PRICES_ GENERAL

1992

JANUARY — MAY.

FM 3/1/92 (244)

MONEY SUPPLY

In check

FM 3/1/92

The broad monetary aggregate M3 grew by an annualised 9,24% between February and November, according to Reserve Bank provisional figures Though up on the annualised 7,45% between February and October, it remains within policy limits

February is used as the base month because subsequent growth is free of that month's technical distortions which substantially boosted monetary growth as various transactions, previously not reflected on banks' balance sheets, were brought within the definition of money supply

M3 grew 13,84% to R182,1bn over 12 months, while from the base of the current target year in mid-November the annualised rate is 15,1% to a seasonally adjusted R182,1bn

Revised figures for October show M3 grew at a marginally lower rate than the provisional figures published last month

- Over 12 months, 15,77% to R179,9bn;
- From the base of the current target year, an annualised 14,22% to R178,7bn, and
- From February, an annualised 9,24%

Growth over 12 months to October in the other monetary aggregates was

- M1A 15,6% to R30,8bn,
- M1 24,85% to R58,5bn, and
- M2 21,71% to R152,2bn

From February to October credit extended to the private sector grew at an annualised rate of 12,7% to R189,9bn ■

INFLATION FM 3/1/92 (244)

Hope after VAT

There is good news on the inflation front Not the sharp deceleration in the consumer price index in November to 15,5% annually, from 16,8% in October — that is largely technical, says Central Statistical Service In November 1990, the index jumped 2,1% because of higher fuel prices, so this November's increase is off a relatively high base

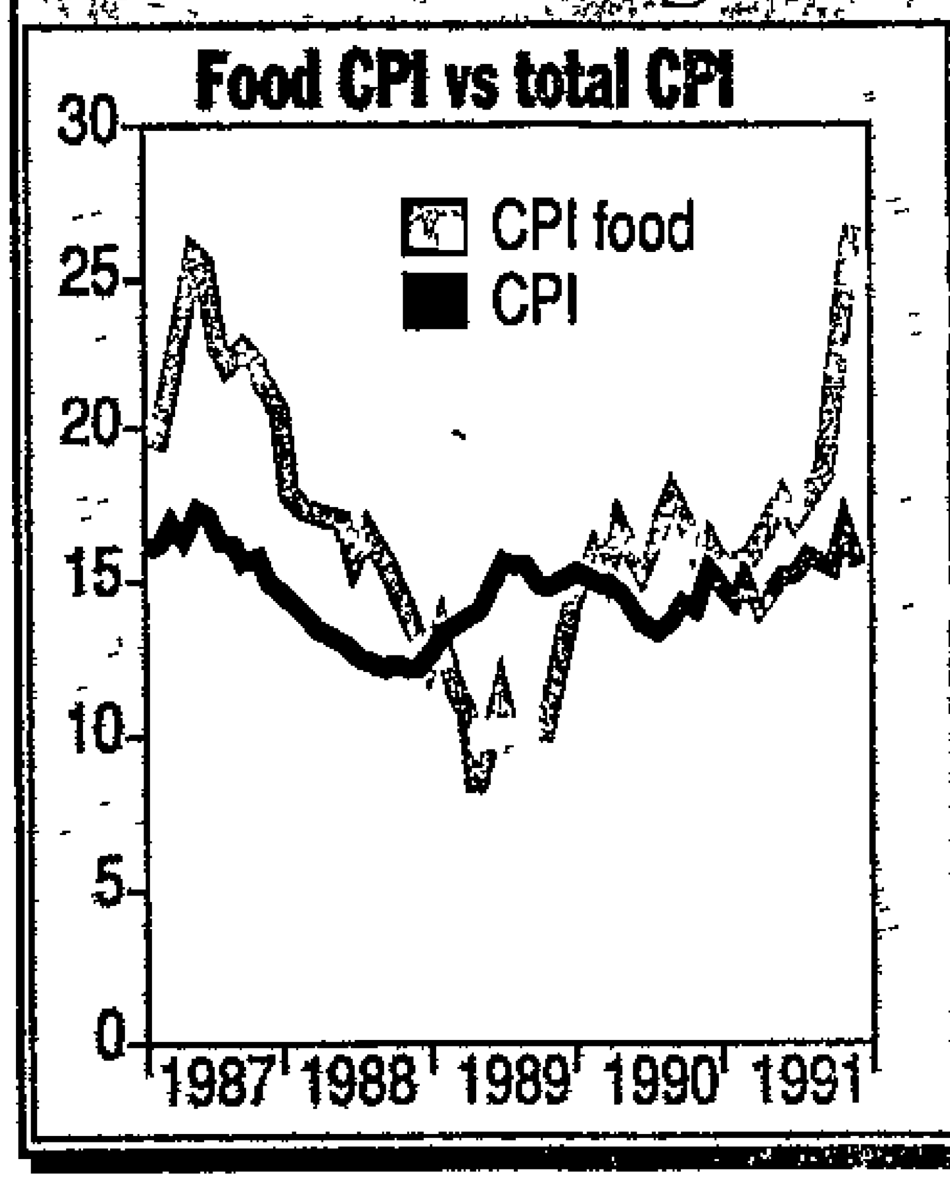
What is encouraging is that the monthly increase was only a seasonally adjusted 1% — or a little over 12% annualised While it's not wise to base a forecast on a one-month figure, it is an indication, however tentative, of the path of inflation There are also reasons why it is appropriate to attach importance to the November figure

One is that it is the first monthly figure which is not affected by VAT, introduced on September 30 The second is that the modest total rise came despite a seasonally adjusted 2,4% increase in the price of food, which has a weighting of 18,64% in the index Other components are rising much more slowly — all items excluding food rose only a seasonally adjusted 0,8% in the month and 12,7% in the 12 months to November

Exceptionally high increases in food prices — and the divergence between consumer and production price rises — are under investigation Meanwhile, some facts emerge from a breakdown of various production and consumer price figures Production prices for November are not yet available, so the October figures can serve as a comparison

The figures show that retail food prices were up 26,9% in the year to November,

Food for thought



while meat prices, which represent about a third of the food sector, rose 38,1%

Compare this with the food component of the production price index for October.

- Agriculture — subsector food up 21%.
- Manufacturing — subsector fresh meat (price paid at the abattoir by the butcher) 20,5%; and
- Manufacturing — subsector other 12,9%

Let's hope the soaring trend in food prices, particularly at consumer level, will eventually evoke resistance Though consumers can't stop buying, they can cut back and buy selectively

On the producer level, there may well be ways to eliminate supply bottlenecks by properly deregulating markets, including meat Since July, when the Meat Board cut the flow of meat slaughtered in uncontrolled areas to controlled areas (*FM* July 26), meat prices have soared

While food prices remain a serious problem, another major component of the index is performing far more favourably

With a weighting of 20,54%, housing prices rose only 6% over 12 months and 1% in November A reduction in the official Reserve Bank rediscount rate expected early in the year is almost certain to be followed by a fall in the general pattern of interest rates, including those on mortgage loans

- The inflation rate was calculated using the 1985 weighting for November 1990 and the 1990 weighting for November 1991 If the new weighting had been used for both months, the inflation rate would have been only 14,3% This rate is also achieved if the effect of VAT is stripped out — so the new tax added 1,2 percentage points to the inflation rate that month ■

FM 3/1/92.

Their best efforts

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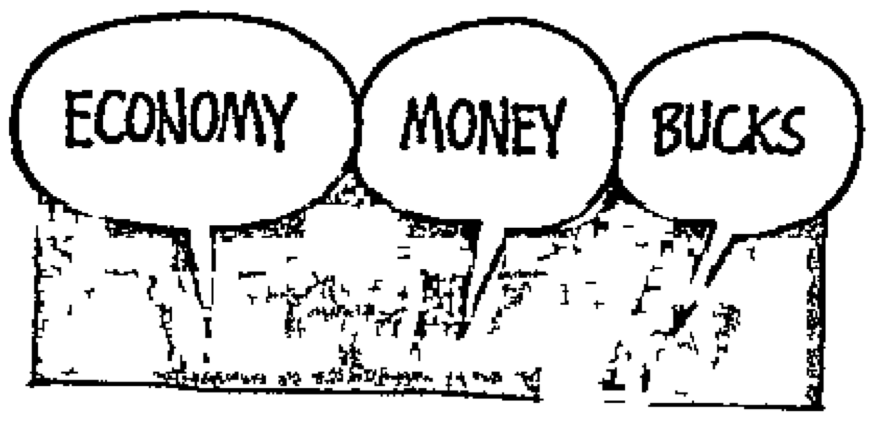
Among recommendations made in the Report of the Committee for Economic Affairs on *A strategy, goals and policy for obtaining active consumer co-operation in action against price exploitation and inflation* — an inflated enough title all on its own — was the following



"The powers at work in the monetary sphere and their effect are discussed mostly in highly technical language which is unintelligible to the greater part of the general public and which does not succeed in stimulating their involvement and co-operation. The committee therefore recommends that a comprehensive attempt be made with the aid of communications experts to make the information, in so far as it is relevant to the different groupings of the community, available in terms that are understandable to each one of these groups"

Now, who managed to understand that?

Some further oddities

☐ First National Bank extended the numbers of its mortgage bond accounts from 11 to 13 numbers However, the Automated Clearing Bureau, which co-ordinates payments between the banks, could not cope with 13-digit numbers So clients were advised to use their old numbers and bank staff transferred the funds manually until the problem was sorted out,

☐ An error made in February 1990, by the Central Statistical Service (CSS) when calculating producer price inflation, grew over the following months, like Jack's beanstalk, to gigantic proportions By June 1991, producer price inflation was recorded as 14,1% (up from 13% in May) The pressure came mainly from food prices which, over 12 months, were said to have risen 42,1%, the rise in the month of June alone was reported to be 8% for agricultural food and 2,1% for manufactured food products When these figures were published on August 12, rates in the bond market moved sharply up — the benchmark Eskom 11% gaining 14 basis points within hours of publication to close at 16,36%

CSS then investigated its own figures On August 27 came news that "*bona fide*" processing errors had been made over 17 months which by June had resulted in an overstatement in agricultural inflation of 34,3 percentage points while the figure for total producer price inflation was out by 2,9 percentage points

The Eskom 11% that day shed 11 points to close at 16,55% But much of the damage, in terms of inflationary expectations, has not yet been repaired The artificially inflated figures no doubt helped set the scene for increases in consumer prices, which are now a potent force in sustaining consumer food inflation at nearly 26%,

☐ In January 1991, Pretoria Bank hoped to enter into a partnership with a large financial institution, to raise its capital base The lure, it suggested to the *FM* at the time, was its link with Masterbond Trust which had a 10% stake in the bank In April it was planning a merger with Masterbond and a rights issue to raise cash A few months later the Pretoria Bank was placed in curatorship In October Masterbond went into provisional liquidation,

☐ Lured by deposit rates much higher than those offered by the rest of the market, the SA Rail Commuter Corp deposited R249m with Cape Investment Bank The bank has been put into final liquidation and the circumstances surrounding its demise have been the subject of a Section 417 (secret) inquiry The fate of Commuter Corp's deposit has still not been decided, and

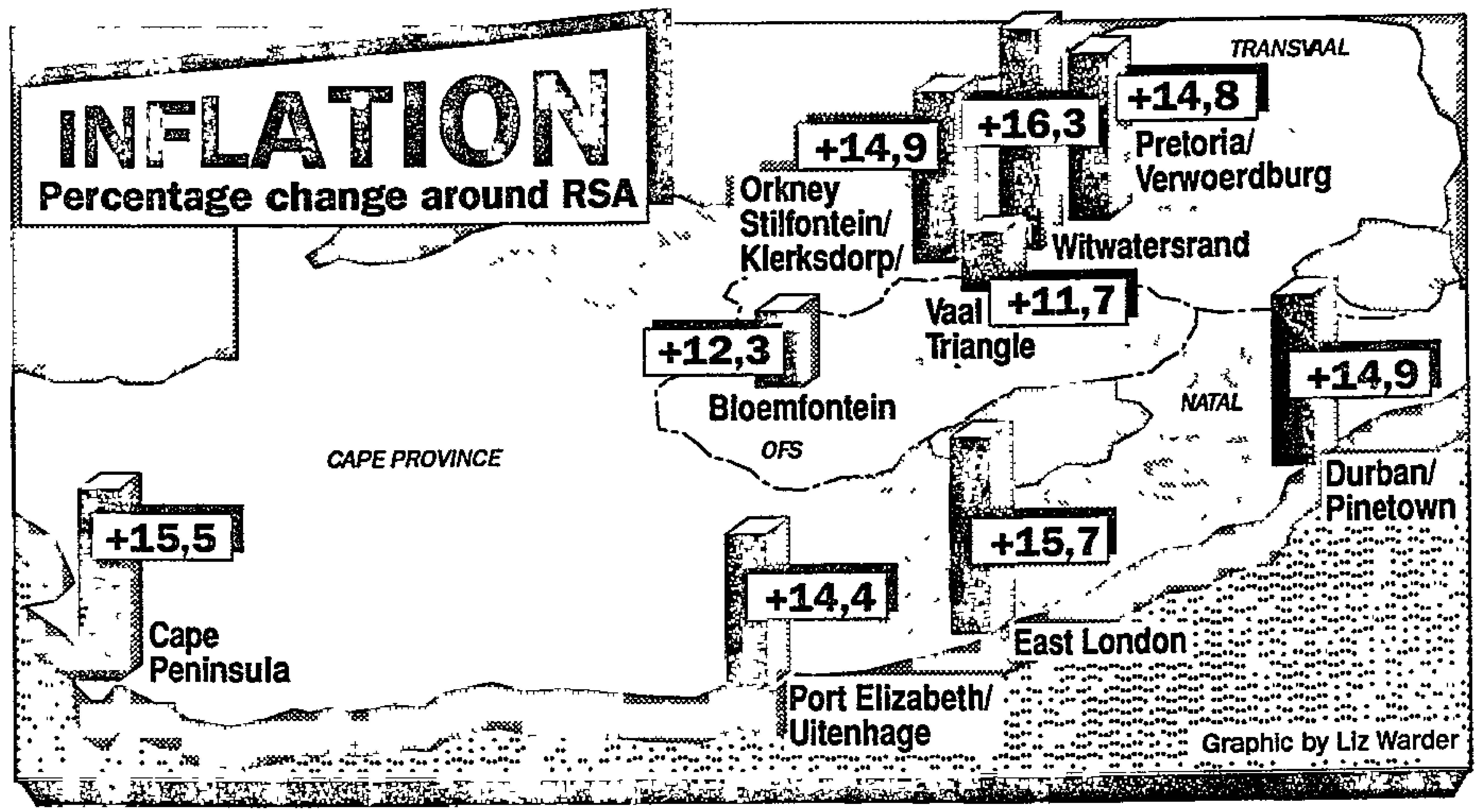
☐ A survey was conducted by KPMG Aiken & Peat's Banking & Finance Group into the level of disclosure in the financial statements of the 10 domestic banks Of 17 requirements against which the banks were measured, Saambou failed to comply with a single one

Ethel Hazelhurst

Inflation bites poorest hard

STAR 7/1/92 (244)

The mandarins at the Central Statistical Service put the rate of inflation at 15,5 percent a year in their latest count. Closer examination of the figures, however, shows that the impact of the prices spiral hits many South Africans much harder than others, reports MICHAEL CHESTER.



Graphic by Liz Warder

NO WONDER there are so many arguments between any two consumers whenever the conversation comes round to talking about how hard inflation is knocking the family budget.

The root cause is the vast difference in the way each one of us feels the clout of the prices spiral — depending on where we live, our income bracket, our eating habits, our lifestyles Even age may come into it.

Examination of the detail buried inside the regular bulletins put out by the Central Statistical Service (CSS) shows that inflation strikes with total disregard for either logic or compassion when it selects victims

A broad brush-stroke informs us that the rate of inflation, as measured by the consumer price index, now stands at a national average of 15,5 percent a year

That immediately causes a few snorts when CSS mandarins give a breakdown of how the average varies depending on size of salary or wage packets

Tempers flare when consumers in the middle-income bracket discover they are feeling the pinch worst of all with an inflation burden as much as 16,3 percent heavier than a year ago Their sense of injustice boils to rage when they find that neighbours in the higher-income bracket escaped with a lower average inflation of 15,3 percent.

(Inflation for lower-income families, according to official figures, stood between the extremes at 15,4 percent)

But griping among consumers in all three groups is muted when they come across the scale of inflation carried by pensioners It now emerges that it is pensioners — the most vulnerable of all consumers — who are scorched most by the inflation inferno

On a national average, the spending power of their pensions shrank by 16,2 percent over the past year

Worse, if they live in or around Johannesburg, it shrank more than 17 percent For pensioners in East London it shrank 17,4 percent — for reasons that CSS bulletins leave unanswered

The inflation impact on pensioners gives an early clue to inflation's chaotic pattern

Take away all the frills of high living-styles and one finds it is the food bill, one of the biggest items of all in the frugal budgets of pensions and most lower-income families, that suffers the harshest treatment from inflation

Analysis of official figures shows that food bills on average have rocketed by up to 26,9 percent compared with a year ago, almost twice as bad as the average inflation level

Take away food bills and the national average of inflation would sink from 15,5 percent to 12,7 percent.

The focus of outrage has centred on meat prices, which have climbed by more than a stunning 38 percent. But one also finds that vegetable prices were hit almost as hard, with increases of nearly 34 percent Fish costs almost 28 percent more than a year ago Still worse, prices of fruit and nuts rose fastest of all — by well over 43 percent

There was little consolation to be found in drinking away one's sorrows, as prices of alcoholic drinks jumped 18,7 percent, nor in trying to escape in a pipe dream — tobacco items were more than 23 percent dearer

And popping pills to soothe the headache was an even more expensive escape Medical care and health expenses went up nearly 27 percent

The pattern of inflation seems to be peppered with anomalies For instance, the affluent section of society who own their own cars were able to enjoy an actual decrease in running-cost bills, thanks to cuts in the price of petrol from the peaks hit a year ago when the Gulf War sent world oil prices into orbit.

In contrast, lower-income travellers find that the cost of public transport has on average jumped by almost 17 percent

Perhaps one could find a haven somewhere in South Africa to seek refuge from the gales of inflation?

The first advice must be, following CSS surveys, don't try to find shelter in Johannesburg or elsewhere on the Witwatersrand Here, on average, inflation was at its highest — 16,3 percent on living expenses

It was also higher than the national average in Maritzburg In Cape Town, at least price increases stayed on the average level of 15,5 percent

What about Durban or Pinetown — 14,9 percent? Or Pretoria or Verwoerdburg — 14,8 percent? Better still, if it appeals, what about Bloemfontein, with an annual inflation rate down below 13 percent?

What about the Vaal Triangle — Vereeniging, Sasolburg, Vanderbijlpark? Bingo That's where inflation has been lowest of all in the past 12 months at a mere 11,7 percent.

Moving towns may be better than holding thumbs in the hope that South Africa will find solutions to bring inflation down to the sort of forecasts being made by the main overseas industrial nations — between 3 and 5 percent over the next three years

Among the most optimistic forecasts, the prediction from Nedbank chief economist Edward Osborn is that the inflation rate should gradually reduce to around 11,5 percent by the end of this year

The Econometrix research unit in Johannesburg has also done its homework on the outlook — with a number of optimistic forecasts that the price spiral may be tamed soon

Director Dr Azar Jammine concludes, however, that inflation has little chance of falling much below 13 percent in the next 12 months — even if the Reserve Bank sticks to its guns on monetary discipline and the socio-political climate improves He fears that chances of bringing it down into single digits will remain remote until South Africa solves problems in its economic system created by Government overspending and punitive levels of taxation □

Petrol price hike rumours scotched

B/Day 7/1/92 (244)

By ROBERT LAING

A NATIONAL Energy Council (NEC) spokesman yesterday denied a petrol price hike of 18c a litre was imminent.

"We are aware that a rumour is doing the rounds that petrol is to be increased by 18c a litre. There is no truth in it; we have no intention of raising the price of fuel in the near future," the spokesman said.

The NEC's December figures showed a unit underrecovery of 0,406c a litre for 93 octane petrol in the PWV area.

It was the eighth consecutive month unit underrecoveries were realised on all octanes of petrol, diesel and paraffin.

The NEC spokesman said the unit underrecovery had improved since these figures were released as a result of lower oil prices and more favourable exchange rates, eliminating the need for a price hike.

"We are trying to trace the source of the rumour, which we believe started on the JSE," he said.

A dealer said the rumour pushed the price of Sasol shares up 15c to R18,50 on a volume of 82 000 shares yesterday. He said the rumour probably originated on the gilts market.

Government increased the petrol price by 13c to 143c a litre in August after announcing the VAT rate would be reduced.

Service station profit margins increased by 1,5c to 13c a litre on December 14, spurring rumours that the retail price of petrol would rise by between 3c and 4c.

Petrol price hike rumour 'untrue'

(244) CT 9/1/92

JOHANNESBURG — A National Energy Council (NEC) spokesman yesterday denied a petrol price hike of 18c a litre was imminent

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Service station profit margins increased by 1,5c to 13c a litre on December 14, spurring rumours that the retail price of petrol would rise by between 3c and 4c in negotiations for the ANC ● Report — Page 2

Pretoria's food among cheapest

(244) CT 9/1/92

WASHINGTON. — A food price survey conducted by the Foreign Agricultural Service shows that prices in Pretoria are the second lowest among 18 capitals surveyed

Brasilia had the lowest prices, with the 15-item market basket surveyed in November costing $27 (R76) The items cost $41 (R115) in Pretoria

Mexico City and Stockholm were joint third, at $42 (R118)

Tokyo increased its lead as the most expensive city, at $155 (R434)

Since the May survey, the dollar cost of the 15-item market basket declined in five of the 18 capitals surveyed and rose in 13, with the weakening of the dollar being largely responsible for the increase — Sapa-AP

INSIDE

CITY BASH FOR LE CAP DRIVERS

See PAGE 3

COURT GETS PENSIONER BACK IN CHURCH

See PAGE 3

SPY CLAIM: MEN TO GO FREE

See PAGE 5

Low prices in Pretoria

PRETORIA has the second-lowest food prices among those in 18 world capitals surveyed by the US Foreign Agricultural Service, while Brasilia has the lowest.

The cost of the 15-item market basket in November was $27 in Brasilia, $41 in Pretoria and $42 in Mexico City. Tokyo was again the most expensive city, at $155. 244

B/Day 9/1/92

New law may push TV prices up 15%

(244)

ROBERT LAING

TELEVISION prices are set to rise 15% as a result of new legislation which raises the duty on the imported content of television sets to 90% from 50%

TV manufacturers say the Board of Trade and Industry's modifications to its Phase III structural amendment programme, published in the January 1 issue of the Government Gazette, reverses July's legislation which enabled TV makers to drop prices by about 15%

Tedelex MD Jack Cohen said "At the end of the day, the new legislation will cause TV prices to revert to July's levels, which were between 12,5% and 15% higher than today's" B/Day 10/1/92

Cohen said the industry generally accepted that the import tariff holiday granted by July's legislation had been an unrealistic windfall, and that revision of the Phase III programme was inevitable

The board's structural amendment programme was intended to systematically remove import protection, he said

Tek electronics division MD Richard Ferrer said the new legislation would increase the price of imported TV sets by 3% and locally manufactured sets by about 15%. "The bottom line is that the BTI has reinstated duties paid by manufacturers to levels of the first half of 1991"

The BTI modified its July legislation to close loopholes allowing overhead costs to count towards the 40% local content level

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TV prices

B/Day 10/1/92

(244)

☐ From Page 1

needed by manufacturers to qualify for import tariff rebates, a spokesman for Ciskei-based TV maker Triad said The new legislation limited local content to component value

The excise duty on TV sets was reduced to 38% from 53% and a 3% customs duty was placed on all imported TV sets

Ferrer said TV sales were sensitive to price rises The legislation would hit volumes Computer industry sources said they feared the 90% duty on components would also be levied on PC screens Legislation stated the duty applied to all video monitors irrespective of value

PPI approaches single digits

B/Day 13/1/92

(244)

THE WEEK AHEAD
by SIMON WILLSON

PRODUCER price inflation may not quite hit single figures when the November rate is released this week, but it is likely to be very close.

If inflation, as measured by the producer price index (PPI), does make it to a level below 10% it will be the first time in eight years that it has been in single digits, but the required fall from October's 11,1% is a lot to ask of even this notoriously fickle indicator.

That PPI inflation is headed lower is not open to much doubt The figure is on a roll, having fallen steadily for the last three months, and there is nothing in the index's component parts that suggests any interruption to the downtrend. Indeed, those factors which have helped slow PPI inflation over recent months should be in evidence even more strongly in the November data.

