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Food retailers no longer in focus in food price-fix probe

Preliminary findings of committee point to the role of input costs like wages, packaging, distribution and overheads

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FOOD retailers appear to be no longer under suspicion of colluding to keep food prices artificially high, according to preliminary findings by the food price monitoring committee.

This should appease the four main food retailers — Pick 'n Pay, Shoprite Checkers, Woolworths and Spar — who were accused of keeping food prices high despite falling agricultural commodity prices since early this year.

University of Pretoria academic and head of the committee Johann Kirsten said it was his "perception" that retailers played a "minor role" in maintaining high food prices.

"The main retailers are in fierce competition with each other. They each want to be the cheapest in the market. So they react by passing the price cuts from food manufacturers through to consumers," he said.

In the seven months that the committee had been conducting its investigation there had been price reductions for more than half of the 13 commodities under scrutiny, he said.

The committee is compiling comprehensive supply chains for the main commodities, and will present its findings in a final report to Agriculture Minister Thoko Didiza in December.

Kirsten said the investigation

was a complex one as food prices differed across brands, stores and regions. However, he said he was heartened by the fact that food inflation had abated since the beginning of the year.

Figures released by the committee show that the price of a 10kg bag of maize meal had declined 10,72% from R33,12 in January to R29,57 in July.

At their peak maize meal prices were 46% above the long-term trend, but had since fallen to 25% above the long-term trend, said Kirsten. The committee would give full reasons for what was causing certain food prices to remain high only when it compiled its final report.

However, Kirsten suggested that input costs, such as wages, packaging, distribution and overhead costs, had a far larger role to play in the overall price of goods.

For a bag of maize meal the raw material, white maize, constituted only 40% to 50% of the final price, he said.

Another cause of maize meal prices not falling more quickly could be milling companies' attempts to recoup some of the losses suffered when they bought white maize at peak prices last year, said Kirsten.

The price of white maize reached a high of R2 000 a ton in February last year, due mainly to the rand's depreciation in 2001, high international grain prices and a food shortage in the southern African region. Maize prices have more than halved since the beginning of the year.

The committee is further investigating the effect that high input costs in production have on the overall price of food products.

Farmers in particular have complained that the prices of agricultural inputs, such as

chemicals and fertilisers, which are imported, have not declined since the sharp appreciation in the rand since last year.

The committee also handed its report on the feasibility of strategic grain reserves to Didiza for the cabinet to consider later this year. The controversial issue of grain reserves, abandoned after the agricultural sector was deregulated in the 1990s, has been seen by some in the industry as government's attempt to control agricultural markets after last year's food crisis.