28.11	28.48	28.96	1.72%	3.05%
Rice 500g	7.70	7.68	6.91	-9.95%	-10.23%
Average				**-2.84%**	**-4.28%**

Table B.10: Peanut butter

Peanut butter	Jan-09	Oct-09	Jan-10	Oct-09 to Jan-10	Jan-09 to Jan-10
Peanut butter 270g	11.64	13.09	13.39	2.30%	14.98%
Peanut butter 400g	14.02	16.59	16.66	0.41%	18.86%
Peanut butter 410g	15.64	17.58	16.37	-6.87%	4.65%
Average				**-1.38%**	**12.83%**

Table B.11: Sorghum meal

Sorghum products	Jan-09	Oct-09	Jan-10	Oct-09 to Jan-10	Jan-09 to Jan-10
Sorghum-meal 1kg	9.93	10.68	10.66	-0.21%	7.36%
Sorghum-meal 500g	5.95	9.05	5.71	-36.93%	-4.04%
Average				**-18.57%**	**1.66%**

APPENDIX C: FOOD ITEMS WHOSE INFLATION STAYED BELOW 6 % (THE UPPER LIMIT OF SARB INFLATION BRACKET) BETWEEN JANUARY 2009 AND JANUARY 2010

Table C.1: Food items in the urban areas that experienced price change of less than 6 % (January 09 to January 10)

Grain & grain products	%	Meat & meat products and dairy & dairy products	%	Fresh and processed fruits and vegetables	%
Loaf of brown bread 700g	-2.92%	Fresh milk full cream 1ℓ*	5.67%	Super juicy corn 1kg*	5.76%
Loaf of white bread 700g	-1.01%	Fresh milk full cream 2ℓ*	3.88%	Peanut butter 410g	-1.58%
Cake flour 2.5kg	-16.48%	Fresh milk low fat 1ℓ*	2.57%	Tomatoes - fresh per kg	-12.40%
Spaghetti 500g	-0.77%	Fresh milk low fat 2ℓ*	5.01%	Sweet potatoes - fresh per kg	3.70%
Macaroni 500g	-3.47%	Skimmed powder milk 1kg*	-5.13%	Cabbage - fresh per kg	1.07%
Maize special 5kg*	-5.22%	Polony per kg	1.07%	Lettuce - fresh per kg	-12.60%
Maize super 5kg*	2.36%	Pork chops - fresh per kg	-7.41%	Pumpkin - fresh per kg	-2.49%
Sunflower oil 750mℓ	-21.75%	Lamb - fresh per kg	2.66%	Cauliflower - fresh per kg	3.27%
Medium fat spread 1kg tub*	-5.47%	Beef brisket - fresh per kg	5.26%	Bananas - fresh per kg	-11.85%
Brick margarine 500g	-9.49%	Beef chuck - fresh per kg	2.52%	Oranges - fresh per kg	-7.93%
Rice 2kg	-13.17%	Beef rump steak -fresh per kg	3.22%		
		Beef t-bone - fresh per kg	2.10%		
		Beef mince - fresh per kg	2.65%		
		Whole chicken - fresh per kg	0.51%		
		Whole chicken - frozen per kg	-7.88%		
		Chicken portions - frozen per kg	-9.74%		
		Fish (excl tuna) - tinned 425g	-4.59%		

Table C.2: Food items in the rural areas that experienced price change of less than 6 % (January 09 to January 10)

Grain and grain products	%	Other products	%
Loaf of brown bread 600g	-4.06%	Full cream long life milk 500ml	-14.99%
Loaf of brown bread 700g	0.18%	Tagless tea bags 250g	-8.40%
Loaf of white bread 600g	-3.24%	Beans 1kg	2.17%
Loaf of white bread 700g	0.57%	Beans 500g	-2.23%
Maize meal 2.5kg	-0.64%	Butter beans 420g	2.87%
Maize meal 5kg	-4.21%	White sugar 1kg	4.31%
Samp 1kg	-5.81%	White sugar 2.5kg	5.56%
Sunflower oil 2L	-27.92%	White sugar 500g	-11.63%
Sunflower oil 500ml	-11.10%	Peanut butter 410g	4.65%
Sunflower oil 750ml	-5.35%	Sorghum-meal 500g	-4.04%
Margarine 125g	3.75%		
Margarine 250g	3.83%		
Margarine 500g	1.72%		
Rice 1kg	-5.66%		
Rice 2kg	3.05%		
Rice 500g	-10.23%		

APPENDIX D: COMMODITY PRICE AND PRODUCT PRICE TRENDS

D.1 Wheat price trends

Between Jan 2009 and Jan 2010:

International wheat price ↓16.22 %

Domestic price of wheat ↓ 24.58 %

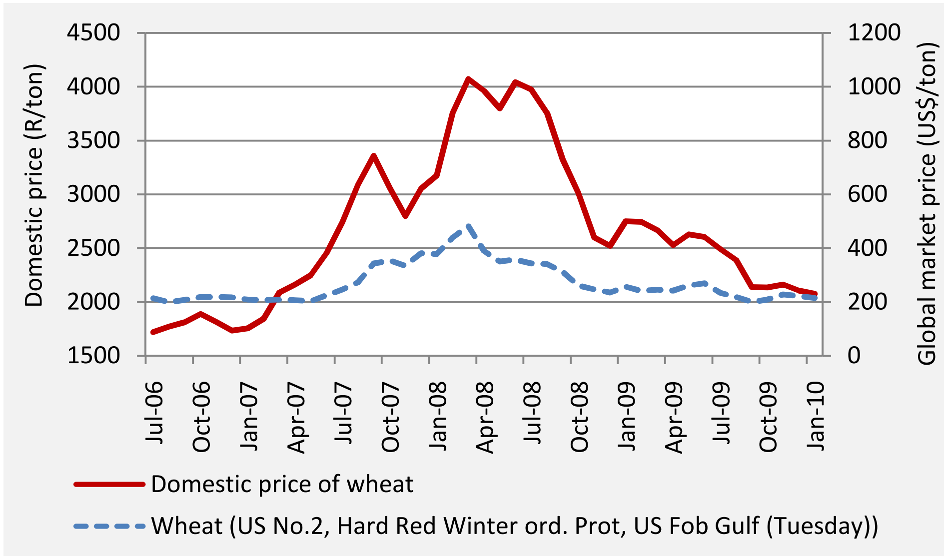

Figure D.1: Domestic market price of wheat against global market price
***Source:* FAO and SAFEX**

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

Between Jan 2009 and Jan 2010:

Wheat import parity price ↓ 24.61 %

Wheat export parity price ↓ 41.67 %

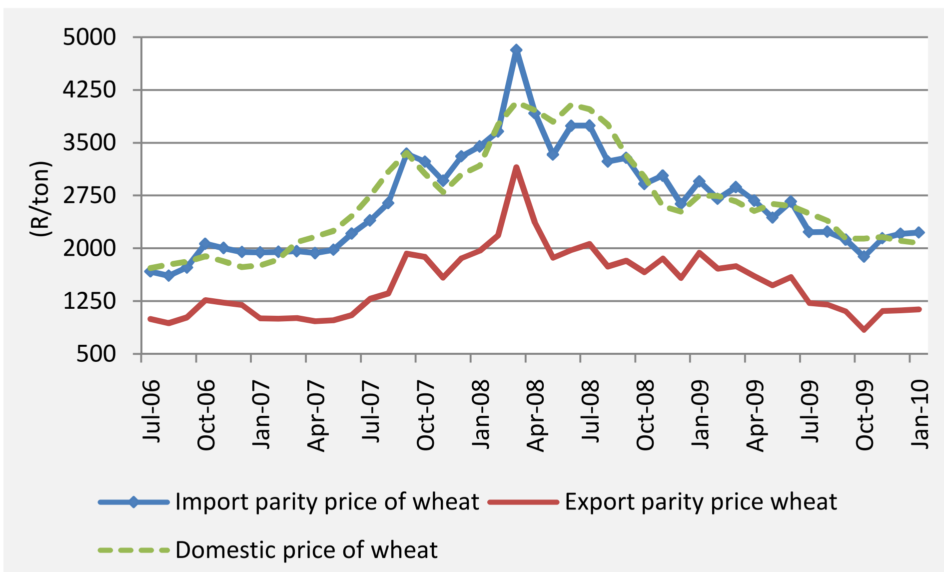

Figure D.2: Import parity, export parity and domestic prices of wheat:
***Source:* SAGIS and SAFEX**

Between Jan 2009 and Jan 2010:

Domestic wheat price ↓ 29.10 %

Brown bread price ↓ 2.92 %

White bread price ↓ 1.01 %

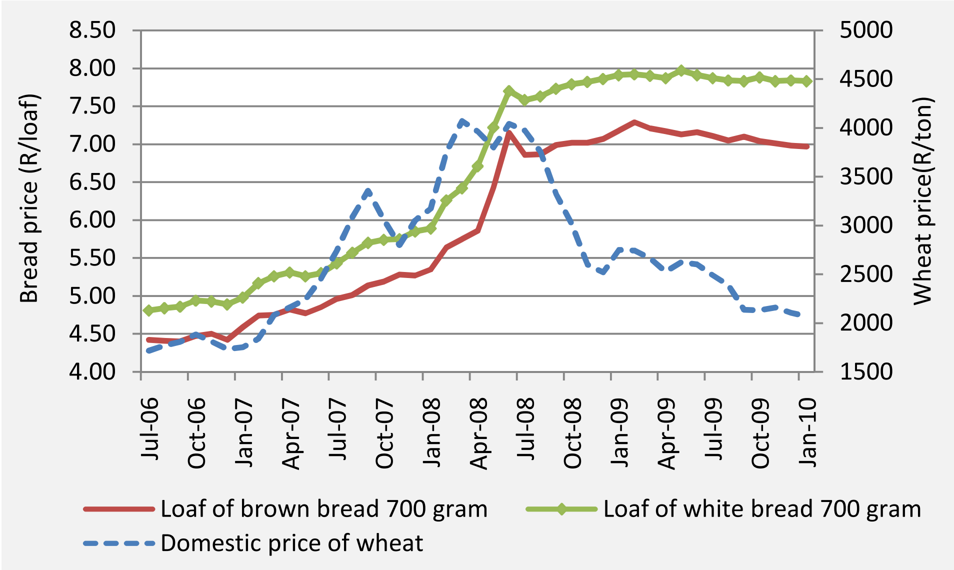

Figure D.3: Domestic market wheat price and bread price trends
Source: **Stats SA and SAFEX**

D.2 Maize price trends

Between Jan 2009 and Jan 2010:

International price of maize ↓ 2.95 %

Domestic price of maize ↓ 18.79 %

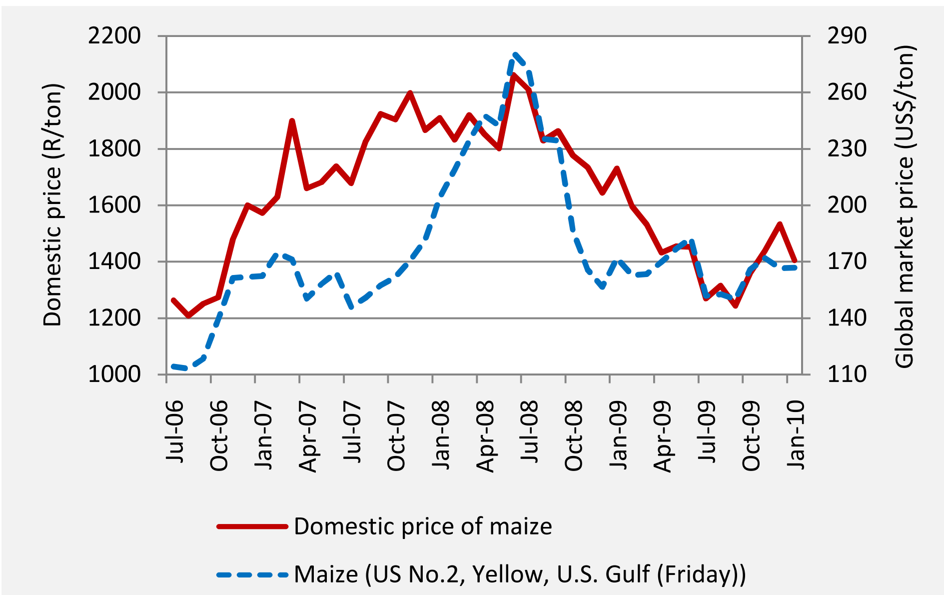

Figure D.4: Domestic market price of maize against global market price
Source: **FAO and SAFEX**

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 Jan 2009 and Jan 2010:
Export parity price ↓30.30 %
Import parity price ↓ 9.82 %

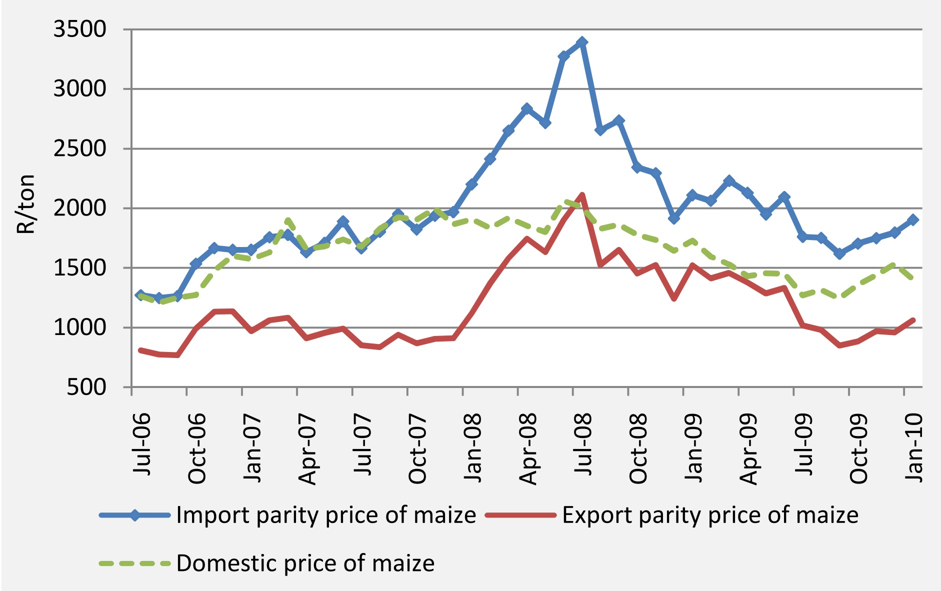

Figure D.5: Import parity, export parity and domestic prices of maize
***Source:* SAFEX and SAGIS**

Between Jan 2009 and Jan 2010:

Super maize meal price ↑ 2.36 %

Special maize meal ↓ 5.22 %

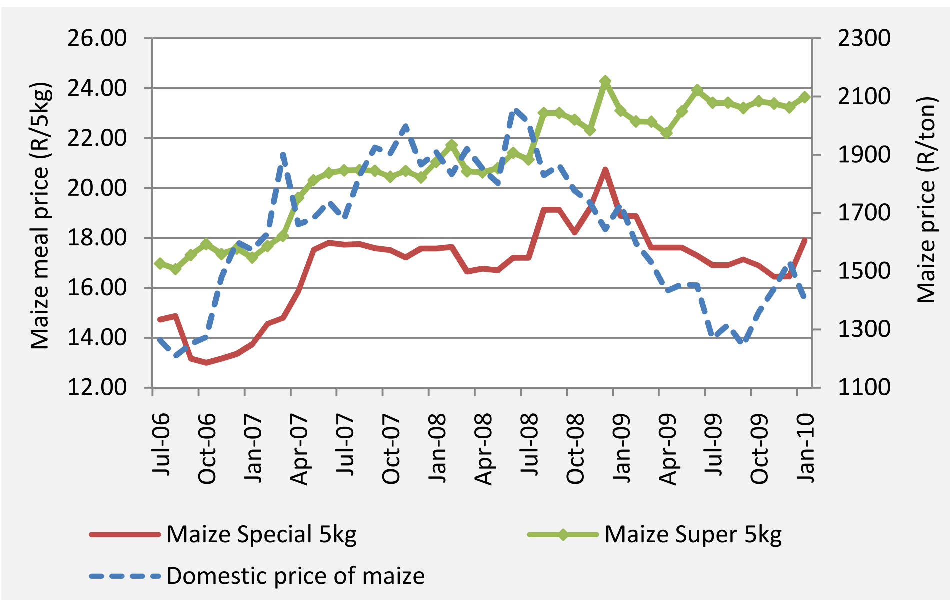

Figure D.6: Maize price and maize meal price trends
***Source:* SAFEX and AC Nielsen**