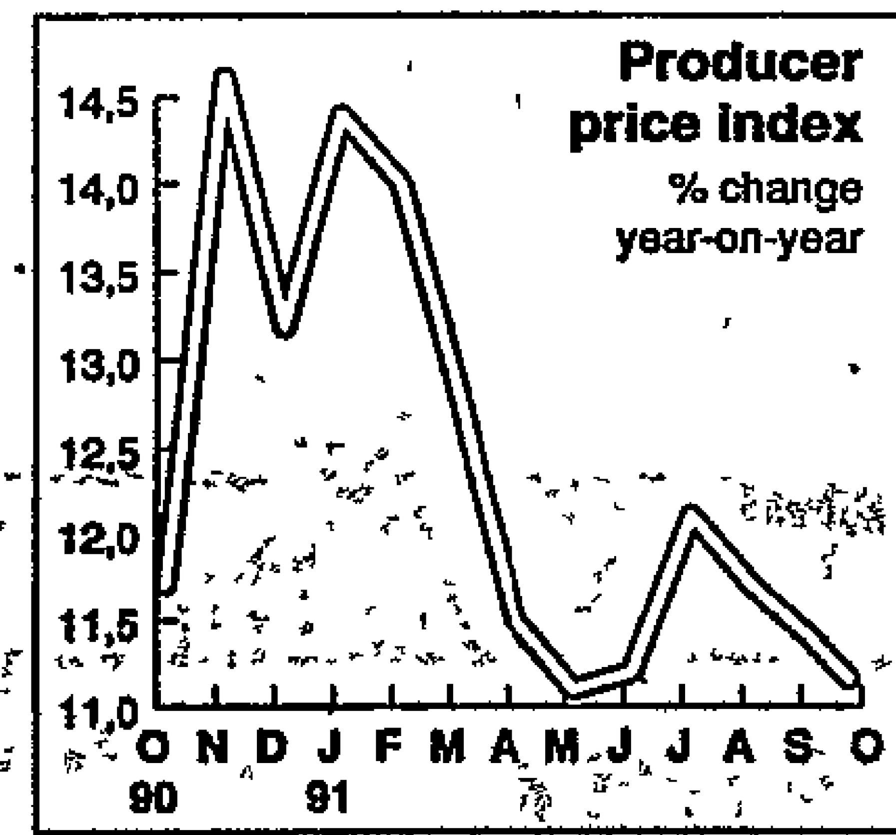
For a start, VAT is not a problem. Unlike the consumer price index (CPI), which deals with prices at the end of the production and distribution chain, the PPI covers goods at the factory gate and is unaffected by the GST-to-VAT transformation. The PPI therefore does not have to accommodate the levying of VAT that so distorted the October and November CPI, and will show no tell-tale bulge from the imposition of VAT.

Furthermore, the technical influences exerted on the annual rate of PPI inflation by the level of the index 12 months ago are about to become extremely favourable. Fuelled by the effect on commodity prices, especially of crude oil, as Operation Desert Shield headed inexorably towards war, month-on-month PPI inflation shot up to more than 4% in November 1990 from barely 1% the previous month. This has left the calculation of the year-on-year PPI inflation rate for November 1991 with an unusually high base, which should help propel the final figure well down towards the elusive single-figure level.

In addition, continued resilience of the trade-weighted rand should ensure yet another forceful contribution to slowing producer price inflation from the PPI's imported component. In the October PPI data, the rate of imported inflation was already steeply down at 4,9% from September's 11,7% — thanks mainly to the rand's relative strength against a basket of trading partners' currencies.

But October's year-on-year rate of imported inflation would have been even lower, but for an unexpected jump in the month-on-month rate to 2,7% from September's -0,3%. This seems to have been accounted for by crude oil imports and may, therefore, be a one-off whose absence from the November imports data could turn it negative again. This would amount to another powerful depressant to the overall rate of PPI inflation in November.

Internationally, the US presidential election campaign is effectively under way and the New Hampshire primary is little more than a month away. This lends added urgency to every new statistic on the health of the stagnating US economy, which the administration is trying to revive before inviting voters to re-elect it.



Graphic LEE EMERTON, Source CSS

Tomorrow sees the publication of December's US industrial production and capacity utilisation figures, and it seems too early to expect any reversal of the figures' recent weaknesses.

Industrial production has shown only one increase in the last four months' data and it is difficult to see a change in trend from November's fall of 0,4% following poor employment and factory orders data in the fourth quarter of 1991 Capacity utilisation, meanwhile, has mainly reflected the parlous state of the US motor industry in having slumped to 79,1% in November from October's 79,6% Cutbacks announced by General Motors last month plainly indicate business is still deteriorating and the capacity level looks set to fall further before it bottoms out.

Retail sales are the other sensitive barometer of US economic performance The reluctance of consumers to borrow and the rising number losing jobs suggest strongly that sales are set to remain weak. Durable goods' sales are likely to hold back overall retail sales for December in tomorrow's release, as recent rises in money supply growth will not yet have fed through to the sales figures.

Of parallel electoral importance on the other side of the Atlantic are Britain's December unemployment figures, due out on Thursday. Analysts expect a slowdown in unemployment growth but the government would be premature in thinking this heralded a possible flattening in the unemployment trend. It looks as though recession-hit companies may have deferred fresh retrenchments until the new year and unemployment growth could speed up again.

LETTERS

Firestone to increase tyre prices soon

BDay 14/1/92

ROBERT LAING

FIRESTONE's tyre prices would increase by between 9,5% and 11,75% on January 27, a company spokesman said yesterday

(196)

Gentyre would also be notifying tyre dealers of an increase soon, the level of which was still being decided, Gentyre MD Clive Tutton said

Firestone's price hike follows similar increases by Goodyear and Dunlop on December 23 and January 6 respectively

(244)

In a related development, tyre manufacturers said they would attempt to gain protection by lobbying government to set safety standards which would effectively ban cheap tyres imported from the Far East.

Tutton said "We are expected to manufacture tyres to the standards of the European 'E-Mark', allowing them to be used on Mercedes and BMW cars destined for export But at the same time, we have to compete against cheap, low quality tyres from the Far East which cannot be sold in Europe"

Tutton said there were no SA laws governing tyre quality standards, so any tyres could be imported irrespective of their safety

SA Tyre Manufacturers Conference (SATMC) spokesman Gert Fisher said a committee had been formed by tyre makers and the SA Bureau of Standards (SABS) to set quality standards which all new tyres sold locally would have to satisfy. It would meet on February 16, he said.

The recent price increases sparked outcries from Sabta and some tyre dealers because they coincided with an appeal to government from tyre makers for import protection

Fisher said the industry had requested the Board of Trade and Industry to hold tariff protection, which was to be scrapped at the end of December, until a local "safety mark" had been regulated

Tyremakers requested protection because they were forced to buy rubber from Sentrachem's Karbochem plant in Newcastle. Fisher said the BTI had indicated that Karbochem's protection would be phased out and tyremakers would be able to buy raw material on the open market.

However, a Karbochem spokesman said there were no moves to remove the import control and tariffs which protected it

Delight as PPI relaxes into single digits zone

CT 16/1/92 (244)

By ARI JACOBSON

THE Producer Price Index (PPI), which measures inflation at the production level, fell into single digits for the first time in seven years — at 7,9% for the year to November.

Interest rates are now set to come down at least 1%, said market players canvassed yesterday

Deputy governor of the SA Reserve Bank Jaap Meijer said "the monetary authorities are obviously delighted with the latest inflation figure — we will know have to take a hard look at relaxing interest rates".

Old Mutual's economist Johann Els pointed out however that the sharp fall for the year had been brought on by the large increase from the previous November month on month.

"The PPI increased by a large 3,5% just for the month of November 1990 fuelled by high oil imports surrounding problems in the Middle East"

Els however pointed out that he expected the PPI to remain in this single-digit vicinty for the next few months

Other "excellent" indicators from the latest PPI figures he said were the imports, for the year, which were now negative (-2%) — the first time in 30 years, and domestic inflation which had contributed a mere 0,4% for the month of November, 1991.

A worrying factor Els mentioned was the gap between the consumer price index (CPI) and PPI, now at a massive 7,6% (with the CPI for November at 15,5%) But he said this clearly showed the potential for a lower CPI in the medium term

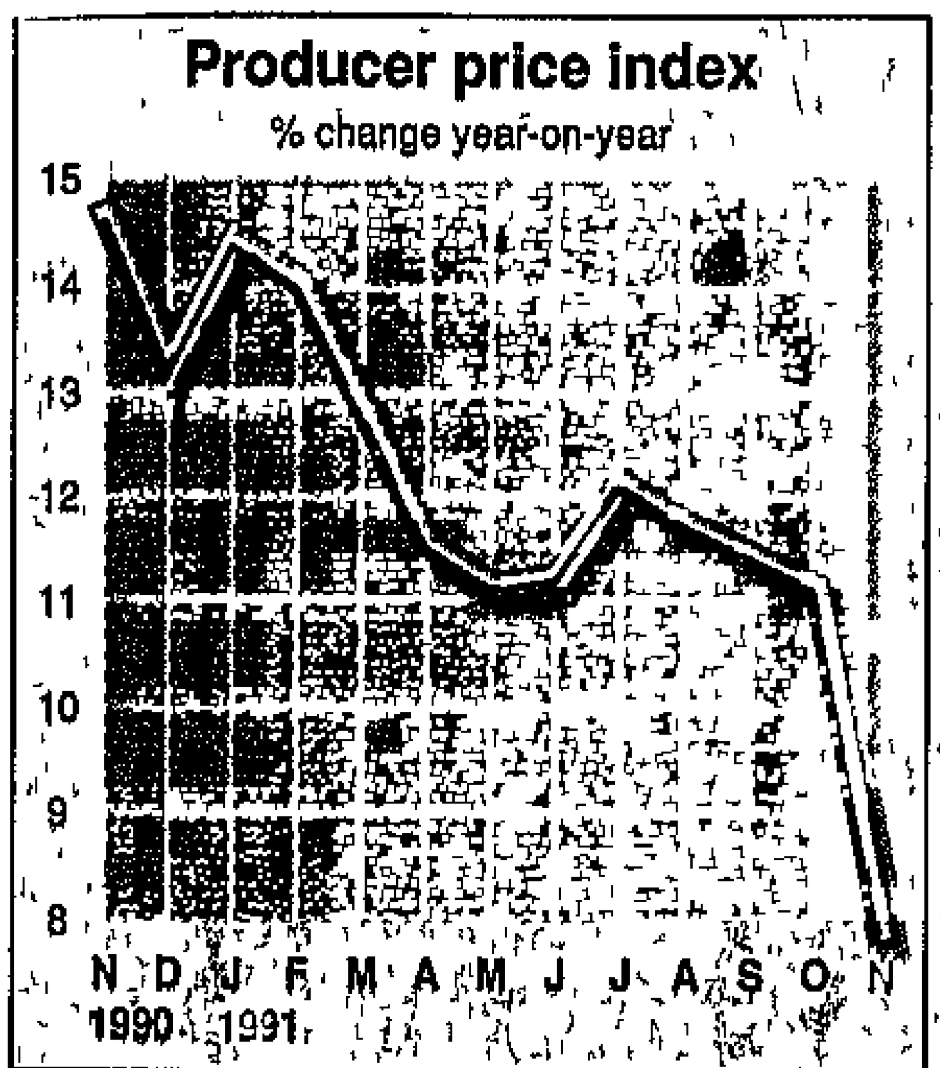
Another problematic factor said economists was the fact that the Central Statistical Service (CSS) had erred so often with inflationary figures in the past.

On a monthly basis the largest increases came from motor vehicle and spare parts rises (3,7%), fresh meat (2,9%), while food products gained 1,2%

Surprisingly the money market only reacted mildly to the PPI figure because a dealer said "a one percent drop in the prime overdraft rate has already been discounted".

"The money market is looking ahead to the next cut in the interest rate — that's why the small response"

Board of Executors' portfolio manager Rob Lee pointed out the same predicament in the stock market and said "although this is a good figure the market has already built in a one percentage point drop in the interest rate".



Graphic FIONA KRISCH Source CSS

Producer inflation tumbles to 7,9%

244

SHERIDAN CONNOLLY

PRODUCER price inflation tumbled to 7,9% in November — 3,2 percentage points below October's 11,1% — bringing producer inflation to its lowest level in eight years. B/Day 16/1/92

Figures released by the Central Statistical Service (CSS) yesterday showed the sharp decrease in producer inflation was mainly because the Gulf war boosted commodity prices in November 1990, causing an unusually high base.

The producer price index (PPI) shot up more than 4% month-on-month in November 1990 from barely 1% in the previous month.

Imported inflation dropped 2,0% in November, falling 6,9 percentage points from October's 4,9%.

Most of the fall in imported inflation was attributed by the CSS to a decrease of 12,2% in the prices of "other" mining products — covering crude oil imports.

Domestic inflation dropped to 10,3% in November from 12,5% in October.

Price increases of note in locally produced commodities were in fresh meat (2,9%), motor vehicles, parts and accesso-

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Inflation

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□ From Page 1

ries (3,7%) and agricultural food products (1,2%)

The last time SA's producer inflation was expressed in single digits was in August 1984, when it stood at 7,8%

ABSA chief economist Adam Jacobs said that although he had expected a single-digit figure, the low producer inflation rate of 7,9% was very encouraging.

Although the November figure was influenced by a relatively high base, a positive underlying downward trend was emerging, and single-digit producer price inflation could be expected to continue, he said

Jacobs said that with money supply growth now under better control and with factors such as a more stable effective rand exchange rate and lower unit labour costs, lower producer prices would help bring down consumer price inflation

Sanlam economist Johan Louw said the figures were good news for consumers as the emerging downward trend would filter through to consumer prices

With lower production costs, retailers would be less inclined to pass on costs to consumers, he said almost R2,2bn

This was the equivalent of R7m a day for the first 10 month of last year

Judgments for debts against individuals in the 10 months amounted to R1,9bn

Big increase in petrol price 'likely in Budget'

GERALD REILLY (244)

PRETORIA — A big increase in the petrol tax — and the price — is virtually certain to be announced by Finance Minister Barend du Plessis in his March Budget, say informed sources.

And if there is a big increase in international crude prices, a rise in the petrol price is likely before Budget day. B\Day 17\1\92

Currently government's cut from petrol is 50,9c/l — 46,90c/l tax and 4c/l customs and excise duties.

The 1,5c/l hike in retail margins at the end of last year and the increased Transnet pipeline costs of about 1c/l have been absorbed by the equalisation fund. The fund also absorbed the 4c/l hike in wholesale margins announced in April last year.

A source said the fund was strong enough to carry these increases for several months. However, a dramatic rise in crude prices could change the picture. Currently petrol and diesel price levels represent a small under-recovery.

The source said the expectation was that Du Plessis, who faces a dire need to raise additional revenue, would raise the fuel tax as part of his overall Budget strategy.

This view supports the forecasts of the Bureau for Economic Research (BER) at Stellenbosch University that the Budget would increase the petrol price by 17c/l. The BER also warns of the impact on inflation of a substantial fuel price increase.

Military technology to

Food prices are spiralling up

244 ARG 18/1/92

. . . but state probe is 'moving at snail's pace'

CLAIRE GEBHARDT
Weekend Argus Correspondent

SEVEN months after the government ordered an urgent investigation into soaring food prices, the investigating committee has "nothing to report"

Only now, after months of inactivity, is the Board of Trade and Industries (BTI) is swinging into top gear Its first report-back meeting is scheduled to take place only in the second week of February

Meanwhile, food prices continue to soar and the food inflation conundrum took another twist this week with the latest CSS statistics

These reveal that the producer price index (PPI) has dropped to single digit figures of 7,9 percent while the consumer price index (CPI) languishes around the 15,5 percent level

Normally the two indices move hand in hand in the same direction with consumer prices lagging producer prices by two or three precent

At the moment however, the differential between the indices at a historic high of 7,6 percent because food inflation just keeps moving up

If the impact of food is excluded, the inflation rate could have been down to 12,2 percent in November

Although the committee was appointed in July last year to probe food price increases "urgently" it was not until November that private sector investigators were briefed on their role

One market research company was contacted less than a week ago Private sector firms, which include an accountant, a management consultant and a market researcher are scrambling to produce results to meet next month's deadline

They admit that the committee faces a monumental task and that there is no guarantee that they will get to the bottom of the great food enigma — who makes the profits as prices soar — on time

Pretoria-based LHA management consultants, have been asked to explore the whole unwieldy distribution pipeline from producer to consumer, starting at the retail end

Both companies are scrambling to complete the task

Mr Louis Heyl says they will try to establish whether there is unreasonable profit-taking or whether structural impediments such as control boards or non-free market practices were to blame

Transport and labour costs will also be investigated

BP Botha and Associates are looking at the profitability of the six major food chains — the OK, Pick 'n Pay, Woolworths, Checkers, Spar and Shoprite

Fuel price hike seen as solution to cash crisis

Motorists may bail out Govt

244

STAR 18/1/92

SVEN LÜNSCHE

SOUTH Africa's long-suffering motorists are likely to bear the brunt of the estimated R5 billion shortfall in Government income for the current financial year, according to economists.

But an increase in the rate of VAT is unlikely, despite indications that tax revenues are running well behind budgeted targets

Econometrix economist Tony Twine said yesterday that any rise in VAT from its present 10 percent would be a "political nightmare" for the Government

He added, however, that an increase in the fuel levy, which makes up part of the petrol price, should not be ruled out, as it gave officials instant access to additional revenue

"A 10c rise in the fuel levy, which makes up 36 percent of the petrol price, generates R1 billion in revenue per annum

"Mr du Plessis previously indicated that he would like to see this increase to 45 percent in line with other Western countries By raising the petrol price by 10c he would move closer to this level and generate roughly R250 million in the remainder of the fiscal year," Mr Twine said

The bulk of the revenue shortfall, however, is set to be raised through additional borrowings on the local money and capital markets

In a statement yesterday, Minister of Finance Barend du Plessis said it would not be necessary to find additional sources of revenue, as sufficient loans had already been arranged to meet revenue shortfalls and finance higher spending

However, the Government's need for cash was unlikely to delay the cut in interest rates expected over the next two months, Mr Twine said

Mr du Plessis announced yesterday that the Government would

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Fuel rise

● FROM PAGE 1.

"substantially" overshoot its 1991/92 Budget as a result of overspending and lower tax revenues (244)

Releasing figures for the first nine months of the 1991/92 Budget, Mr du Plessis said Government spending had increased by 18,5 percent over the same period of the previous fiscal year.

He added that revenue would be even lower than he had calculated in October 1991, when estimates were revised to take account of the lowering of the VAT rate and an increase in excise duties from the fuel levy

So far this year, total revenue is up by only 7,5 percent compared with the previous fiscal year, which is well short of the budgeted increase of 11,5 percent

Income from GST and VAT, in particular, is nearly 2 percent lower than for the same period last year, which is a reflection of poor retail sales and economic conditions

Income from VAT in November and December was R1,2 billion and R1,8 billion respectively, but Mr du Plessis predicted that revenue from VAT for the full year would be "fairly close to target"

This follows widespread speculation that VAT income would be much lower than budgeted for and an ultimatum this week by the Co-ordinating Committee on VAT to the Government to reopen negotiations on the new tax.

Mr Twine said the Government was unlikely to raise the VAT rate, as it risked an even bigger political controversy than the one surrounding the introduction of the tax in September.

With Government revenue unlikely to meet budgeted estimates, the scope for effective tax relief to the individual in the forthcoming Budget is also limited

Commented an economist "Although it has been stated that the long-term aim is to bring down the level of direct taxes and increase indirect taxation, this seems highly unlikely in view of the revenue shortfalls and political demands on Government expenditure."

STAR 18/1/92

What the experts say about probe

ARG 18/1/92 (244)

Weekend Argus contacted several experts this week to ask if they had been approached by the Board of Trade and Industries This is what they said·

PROFESSOR LOUISE TAGER, Vatwatch: "We offered our help but Dr Muller said their investigations were already well advanced and we felt it would be a duplication and a waste of consumers' money "

DR ANDRE LOUW, Volkskas specialist agricultural economist: "We have not been asked to help but we feel the investigation will be problematic The farmer faces increasing input inflation but the price he receives is not increasing at the same rate "

DR PIETER COETZEE, GM of Meat Board: "We have not been contacted nor invited to make a submission "

MS LYNN MORRIS, Housewive's League: "We have not been contacted but the whole meat industry is smelly to put it mildly and there is something wrong with the import/export story "

DR KOOS DU TOIT, Agricultural Union economist: "We have had no contact with the BTI The fact that input costs rise at a much faster rate than producer prices makes the terms of trade of agricultural products constantly deteriorate but at the supermarket end, food prices increase steadily "

GERHARDT SCHUTTE, Red Meat Producers' Organisation: No contact with BTI — "middlemen are getting a bigger and bigger share of the cake "

Markets waiting for reassurance from maverick inflation data

- B/Day 20/1/92 (244)

THE WEEK AHEAD
by Simon Willson

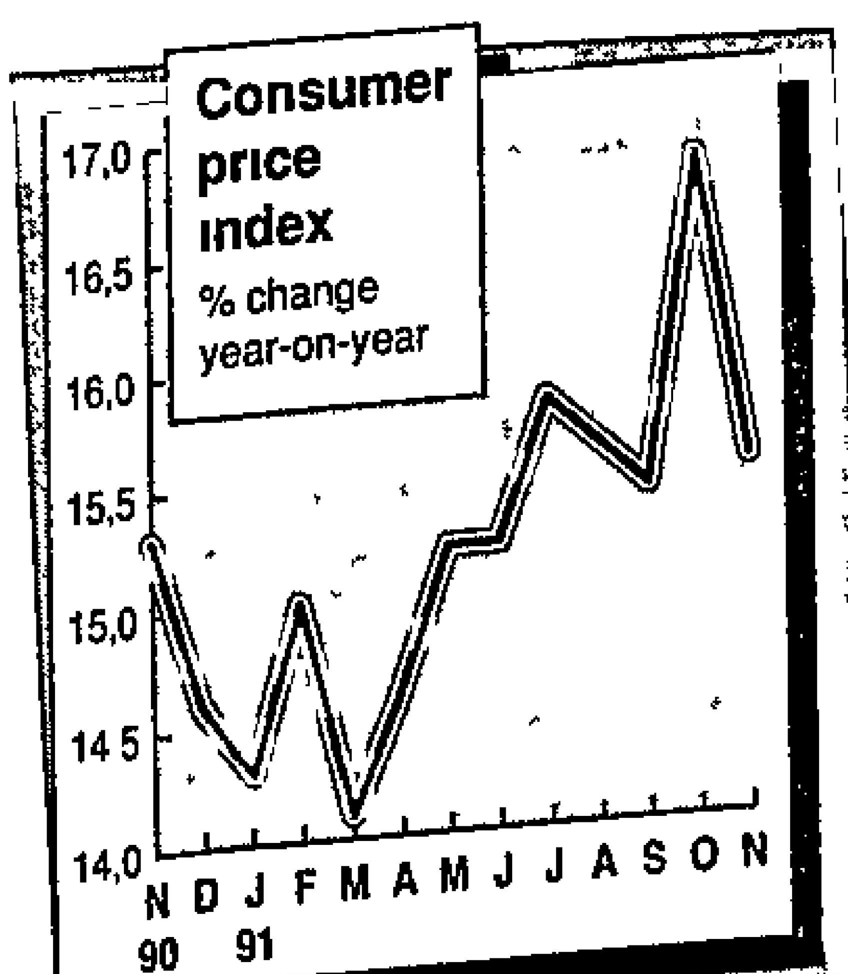
ALTHOUGH the releases of three key December indicators — the trade figures, inflation and money supply — are bunched together this week, it is December's inflation rate that will be the most keenly watched. A repeat of November's steep, 1,3-percentage-point fall in inflation to 15,5% from October's four-year high is not in prospect, but even a modest further easing in the rate of price increases will reassure the markets.

Less reassurance is needed on the trend in the other two variables The trade surplus is steadying at its higher levels on the back of soaring exports and stagnant imports, and at least one of the measures of broad money growth should show a continued slowdown in the expansion of the money supply But this quiet and justified confidence on the trade figures and on money supply does not yet extend to the movements in the consumer price index (CPI) that yield the inflation rate.

Inflation remains the maverick among the rest of the key indicators that, at last, are beginning to move together in the general direction advocated by the authorities The nature of this week's December CPI number appears to depend largely on what food prices did last month

Inflation tumbled to 15,5% in the year to November from October's 16,8% despite the biggest year-on-year rise in food prices — 26,9% — for more than 10 years The fall in the overall inflation rate in the last CPI data was helped by a high base for the index in October 1990, when there was a 26% petrol price increase.

