

The great food price rip-off

South Africans are paying up to 30% too much for some essential foods - because of greed, dominance and waste at major companies.

By Rowan Philp and Karen Van Rooyen 13 Jul 2009



And struggling consumers may have to fork out even more for food within months as producer associations warn of further hikes - particularly on dairy, vegetables and staple foods - following the 31% increase in electricity this month.

As the Competition Commission launches an investigation to determine whether the major retailers - including Pick n Pay, Spar, Woolworths, Shoprite/Checkers and Massmart - are involved in price collusion, wasteful returns practices and anti-competitive behaviour, it has emerged that:

- South African consumers are paying about 20% (R63) more for an average basket of food - made up of bread or mealie meal, meat, tea and coffee, vegetables, fruit and dairy - than last year, despite a drop in the cost of making food;
- Food inflation - the amount by which the cost of food rises year on year - remains at 12.1%, while other countries have slashed theirs, including Brazil, whose rate has dropped from 8.4% in April to 2.4% last month;
- Brown bread should be at least 17% cheaper than white, but costs only 9% less;
- Food is wasted, spoiled or broken at supermarkets for which, ultimately, consumers are charged;
- Packaging worth “tens of millions” - which suppliers build directly into food prices - is lost annually due to a “lack of security and care” among retailers; and
- Farmers are being paid less for their produce, but products still cost more in the supermarket.

While the Competition Commission described the exorbitant food prices as “a big crisis of price-fixing” in parliament this week, suppliers and retailers pointed fingers at each other.

Blaming retailers, Pretoria fish supplier and researcher Nibert Diamant said: “I will drop my price for fish by 15% tomorrow, if I can simply drop my product at the supermarket front door. But there is no protection for the product inside supermarkets, so I have to hire merchandisers.

“We are now paying almost twice the price for food, relatively, that people are paying in Europe. It is a scandal. And the fact that we have a monopoly is behind all of this. You don't need to have meetings in dai

corners for collusion — you just need to be huge and to watch what the other guy is doing.”

Andre Hanekom, CEO of Pioneer Foods, one of the country's largest food suppliers, insisted that “basic profits” remained “between 5% and 6%”, which was below world norms. Pick n Pay and Shopright/Checkers while admitting that food prices were “too high”, denied they were raking in millions more in profit. Pick n Pay claimed it made just 2.1 cents net profit for each R1 of sales.

While the slanging match goes on, consumers are bearing the brunt of high prices, and farmers are also not profiting.

The *Sunday Times* can reveal that farmers now only charge R6.83 for the maize that goes into 5kg of “super maize” mealie meal, compared to R8.80 in April last year. However, a 5kg bag of mealie meal cost R23.50 — up from R20.63 last year.

This suggests that “pap” is at least 25% more expensive than it should be. Dairy farmers are also getting a smaller share of the total price of a litre of milk.

The cost of food incorporates the farmer's bill, processing, packaging, delivery and market-determined prices for suppliers and retailers.

According to the National Agricultural Marketing Council, onions, lettuce, oranges and sunflower oil are among the few items to have become cheaper. By contrast, the price of fish has increased by 34%, coffee by almost 50%, eggs by 22%, processed meats by 26%, and cabbage — a staple of the poor — by a staggering 54%.

Experts are baffled by the spike. Professor Andre Jooste, senior research manager at the council, said the prices of wheat, maize, sunflower, petrol and fertiliser had dropped so dramatically since last year's highs that “prices should have been reduced as (in other countries).

“So the big question is: why haven't they?” Jooste asked.

David Dawe, an economist with the UN Food and Agriculture Organisation, said that “most countries” had responded to the lower commodity costs with cuts in their retail prices, but South Africa had increased its prices, even for wheat and maize-based products.

Tembinkosi Bonakele, deputy commissioner at the Competition Commission, said there was already “clear evidence of anti-competitive practices in the retail food sector that is causing consumers to pay far more than they should”. He said preliminary reports suggested that “undue” profits — at margins suspected to be higher than in most comparable countries — were being made on food after it left the farm gate.

But Whitey Basson, CEO of Shoprite, said his group was paying 16% more for bread from bakeries than a year ago. “Yes, wheat is down, and yet bread is up. I don't know why my suppliers don't supply me at cheaper prices. But, for sure, Shoprite has not added to prices, so we welcome this investigation. Let's see where the problems are in the value chain.”

Jannie de Villiers, executive director of the SA Agricultural Processors' Association, said packaging was a major problem in the supply chain, with four major baking companies alone spending more than R20-million last year to replace some 750000 delivery crates stolen from supermarket premises.

The Great Food Price Ripoff - The shopping news: it's all bad

A trip to the grocery store to stock up on food is enough to break the bank.

Food is occupying South African minds — especially how to cut back on how much they spend on it.

East London mother of two Claudine Fritz said the increase in food prices had a severe impact on her family.

She said she spent about R200 on food every second day, topping up on essentials such as milk, bread and porridge.

The prices of oil, cheese, onions and potatoes were “constantly moving”, she said.

“There is no control. I buy a bag of soft-cooking potatoes every week — and one week it's R40, the next week it's R60,” she said.

She said the price of bananas — the only fruit she buys — varied between R4 and R8 a kilo.

“Two weeks ago I paid R19.99 a kilo for chicken; two days later it was R27. It was on special, but that shows me they can lower the food prices.

“If you look at it, there is price-fixing.”

Fritz said she followed international current affairs on television, and realised that a larger variety of fresh produce was available, and for much less, in other countries.

“In South Africa, we are hit so hard with poverty. Why can't we be like other countries? At the end of the day you must wait for your increase, but by the time you get your increase, the price of oil, for instance, has gone up.

“You can't go into improving your house because you're barely living; you've got to make ends meet just for food because you've got to eat.”

Thousands of kilometres away, food is also on the mind of Pretoria bachelor Matthew Napoleon.

“Just over a year ago, I could fill a trolley with monthly shopping, including a bottle of Jack Daniel's, for R1400. These days I can only half-fill the trolley, and there is very little to eat in it,” he said. “Every time I walk into a store and take five to seven items, essential day-to-day stuff, it costs about R200.”

Napoleon said he had cut out luxury items, including fruit juices and carbonated drinks.

“Even when I do go shopping and come back, my fridge is still empty. The meat goes to the freezer and the detergents go to the cupboard,” he said.

“I just cater for main meals. I cannot open my fridge and just take out something to eat.”

He said his grocery bill was eating into his monthly budget — and that there was nothing he could do about the situation.

“Just like when the petrol price increases, we still put in petrol because we need it, and so we also need to eat.”

In a cost-cutting exercise, the Henderson family from Ottery in Cape Town stopped buying bread; they now make their own.

Dad Ashley said the family had invested in a bread-making machine in March because bread was becoming too expensive.

The family's monthly grocery bill had increased by about R300 since January — with milk, butter, sugar and dog food being the main culprits.

He said the family would have to consider buying cheaper juice and cutting out some luxuries, and sticking peanut butter and jam instead of cold meats for school lunch boxes if food prices continued to soar.

“We are not happy about it, but the government is not really getting anywhere with their investigations.

“Even with bread, when they found there was price-fixing, they should've put a moratorium on the bread price so it doesn't increase for two years,” he said.

“I think the government can do more about food prices. They should set a cap on basic foods.”

Source: Sunday Times

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