D.3 Sunflower seeds price trends

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

Between Jan 2009 and Jan 2010:

Domestic price of sunflower seeds ↓ 18.50 %

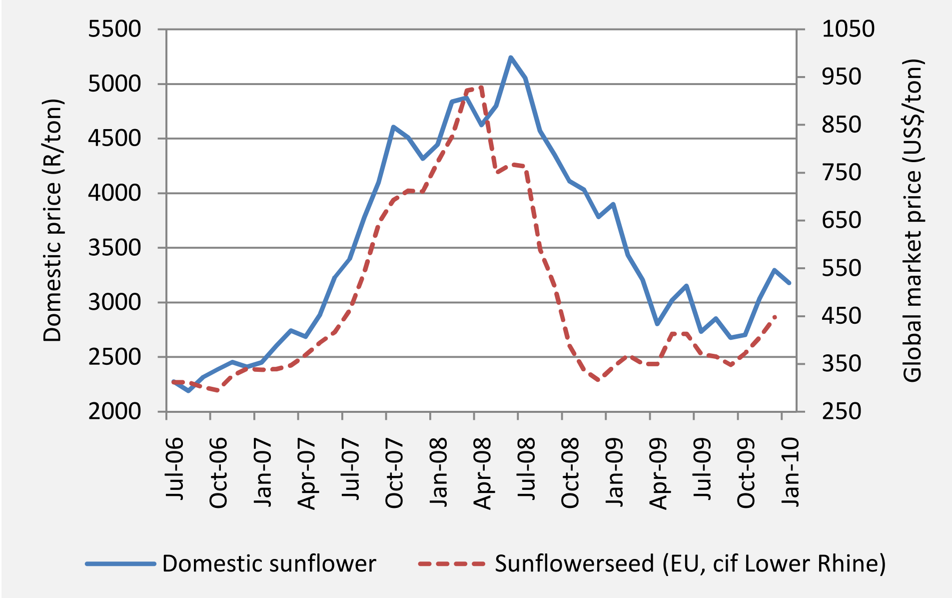

Figure D.7: Domestic market price of sunflower seeds against global market price
Source: **FAO and SAFEX**

Between Jan 2009 and Jan 2010:

Sunflower price ↓ 18.50 %

Sunflower oil price ↓ 21.75 %

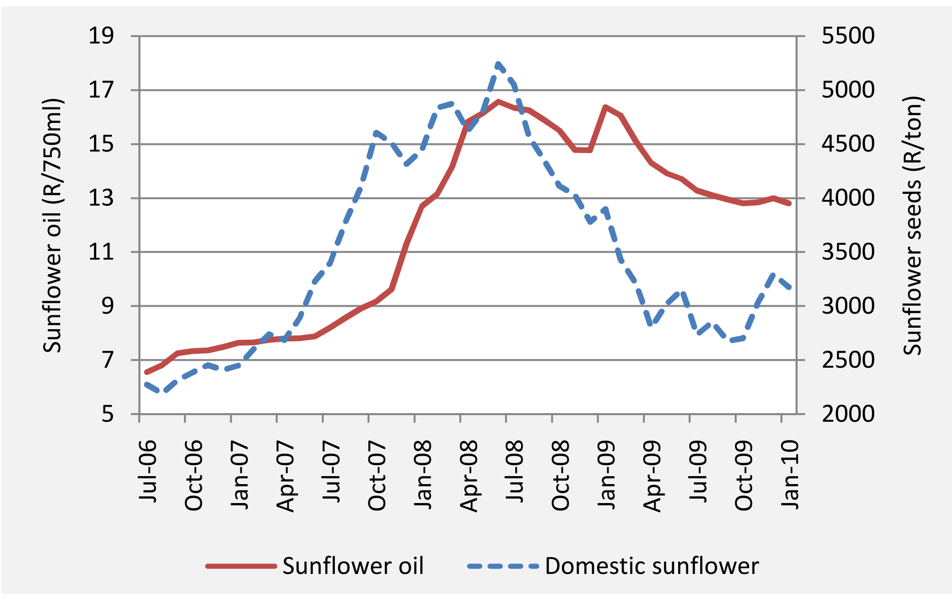

Figure D.8: Sunflower seeds price and sunflower oil price trends
Source: **SAFEX and Stats SA**

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 Oct 08 and Oct 09:

Skim milk powder ↓ 22.5%

Whole milk powder ↓ 18 %

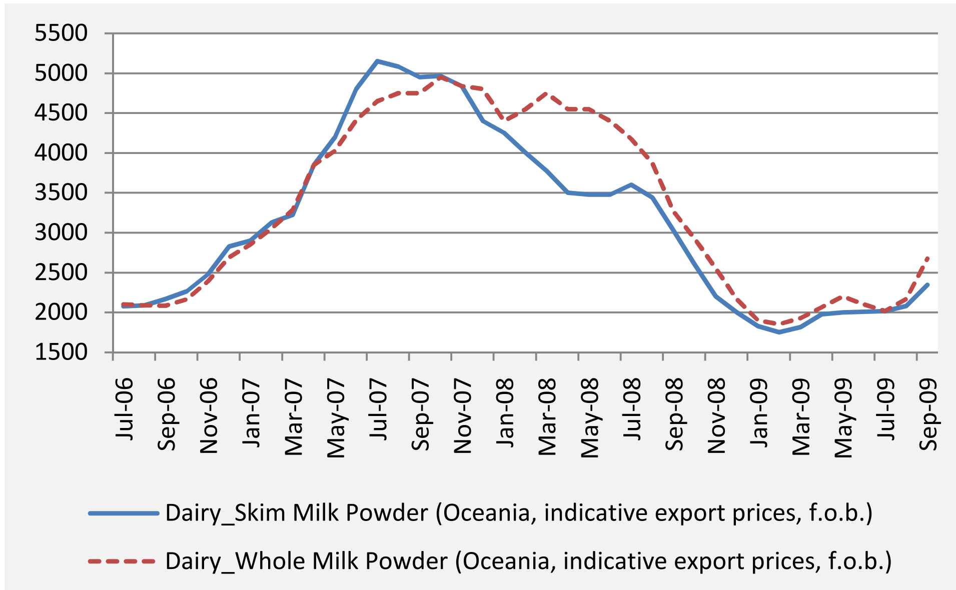

Figure D.9: Skim milk powder and whole milk powder price trends
***Source:* FAO**

Between Dec 2008 and Dec 2009:

Milk producer price ↑ 7.1 %

Between Jan 2009 and Jan 2010:

Full cream milk price ↑ 5.67 %

Low fat milk price ↑ 2.57 %

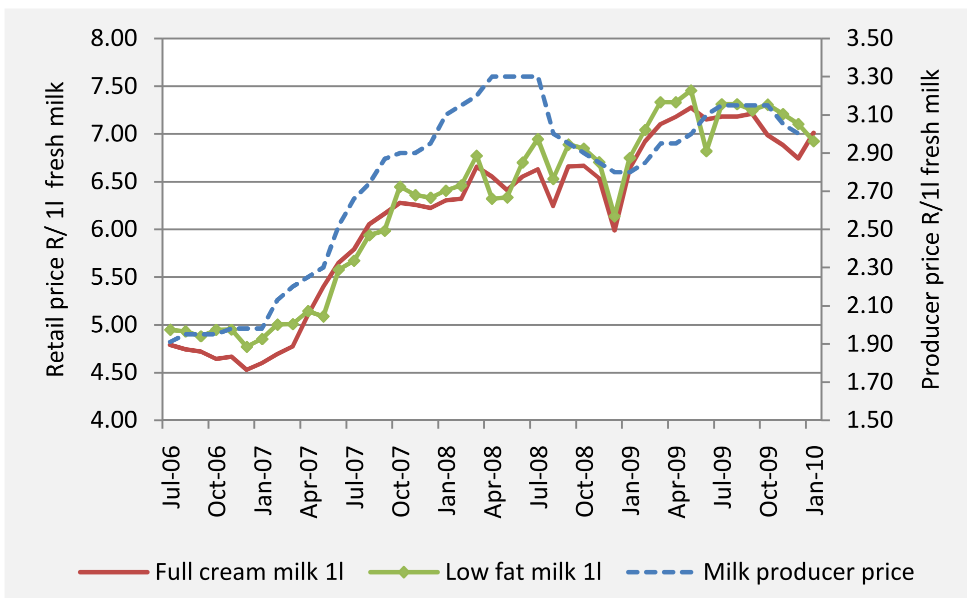

Figure D.10: Domestic producer price and retail price of milk
***Source:* MPO and AC Nielsen**

D.5 Meat price trends

Prices at retail level for most fresh meat categories showed slowing price increases from Jan 09 to Jan 10, except pork which shows a decrease for the period.

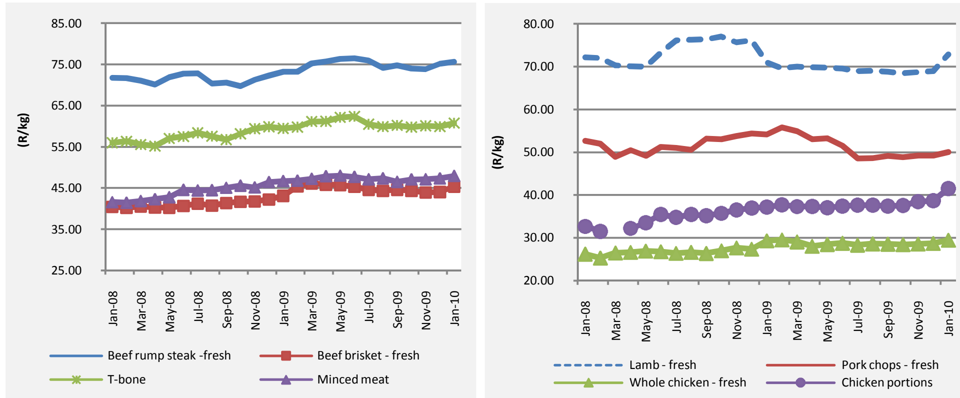

Figure D.11: Retail prices of beef, pork chops, chicken portions, whole chicken and lamb
***Source:* Stats SA**