There will be no such technical influences helping to slow the December inflation rate Any further slowing in inflation from 15,5% will have to have a contribution from a topping out in that formidable rate of food price inflation That should come about, as the categories of food that showed the biggest year-on-year increases last month were meat, fruit and vegetables. These are the food categories that were exempt from GST but liable for VAT and which therefore had to take a knock



Graphic FIONA KRISCH Source CSS

The 3,1% month-on-month food inflation rate posted for November should have slowed in December, easing the magnitude of the increase in the food index since December 1990 Since food, at 19%, holds the second-biggest weighting in the CPI, the effect in the overall index should be noticeable Housing, at 21%, holds the CPI's biggest weighting but the stability of mortgage rates means its influence is neutral

The trade surplus should again be around or above the R1,5bn mark — well adrift of the record R2,75bn surplus recorded last October but close to the November surplus of R1,84bn. Domestic conditions remain sluggish enough to continue to depress imports and to force domestic manufacturers to look to foreign markets for sales

One or more of the three available measures of broad money supply growth is likely to show the required slowdown when the December M3 aggregates are published this week. In November, the year-on-year rate of M3 growth slowed to 13,84%, the annualised rate of growth since February bumped up to 9,5% and the rolling increase based on 1990's last quarter edged up to 15,1%.

For December, perhaps two out of the three could show a decline, the annualised rate since February holds the greatest significance as it strips out the distortions of the Deposit-Taking Insitutions Act.

Internationally, the US and UK governments will be awaiting with some trepidation the latest instalments of sensitive economic data ahead of the national elections each must face later this year As each economy falters at the start of what the textbooks say should be a cyclical upswing, a British poll is due by early July and the US presidential election is slated for November

Later this morning British retail sales data for December will be published, and the portents are not good. The November rise of 1,3% was helped by a late cut-off date that included some Christmas buying and, although today's figure will be supported by the same seasonal influences, it looks set to go negative again and be less than 1% ahead year-on-year, implying a fall in real terms Consumer credit fell for a fourth consecutive month in November, showing that British shoppers are busy paying off debt instead of borrowing to buy more

The key US figure of the week is Wednesday's December housing starts, which fell by 2,1% in November An expected small positive outturn would still leave total starts more than 5% adrift of last year's level

Downward pressure on rates continues

BID ay 20/1/92 (244) (153)

THE MONEY MARKETS
by Sheridan Connolly

SOLID downward pressure on market rates continued unabated last week with the Reserve Bank still not prepared to loosen its grip and bow to expectations of a cut in key interest rates

Dealers said the market's mood was far more buoyant after a better-than-expected drop in the annual rate of producer price inflation (PPI) to 7,9% in November from 11,1% in October.

There was renewed optimism for an emerging downtrend in the consumer price index (CPI) which could allow Reserve Bank Governor Chris Stals room for some easing in official interest rates

With a lot of cash in the market, the Reserve Bank issued two special Treasury bill (TB) tenders in the week — a seven-day R500m tender and a five-day R800m tender

Dealers said the first special TB tender, issued on Tuesday, received a very disappointing response in the market but the second issue, on Wednesday, was better received. They viewed the special issues as part of the Bank's routine mid-month operations to drain excess liquidity from the market

In the weekly Reserve Bank Treasury bill tender, a lower average rate of 15,94% was received for the allotted R200m and applications for the tender totalled R659,5m Dealers said lower rates confirmed the extremely bullish sentiment which had been building up in the market in the last month or so.

The special tenders brought the money market shortage more or less in line with the R1,5bn level which the Bank is said to favour Towards the end of the week, the Bank indicated the money market shortage stood at R1,451bn

On the back of good liquidity levels in the market, the 90-day liquid BA rate eased to 16,15% compared to the previous week's level of 16,20%. Dealers believe the BA rate has bottomed out, saying there will be a kickback in the rate should an imminent official rate cut fail to materialise.

In the capital market, rates were only marginally moved by the PPI figures as the market had largely discounted a drop in the rate of producer price inflation, dealers said. Throughout the week, rates continued to move sideways with the market awaiting the release of fresh data, particularly the release of the CPI data due out about mid-week starts more than 5% adrift of last year's level

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244

BD an 20/1/92

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Shopping basket cost you 22% more in a year

(244)

Arg 22/1/92

The Argus Correspondent

JOHANNESBURG — Consumers reeled under an average 22,7 percent increase in basic food prices from November 1990 to November last year, according to the latest Housewives' League survey

However, a committee appointed by the government in July last year to "urgently" investigate food prices has yet to hold a report-back meeting

The deputy chariman of the Board of Trade and Industries, Dr Helgaard Muller, said at the weekend that no progess report could be given as the committee would only meet at the end of this month or the beginning of February

The latest statistics put food inflation at 15,5 percent while the producer price index has dropped to 7,9 percent

The Housewives' League survey, which takes the average price of 31 items in five stores in the Roodepoort area, totalled R215,28 last year when there where four zero-rated items under VAT

In November 1990, when there were 14 GST exempt items in the consumer basket, the total was R175,59 The rate of GST was 13 percent opposed to 10 percent VAT

"The highest percentage increase was for a 900g tin of smooth apricot jam which increased from R3,21 in 1990 to R4,44 in 1991 (42,3 percent)," the League said in the latest edition of Rands and Sense

"At the other end of the scale it is interesting to note a decrease in the price of coffee/chicory mix 750g tin from R7,56 to R7,50 and in the price of Pilchards — a 425g tin decreasing by 3c from R2,09 to R2,05," the League said

According to the League, the average price of a loaf of brown bread rose by 27 percent and a white loaf by 26,1 percent in the year The consumer body also noted that the bread size decreased from 900g to 800g when the bread subsidy fell away in March 1991

Among the other increases noted were butter 500g (31,9 percent), margarine 500g (39,5), tinned sliced peaches 825g (29,9), scouring powder 500g (37,7), cornflakes 500g (22,8), fish fingers 1kg (26,6) and seven cuts of meat (34,2)

Meanwhile, the Consumer Council found the price of a basket of food and household necessities at the stores of three retail chain groups in five urban areas increased by five percent — apart from the introduction of VAT at a lower tax rate — since October 1991

The Consumer Council's January survey of 58 products found that eggs had increased by 19 percent since October 1991, table salt by 17 percent and toilet paper by eight percent

Food prices jump 22,7 pc in 12 months

(244) ([illegible])

STAR 22/1/92

By Paula Fray
Consumer Reporter

Consumers reeled under an average 22,7 percent increase in basic food prices from November 1990 to November last year, says a Housewives' League survey.

The Consumer Council has called for a Board of Trade and Industries committee probe into food prices to be completed as soon as possible. The committee, appointed by the Government in July last year to make an urgent investigation of food prices, has yet to hold a report-back meeting

Board of Trade and Industries deputy chairman Dr Helgaard Muller has said no progress report could be given as the committee would meet only at the end of this month.

Consumer Council assistant director Daan Kruger said it was important for the results to be made known because remedies could be formulated when problems had been identified.

The latest statistics put food inflation at 15,5 percent, while the producer price index has dropped to 7,9 percent

The Housewives' League survey, which takes the average price of 31 items in five stores in the Roodepoort area, totalled R215,28 last year when there where four zero-rated items under VAT. In November 1990, when there were 14 GST-exempt items in the consumer basket, the total was R175,59. The rate of GST was 13 percent opposed to 10 percent VAT.

"The highest percentage increase was for a 900 g tin of smooth apricot jam which increased from R3,21 in 1990 to R4,44 in 1991 (42,3 percent)," the league says in the latest edition of the publication, "Rands and Sense".

"At the other end of the scale, it is interesting to note a decrease in the price of a coffee/chicory mix 750 g tin from R7,56 to R7,50 and in the price of pilchards — a 425 g tin decreasing by 3c from R2,09 to R2,05," says the league.

Pilchards were taxed under GST, but zero-rated until March under VAT

The league says the average price of a loaf of brown bread rose by 27 percent and a white loaf by 26,1 percent in the year. It also notes that the bread size decreased from 900 g to 800 g when the bread subsidy fell away in March 1991. Brown bread is zero-rated under VAT.

Among the other increases noted were butter 500 g (31,9 percent), margarine 500 g (39,5 percent), tinned sliced peaches 825 g (29,9 percent), scouring powder 500 g (37,7 percent), cornflakes 500 g (22,8 percent), fish fingers 1 kg (26,6 percent) and seven cuts of meat (34,2 percent).

Meanwhile, the Consumer Council found that the price of a basket of food and household necessities at the stores of three retail chain groups in five urban areas has increased by 5 percent since October 1991.

The Consumer Council's January survey of 58 products found that eggs had increased by 19 percent since October 1991, table salt by 17 percent and toilet paper by 8 percent.

Prices of goods, services 'decreased'

(244) CT 23/1/92

JOHANNESBURG. — Prices of goods and services decreased on average by 0,27% last month, Vatwatch said yesterday.

"Last month was the second post-VAT month during which prices decreased," a statement said.

"On the whole, the average monthly increase in prices has been 1,5% since the introduction of VAT, compared with 2,4% in the months preceding VAT."

Some basic foodstuffs, however, now cost appreciably more than before the implementation of VAT. The prices of zero-based maize-meal, milk powder, samp and brown bread had increased, and those of canned fish, rice and fresh milk had become less expensive.

"The survey shows the sharp rise in meat prices recorded in November continued last month. Whereas minced meat, boerewors and stewing beef used to increase in price by slightly more than 1% in the months before VAT, the monthly price increase of these types of meat now averages 9,1%."

The latest survey showed the rate of increase in the cost of services appeared to be slowing. — Sapa

VAT prices see-sawing

Sowetan 24/1/92

By GRACE RAPHOLO

SOME basic foodstuffs are costing more than before VAT came into effect, according to a countrywide market survey by Vatwatch

The prices of zero-rated maize meal, milk powder, samp and brown bread increased, which negated the effects of zero-rating

On the other hand, canned fish, rice and fresh milk had become less expensive, according to the report

On average, the price of goods and services decreased by 0,27 percent

On the whole, the average monthly increase in prices had been 1,5 percent since the introduction of VAT, compared with 2,4 percent in the months preceding VAT

The latest survey showed that the rate of increase in the cost of services appeared to be slowing down Dental fees, vehicle servicing, TV rental, plumbing and electrical services were now increasing at a greatly reduced rate

The cost of accommodation is increasing by 9,9 percent a month and that of visiting a general practitioner was rising by 6,7 percent a month

The Vatwatch survey focused on a basket of 104 and other products at 105 outlets countrywide

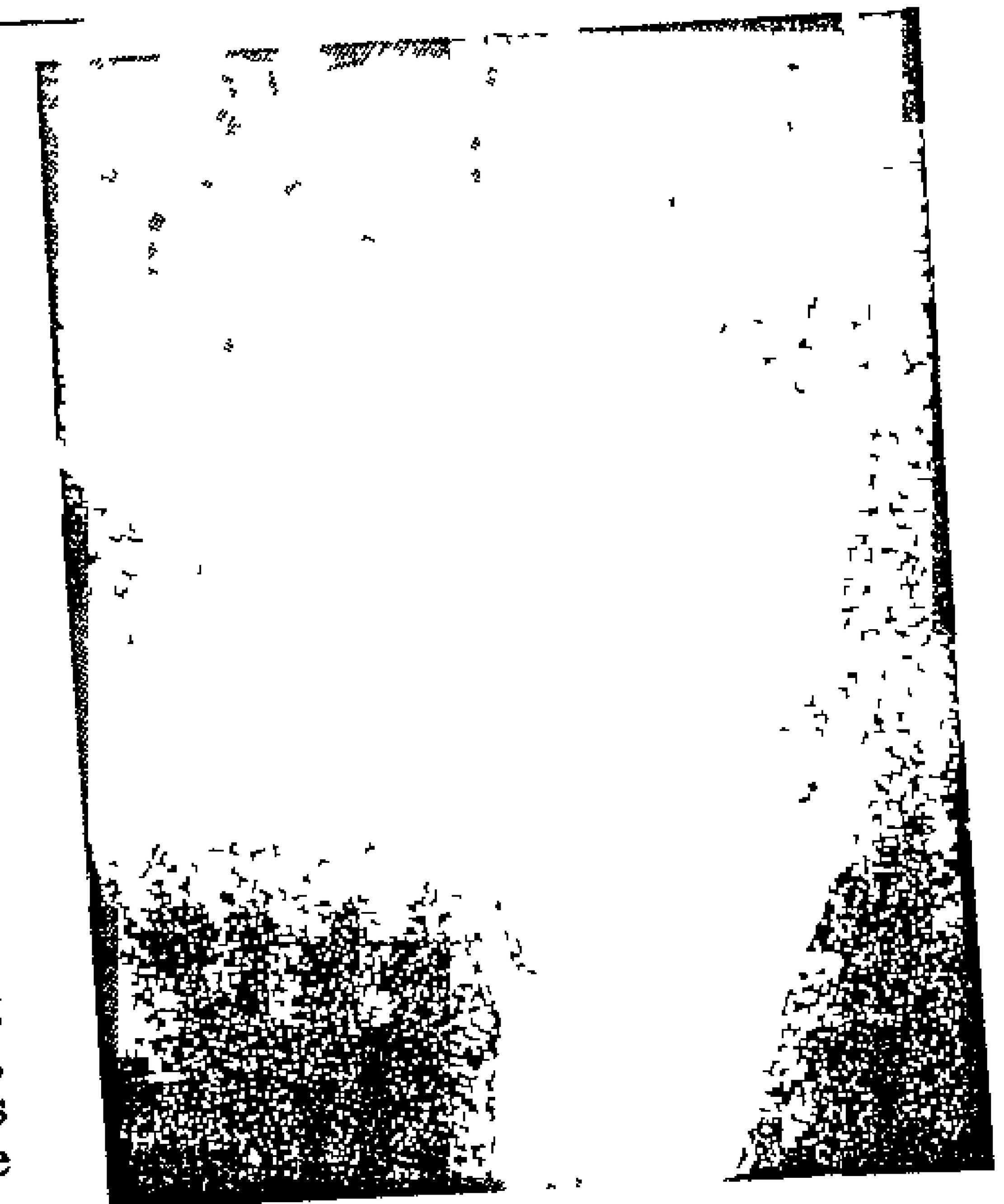
Vatwatch chairman Professor Louise Tager this week said the slowing down in the rate of prices appeared to be developing into a definite downward trend

"Retailers appear to have experienced disappointing sales in December

"We would be pleased to see the price slow-down sustained, but it may be too soon to make such a claim," she said

However, the savings which the private sector was beginning to experience following the demise of sales tax, were enabling some firms to cut prices without decreasing profits

"The recent announcement by the building industry that commercial building construction costs were decreasing and that home building costs were rising, at most, by 1 percent following VAT, is an indication of the savings which can be achieved when VAT is correctly implemented "

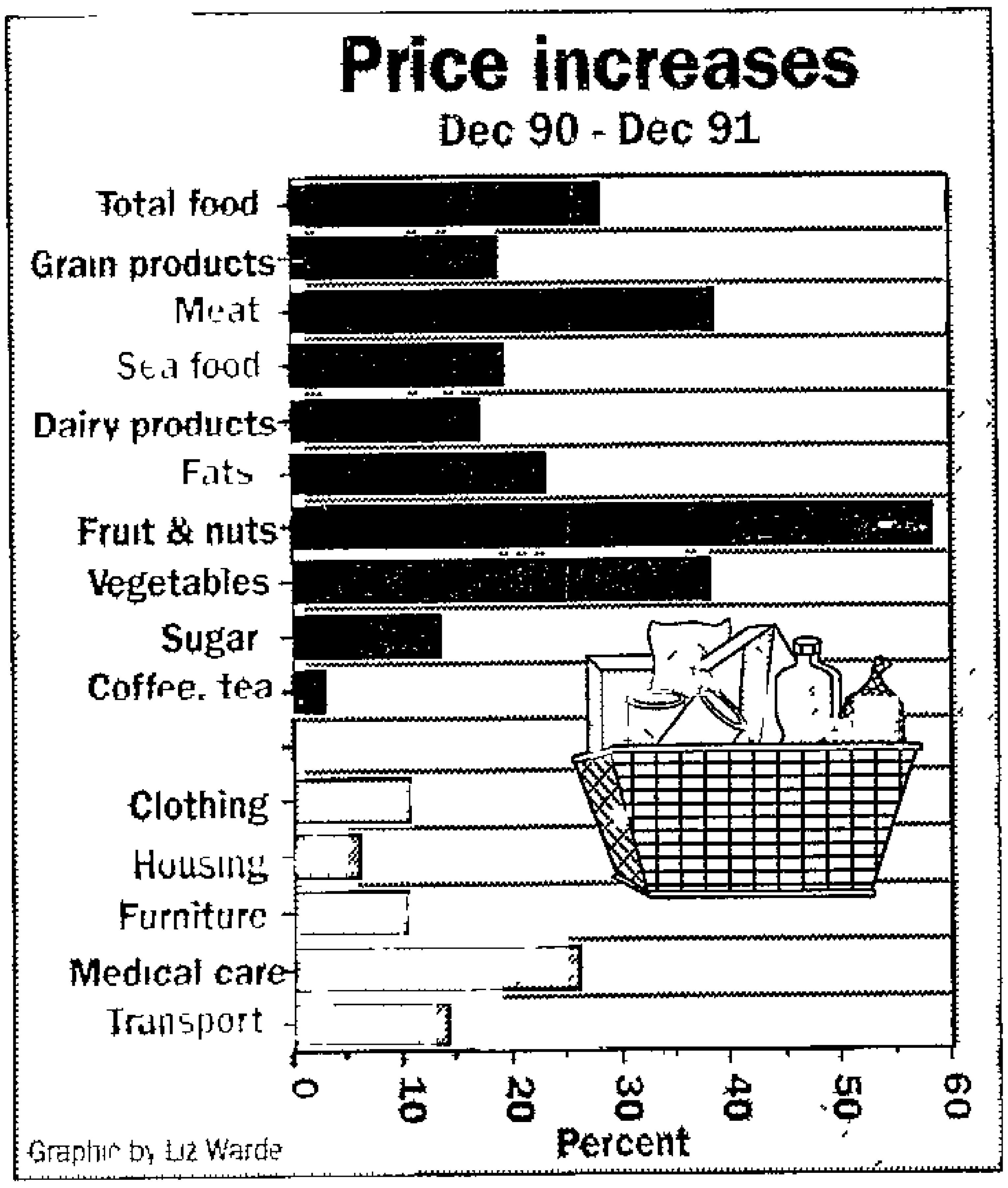


LOUISE TAGER

Surging food prices lead to demand to hasten Govt probe

STAR 24/1/92

By Sven Lunsche and Paula Fray (244)



Graphic by Liz Warde

A surge in food prices, including a 58 percent increase in the cost of fruit over the past 12 months, has angered consumer bodies, who are demanding a speedy conclusion to the Government's food probe.

Inflation figures released by the Central Statistical Service (CSS) yesterday show food prices in December last year were a whopping 28,3 percent higher than in December 1990

The increased food prices pushed the overall inflation rate to 16,2 percent in December compared with 15,5 percent in November.

Among food products the price of fruits and nuts soared by 58,4 percent, that of meat by 38,8 percent and vegetables by 38,1 percent

Grain products increased by 16,9 percent and seafood by 19,4 percent

These products were exempt from general sales tax but liable for 10 percent VAT under the new tax system

These increases compare with more moderate rises for other consumer products such as clothing (10,7 percent) and furniture (10,4 percent)

Housewives' League President Lyn Morris described the increases as "horrifying"

"Its unacceptable If the Government is doing this probe into food prices and if it is genuine about this probe then it needs to get on with it and do it quickly"

"At the rate things are going now, are we looking at 40 percent food inflation during the second half of this year?"

But Dr Helgaard Muller, deputy chairman of the food probe by the Board of Trade and Industry, said it was impossible to speed up the probe as the BTI had to examine all the submissions by interested parties

He said the findings and recommendations would be released towards the end of April

"We are on schedule," Dr Muller said

The probe is investigating the enormous anomalies between food price increases at the producer and the retail stage

CSS producer price inflation figures show that agricultural food prices rose by an annual 15,5 percent in November while manufactured food increased by 13,8 percent

Over the same period retail prices soared by 27 percent

Mrs Morris said the results of the inquiry were urgently needed in order to identify the problems and proceed with solutions

"Ideally I would like an answer before the Budget comes out as, in theory, all zero-ratings on various basic foodstuffs will then fall away," she said

In its comment, the Consumer Council called on the probe to point out the causes of food price rises and make adjustments to again bring food within everyone's reach

The CSS figures also disclose that the average increase in the price of food for 1991 was 19,6 percent compared with 16,1 percent in 1990

The overall inflation rate in 1991 averaged 15,3 percent, its highest level in three years In 1990 inflation averaged 14,4 percent

● See Page 13

Drop in interest rates further delayed

W/mail 24/1 - 30/1/92

(244)

By REG RUMNEY

A RISE in the official inflation rate in December of slightly above 16 percent probably means an expected fall in interest rates has now been pushed further into the future

And the persistence of high inflation is bound to cause questions to be raised about the efficacy of the Reserve Bank's monetary policy

The official year-on-year inflation rate for December, as measured by the consumer price index (CPI), was 16,2 percent In November it was 15,5 percent

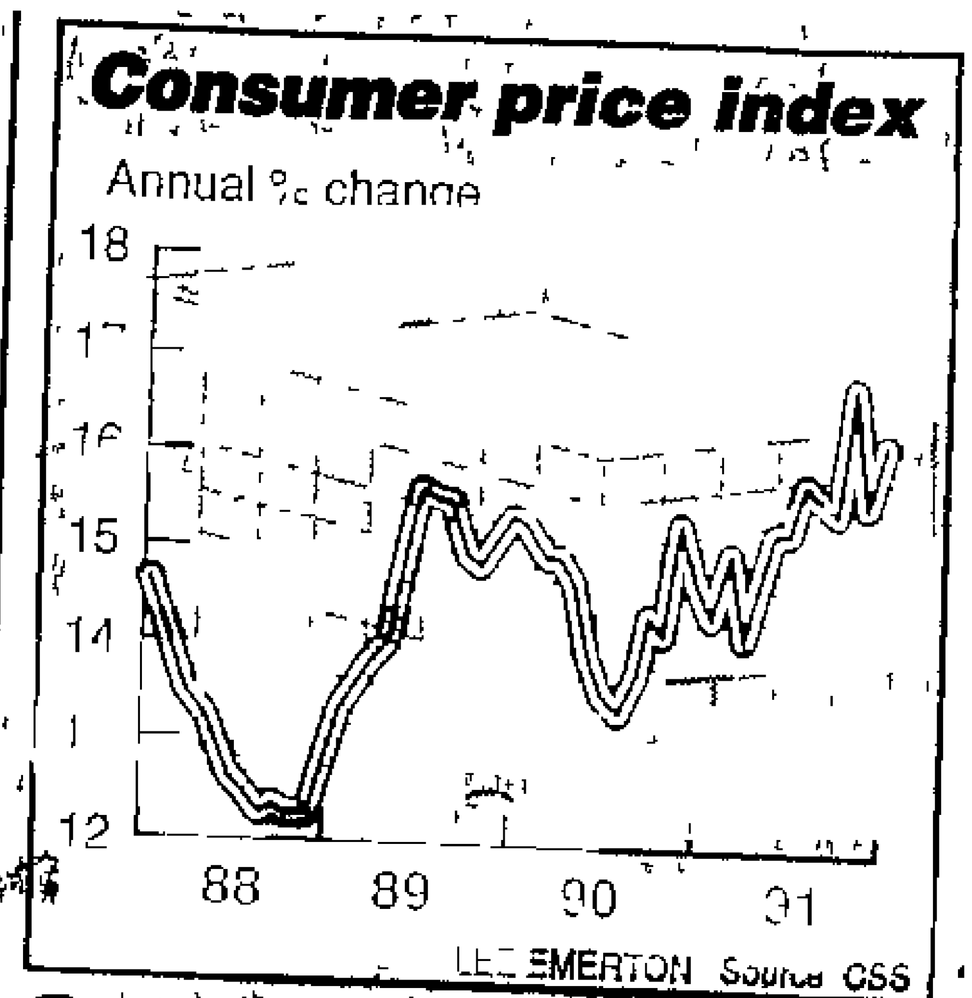
A fall in December below November's figure would have given the Reserve Bank resolve to allow rates to fall by perhaps one percentage point immediately

Rand Merchant Bank chief economist Rudolf Gouws says the CPI figure will probably mean the Reserve Bank will only allow interest rates to fall in March or even April

The gap between the CPI, which measures prices to consumers, and the production price index (PPI), which measures the prices to producers, is now dramatic

The year-on-year PPI for November was 7,9 percent That gap, believes Central Statistical Services head Treurnicht du Toit, is the proper subject of the Board of Trade and Industry's investigation of inflation and food prices

● See PAGE 21



Surge in CPI kills hopes of rate cut

SHERIDAN CONNOLLY 244

HOPES of a short-term cut in interest rates were dashed yesterday when Central Statistical Service (CSS) figures showed consumer price inflation jumped to 16,2% in December from 15,5% in November

The index of food prices surged to its highest level in 11 years, climbing to 28,3% in the year to December Substantial increases were recorded in various food prices in year-on-year terms — prices of fruit and nuts increased by 56,4%, meat prices were up by 38,8%, and vegetable prices were up 38,1%

The 28,3% increase in food prices is the highest level recorded since March 1981 when food prices increased by 29,5%. Medical care and health expenses also rose sharply by 26,2% in the year to December.

Excluding the effects of VAT, the rate of increase in the consumer price index was 15,0% in December, compared with 14,3% in November. B/D ay 24/1/92

Price increases in 1991 averaged 15,3% compared with an average rate of 14,4% in 1990 and 14,7% in 1989.

Bankorp's chief economist Nick Barnardt said yesterday the unacceptably high rate of inflation was bad news for interest rates, business confidence and growth rates

"Unless government, labour and the business sector make a concerted effort to bring inflation under control, inflationary expectations and wage demands will be entrenched at levels above 15%, which will severely limit growth prospects," he said.

Although an official interest rate cut would probably be postponed, current

☐ To Page 2

CPI

B/D ay 24/1/92 244 ☐ From Page 1

market conditions would support chances for such a cut by the end of the first quarter, he said.

Commenting on the food prices, Barnardt said the continued rise in food prices was "unbelievable" Retailers and manufacturers had to give the issue urgent attention as consumers were unable to carry on paying higher prices He said he hoped the Board of Trade and Industry's investigation into food prices would pinpoint the source of the problem

A board spokesman, Helgaard Muller, said preliminary results of its investigation into price structures in the food chain would be made known in the first week of February There had been an overwhelming number of contributions from all sectors of the economy thus far, he said

SHARON WOOD reports Vatwatch chairman Louise Tager said she was at a loss for words to explain the opposite price movements calculated by CSS and Vatwatch

Vatwatch's price survey released this week showed prices had declined by 0,3% month-on-month in December compared with the CSS's 1,3% increase

Vatwatch had kept the goods in its basket confidential to prevent retail outlets from suppressing prices The basket included all the essential basic goods bought by households, she said

● Comment. Page 10

‘Speed up food probe’

(244) ARG 24/1/92

Latest increases shock housewives

The Argus Correspondent

JOHANNESBURG — A surge in food prices, including a 58 percent increase in the cost of fruit over the past 12 months, has angered consumer bodies demanding a speedy conclusion to the government's food probe

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Grain products increased by 16,9 percent, and seafood by 19,4 percent.

These products were exempt from general sales tax but liable for 10 percent VAT under the new tax system

These increases compare with more moderate rises for other consumer products such as clothing (10,7 percent) and furniture (10,4 percent)

Housewives' League President Ms Lyn Morris said the food price increases were "horrifying"

"Its unacceptable If the government is doing this probe into food prices and if it is genuine about this probe then it needs to get on with it and do it quickly," she said.

But Dr Helgaard Muller, deputy-chairman of the food probe by the Board of Trade and Industry, said it was impossible to speed up the investigation as the BTI had to examine all the submissions by interested parties

He said the findings and recommendations would be released towards the end of April

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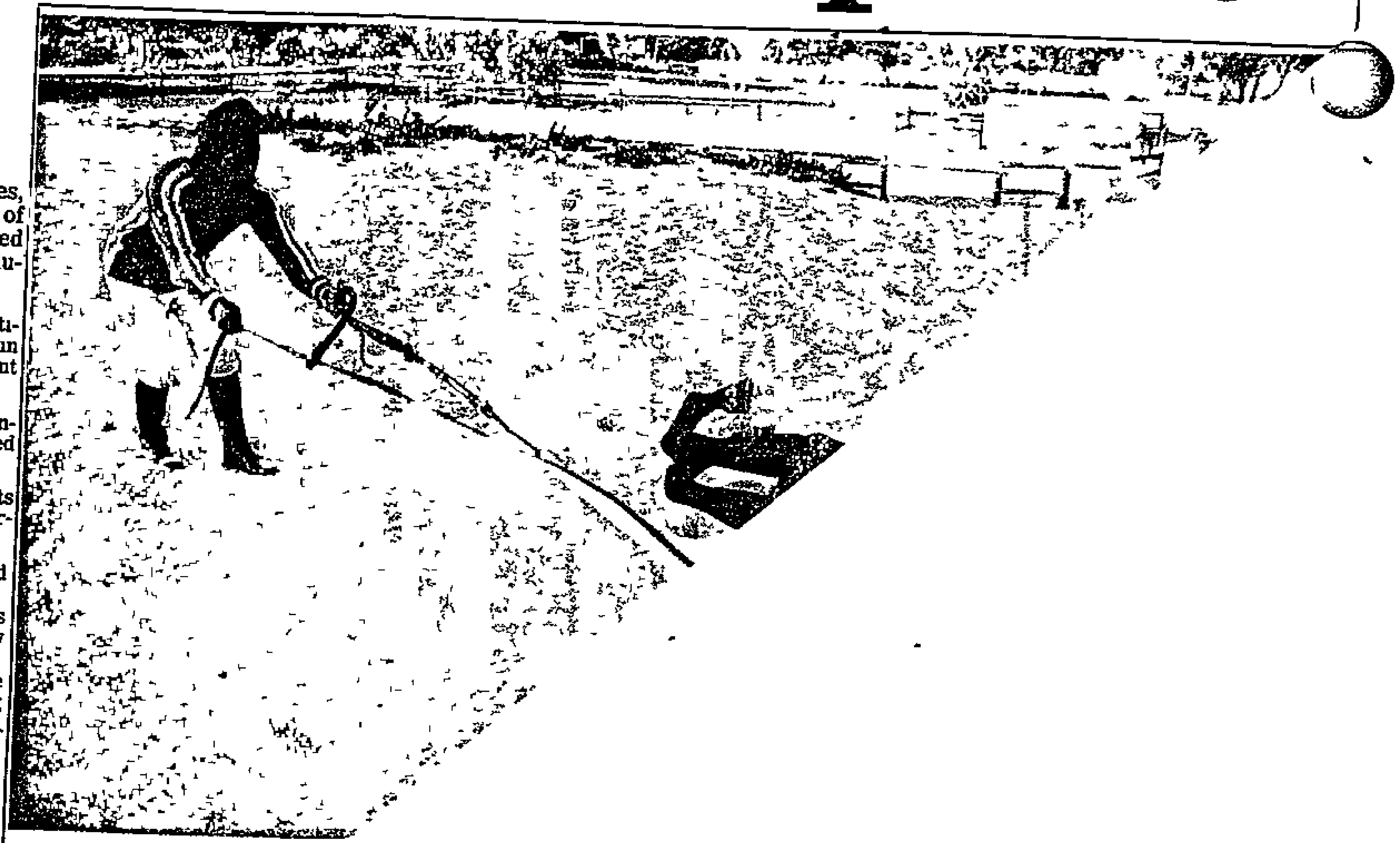
● See page 13



ROLL OVER. After ac
The champ is clea

Air-raising

DEREK WILSNAGH, Racing

A GROUP of Transvaal-b
co-favourite for the R7
had to be "airlifted"
on to their aircraf

The trainers
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Urgent appeal over food-price inquiry

S/Day 27/1/92 (244)

SHERIDAN CONNOLLY

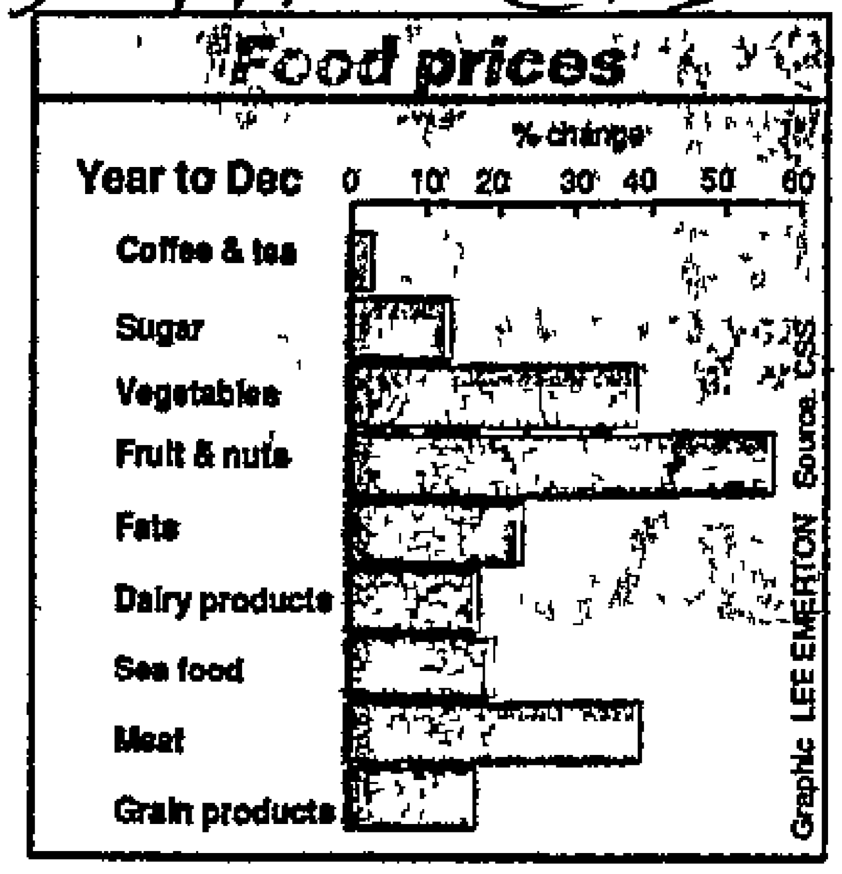
THE 28,3% surge in food prices in the year to December has prompted consumer bodies to call for the urgent conclusion of government's investigation into price structures in the food chain.

The Housewives League and the Consumer Council have condemmed the rise in food prices, saying current levels were unacceptable

Figures released last week by the Central Statistical Service showed "unbelievable" price rises in various food categories.

Meat prices rose 38,8% and vegetable prices 38,1%, while prices of fruit and nuts rose an astonishing 56,4% in the period.

Results of the Board of Trade and Industry's (BTI) investigation into price structures will probably only be made public in early March.



The Consumer Council said in a statement that the continued rise in food prices was unjustifiable as factors influencing prices should have lead to decreases in prices, if not price stability

"The food price index of 28,3% for December and the consumer price index of 16,2% compare most unfavourably with the welcome 7,9% drop in the producer price index. If it is now cheaper to produce, why then do products cost more?"

The council said it was eagerly awaiting the findings of the BTI investigation as it was expected to pinpoint the exact cause of price rises. Food prices needed to be brought within everyone's reach, it said.

GERALD REILLY reports that a member of the BTI's food investigating committee said the probe had been given "urgent priority" and rejected claims by critics, including the Housewives' League, that it had become bogged down

To speed up the investigation in the face of a staff shortage at the BTI, outside consultants had been appointed.

When the results of the probes were completed, hopefully by the end of February, the committee would have a data base on which to work and assess price levels, he said.

Petrol price rise likely — tax expert

(244) LINDA ENSOR (58)

CAPE TOWN — A petrol price increase ahead of the Budget is expected as a way of funding the present Budget deficit, says Arthur Andersen's tax consultant, Walter Steinberg B/Day 30/1/92

He said yesterday that speculation about a petrol price hike was rife in business circles

"This is bad news for inflation but the government has few alternatives to make up its income shortfall," said Steinberg.

"Increasing VAT would be a political disaster, and one has to remember that our fuel is still substantially cheaper than in many parts of the world"

BUSINESS

How accurate is the inflation rate?

W/Mail 31/1/1 - 6/2/92

(244)

Is the official inflation rate correct? How does it weigh up against different measures?

REG RUMNEY *reports*

EVERY now and again someone gets it into their heads to question the official inflation rate, as measured by the Consumer Price Index

This upsets the Central Statistical Service, which computes the index. But it's only natural to examine such an important indicator.

There has at times been much argument about whether the CSS has gone about collecting and interpreting its raw data correctly

A neat way of cutting through the argument is to find a separate and different way of measuring inflation — and then compare the two to see if the CPI is wanting

There are a number of handy different measures of inflation available They can be found skulking in South Africa's national accounts, for which the Reserve Bank is responsible

The bank produces no inflation figures as such, but it does use its own inflation rate or "deflator" to adjust its figures for inflation

The deflator is used to adjust for inflation such things as the all-important measures of a nation's economic performance, the Gross Domestic Product and Gross National Product

Two figures are given for each of these vital stats: a figure at current prices and a real — ie adjusted for inflation — figure.

Implicit in the real figure is the deflator It's a simple mathematical exercise to work out the deflator for a number of years and arrive at year-on-year figures for inflation. Those interested in the method should refer to *The Practical Guide to South African Economic Indicators*, by PJ Mohr and others of Unisa's Economics Department (Lexicon Press)

So how does the official inflation rate measure up?

WHICH IS THE REAL INFLATION FIGURE?

Year	CPI	GNP deflator	GDE deflator	PCE deflator
	%	%	%	%
1986	18,6	15,0	14,9	17,0
1987	16,1	14,0	14,4	15,8
1988	12,9	14,8	14,7	13,3
1989	14,7	18,1	18,4	15,2
1990	14,4	14,9	15,5	14,4

The accompanying table compares the offical inflation rates for five years with some of the most relevant deflators.

There are discrepancies between the CPI and the GNP and GDE deflators in 1986, for example, and again in 1989. But they are not great enough to rule out the accuracy of the CPI.

Notice the Private-Consumption Expenditure (PCE) deflator is far closer to the CPI.

The PCE, because it covers consumption spending only, is a natural choice for comparison with the CPI. It also has advantages over the CPI. it covers the whole economy, not only the urban areas.

This applies to the other deflators as well — all provide a more comprehensive coverage of the price level than the CPI or the Producer Price Index

The PCE also reflects the prices of goods and services actually bought. The CPI, by comparison, is a "fixed-weight" index This means the importance or weight accorded to, say, food is fixed in the CPI for a period of around five years. The PCE deflator does not have that artificiality.

However, various components of the CPI are used in estimating PCE at constant prices. Since this is the key element in determining the PCE deflator, it is not surprising there is a similarity between the PCE and the CPI. The link makes the PCE less useful as an independent measure of inflation.

All this is not to say the deflators should replace the CPI. There are other technical reasons for not relying on implicit price deflators alone for calculating inflation

One good practical reason is that the data from which the deflators are calculated are at best available on a quarterly basis. The monthly CPI is much more up to date.

What about instituting another measure of inflation? When governments produce more than one measure of prices to the consumer, the more favourable one is regarded with suspicion The British government produces a tax and price index (TPI) as well as a Retail Price Index, which is the equivalent of our CPI. The TPI includes the effect of changes in direct and indirect tax, and in the tax-cutting Margaret Thatcher years this arguably made inflation look more favourable than the RPI. Some saw the TPI as a political ploy

The same charge cannot really be levelled at the introduction in South Africa of a dual rate of inflation in the monthly figures since October last year, the month Value-Added Tax was introduced. Now the CSS produces an inflation figure with and without VAT. The main purpose seems to be to show the direct effect of VAT on inflation, not to produce a more attractive inflation rate.

In the end, there is more than one measure of inflation. As with all statistics, each contains valuable information but should be handled with care.

CPI FM 31/1/92 (244)

Curiouser and curiouser

The difference between the rate of consumer and producer inflation continues to widen. In December, the year-on-year increase in the CPI amounted to 16,2%, up on the 15,5% inflation rate the previous month. This is more than eight percentage points higher than the rate at which the PPI increased in the 12 months to November (December figures are not yet available).

There is a partial explanation.

continue

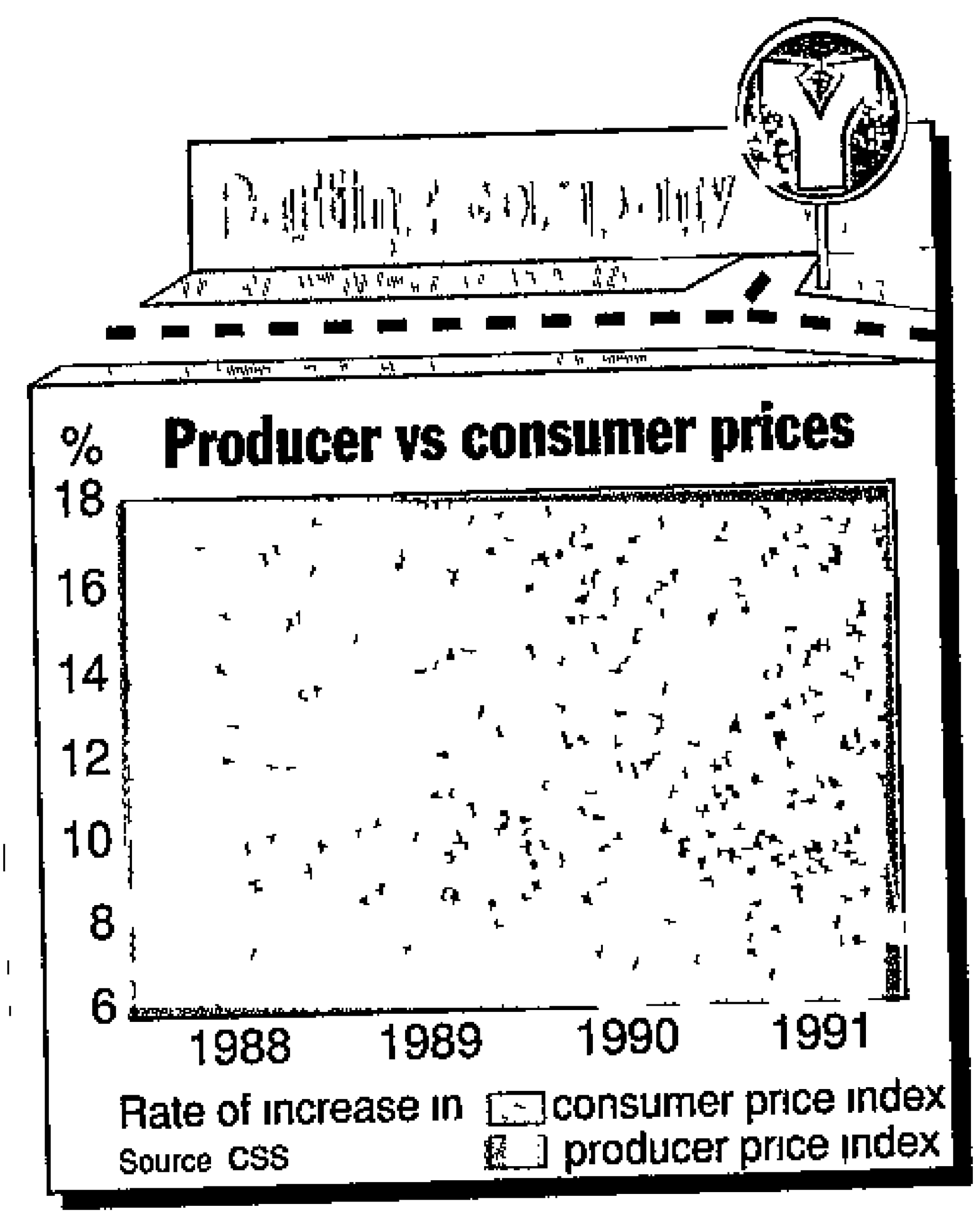
FM 31/1/92 (244)

□ The sharp drop in producer inflation in November to 7,9% (*Economy* January 24) was to some extent technical because, in the same month of the preceding year, the index rose 3,5% so the 1991 figure was measured off a relatively high base, and

□ The consumer index has had to absorb the effect of VAT which is applied to a wider range of goods than GST. If the effect of VAT and GST are eliminated, December's inflation rate is reduced to 15%.

If, for argument's sake, these two factors are removed, the differential between producer and consumer inflation amounts to only 3,6 percentage points. Central Statistics Service's chief Treurnicht du Toit points out a differential of this order is not unusual and has occurred frequently.

What is unusual is that consumer inflation has risen over eight months (though not consistently) while producer inflation has generally fallen A divergence in the direction of inflation occurred last in 1988 — for a period of about six months CSS says records going back to 1978 show no other example of



a sustained difference in direction between the growth rate in the two indices

Much of the impetus to inflation has come from food prices, starting with structural problems on the producer level But these are reflected in the PPI. What is not explained is the additional inflation seen in retail prices In November, the subsector food in the agriculture sector rose 16,6%, while the subsector food in the manufacturing sector rose 13,8%. This is well below the 28,3% annual increase in food in the CPI

The differential between food inflation at manufacturing level and at retail level is 14,5 percentage points. If one removes from this the entire 1,2 percentage points attributed to VAT the difference is 13,3%

Clearly something is rotten in food retailing With a weighting of 18,64% in the index, the month's food increase of 2,8% accounts for 0,5% of the overall monthly rise of 1,3%. However, it should be noted that this 2,8% is down on November's 3,1% As this happened in a month when food prices traditionally rise, there is some hope that the psychological impulse triggered by the introduction of VAT is weakening and that price rises may start to moderate

Other sources of inflation are medical care and health expenses, up 26,2% on December 1990 (weighting 5,22%), and vehicles, up 23,1% (weighting 5,51%) ■

Wine, spirits going up and beer may follow

STAR 31/1/92

By Paula Fray
Consumer Reporter

Liquor costs are set to rise in the near future after an announcement that wholesale prices to retailers would rise by between four and 16 percent for various spirits and wines at midday today

And, say retailers, South African Breweries could follow suit in the near future

Federated Chamber of Liquor national chairman Len Polivnick said the spirits and wine increases on retailer prices follows a KWV announcement of a 12,77 percent increase to suppliers earlier this month

The retail increases are standard brandy 4,5 percent, premium brandy 5,5 percent, white spirits such as gin and vodka, 7,6 percent, liqueurs 8,1 percent, natural wines 10 percent, sherry 12,5 percent, wine aperitifs 16,2 percent, whisky 8,5 percent and sparkling wines 12 percent

However, Mr Polivnick said he did not believe the increases would filter through to consumers immediately

"The retail liquor trade finds itself in a position where is it so overlicensed, so competitive, that retailers will try to hold prices down as long as possible," he said

On the other hand, retailers just through a bad trading period and facing a bad economic climate would now also have to finance stock at a higher price which would "hamper their cash flow", said Mr Polivnick

"The little bit of extra profit (made over the festive season) is always eaten up by this traditional increase"

Mr Polivnick said retailers were also expecting a similar price increase announcement for beer from SAB in the near future

At the time of going to press, no one was available for comment at SAB.

Asked if this would be the only increases this year, Mr Polivnick replied: "I don't know We are totally in the hands of the producer wholesalers"

Govt must drop protectionism, says foundation

B/Day 6/2/92

THE southern African branch of the International Freedom Foundation has slammed SA's "protectionist" economy, criticising its maintenance in a report released yesterday.

The report from its Johannesburg branch argues that protection of local industries and products has led to spiralling prices, inflation, unemployment, misallocation of resources, skewed economic development, creation of monopolies, and to a generally sluggish economy.

It cites as an example an agreement between the SA Tea Council and local packers — requiring local packers to take 54% of their requirements from local crops — which has increased the price of a cup of tea for the consumer from 3,5c to 5c; and says that while protectionism has led to South Africans paying R2 800 a ton for PVC polymers, the world average price is R1 300 a ton.

Because the local economy has failed to substitute many items despite government's efforts to make SA self-sufficient, both industry and the consumer are often forced to buy imported goods, which, because of import tariffs, are more expensive than they need be, it says.

Indirectly, the consumer also has to pay more through high taxes to subsidise local industries.

"In short, the consumer ends up paying twice, and sometimes even more — particularly when an already protected, high-priced product is used in the manufacture of other items," the report says.

It recommends that SA abandon attempts to compete with cheap foreign products, and says it should rather develop a niche in those areas of the market in which it has a comparative advantage — Sapa.

Emergency water supply on tap for eastern Cape

B/Day 6/2/92

PAUL ASH

THE drought-stricken eastern Cape could be supplied with water from the Orange River within six months, says the Water Affairs and Forestry Department.

While the PWV was under no threat of a water shortage, the eastern Cape and northern Transvaal would need good rains soon to avert a crisis.

The Paul Sauer Dam, which supplies water to Port Elizabeth and Uitenhage as well as irrigation to farmers in the Gamtoos Valley, is 18% full, while the Njelele Dam in Venda is only 10% full.

Crops cultivated below the 53-million cubic metre Njelele Dam needed constant water and the dam level had dropped rapidly.