Between Jan 2009 and Jan 2010:

Producer price for fresh chicken ↓4.56 %

Frozen chicken price ↓ 13.46 %

Porker price ↓ 4.59 %

Baconer price ↓ 6.9%

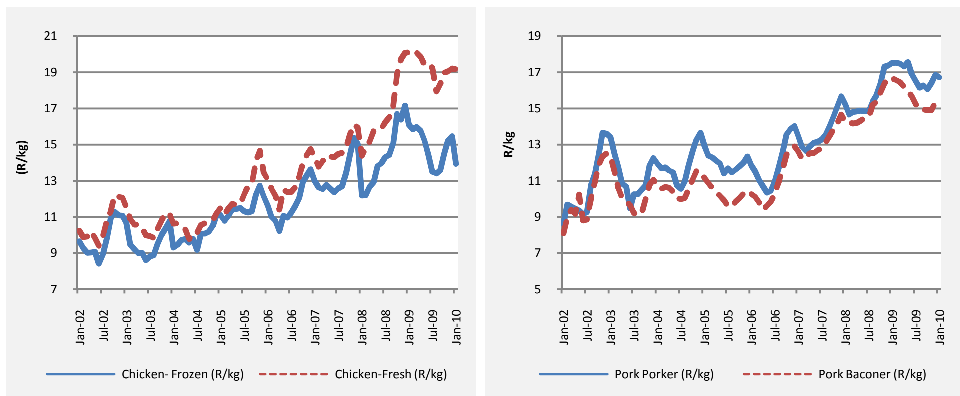

Figure D.12: Producer prices of chicken and pork
***Source:* AMT**

Between Jan 2009 and Jan 2010:

Producer price of Beef-class A2/A3 ↓2.94 %

Prices of beef class B2/B3 ↑ 0.67 % and class C2/C3 ↓ 0.10 %

Price of lamb-class A2/A3 and class B ↑7.8 % and 10.22 %, respectively

Prices of class C2/C3 ↑ 5.56 %

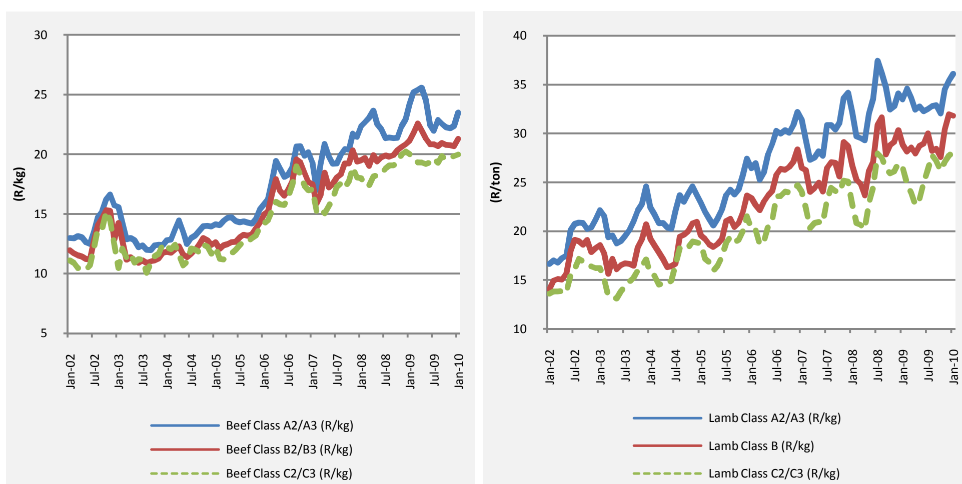

Figure D.13: Producer prices of beef and lamb
***Source:* AMT**

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

E.1 Wheat

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

Between January 2009 and January 2010:

FTRPS for brown bread ↑ 2 %

FTRPS for white bread ↑ 5 %

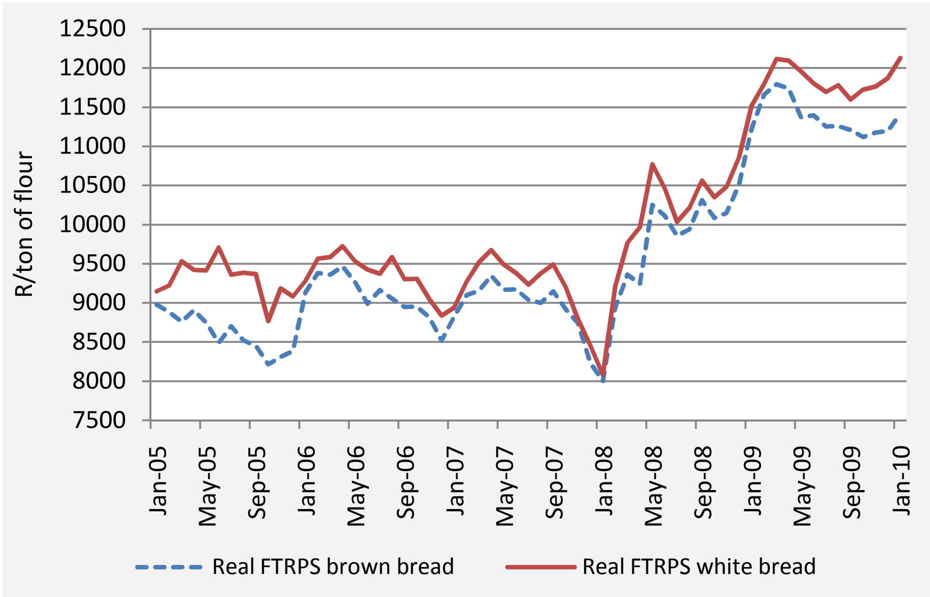

Figure E.1: Trends in the real farm-to-retail price spread for brown bread and white bread
***Source:* SAFEX and Stats SA**