The department said under an emergency scheme first proposed for Port Elizabeth and surrounding areas in 1989, water was to be pumped from the Orange River into the Sundays River to replenish the Paul Sauer Dam.

The temporary pumps and treatment works were still on standby and could be installed at short notice.

However, as the cost of running the scheme was carried by end-users, the measures would be implemented only if the water supply worsened "considerably".

At the moment, the most cost-effective measure was the imposition of water restrictions.

Meanwhile, a permanent scheme to supply water from the Orange River was expected to be completed later this year.

Water supply to the PWV area was assured by the 2 617-million cubic metre Sterkfontein Dam. It supplies water to the Vaal and Bloemhof dams, which are currently about 53% and 47% full.

The deep Sterkfontein Dam, fed largely by run-off from the surrounding Drakensberg, had a smaller surface area than the Vaal Dam and lost less water through evaporation. It is 97% full.

Rainfall for the PWV during January was 113mm, down on the long-term January average of 131,9mm.

Water consumption on the Witwatersrand has not increased significantly, Rand Water Board PR Louise Fourie said yesterday.

"We are not really worried at this stage," she said, although a protracted drought could affect the board.

Drought to be debated in Parliament

B/Day 6/2/92

CAPE TOWN — The drought in large parts of the Republic is to be debated in the House of Assembly today as a matter of public importance.

The House's Order Paper showed the debate was proposed by CP chief whip Frank le Roux.

Agriculture Minister Kraai van Niekerk is scheduled to visit the drought-stricken summer grain-producing areas early next week.

He expressed concern about the critical situation in the Free State and Transvaal in particular.

The SA Agricultural Union is to discuss the gravity of the situation with the Ministry of Agriculture at a meeting scheduled for February 14.

The Red Meat Producers' Organisation warned producers could face serious problems unless it rained soon. — Sapa

Meat price set for steep hike

244 CT 6/12/92

Staff Reporter

THE drought could push the price of meat up by an estimated 15% to 24% this year, a Meat Board spokesman warned yesterday.

The head of the board's management information systems, Mr Jurie Snyman, said if it did not rain within the next two weeks there would be "drastic consequences for the meat industry and carcasses would have to be bought in".

But if it rained the price increases would be much lower, he said

Mr Snyman confirmed figures given earlier this week by the chairman of the Meat Board, Dr S J J van Rensburg, who said beef could rise by 16,5%, mutton by 15,8% and pork by 24%.

On Monday the Meat Board announced price increases of 3,3% for beef, 2,8% for mutton and 13,3% for pork.

Meanwhile, the Red Meat Producers' Organisation of the South African Agricultural Union also warned that producers could face serious problems unless rain fell soon all over the country.

A spokeswoman for the Housewives' League, Mrs Sheila Baillie, said the organisation would investigate the matter as they feel the Meat Board should not predict price increases when "they don't know what the conditions are going to be".

Pupils kept in as Natal boils

Own Correspondent

DURBAN. — As Natal sweltered in the second successive day of a heat wave yesterday, schools, factories and animal care centres took precautions against the boiling temperatures.

Principals at various schools kept pupils indoors, even during breaks.

At 3pm the humiture figure, also known as the discomfort level, had reached 106.

Warnings were issued to the public to drink plenty of liquid and not to take part in any strenuous activity.

The watchers and the watched

(244)

FM 7|2|92

Central Statistical Service December figures on consumer prices show an increase of 1,3% but Vatwatch, which monitors movements of a basket of 104 household and grocery items, found a decrease of 0,27% The discrepancy raises questions about each organisation's method of monitoring prices and the validity of their findings

CSS's Martie Grobler says it sends out about 5 400 questionnaires to storeowners countrywide each month to measure about 88 000 prices. Calculations are based on responses. The same item in the same shop is monitored each month on the same date "We investigate in the field if there are discrepancies or anomalies," says Grobler

David Geldenhuys, of Interfact, a market research company that monitors prices for Vatwatch, says it does a monthly check on 104 grocery items at 105 points countrywide The points are divided almost equally between urban and country areas

"In urban areas we monitor major outlets like supermarkets and hypers as well as small independent black stores Outside the cities, we survey a representative sample of larger towns (Pietersburg, Nelspruit, Ladysmith, Queenstown) and small rural towns, a typical rural area (western Transvaal) and two points in each self-governing state," Geldenhuys says.

He adds· "We have chosen basic products like bread, meat, milk, vegetables and cleaning materials, perishables, health and beauty products and general items like batteries and candles "

Dry items carry a weighting of about 50% in rand value, perishables about 32% and health and beauty items about 18%

Information is collected on the same date each month and the same stores and same items are monitored.

December's decrease, according to Interfact, followed increases of.

- ☐ 2,56% in August (corresponding CPI monthly figure was 1,4%),
- ☐ 2,26% September (1,4%);
- ☐ 2,71% October (1,9%), and
- ☐ 2,1% November (1,0%)

Interfact found that, in December, 11 out of the 16 regions surveyed showed a similar decrease Geldenhuys attributes this to slack demand and strong competition.

The discrepancy between Interfact and CSS surveys for December could be because the former is done at the end of a month and the latter at the beginning The discrepancy over a number of months may arise because Interfact's survey captures more information on outlets that cater for blacks

Geldenhuys says "Our survey shows a 2,41% average monthly price increase before VAT and a 1,51% increase post-VAT " This follows the switch from 13% GST to 10% VAT on a wider range of goods.

He adds that perishable items demonstrated the strongest pre-VAT price increases averaging 6,2% a month, dropping to 3,29% after VAT

The case of milk powder (branded and nonbranded) shows the power of inflationary expectations When GST was applied, price increases averaged 6,7% a month Post-VAT, when this item was zero-rated, price increases still averaged 5,6%

Other anomalies emerged in the pricing of VAT zero-rated items Geldenhuys says "Post-VAT canned fish prices dropped by about 5,6% a month Branded milk powders increased by about 4,6% while nonbranded milk powders increased even more sharply — by about 6% "

Rice, which carried GST and is now zero-rated "behaved much better" — prices fell about 12%

Since VAT's introduction, increases of more than 3% were recorded in milk powders, bread, Cheddar cheese, chicken portions, eggs, margarine, frozen peas, some fresh vegetables, mince, boerewors and beef "Perishables, which are the most popular items, increased the most after VAT was introduced "

Meat remains a major source of inflation Interfact monitored only mince, boerewors and stewing beef but, in all three cases, post-VAT price increases were about 27% over the three-month period

Housewives League president Lyn Morris doubts it is possible to monitor price movements accurately countrywide She says the league does its own spot checks The league's figures show in the year to November, apricot jam (tins) increased by 43,2%, baked beans 30%, sliced peaches 29,9%, white bread 26,1% and brown bread 27%, three cuts of red meat 34,2% and grocery items aggregated 22,7%

Beer price to rise today

Consumer Reporter 244

The bad news for consumers sweltering in the present heat is that beer prices will increase by an average of 9 percent today.

South African Breweries said yesterday the price increase would vary between pack ranges and geographic areas, depending on transport charges. STAR

Beer division managing director Graham Mackay said the increase was below current and expected inflation rates 7/12/92

This follows last Friday's increase of between 4 percent and 16 percent in the price of spirits and wine.

The SAB added that retail prices in bottle stores and bars were set by the retailers themselves, and that the SAB could not say by when and by how much retail prices would increase.

However, Federated Chamber of Liquor national chairman Len Polivnick said the impact of the beer price increases would be "almost immediate"

"Beer is highly perishable and retailers by and large do not hold much stock," said Mr Polivnick.

Drought expected to push up food prices

STAR 7/2/92

By Paula Fray
Consumer Reporter

(244)

The prices of agricultural produce are set to soar as consumers pick up the high cost of the searing drought gripping the country.

Unless the present heatwave over various farming areas is broken soon, embattled consumers reeling under double-digit food inflation could face even harsher price increases

Yesterday, National Co-operatives Dairies Ltd group manager Dr Martiens Hermann announced an 8,02c increase in the producer's price of milk from March 1 because of the drought

Similar increases would be passed on to wholesalers, but there was no need for retailers to pass on the increases to consumers "immediately", Dr Hermann said NCD controls a third of the dairy market

This follows a Meat Board warning that drought conditions in the country could push the price of meat up by an estimated 15 to 24 percent this year

The Meat Board's management information systems head, Jurie Snyman, said if it did not rain within the next two weeks there would be "drastic consequences for the meat industry and carcasses would have to be bought in"

On Monday, the Meat Board announced price increases of 3,3 percent for beef, 2,8 percent for mutton and 13,3 percent for pork

However, the Consumer Council has warned that consumers expect to benefit from surpluses and would turn to alternative products if meat prices soared again

"Consumers will buy less meat if prices increase in spite of the expected surplus of this product due to the drought," said Consumer Council executive director Jan Cronje

Meat prices soared by 38,8 percent last year, according to the Central Statistical Service

Mr Cronje said consumers were strapped for cash as a result of the economic recession and would resist price increases that were not in line with the principle of demand and supply

"In the interest of the survival of their industry, producers and marketers of red meat are advised to keep the depleted buying power of consumers in mind before increasing the price of their products indiscriminately," said Mr Cronje

There is widespread concern in agricultural circles about the effect of the drought on the maize market as a disastrous year for maize could ripple through to other industries

Maize Board spokesman Piet Denysschen said the conditions were still dry and there had already been damage to crops

"Indications are there will be a shortage of maize for local consumption," he said Maize would then have to be imported.

Exact figures on the effect of the drought could not be given as the "situation is changing" on a daily basis, he said

Consumers will know in March how the drought has affected maize crops as the board meets then to decide on prices for the next year.

A source in the food industry reiterated market concern for the maize crop — not just as a feed but as a basic foodstuff under threat of shortages

"Shortages would, on the principle of demand and supply, push up prices," he said

According to the source, the citrus and vegetable growing areas in the Gamtoos Valley of the eastern Cape, already suffering from bad rains in previous years, has been severely affected by the drought

This could lead to shortages for canned and frozen products which, in turn, could put additional pressure on the price in terms of demand and supply

People 'won't buy meat if prices soar'

(244) Staff Reporter (B) MEAT

CT 7/2/92

CONSUMERS will stop buying meat if the Meat Board increases prices by between 15% and 24%, says the Consumer Council. The council reacted strongly to Wednesday's announcement by the chairman of the Meat Board, Dr S J J van Rensburg, that the price of beef could rise by 16,5%, mutton by 15,8% and pork by 24%.

In a statement yesterday the Consumer Council's executive director, Mr Jan Cronjé, warned that consumers would buy less meat if prices increased in spite of the expected surplus caused by drought.

He said consumers expected to benefit from surpluses and would turn to alternative products if meat prices "continued to soar".

Mr Cronjé said consumers were "strapped for cash" as a result of the economic recession and would resist price hikes that were "not in line with the principle of supply and demand".

VAT DISASTER

New tax fuels inflation, sends food prices rocketing

244 AEG 8/2/92

JEAN LE MAY, Weekend Argus Reporter

HOPES that VAT would curb inflation have been shattered by rocketing food prices and by manufacturers reneging on undertakings to pass on tax credits to consumers.

This emerged in a Weekend Argus inquiry this week into food prices The food price index rose to its highest level in 11 years in December, spiralling to 28,3 percent for the year.

Consumers were assured by Finance Minister Mr Barend du Plessis that R7,5-billion of input credits allowed early last year to manufacturers for capital purchases would be passed on to consumers in lower prices

However, a spokesman in the Cape Town office of the Receiver of Revenue said this week that there was "no way" tax authorities could tell whether input credits, in fact, had been passed on

"All we get are the final figures submitted on the completed returns," he said

Professor Louise Tager, who heads Vatwatch, said many companies and associations had signed their pledge undertaking to pass on credits, but there was no law to compel them

"Many are public companies and in time the tax situation will be reflected in balance sheets," she said

Mr Jasper Walsh, consumer spokesman for the Democratic Party, said that, at the time, the DP urged that input credits for manufacturers should be phased in over a full year.

"The government ignored this plea, arguing that the credits would be passed on in lower prices This is not happening"

The question arose when a source close to the Board of Trade and Industry (BTI) told Weekend Argus that rising input costs in manufacturing and distribution were largely responsible for huge increases in the price of food over the past year

Deputy Minister of Finance Dr Theo Alant blamed inflation for increases in the cost of living In a letter to The Argus this week he absolved VAT, saying that in the long term it would curb inflation

The BTI investigation into rising food prices is limping into its eighth month Dr Hilgard Muller, who heads the investigation, refused to throw any light on its findings, saying he would be ready to report by April.

One of the problems, according to a spokesman in the office of Economic Co-ordination Minister Mr Derek Keys, was that "three different ministers are involved — Trade and Industry, Economic Co-Ordination and Agriculture They started with an in-house investigation and then decided we'd have to get in outside consultants as well And, of course, we've had a change of Ministers"

As usual, there are as many opinions as there are experts

Mr Louis Heyl of LHA Management Consultants said his firm had looked into the profitability of major companies involved in food processing

They had found that they were "not all that profitable Margins are low and returns on investment pretty low"

Another source close to the BTI did, however, provide the clue — rising input costs could be largely responsible for the rise in food prices

"If you buy a litre of milk, only 30 percent of the unit cost is for the milk," he said

"The rest is in labour, packaging, cold storage, transport and so on Labour costs have risen, a lot of packaging is imported and as the rand goes down the price goes up, petrol and electricity costs have risen. These are input costs — and they have risen like rockets"

Since there is no way of checking whether input credits for capital expenditure were passed on, it was "a fairly safe bet" that this was not being done, added the source

Profit-taking by retailers has come in for a good deal of the blame Retailers, for their part, shunt the responsibility on to manufacturers, saying there is not enough competition

The statistics are frightening Last year, food went up

■ Turn to page 3

■ From page 1

28,3 percent, with meat up 38,8 percent, vegetables 33,1 percent, grain products 16,9 percent, fish and seafood 19.4 percent and fruit and nuts a staggering 58,4 percent

The significant figures are that retail prices are increasing faster than producer and manufacturer prices in the food chain AEG 8/2/92

The Central Statistical Services found that the agricultural component in the Producer Price Index (PPI) went up 12 percent last year while the manufacturing component went up 14,9 percent

However, the food component in the Consumer Price Index went up 28,3 percent

Although many experts have cast doubt on the accuracy of CSS statistics, Mrs Ina Wilken, assistant director of the council, has no doubt they are accurate

"Until August 1990, we did regular food price surveys through a firm of consultants and published the results We stopped then because we ran out of money — our funding has been cut by a third in the last three years — and the price of food has rocketed since then I see a connection

"Vatwatch has been doing surveys since last July, but they'll stop in March We'll start abbreviated surveys again then," said Mrs Wilken

About 70 percent of all food sold in the country is rung up on the tills at Pick 'n Pay, OK Bazaars and Checkers

In the three months before the introduction of VAT on September 30, retailers added 9,4 percent to food prices, the Consumer Council found

Mrs Sheila Baillie of the Housewives' League agreed that retailers were stepping up prices. The league's monthly survey of the cost of a typical "shopping basket" of 45 cheapest possible items showed this quite clearly, she said

However, Dr Piet Botha of P B Botha and Associates, another firm hired to help the BTI investigation, said the profitability of the major food retailers — Pick 'n Pay, Checkers, OK Bazaars, Woolworths, Shoprite and Spar — was "a matter of public record"

He had found that average profitability was between 2 and 4 percent, which he did not consider excessive

THE WEEK AHEAD by Simon Willson

War legacy may halt PPI slide

B/Day 10/2/92

(244)

PRODUCER price inflation looks set to edge up when the producer price index (PPI) for December is released later this week. If the rate does indeed tick up from the encouraging 7,9% posted for November, it should be due to technical factors and need not signal a turnaround in the steady slowing in PPI inflation since August last year

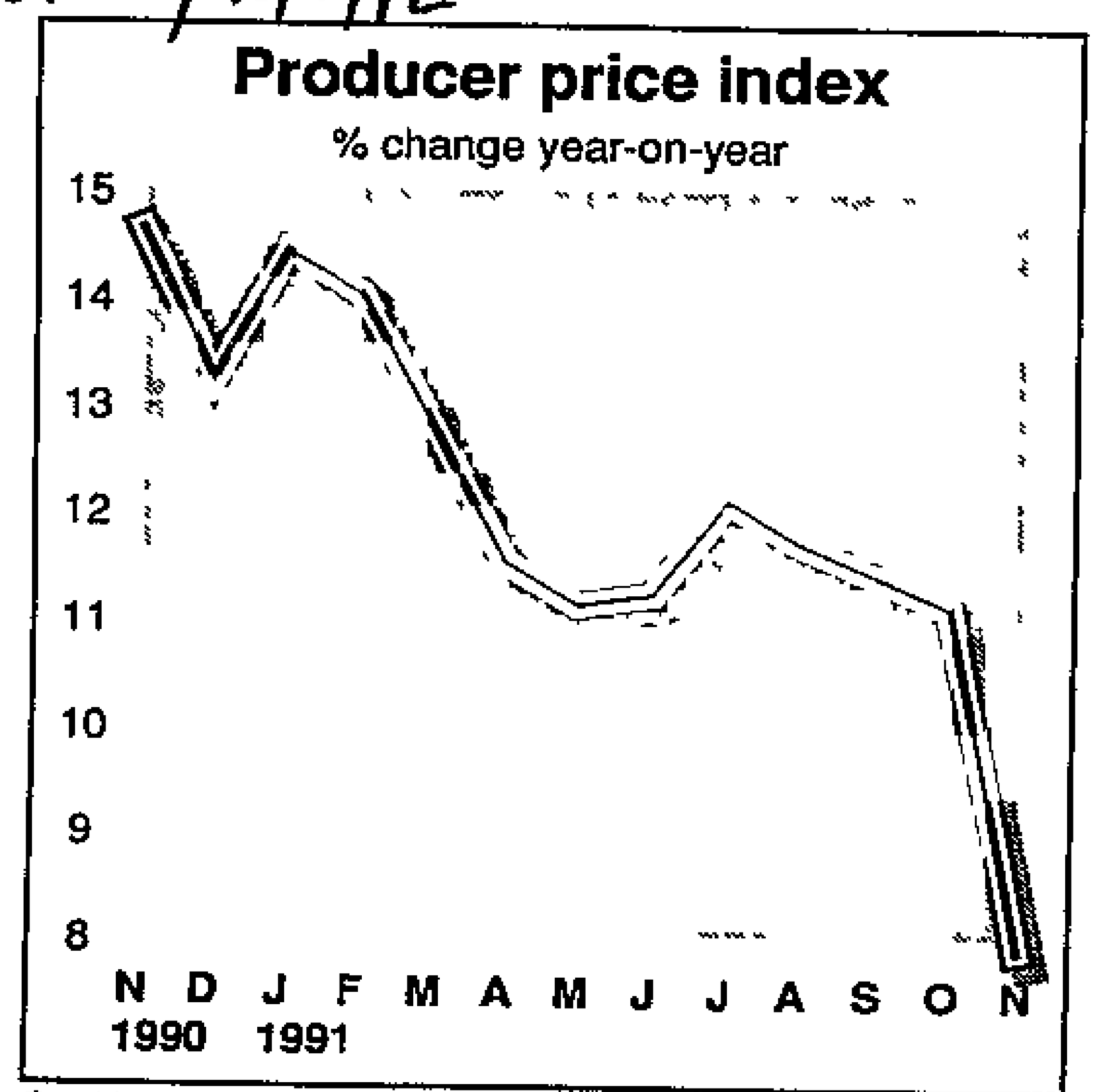
November's PPI inflation rate was the lowest recorded in more than seven years, following a tumble of more than three percentage points from the 11,1% measured in October Although the trend in PPI inflation has been generally downward for more than a year, the slide in the November rate was accentuated by an unusual boost to the PPI 12 months previously This gave the annual increase in the index in November a freakishly high base, which helped drive the rate down.

But those same technical forces mainly responsible for the much lower PPI inflation in November are about to militate against a repeat performance in the December figure

The index leapt by more than 3% in November 1990 from its October level, having risen by less than half that margin in October over September This was mainly due to a sudden rise in oil prices associated with the looming Gulf war at the time

The jump in the November 1990 index was followed, however, by a 0,05% rise in the index the following month, as the oil price rise quickly retraced downward on confident expectations of a swift Allied victory in Iraq

In effect, therefore, producer prices were



Graphic FIONA KRISCH Source CSS

flat in December 1990. a 0,05% overall rise in the context of annual rises in the PPI in the mid-teens essentially says that, on average, prices at the factory gate during that month did not rise at all

This leaves a gloomy legacy 13 months later It means that the annual rate of PPI inflation for December 1991 is, in effect, a rise based on 13 months instead of 12, since the December 1990 PPI number is hardly any different from the November 1990 figure The relatively low base for the rate to be released this week thus signals an uptick from 7,9% unless other influences, such as those from the import side of the index, intervene strongly

Internationally, the tales of woe from smokestack America seem unlikely to be interrupted by figures due on Friday showing levels of US industrial production and capacity utilisation for January. Industrial production has been one of the best supports for the US's double-dip conspiracy theorists, having fallen in four of the last five months and being only 0,6% higher than a year ago when the economy was in the first dip of the recession

Another pretty dismal industrial production figure is due on Friday, together with a level of capacity utilisation that is actually lower than it was in the first dip of the recession These indicators will be among the last to respond to the modest fiscal stimulus proposed by the White House and will be among those to haunt the coming presidential election campaign

Elsewhere, the next instalment in the joust between the German and British inflation rates will be played out on Friday when the rate of UK inflation for January is published. The story so far is that UK inflation, which has not been lower than Germany's since 1966, got as close as 4,3% to Germany's 4,2% last November before the rates diverged.

Now the rates are converging again German inflation remains around the 4% level — exactly 4% in January — while influences are lining up to push the British rate lower in the first quarter of this year. UK inflation was 4,5% in December and should drift another percentage point or so lower by March. Friday's figure should show it close to 4%, ready for an historic dip below the German rate in February.

Medicine price 'out of control'

Sowetan 11/2/92 (244)

THE PRICE of medicines in South Africa has become more expensive than anywhere else in the world and is rocketing out of control.

The situation has become so serious that a forum on the high cost of medicines in the private sector will be held by the Department of National Health and Population Development in Pretoria on February 28

The president of the Natal Coastal Branch of the Medical Association of Natal, Dr Mark Schreiber, said yesterday:

"A large proportion of the population can simply no longer afford private health care or the cost of medicines."

Various aspects of and possible solutions to the problem will be discussed at the conference, which has been called by the Minister of Health, Dr Rina Venter

The executive director of the South African Association of Retail Pharmacists, Mr Dave Pleaner, confirmed that all the relevant bodies had been asked for their input.

"The Minister has invited comment on what steps can be taken to implement various factors which will help curtail the cost of medicine "

According to Pleaner, Venter had identified various points which would be discussed and which could - if implemented - contribute "a great deal to reducing the cost of medical services as well as medicine".

Among them:

The ability of a pharmacist to substitute medicine with cheaper generics;

A scheme whereby there was a maximum medical aid price for certain drugs;

A levy by a member of a medical aid scheme to make the patient aware of the cost of medicine;

A single exit price from the manufacturers. Pharmacists would then not have to buy drugs at a higher price and would not be forced to load the end price,

"Old-fashioned counter-prescribing," which meant that the pharmacist could prescribe for illnesses that should eventually clear up, such as influenza.

Medical aid schemes would pay the pharmacy bill instead of the full consultation; and

The whole question of why some multi-national drugs are more expensive in South Africa than the same drug in another country. - *Sowetan Correspondent.*

Petrol price rise likely, warn economists

The Argus Correspondent

244

JOHANNESBURG — Motorists have been warned by a leading economic think-tank to brace themselves for increases in petrol prices in the 1992 Budget due next month

The Econometrix research unit forecasts that the State fuel levy will rocket by at least 10c a litre — and perhaps as much as 15c a litre. A 10c increase would boost government revenue by more than R1 000 million a year

ARG 11/2/92

Dr Azar Jammine, director of the unit, said consideration of the increase looked "a virtual certainty" in a package of moves to counter the threat of a huge jump in the 1992/93 budget deficit

He predicted the disclosure of a 1991/92 fiscal deficit as high as R15 billion, the worst on record, as a result of a surge in government spending, coupled with a shrinkage in revenue collections

He said an even higher deficit was likely over the next year unless Finance Minister Mr Barend du Plessis found new ways to narrow the growing gap between expenditure and income

Producer price rises moderate

By Sven Lunsche (244)

STAR 12/2/92

In contrast to disappointing consumer price inflation figures, producer price increases continue to hold at moderate levels.

The Central Statistical Service (CSS) reported yesterday that the Producer Price Index (PPI) inflation rate in December rose to 8,6 percent from its seven-year low of 7,9 percent in November — far less than had been expected

The month-on-month increase of 0,4 percent between November and December was particularly encouraging, given that the cost of locally produced goods rose by only 0,2 percent. On an annual basis, local producer prices rose 10,2 percent

The vast difference between between current consumer and producer price inflation trends is evident from food prices

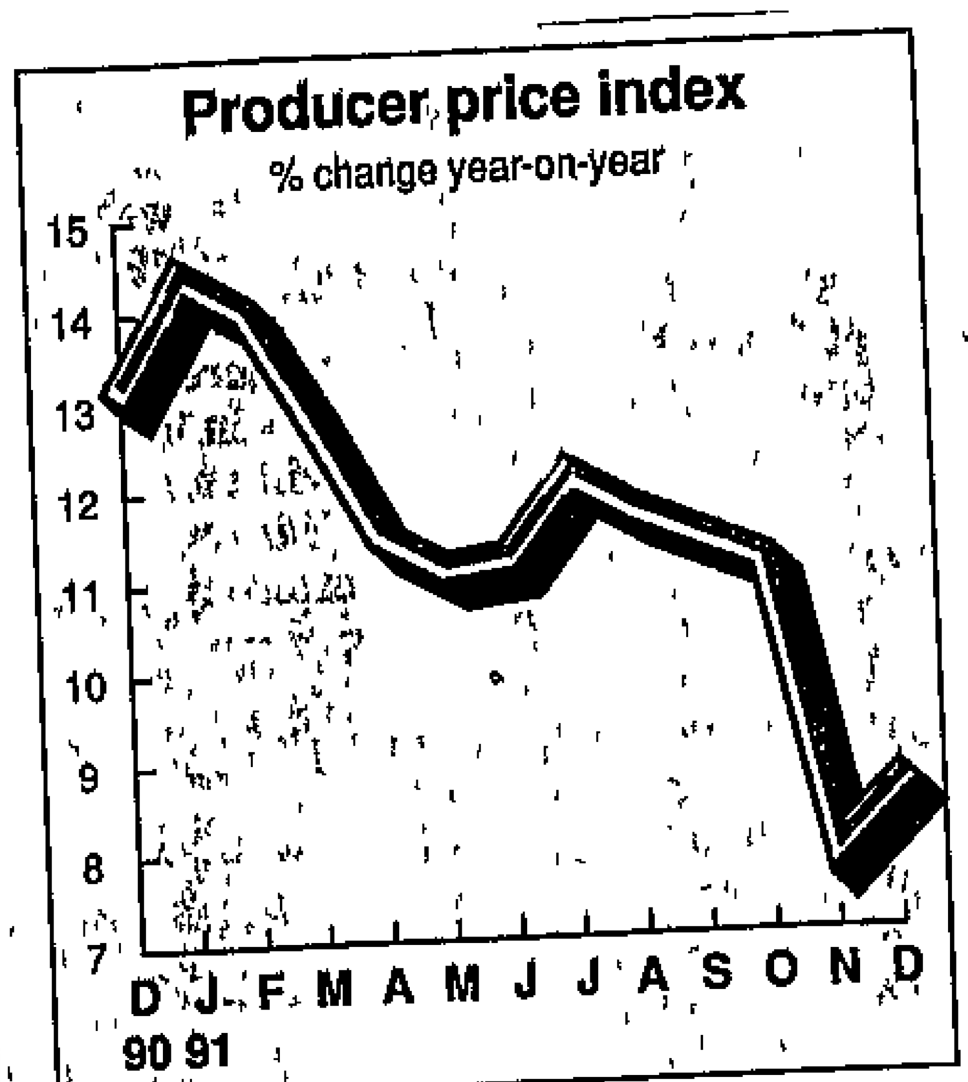
In December the cost of agricultural food prices fell by 1,3 percent, compared with November, while retail food prices increased by 2,8 percent.

The monthly increase in the PPI for imported commodities was 1,1 percent, giving a yearly increase in imported producer prices of 1,9 percent

Despite the overall low increases between November and December, large rises were seen in fish products (3,8 percent), fresh meat (2,4 percent), electrical machinery (1,5 percent) and other mining and quarrying products (1,2 percent)

The CSS reported that the producer price inflation rate averaged 11,4 percent last year, compared with 12 percent, 15,2 percent and 13,1 percent for 1990, 1989 and 1988 respectively

The rate of increase for locally produced goods was 12,2 percent and that of imported goods 8,3 percent for the year



Graphic: FIONA KRISCH Source CSS

PPI's single figures hold for December

B/Day 12/2/92 (244)

SHERIDAN CONNOLLY

PRODUCER price inflation stayed in single figures in December, although the rate edged up to 8,6% from November's 7,9%, figures released yesterday by the Central Statistical Service (CSS) showed.

The annual increase in the producer price index (PPI) in December was the second-lowest rate in more than seven years. Besides the November 1991 PPI, the annual rate of producer inflation has not been in single digits since August 1984

The annual rate of increase in locally produced commodity prices dropped 0,1%

☐ To Page 2

PPI

B/Day 12/2/92 (244)

☐ From Page 1

to 10,2% in December from November.

In seasonally adjusted terms, prices of imported commodities rose by a percentage point to 0,9% in December after falling by 0,1% in November

Notable among December's increases were fishery products prices, which rose 3,8%, fresh meat prices, which increased by 2,4%, electrical machinery, which was up 1,5%, and gas and water, which rose 1,5%. Food prices increased 1,2% in December from November.

The CSS data showed the average annual rate of increase in the PPI for all commodities was 11,4% in 1991, compared with 12,0% in 1990 and 15,2% in 1989.

The PPI for locally produced commodities increased at an average annual rate of 12,2% in 1991, while that for imported commodities rose 8,3%.

Bankorp economist Nick Barnardt said yesterday the slight increase in year-on-year terms masked a positive underlying trend The month-on-month domestic component of the PPI increased by only 0,2% and this was "very encouraging"

The drop in the annual PPI inflation rate for locally produced commodities to 10,2% in December showed that price rises for the domestic component could be moving towards single digits, he added.

Barnardt said lower producer prices would filter through to consumer prices but, due to higher consumer prices before, during and after the imposition of VAT, a downward trend in CPI would be evident only from about June onwards

Current drought conditions could put upward pressure on food prices, he warned. Lower levels of inflation would enable interest rates to fall and a downward trend in prices would thus be crucial to the country's growth prospects.

'Bungling may boost fuel price'

(244) STAR 12/2/92

By Helen Grange
Pretoria Bureau

Transport and energy authorities are tight-lipped over whether a fuel price increase is imminent as a result of huge debts in the Multilateral Motor Vehicle Accident Fund (MMF) — but the Democratic Party has warned of yet another rise.

A spokesman for the National Energy Council said yesterday that if Transport Minister Dr Piet Welgemoed decided in his pending budget announcement to increase Third Party insurance levies, this would have to be accommodated in the fuel price

Dr Welgemoed said in Parliament recently that it was possible motorists would have to contribute more to Third Party insurance — but that another option would be to place a limit on Third Party claims. He noted that, in one case, a tourist had claimed R7,2 million from the MMF

He was waiting for an interim report from the judicial commission appointed last year to investigate the MMF The report was expected in the "first quarter of this year".

An MMF spokesman said yesterday that until Dr Welgemoed had made his budget announcement following the commission's findings, it would be inappropriate to state whether there would be any increases.

DP spokesman on transport Robin Carlisle has, however, warned motorists to brace themselves for a fresh fuel price rise. The scale of the MMF "disaster" was immense, and was the result of years of mismanagement, he added.

Mr Carlisle said the legal profession had had a "field day" with the MMF, raking in R54 million in 1989/90 Their share of outstanding claims could be as much as R248 million, he said.

The MMF, in April 1990, had outstanding claims of R1,6 billion

PPI still low — raising hopes of bank rate cut

CT 12/2/92 (244)

Business Editor

A SLIGHT increase in the producer price index (PPI) for December — to 8,6% year on year compared with 7,9% in November — was due to technical factors, economists said yesterday

The month on month rise was only 0,4% compared with 0,5% in November

Locally produced goods rose by 10,2% (10,3%) year on year and 0,2% (0,4%) month on month Imported goods rose by 1,9% year on year and 1,1% month on month

The monthly rise in the non-seasonally adjusted PPI was due mainly to rises in the price of fish products (3,8%), fresh meat (2,4%), electrical machinery (1,5%) and other mining and quarrying products (1,2%)

Agricultural food prices fell by 1,3%

Pointing out that the PPI was still at a low level, economists said they expected its effect to bring down the consumer price index (CPI) before long

Old Mutual economist Johan Els said he expected a drop in bank rate before the budget next month, in spite of the continuing high level of the CPI

"Inflation is not measured by the CPI alone," he commented "The PPI cannot be ignored "

But other economists thought there would be no interest rate cut before the Budget. Boland Bank chief economist Louis Fourie said he expected Reserve Bank Governor Chris Stals to wait for another CPI figure

And Southern Life chief economist Mike Daly said "I think Strals will want to see better CPI figures before he cuts the bank rate

"Other indicators are calling out for a cut in interest rates, and so is the state of the economy

"But the last time Stals cut interest rates before the Budget he must have regretted it. Fiscal policy was not all that credible "

Daly said the slight rise in the PPI year on year had been expected because it was from a low base in December 1990.

The seasonally adjusted rise in imported commodities was still incredibly low.

"Unfortunately that can't last. There is inflation overseas and the rand is depreciating gradually against a basket of currencies."

Daly said the CPI could not remain indefinitely so far above the PPI

Sanlam chief economist Johan Louw said the year on year figure was "quite good — better than we expected We expected it would be up by 9%

"We think it will fluctuate between 7% and 10% for the year as a whole, averaging 10,5% compared with 11,4% last year

"It reflects slackness in the economy and a slower rate of increase in costs

"It should work through to the CPI, which we expect to be in the vicinity of 16% in the next two months, dropping to 12% by the end of the year "

But, Louw warned, the drought would have an upward pressure on food prices. And as the rand weakened the imported component of the PPI could rise at a faster rate

PRODUCER PRICES

FM 14/2/92

Silver lining

(244)

The 8,6% year-on-year increase in the December producer price index appears discouraging after November's 7,9% rise

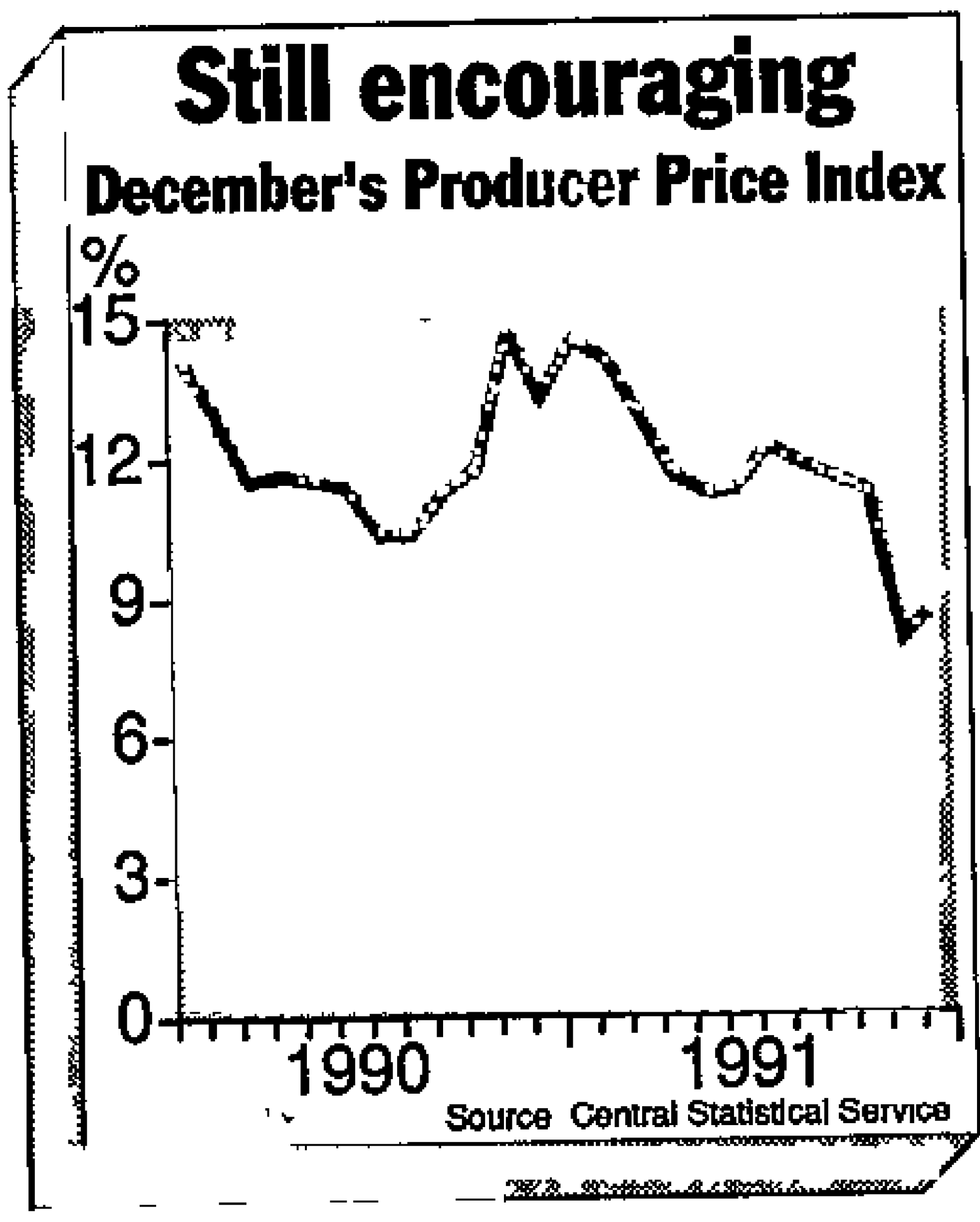
The November 1990 monthly increase was an unusually large 3,5%, due to a jump in the fuel price. This made the base for comparison relatively high. A more relevant comparison is between December's monthly increase of 0,4%, and November's 0,5%.

There are other reasons to be satisfied with the producer price index. Local commodity prices showed a year-on-year increase of 10,2%, the lowest rise since December 1984 Local prices were up only 0,2% monthly compared with a 0,4% monthly rise in November

December's year-on-year rise in import prices amounted to 1,9%, compared with a year-on-year drop of 2% in November The monthly increase in imports was 1,1% (November 1%).

The average rate of increase in producer prices in 1991 was 11,4%, compared with 12% for 1990 and 15,2% for 1989

Standard Bank group economist Nico Czypionka says the continuing downward trend of producer inflation is a vindication of Reserve Bank policies — the maintenance of a relatively strong rand and a tight monetary policy, which makes financing costs high and forces firms to streamline their operations ■



Local gas prices among the world's highest

B/Day 14/2/92

GAS prices in SA are among the highest in the world — and with Mossgas exceeding budgets the prognosis is for an even more expensive structure for business users.

According to a survey by National Utility Services (NUS), a multinational specialist in energy tariff analysis, SA's average gas price is almost double that of Italy, Germany, France, the UK, Belgium, Australia, the US, Netherlands and Canada

NUS monitors energy costs of electricity, gas, coal, petroleum products and water at 750 000 locations in 80 countries

In SA, where it has been working for some 30 years, it audits energy costs for over 2 500 companies.

Experience

The latest results of the annual survey were released in the final quarter of last year

They are based on the experience of a typical consumer using 10 547 gigajoules (100 000 therms) a year, at a load factor of 50%-60%

The results reveal that SA business users are paying an average R28,78/GJ for gas supplies — amounting to a year-on-year increase of nearly 23%

As with all the countries surveyed, an unweighted average was given — ie a straight average of the three major gas suppliers, Gascor (R14 97) Johannesburg (R23,23) and Cape Gas (R48,15).

SA's net year-on-year increase of 22,8% was the third highest in the survey, beaten only by Italy and West Germany

By contrast, the US showed a decline in gas prices — the only country to do so.

Disparities

244

The large disparities in prices between local and overseas users are easy to explain, says NUS SA MD George Rahr

"Historically, SA has not had either a source of natural gas or well-developed reticulation networks, so consumers don't benefit from the lower prices made possible by volume sales.

"At the same time, as is the case with so many aspects of the SA economy, a small number of suppliers dominate the market, and gas prices reflect this lack of competition when compared with less regulated markets overseas," he says

"The lack of competition is unhealthy and SA could take a leaf out of the UK's book, where British Gas has been overhauled with the intention of encouraging more suppliers to enter the market"

This view is supported by the ingenious gas swop system recently introduced by British Gas, in terms of which the corporation releases a portion of its gas reserves to independent suppliers.

These then "repay" British Gas when their own supplies come on stream

This system frees the independents from waiting for new gas finds to be brought to shore.

By giving them immediate access to gas for sale to consumers it enables them to compete effectively

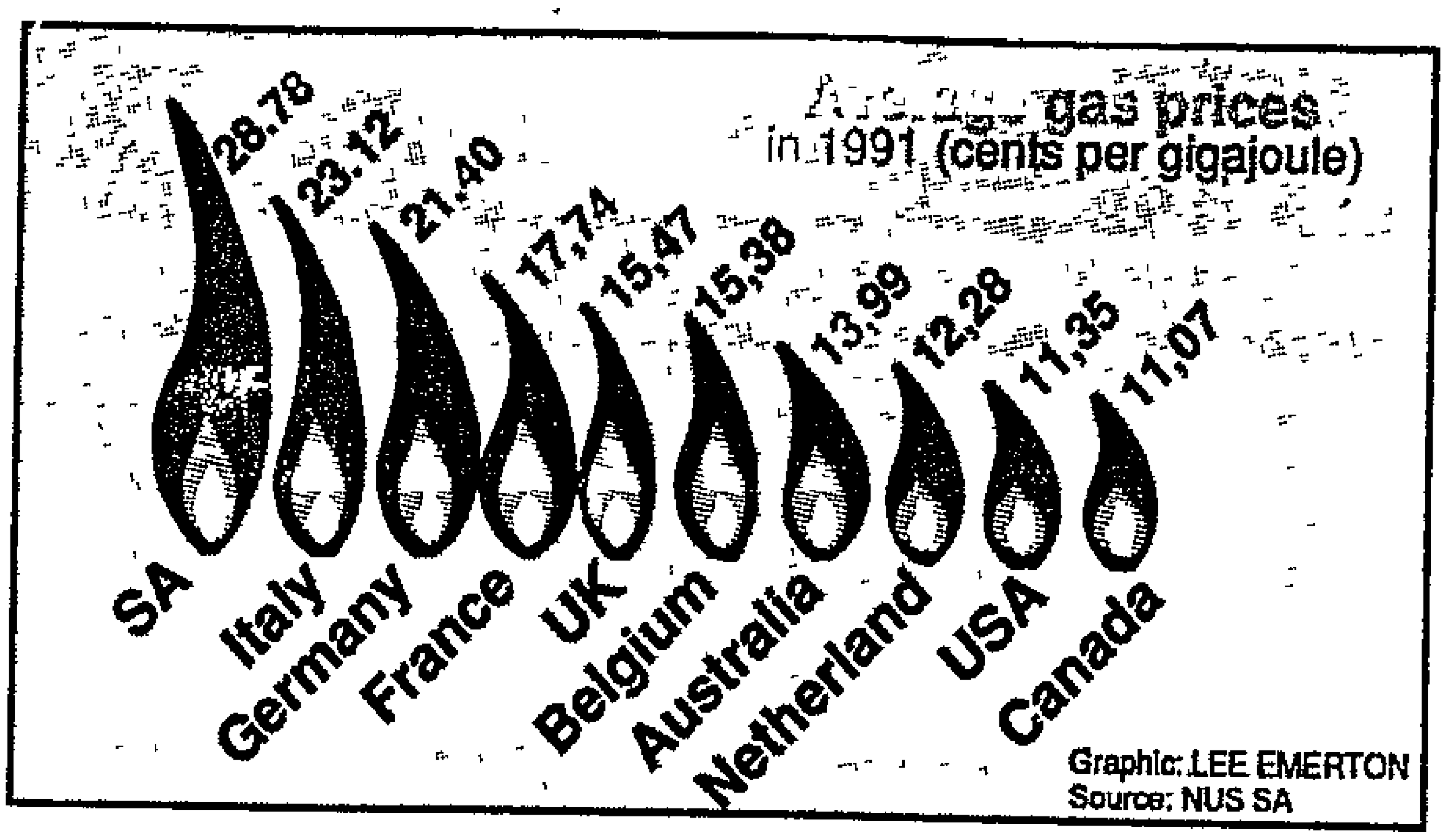
It is notable that where prices are negotiable and differentiated tariffs are offered in SA, as they are in Port Elizabeth, they have resulted in lower prices than elsewhere in the country

Encourages

Here, Easigas encourages volume sales and economies of scale which in turn promise to open the way to further price reductions

On the other hand, Cape Gas, which has a more arbitrary approach, increased its tariffs by a staggering 35,21% in September last year

Gascor upped its prices by 19,09% and Johannesburg by a more acceptable 4,97%.



Graphic: LEE EMERTON
Source: NUS SA

Beer price up 9% from today

JOHANNESBURG — The price of beer is to go up by an average of 9.1% today 241

An SA Breweries statement said yesterday the price would vary with geographic areas and brands.

It said the increase was below current inflation.

SAB added that retail prices in bottle stores and bars were set by the retailers themselves — Sapa

THE WEEK AHEAD by Simon Willson

Food price spectre haunts CPI

BDay 17/2/92 (244)

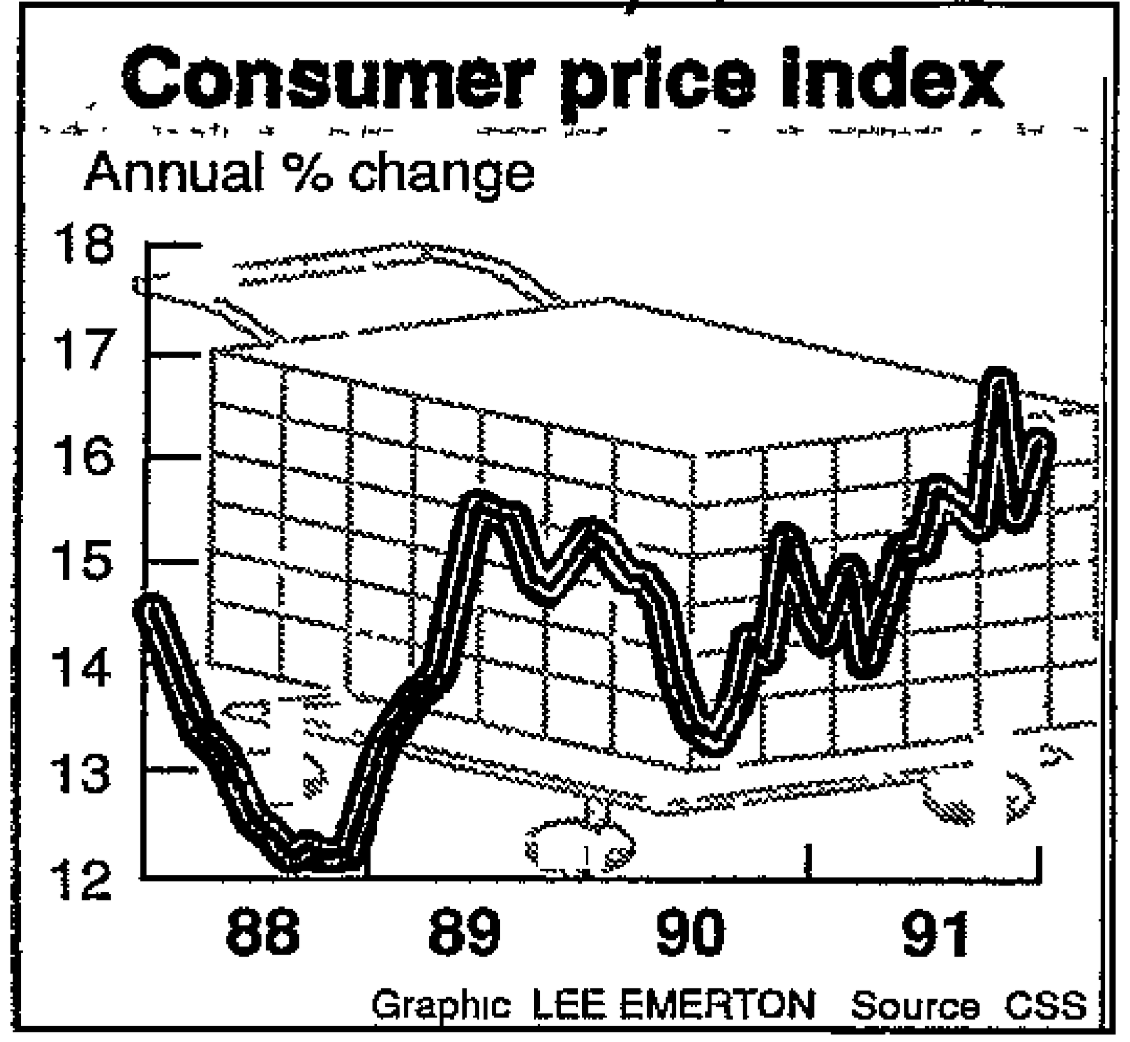
FOOD prices look set to have the biggest say in determining the January inflation rate when the figure is released towards the end of this week. The trade balance and money supply figures for last month are also due this week, but these data are overshadowed in importance by the authorities' continuing struggle with rising prices.