FVS ↓ between January 2009 and January 2010

FVS for brown bread ↓ 37 %

FVS for white bread ↓ 38 %

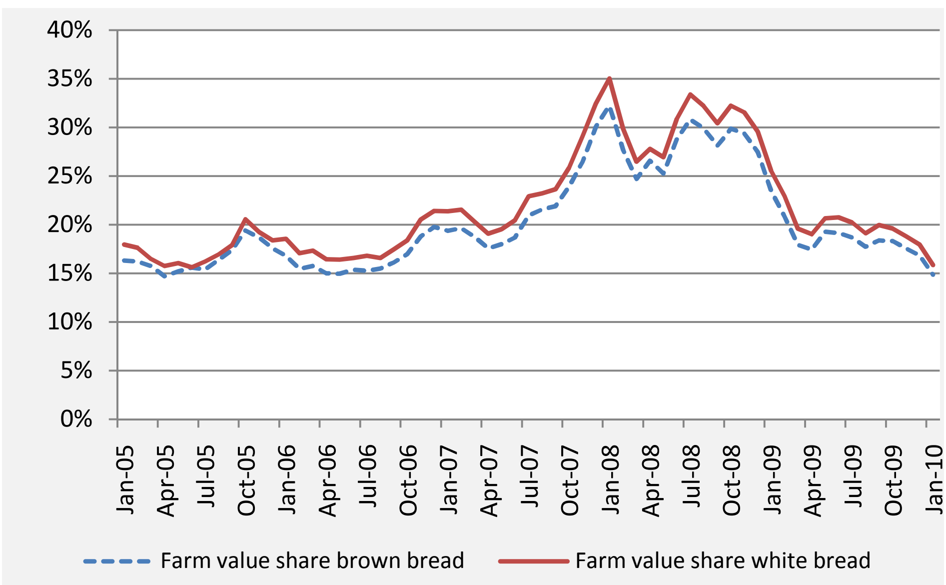

Figure E.2: Trends in the farm value shares of brown bread and white bread
***Source:* SAFEX and Stats SA**

E.2 Maize

FTRPS for maize fluctuated drastically

Between January 2009 and January 2010:

FTRPS for super maize meal ↑ 54 %

FTRPS for special maize meal ↑ 11 %

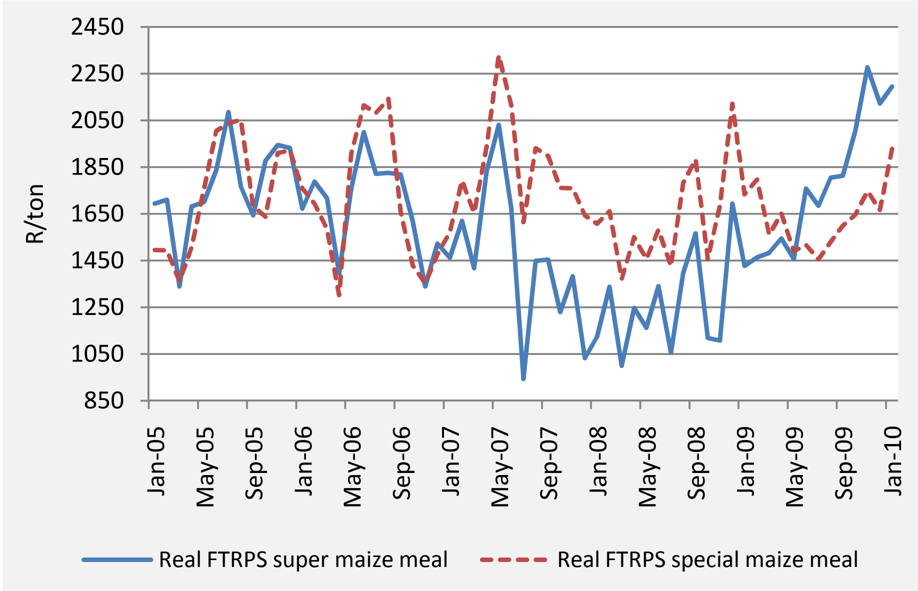

Figure E.3: Trends in the farm-to-retail price spread for super maize meal and special maize meal
***Source:* SAFEX and Stats SA**

Between January 2009 and January 2010:

FVS for super maize meal ↓ 28 %

FVS for special maize meal ↓ 22 %

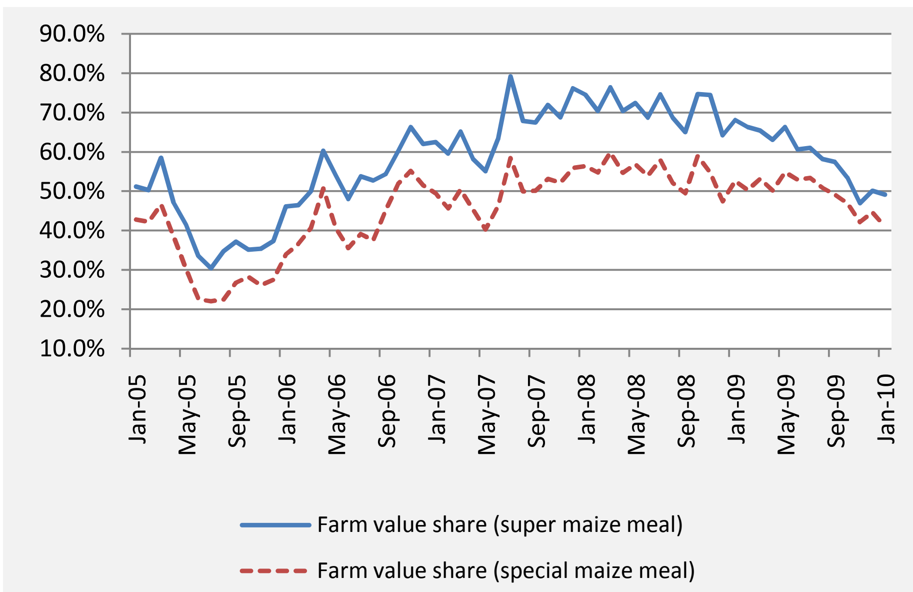

Figure E.4: Trend in the farm value shares of super maize meal and special maize meal
***Source:* SAFEX and Stats SA**

E.3 Dairy

From January 2009 to December 2009:

FTRPS for full cream milk ↑ 10 %

FTRPS for low fat ↑ 12 %

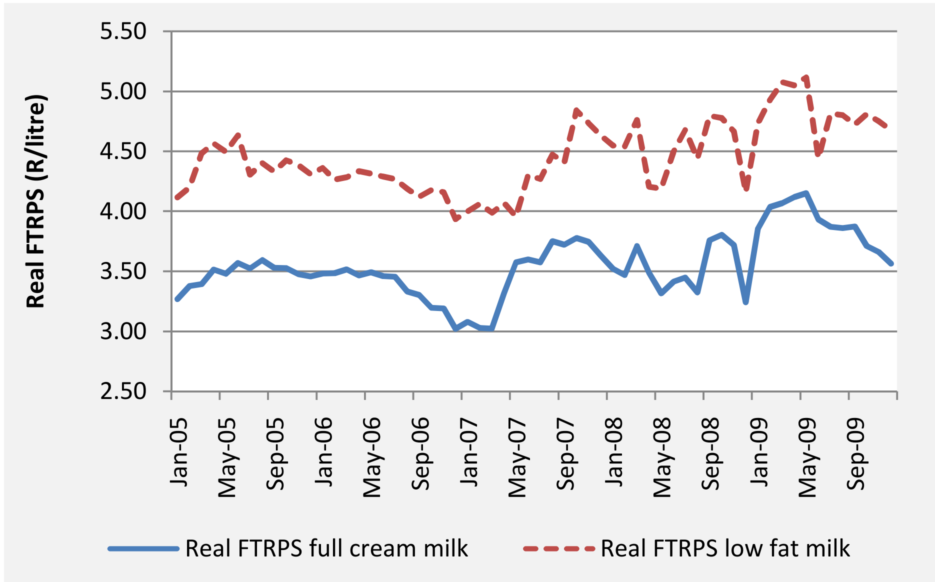

Figure E.6: Trends in the FTRPS for full cream milk and low fat milk
***Source:* MPO and AC Nielsen**

From January 2009 to December 2009:

FVS for full cream milk ↓ 5 %

FVS for low fat milk ↓ 7 %

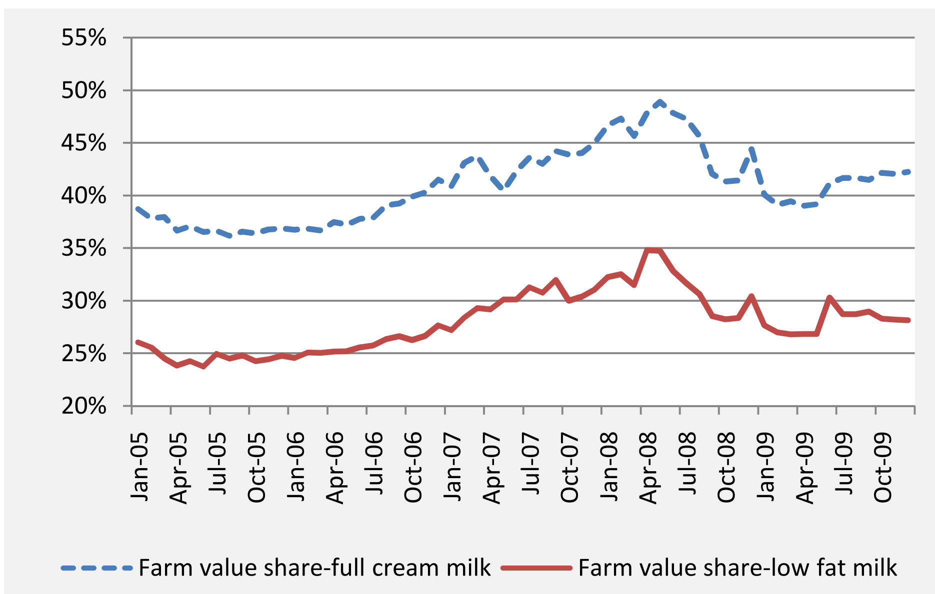

Figure E.6: Trends in the Farm Value Shares of full cream milk and low fat milk
***Source:* MPO and AC Nielsen**

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.

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