Over recent months, food prices have become a malevolent spectre permanently haunting the consumer price index (CPI), which measures the inflation rate The annual rate of food price inflation has been rising remorselessly since the middle of last year, significantly outstripping the overall inflation rate

In June 1991 food price inflation, at 16,8%, was ahead of overall inflation at (15,2%) by only 1,6 percentage points By December, the gap between food inflation (28,3%) and overall inflation (16,2%) had yawned to a formidable 12,1 percentage points

At 28,3%, December's food inflation rate was on the threshold of the historic 29,5% rate of food inflation set in March 1981, when overall inflation was 15,1% Price rises had a different cause 11 years ago, of course The problem then was demand-pull inflation — rising prices caused mainly by excess demand as economic growth roared away at around 5% in the first two years of the '80s The problem today is cost-push inflation — rising prices that can be traced back to a depreciating exchange rate, high interest rates and rising labour costs unmatched by productivity increases

Although the type of inflation is different, the March 1981 precedent shows that a food inflation-general inflation gap of 15 points is perfectly feasible The December gap of 12,1 points looks almost certain to widen further There seems little to stop food inflation matching the March 1981 peak — and then topping it, given the apocalyptic noises coming from the drought-sticken maize belt Food's hefty, 18% weighting in the CPI basket seems likely to ensure that any dip in inflation in January is small, and reversible



Graphic LEE EMERTON Source CSS

Money supply growth at this stage of the year is something of a lame-duck figure. The Reserve Bank Governor is pondering his next M3 guideline range and, until it is revealed — usually around Budget time, a month hence — the monetary aggregates lack full context The authorities are generally happy with the annual rate of broad-money M3 growth, which fell for the third consecutive month in December to 12,4% and should ease again in this week's January outturn Unlike inflation, money supply growth is no longer an obstacle to lower official interest rates

The January trade balance, also due to emerge this week, likewise holds few unknowns Imports are suppressed by sluggish domestic demand and exports are confidently expected by the SA Foreign Trade Organisation to show real growth of 5% in 1992 which, if achieved, would be the best export performance in seven years December's trade surplus of R1,24bn looks rather modest when set against such optimism, and seems poised to rise

Internationally, developments in the US economy are on hold for today's President's Day public holiday and tomorrow's New Hampshire primary On Wednesday, Federal Reserve chairman Alan Greenspan goes before Congress with his regular Humphrey-Hawkins testimony update on the US economy What he says will probably set the tome for the week's trading in the financial markets

The week's best guide as to whether there are signs of life in the moribund US economy is Wednesday's level of January housing starts December starts looked perky in rising to an 11-month high of 1,1-million There has been no double dip in US housing starts, which have been above the 1-million mark for seven consecutive months

Unseasonally warm weather should have continued to support the level of starts in December. Once these dwellings are completed and have to be filled with consumer goods, these dry data will convert into tangible spending which will help fuel economic recovery

Wednesday's UK retail sales data for January, will command attention after a shock 1% drop in December Another bad figure will increase pressure on the UK chancellor to stimulate the economy in his last pre-election budget next month

Drought sets back hopes of economic recovery this year

STAR 18/2/92

(244)

By Sven Lunsche

Hopes of economic recovery this year have been dealt a severe blow by the drought.

Central Statistical Service (CSS) said at the weekend that Gross Domestic Product (GDP) fell by 0,6 percent last year after an 0,5 percent drop in 1990

Economists had generally expected growth would recover to a positive 1,5 percent in 1992, but they are now scaling down their forecasts in the wake of the drought.

Econometrix analyst Dr Azar Jammine estimates that the loss of agricultural production will be R2 billion to R4 billion

While the contribution of agricultural production to GDP is no more than five percent, such a loss implies a decline in the projected economic growth rate this year of 0,5 percent to one percent, Dr Jammine says

He now expects overall GDP to record a mere 0,5 percent growth

The most immediate impact is that the country will have to import up to four million tons of maize, resulting in a foreign exchange loss of R1 billion to R2 billion.

However, given the record trade surplus of R18 billion last year and renewed access to foreign capital markets, the loss does not represent a significant blow to the build-up in gold and foreign exchange reserves

Food prices

More significantly, Dr Jammine says, the drought means that certain food prices may rise as a result of the shortage

Agricultural production fell by 1,3 percent last year, despite slight increases on a quarterly basis, according to CSS

The majority of business and financial sectors showed a drop in output over the year

The list was headed by construction, where output plunged 4,5 percent. This was followed by manufacturing (—2,4 percent), transport (—1,5 percent), mining (—1,5 percent) and commerce (—0,6 percent).

On a quarterly basis, GDP growth fell by 0,6 percent in the fourth quarter of 1991

In the third quarter GDP rose by 0,5 percent, but this was preceded by seven quarters of negative growth

● The decline in South Africa's national output in the last two years was alarming and should be seen by all as a clear warning that time was running out for the country, said Johannesburg Chamber of Commerce and Industry president Mike Cato

Sapa reports that Mr Cato said the year had not started well in economic terms with the drought bringing serious threats to national agricultural output

"Whilst recent surveys have indicated a slight improvement in general confidence levels among businessmen, they have also shown that slack capacity will have to be filled before the levels of employment will rise," he said

Row over food prices

BDay 20/2/92

SHARON WOOD

CONTROVERSY about high retail food prices rages on, with the major food companies denying reports that food companies are exporting at the expense of the local market.

Fedfood does not subsidise exports with local prices, says Fedfood Planning GM Anthos Yannakou

The argument that local food producers were short-supplying SA retailers did not apply to Fedfood because exports, at about 5%, were only a small part of the company's business.
Premier also denied the charge.

5c more on petrol price

S/Times (BUSS) 23/2/92. (244)

FINANCE Minister Barend du Plessis is expected ask motorists to fork out over 5c more in tax on each litre of petrol — possibly as early as Friday.

A source says the increase will be restricted because of the Government's concern about its effects on inflation. Diesel users will have to pay between 2c and 4c more a litre

The increase will come before the Budget, in which other tax increases are expected.

In the fiscal year ending on March 31, tax collections have been lower than forecast because of the recession Government spending, however, has been higher

The Budget will be presented on March 18 — if it is not postponed because of the referendum

Basic

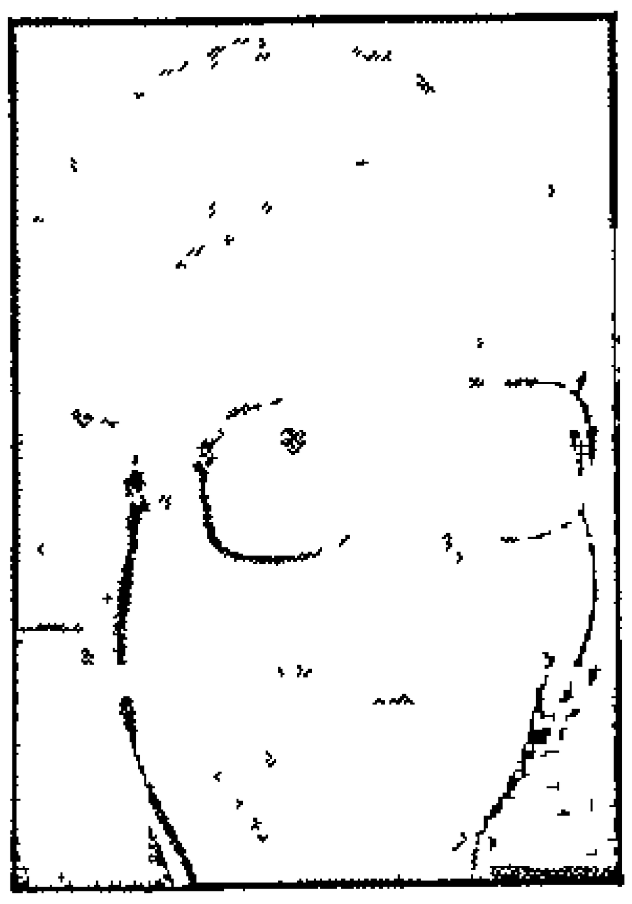
South African Chamber of Business economist Ben Van Rensburg expects a large increase in excise duties on luxuries, such as alcohol

He does not expect a change in the politically sensitive VAT rate However, the 10% rate may be applied to some basic foods which have been zero-rated if the poverty assistance programme is well advanced

There could be relief in adjustments to bracket creep in personal income tax Highest marginal taxpayers could also be helped

Dr Van Rensburg hopes the Government will give the business community a positive message by reducing the corporate tax rate, even by a percentage point

Econometrix director Tony Twine estimates that



BEN VAN RENSBURG Tax on luxuries to rise

the extra tax on fuel could boost the inflation rate by 0,12% and have limited knock-on effect

The increase will lift the tax component in the petrol price from 46,9c/l to more than 52c/l — from 32,8% to 36%

It will follow the 10c/l rise in fuel taxes last August when the Government reduced VAT

The good news for consumers is that non-fiscal petrol price increases are not expected in the foreseeable future Crude oil prices have been falling since November, reducing the landed cost in SA

A National Energy Council (NEC) spokesman says that in spite of a slight weakening

By ZILLA EFRAT

in the rand's exchange rate, motorists are overpaying for both petrol and diesel He expects these overrecoveries to rise in February

He says after underpaying 0,24c/l in December, Pretoria-Witwatersrand-Vereeniging motorists overpaid nearly 2c/l in January They also paid more than 4,5c/l too much for diesel The figures will be released this week

Lower

Recent increases in the components of the petrol price have not been passed on to consumers They have been absorbed by the Equalisation Fund, which is believed to be in a healthy position

These include December's 1,5c/l rise in the retail margin for filling stations and higher transport costs announced by Transnet on January 1

A source says the Government is able to look to the petrol price for additional revenue because SA's fuel carries a much lower tax than in most Western countries, except the United States

The same can be said for excise duties on luxury goods

Petrol price rise 'not likely before Budget'

B Day 24/2/92 (244)

WILLIAM GILFILLAN

AN INCREASE in the petrol price was unlikely before the next Budget, a government source said yesterday

He was responding to reports in the weekend Press which speculated that Finance Minister Barend du Plessis was set to ask motorists to pay over 5c more in tax on each litre of petrol and between 2c and 4c a litre on diesel — possibly before the end of this week.

He dismissed the time frame given as "pure speculation"

Industry sources said as crude oil prices had been falling since November, the landed cost in SA had been reduced

And, after taking account of a marginal weakening in the rand's exchange rate, motorists had been overpaying for both petrol and diesel, a National Energy Council spokesman said He expected these over-recoveries to rise in February.

After underpaying 0,24c a litre in December, PWV motorists overpaid nearly 2c a litre in January, he said. They also overpaid as much as 4,5c a litre for diesel

The article added the increase, however, would be restricted because of government's concern about its effect on inflation (A 5c/l rise was estimated to convert into a 0,12% increase in inflation)

There had been rising speculation that government was set to use the petrol price increasingly as a Budget tool

At the time government reduced the VAT rate in August last year, fuel taxes were increased by 10c a litre to make up for the shortfall

The latest increase mooted would lift the tax component in the petrol price to more than 52c from 46,9c a litre

Pre-budget petrol price hike 'unlikely'

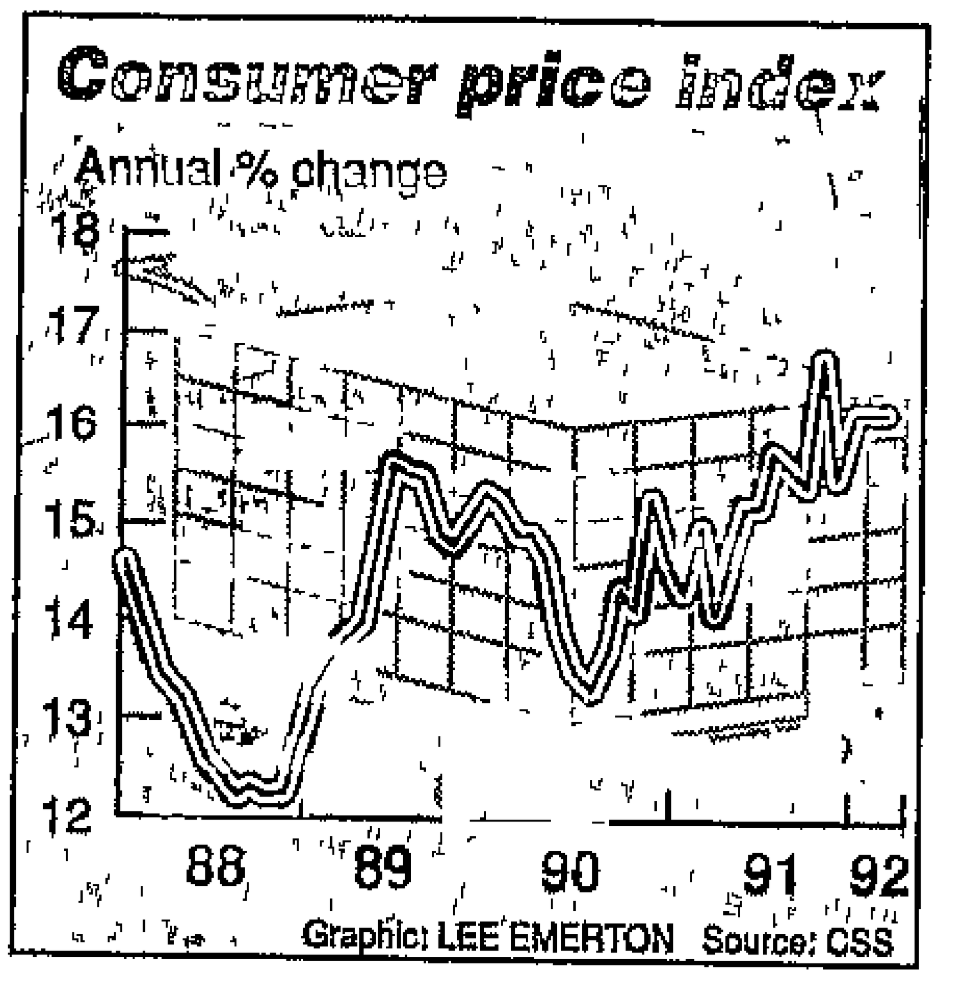
24/2/92 Own Correspondent (244)

JOHANNESBURG — An increase in the petrol price was unlikely before the next budget, a government source said yesterday

He was responding to reports in the weekend press which speculated that Finance Minister Mr Barend du Plessis was set to ask motorists to pay over 5c more in tax on each litre of petrol and between 2c and 4c a litre on diesel — possibly before the end of this week

He dismissed the time frame given as "pure speculation"

Industry sources said the landed cost in South Africa had been reduced because crude oil prices had been falling since November



Food price inflation slows to rate of 26%

BDay 24/2/92 SHERIDAN CONNOLLY (244)

ALTHOUGH the overall rate of inflation remained unchanged at 16,2% in January, the annual rate of food price inflation declined for the first time in seven months, figures released yesterday by the Central Statistical Service (CSS) showed.

Food price increases slowed to an annual rate of 26,2% in January from 28,3% in December, and, in month-on-month terms, to 0,2% in January compared with December's 2,8% increase This is the lowest monthly rate of increase since June 1991.

The CSS attributed the slowdown to a 1% drop in meat prices in January This counteracted a relatively large increase in the prices of fruit and nuts (3,1%) and a 2,4% increase in vegetable prices.

Consumer prices increased by 1,1% in monthly terms in January compared with a 1,3% increase in December. Excluding the effects of VAT, the rate of increase in the consumer price index (CPI) dipped to 14,9% in January from 15,0% in December

Monthly increases of note were in the price indices of medical care and health expenses (up 9,1%), cigarettes, cigars and tobacco (4,8%), and alcoholic beverages (3,7%)

The CSS figure showing the largest annual rate of increase in the CPI was 17,2% for the Cape Peninsula, while the smallest increase was 12,9% in the Vaal Triangle

☐ To Page 2

Inflation

BDay 25/2/92 (244) ☐ From Page 1

Standard Bank chief economist Nico Czypionka said yesterday the inflation figures were slightly disappointing but not totally unexpected Although the data had probably delayed hopes for a cut in interest rates in the short term, inflation had shown signs of slowing down and should continue to do so A decline in the inflation rate would not be dramatic, he said

In principle, drought conditions should have negative repercussions on food prices in the longer term, but in the short run, with stock farmers having to lighten their herds, meat prices could decline further

Absa economist Adam Jacobs said the figures were very disappointing in the light of positive developments in producer inflation, exchange rate stability, and a slowdown in the growth rate of wages

He was baffled by the continued downward phase of the business cycle, now into its third year He said although an interest rate cut would probably be postponed at least until after the referendum, Reserve Bank Governor Chris Stals should remain committed to getting inflation down before lowering official interest rates

R8-m payout to dead – witness

Own Correspondent STAR 25/2/92

More than R8 million in pensions might have been paid out to dead people in Lebowa because of corruption and inefficiency, the De Meyer Commission of Inquiry into corruption heard yesterday.

Commissioner O A de Meyer heard from special investigator W A Bester that millions more could still be siphoned illegally from the homeland pension fund as control in the department was "chaotic".

Mr Bester said he had looked into four problem areas with pensions. The first was that people who had died long ago were not removed from the pension pay sheet.

He said a sample of 1,6 percent of pensioners' files had revealed that R133 252 had been paid out to dead pensioners.

With 143 000 pensioners presently on the list, calculations had revealed that about R8,3 million had been lost through this method alone.

Drought will push up food prices – warning

244

By Shirley Woodgate STAR 25/2/92

Consumer organisations have warned the public to prepare for soaring inflation this year unless the drought is broken soon.

"Food prices will surge to unprecedented levels if the rains do not arrive," said Housewives League president Lynn Morris.

Consumer Union president Lillibeth Moolman said "Prepare for a crisis if we are faced with soaring food prices combined with the current lack of buying power, particularly among the black people."

Commenting on the latest Consumer Price Index released by the Central Statistical Service yesterday, Mrs Morris warned against false optimism on a slowdown in price rises.

The overall CPI increased by only 1,1 percent in January.

The inflation rate for the month was unchanged at 16,2 percent and food price increases declined for the first time in seven months, down to 0,2 percent, with the price of meat showing a 1 percent drop.

Mrs Morris dismissed the slight decline in food price increases from 28,3 percent to 26,2 percent as insignificant.

"The increases remain above 25 percent, pushing up the overall inflation rate."

The continuing drought would affect meat and vegetable prices, she said.

"South Africa is already preparing to import maize and unless we have sustained rain soon, the summer rainfall region vegetable and wheat farmers will delay planting and the meat sector will struggle to feed its animals.

"Even if the rains come and farmers can plant their crops, there is a danger that people will not be able to afford to buy," she said.

Food prices continue to stoke inflation rate

STAR 25/2/92 (244)

By Sven Lunsche

There is little relief in sight for the surge in food prices

Central Statistical Service said yesterday, when releasing the latest Consumer Price Index (CPI), that prices rose last month by 26,2 percent on an annualised basis.

This left the overall inflation rate in January unchanged at 16,2 percent from its December level.

However, on a monthly basis — between December last year and January this year — price rises slowed significantly, with the overall CPI rising by 1,1 percent.

Food prices rose by 0,2 percent, with the price of meat showing a one percent drop between December and January

This counteracted the relatively large increases in the price of fruit and nuts (3,1 percent) and vegetables (2,4 percent)

There were also large monthly increases in other key categories

The price of non-alcoholic beverages rose by three percent, alcoholic beverages by 3,7 percent, tobacco products by 4,8 percent and medical care by 9,1 percent

While the monthly rises in food prices were low, economists expect a surge over the next few months because of the drought in summer rainfall areas.

Further upward pressure on prices will emerge when the Government annouces an increase in the fuel levy, which should come during the Budget, at the latest

Absa economist Adam Jacobs says the latest inflation figures mean a cut in interest rates cannot be expected, reports Roy Cokayne

He adds that the figures once again highlight the disparity between the Producer Price Index (PPI) and the CPI.

Mr Jacobs says the disparity is growing, although it is difficult to explain why

The PPI rose by 7,9 percent on an annualised basis last December

The rand exchange rate is stable, wage increases for the country as a whole are currently not excessive and SA is not living beyond its means, although the Government is, he says

He says possible reasons for the high inflation rate are insufficient competition and some cost pressures in the economy

"It is not excess demand because that is easy to combat through monetary policy

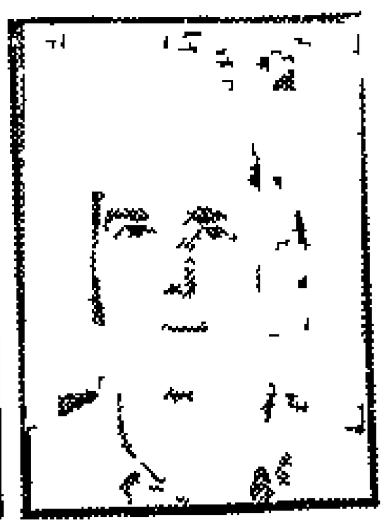
"It is on the cost-push side, but where it is exactly, I don't know," he says.

Food companies rate highly

STAR 26/2/92

By Jacques Magliolo

MAGLIOLO (86) on the 244 MARKET



The decline in food inflation to 26,2 percent (December 1991 28,3 percent) shown in the latest CPI figure is meaningless

While it creates the perception that rises in the price of food are slowing, it does not address the vast discrepancy between this figure and the food producer price index (PPI) of 12 percent

There are a host of problems in the industry which affect prices and, in turn, raises the question of why there is a disparity between CPI and PPI

CPI is the price consumers are paying for food at retailers and includes both staple and non-staple foodstuffs and are outlined below

● **Staple foods:**
The level of consumption for mielie meal and bread has, over the past year, remained static However, in terms of per capita income, it indicates that consumers are buying less (in volume) of basic food stuffs

To make matters worse, last year's white maize crop was poor, which resulted in white and yellow maize being mixed in maize meal This proved unpopular and resulted in maize meal consumption not rising as would otherwise be expected during recessionary conditions

Bread price increases last year further reduced the per capita consumption of staple foods The current drought is expected to cause a poor crop and further importation of yellow maize which will result in a return to unpopular mixes

● **Non-staple foods:**
These consist mainly of processed value-added products Demand for such foods has fallen in many categories and one analyst points out that "the expected compensating increase in consumption of staples did not occur"

This, he says, pinpoints the crux of the consumer's dilemma "The food companies are largely recession-proof," he says

To highlight the consumers problem, one only needs to look at the current market ratings of food companies against the industrial index

While the industrial index displays earnings yields of 4,6 percent and dividend yields of 1,5 percent, food companies have EYs of 6,5 percent and DYs of 2,3 percent. In addition, if there is an economic recovery towards the end of the year, these stocks should see substantial growth

PPI is the cost of producing both staple and non-staple foodstuffs. However, the discrepancy between CPI and PPI arises because there are three different producer costs, but only one is quoted.

Farmers, manufacturers and retailers have different expenses and overheads, but only the farmers' costs are used in the quoted PPI figure

Until current investigations into the food industry are completed, the manufacturing and retailing stages will remain dominated by a few large companies

This points to a possible reason for the high annual food price increases

Public warned to tighten their belts

Sowetan 26/2/92

244

CONSUMER organisations have warned the public to prepare for soaring inflation this year unless the drought is broken immediately

"There is absolutely no doubt that food prices will surge to unprecedented levels if the much-needed rains do not arrive," said Housewives League president Mrs Lynn Morris.

Consumer Union president Mrs Lillibeth Moolman said "Prepare for a crisis if we are faced with soaring food prices combined with the current lack of buying power, particularly among the black people"

Commenting on the latest Consumer Price Index released by the Central Statistical Service on Monday, Morris warned against false optimism over the slowing down in price rises, with the overall CPI increasing by only 1,1 percent in January

The inflation rate for the month was unchanged at 16,2 percent and food price increases declined for the first time in seven months, down to 0,2 percent with the price of meat showing a 1 percent drop since December

But Morris dismissed the slight decline in food price increases from 28,3 percent to 26,2 percent as insignificant

"What is alarming is that the increases remain above 25 percent, pushing up the overall inflation rate

"Ideally we would like to see food reduced to the same level as the CPI, not 10 points higher"

However, there was now no doubt that the continuing drought would affect meat and vegetable prices, she said

"South Africa is already preparing to import maize and unless we have sustained rain soon, the summer rainfall region vegetable and wheat farmers will have to delay planting while the meat sector will struggle to feed their animals," she warned

Moolman said drought-hit farmers would have to realise that the financial crunch would make consumers even worse off than the agricultural sector

"Even if the rains come and farmers can plant their crops, there is a danger that people will not be able to afford to buy," she said - *Sowetan Correspondent*

Regulatory bodies blamed for food price inflation

STAR 27/2/92

(244)

By Sven Lunsche

The SA Chamber of Business (Sacob) has blamed "obvious intrusions into the food industry by statutory marketing organisations" for the escalating food prices

In its submission to the Board of Trade and Industry committee, currently investigating the reasons for soaring food prices, Sacob also rejects the notion of a price cartel between the major retail groups.

"The retail industry is merely passing on price increases of the products supplied to them," Sacob says

Sacob makes no mention of recent claims that a cartel of three major wholesalers and distributors of meat products was partially to blame for the hike in prices

The majority of food retailers and wholesalers are members of Sacob

Sacob's submissions to the BTI are summarised in the chamber's latest newsletter

Sacob is sharply critical of the direct intervention in the marketing of agricultural commodities through the Marketing Act, which "has both discouraged competition and promoted a high degree of concentration in the food processing industry"

Numerous regulatory measures have been introduced for controlling the marketing and processing of food and over twenty commodity boards operate with varying degrees of power, Sacob says

"None is designed to promote competition and, in essence, they have led to the protection of the inefficient through a centrally determined price for production"

Sacob singles out a number of other factors which need to be addressed in order to find a long-term solution to food price rises

- Labour productivity — a slow rate of productivity growth causes prices to accelerate
- Crime-related costs and shrinkage, which account for up to two percent of turnover in the retail indstry
- Adjustments to the delivery and reception mechanisms
- Transport costs, which have a high impact on prices

Sacob has serious misgivings over the methodology employed in compiling the Consumer Price and Producer Price indices and doubts whether it is possible to compare the two indices

Turning to the retail industry, the chamber says the retailers' position at the end of the food chain makes them the inevitable "whipping boys" of the public

More than any other factor, they are sensitive to price

At the retail level, the food industry is in a state of permanent price war where no company can be out of line with its major competitors

"An examination of the balance sheets of the four major retail groups over the past three years reveals that none of them showed a profit before tax in excess of three percent," Sacob says.

The chamber is unequivocal "in its support for the elimination of impediments that curb competition" but stresses that food price increases are not the cause of inflation, but the indicators of it

"The true cause of inflation is a complex set of factors which include an inflexible approach to interest rates, an inability to contain government spending and the inflationary expectations attuned to the evidence of the past 15 year," Sacob concludes

FM 28/2/92 (244)

CONSUMER PRICE INDEX

Confound compound

The year-on-year increase in the CPI for January is 16,2% (the same as December) but the VAT-exclusive increase is 14,9%, says the Central Statistical Service The increases in the index between October, when VAT was introduced, and January amount at annualised rates to

- ☐ 14,3% for overall CPI,
- ☐ 26,9% for food, and
- ☐ 11,2% for all items excluding food

The monthly CPI rise was 1,1%, which is lower than the December monthly increase of 1,4% It was fuelled by a jump in medical care and health expenses of 9,1% in the month This accounted for a half of a percentage point of the 1,1% monthly CPI increase

Once again, though, VAT confounds the issue According to Reg Magennis, director — health policy of the Medical Association of SA, there is a lead time of about three months between the time patients on medical aid are charged and the amount is received by practitioners So the effect of the imposition of VAT at the beginning of October has been shown only in January The association expected the impact of VAT to be as high as 9% because medical services were not subject to GST

Food, which has a weighting of 18,64% in the index and was a major contributor to overall rises in previous months, increased by only 0,2% in the month, well down on November's 3,1% and December's 2,8% Meat, which accounts for a third of the food weighting, was responsible for the deceleration — it fell 1% in the month compared with rises of 5,1% and 3,8% in November and December respectively

"There appears to have been significant discounting of food prices by retailers during December," says Econometrix's Azar Jammine, "but because CPI data is gathered early in the month, this would show up only in the January figures."

Meat prices could also have fallen because of the drought as farmers slaughter more livestock The Meat Board's Pieter Kempen says this should keep prices low in the coming months as effects of the drought begin to worsen "In the long term, though, prices could rise because of shortages when farmers restock " ■

Food prices and VAT tax summit

Sowetan 28/2/92

A SUMMIT on rocketing food prices is to be convened by the Coordinating Committee on VAT on March 5, the Congress of South African Trade Unions said yesterday.

The day-long summit will be held in Hillbrow, Johannesburg, and issues to be discussed will include the causes of the food price increases, and the possibility that the zero-rating of basic items would be lifted at the end of March

According to a Cosatu statement, since the introduction of VAT, food prices in South Africa have rocketed

"Food has gone up 28 percent since last year, meat 38 percent and fruit and nuts over 50 percent

"Although this is an issue which vitally affects us all, there has been no effective public response "

A report on food price increases and the cause of the hikes - commissioned by the Coordinating Committee on VAT - would be submitted during the summit

Discussions would also centre on plans to tackle the price increases, including meetings with the agricultural sector, food processors, retailers and other relevant Government departments and parastatals, responses to the drought, and a public campaign - *Sapa*

VAT summit to be held

BDay 28/2/92

A SUMMIT to discuss rocketing food prices in the wake of VAT was to be convened by the co-ordinating committee on VAT on March 5, Cosatu said yesterday (244)

The summit would be held in Hillbrow and issues to be discussed would include the causes of the food price increases, and the possibility that the zero-rating of basic items would be lifted at the end of March

A report on food price increases and the cause of the hikes would be submitted during the summit.

Discussions would also centre on plans to tackle the price increases, including meetings with the agricultural sector, food processors, retailers and other relevant government departments and parastatals, responses to the drought, and a public campaign — Sapa

Drought: Veggie prices start to hit the roof

ARG 2/3/92

244

The Argus Correspondent

JOHANNESBURG — Vegetable prices — especially those of lettuce and beans — are soaring as the first effects of the drought begin filtering through

The shortage has already affected supermarkets and fruit and vegetable stores and prices are rising steadily

A spokesman at City Deep market said this weekend there was a severe shortage of lettuce and beans.

Other softer vegetables were also rising in price

Agent sources said the shortages of lettuce and beans was expected to last until the end of March

Prices almost doubled last week, with one box of lettuce selling at R18 instead of the usual R10

A "banana box" of lettuce normally sells between R6 and R15 depending on the quality

A 5kg box of beans, normally costing between R5 and R8, sold for between R17 and R25 a box last week

Tomatoes are also in short supply because of the heat But prices are expected to come down because the demand is low

STAR 2/3/92 244

Drought raises vegetable prices

Consumer Reporter

Vegetable prices — especially of lettuce and beans — are soaring as the first effects of the drought begin to reveal themselves to consumers.

Shortages have already filtered through to supermarkets and fruit and vegetable stores, and prices are rising steadily

A spokesman at the City Deep market said there was a severe shortage of lettuce and beans in particular.

Agent sources said the shortage in the two crops was expected to last until the end of the month.

Prices almost doubled last week, with a box of lettuce selling at R18 instead of the usual R10 STAR 2/3/92

A "banana box" of lettuce normally sells for between R6 and R15 depending on quality. Last week, prices for these boxes ranged between R12 and R25

A 5 kg box of beans, normally costing between R5 and R8, sold for between R17 and R25 a box last week.

"Tomatoes are also in short supply because of the heat However, prices are expected to come down because the demand is low," said a spokesman for one market agent

BTI prices report due next month

B/Day 2/3/92 (244)

SHERIDAN CONNOLLY

CULPRITS contributing to continued high food prices are expected to be identified when the findings of the Board of Trade and Industry (BTI) investigation into price structures in the food chain are presented to government towards the end of April.

The SA Consumer Council said at the weekend it hoped the Board's inquiry would pinpoint the cause of unacceptably high food prices and end controversy over the blame for them.

BTI spokesman Helgaard Muller said a final report would be ready towards the end of April and government was expected to draft a reply by the end of May. He said the Board had received an overwhelming number of contributions from all sectors of the economy.

In its submission, the SA Chamber of Business (Sacob) blamed control boards for escalating food prices, saying their existence had "led to protection of the inefficient through a centrally determined price for production." The Sacob submission said food prices were indicators of inflation, rather than its cause

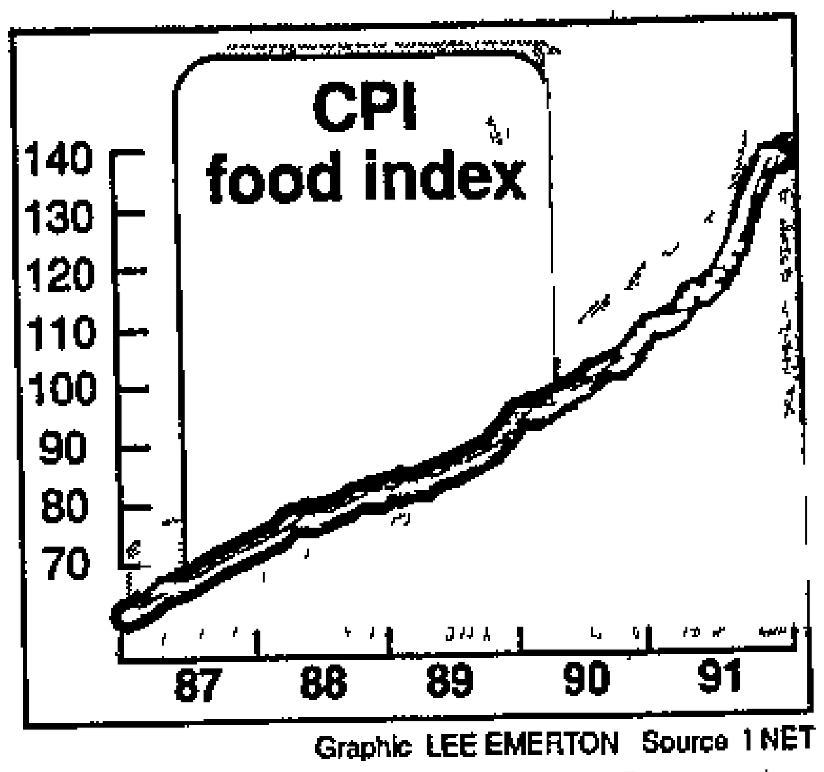
Sacob said the business sector had serious misgivings about how the consumer price index was calculated and called for a thorough examination and overhaul of its compilation.

National Maize Producers' Organisation (Nampo) economist Kit Le Klus said current drought conditions would affect food prices. Commenting on the crisis faced by maize farmers, Le Klus said the extent to which government subsidised maize imports would determine the end price which consumers would have to pay for maize products.

He said meat and vegetable prices were also influenced by drought conditions — this was evident from lower meat prices resulting from farmers being forced to offload stock.

Food prices came under scrutiny again last week with the release of January's consumer price inflation data, which showed the first decline in food price inflation in seven months. The annual rate of increase in food prices slowed to 26,2% in January from an eleven-month high of 28,3% in December.

The relatively small 0,2% monthly food inflation increase in January was attributed to a 1% decline in meat prices. Earlier, the Meat Board announced plans to implement a market-orientated marketing system by mid-1992. The Board said it would continue to act in an advisory capacity but would leave supply and price decisions in the hands of the industry.



Graphic LEE EMERTON Source I NET

It said the most important components of the new scheme had already been accepted by the Agriculture Minister

The Organisation of Livestock Producers (OLP) said the deregulation plans were a smokescreen which did not address the industry's main problems. OLP chairman Nils Dittmer said the heavily controlled meat scheme ultimately led to higher prices and reduced consumption.

Farmers not to blame for food inflation — economist

BDay 2/3/92

GERALD REILLY

(244)

PRETORIA — Producers were not to blame for rocketing food prices, statistics showed, and the culprits behind food inflation must be sought elsewhere, agricultural economist Johan Willemse said at the weekend.

He told the Agricultural Outlook Conference that producer prices had increased by an average of 5,8% in 1991 against an increase of 19,6% in food prices. Producer prices, Willemse said, had declined steadily since the beginning of the '80s.

The producer's share of the consumer rand had declined from 53% in 1980 to 39,4% in 1991 — which meant the non-producer share increased from 47% to 60,6%.

Sharp rises in food prices in the last two years were not caused by rising producer prices, Willemse said.

The reason had to be sought in price margins.

National Chamber of Milling chairman W J de Kock told the conference that stagflation, high interest rates and a weakening international exchange rate would lead to increased costs of capital goods and financing.

One result of this would be higher wage demands from trade unions. De Kock claimed that high food prices were not the cause of high inflation, but a symptom of it.

Lifting of VAT exclusions to be challenged

B1Day 3/3/92

(244)

KATHRYN STRACHAN

THE VAT co-ordinating committee is holding a meeting on Thursday to discuss soaring food prices and to express its dissatisfaction with the way in which VAT has been applied to basic foods.

Committee spokesman Lisa Seftel said participating organisations were primarily concerned about what would happen when the temporary zero ratings on basic foods were lifted at the end of the month.

At present only brown bread and mealie meal have been permanently excluded from VAT. Another eight basic foods were excluded temporarily and the co-ordinating committee has requested that government extend the period.

According to Seftel, government decided to lift the exclusions at the end of March because it predicted its poverty relief programmes would be established by then. But Seftel claims that by end January the state had spent only R15m of the R22m allocated to the programmes.

Seftel said the "summit" of VAT co-ordinating committee participants would focus mainly on consumer groups, who would discuss forming a united consumer front to approach producers, wholesalers, retailers and relevant government departments.

The summit will be held at 10am on Thursday at the Park Lane Hotel. The meeting will be opened by Operation Hunger executive director Ina Perlman.

Eating away at savings

STAR 4/3/92

(244)

The SA Chamber of Business has found that a Government network of control boards must shoulder a lot of the blame for interference in the food price market, reports MICHAEL CHESTER.

NEWS headlines about the way food prices have soared into orbit have stirred outrage ng consumers reeling under bined burdens of recession inflation

very five years, mandarins he Central Statistical Ser- obscure longer-term trends ie consumer price index by ing the temperature of in- on down to zero — on er, at any rate

happened in 1980, and in , and again in 1990

one digs deep into alter- ve sets of official figures, can discover that the real chasing power of the rand apsed from R1 in 1970 to a igre 9c by the end of 1990 now, due to unbridled infla- , it is worth about 7c

nother way round, a mixed dle of consumer items that R100 in 1985 had cost no e than R19,10 in 1970 By -1990 the identical items R217,10 Today, the price amount to R271,59

hat has pushed the temper of consumers to boiling point is evidence that the food price spiral — which hits family budgets hardest of all — seems to have shot out of all control

The average rate of inflation for all consumer spending is bad enough at 16,1 percent a year But food prices are rocketing by 26,2 percent

A basket of mixed groceries that cost R100 little more than 18 months ago now costs more than R138 Worse, the price tag on R100 worth of meat has soared to R146,80 And price tags on fruit and nuts have nearly doubled

The uproar has already forced the Government to launch a full-scale investigation into causes behind the explosion in food prices

Dr Helgaard Muller of the Board of Trade and Industry (BTI), who heads the probe, has promised to hand in a full report by the end of next month

Unwilling to wait that long, the VAT Co-ordinating Committee has called a summit conference to discuss the whole issue in Johannesburg tomorrow

Concern has prompted the SA Chamber of Business (Sacob) to conduct an urgent search for reasons behind the price surge in the food chain from producers to actual consumers

A final report submitted to the BTI investigation pointed out that so far in the debate it has been the retail sector that has been tied to the whipping post

Yet an examination of the balance sheets of the four major retail chains over the past three years had revealed that none of them showed a profit before tax above a modest 3 percent

There had been suspicions that the slender price differences between the leading supermarket chains on a wide variety of common branded goods was a pointer to price collusion

Not so, insists Sacob "The fact is that at retail level the food industry is in a state of permanent price war No one can afford to be out of line with their major competitors"

Nor, it argues, can all the blame be foisted on to farmers Their share of the consumer rand had on average declined from 45,6 percent in 1988 to 40,4 percent In between producer and retailer, the cost of intermediaries and distribution needed to be better understood and required specific study

It could be misleading to look at patterns of price indices without accounting for changes in items such as wages, operating costs, overheads, rand devaluation, and the impact of State-administered transport costs in petrol and diesel bills and rail tariffs

Sacob believes the way both the consumer price index and the producer price index are compiled should be overhauled

The role of trade unions also had to be taken into account Average increases in payroll costs from wage negotiations last year reached 16,3 percent in the food retail sector and 16,7 percent in manufacturing

Costs had also increased due to strikes The food and retail sector suffered 25 percent of the full toll of work-days lost through strikes in 1990 — aside from tactics such as go-slows and overtime bans

Food costs had been hit by

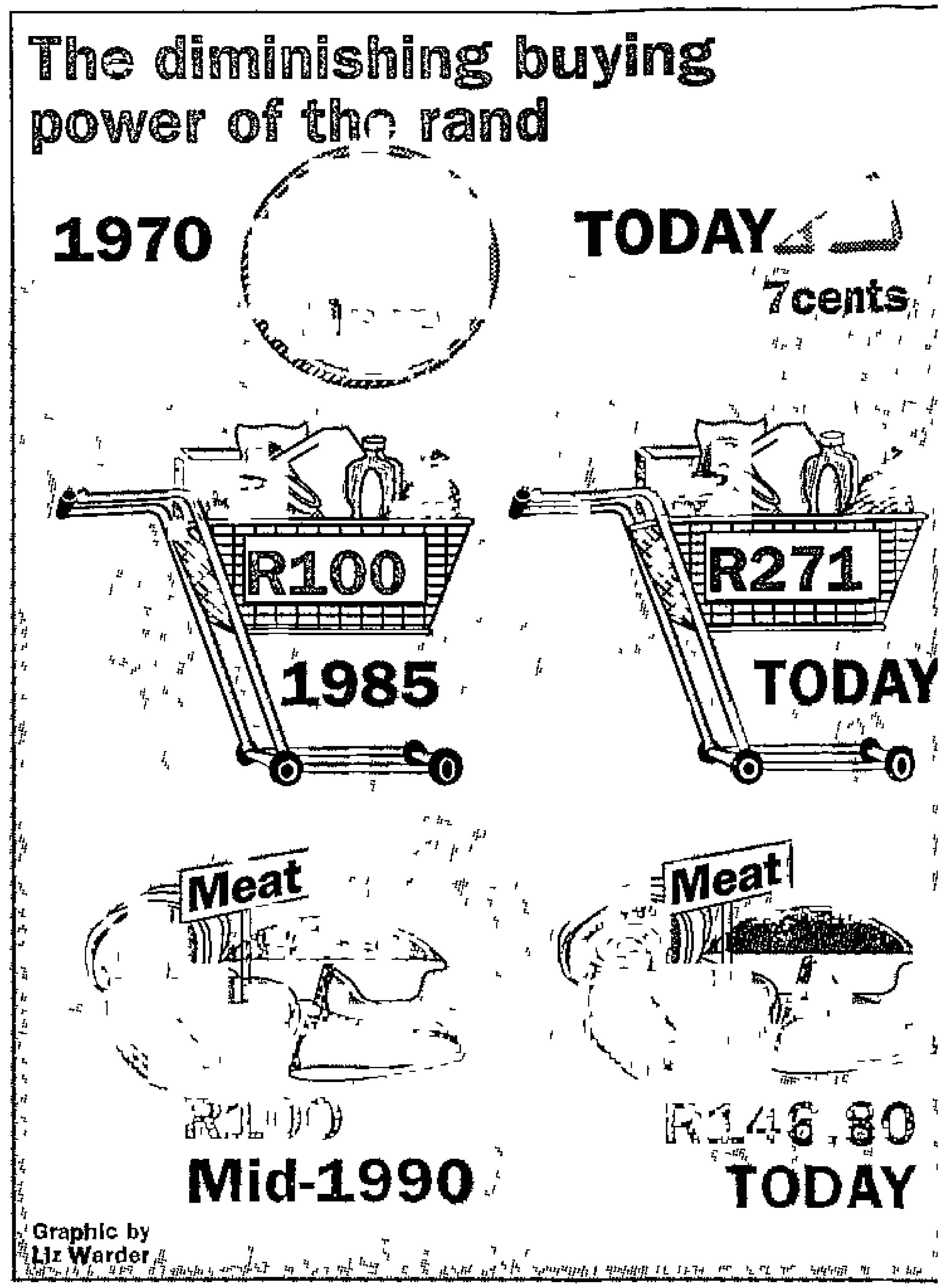
- Low labour productivity
- Crime — including burglaries at business premises, a wave of delivery truck hijackings, shoplifting, and pilferage by employees
- Transport costs — with increases of 21 percent in Reef petrol prices over the past two years and 25 percent in diesel prices, plus increases of 17 percent a year in the cost of commercial vehicles

What really bothers Sacob is any evidence of outside interference that dulls the edge of competition

It argues that Government strategies with regulations to control the marketing and processing of food products have acted as protection of the inefficient There are now, Sacob reminds the Government, as many as 20 control boards in operation with varying degrees of power over supplies from producer to consumer

"None," it argues, "is designed to promote competition — a fact that has become increasingly evident and has led to moves towards deregulation

"The true cause of inflation," says Sacob, "is a complex blend of factors which include an inflexible approach to interest rates, a taxation system that adversely affects personal savings, an inability to contain Government expenditure, and inflationary expectations attuned to the evidence of the past 15 years" □



Price of soft drinks, milk up

Sowetan 4/3/92

(244)

SOFT drink and milk prices are set to rise this week after an increase in the wholesale cost to retailers on Monday.

A spokesman for Amalgamated Beverages Industries yesterday confirmed that the wholesale price of their carbonated soft drinks had increased by an average 14,7 percent

As a result, the recommended retail prices for 340ml cans have increased from R1,12 to R1,24, the recommended price for two litre soft drinks has increased from R4,68 to R5,41 and the cost of a one-litre bottle (excluding deposit) has increased from R1,80 to R2,09

"Our delivered prices rose with immediate effect on Monday However, we have no price control at retail level although we do recommend prices to our dealers

"Clearly there are dealers who mark up considerably more than that and this is always a concern for us We hope dealers will stay within the recommended price bands as far as possible," said the spokesman

Milk price increases are also set to filter through after an earlier increase in the price paid to farmers National Co-operatives Dairies Ltd announced an 8,02c increase in the producer's price a litre of milk from March 1

An average increase of about 7 percent - about 14c/l depending on the packaging and retail outlet - has been passed on to retailers

ABI said the soft drinks increase was the first in 12 months despite numerous cost increases in raw materials and distribution costs

Group to fight high prices

Sowetan 4/3/92

244

THE second phase of the VAT Co-ordinating Committee's campaign against certain aspects of VAT begins this month with a summit that will look at the controversial increases in the price of foodstuffs

"Since the introduction of VAT, food prices in South Africa have rocketed Food has gone up 28 percent since last year, meat prices increased by 38 percent and fruit and nuts by over 50 percent

No response

"Although this is an issue which vitally affects us all, there has been no effective public response," the committee said

The summit will be held in Johannesburg tomorrow and will discuss the effect of VAT on basic foods and the possibility that the zero-ratings them

ARGUS 5/3/92

Drought drives city vegetable prices up

(244)

WILLEM STEENKAMP, Staff Reporter

THE drought has sent potato prices rocketing and Cape Town consumers may soon have to pay up to R18 a pocket.

Prices of tomatoes and other vegetables are also expected to rise as the devastating drought in the Free State, Eastern Cape and Transvaal begins to affect supplies of fresh produce to the Peninsula.

Mr Deon de Goede, deputy director of the Cape Town Fresh Produce Market in Epping said: "In the past couple of weeks the price of top quality potatoes has increased to about R12 a 10 kg pocket

"Less than two months ago people were paying R6 a pocket for the same quality.

"Before the effect of the drought was felt, we had about 180 000 pockets available on the market daily. Now we have only about 70 000 to 80 000 pockets," he said.

Mr Les Williams, regional buyer for Pick'n Pay in the Western Cape, agreed that potato prices would soon rocket.

"The Free State's potato crop is gone. Farmers in the Ceres area will now have to supply up-country markets with potatoes. This will most definitely cause a shortage here.

"I foresee that within a month or so people will have to pay between R15 and R16 a pocket of potatoes at the market or up to R18 a pocket in shops."

Mr Williams said the situation could get worse later in the year when the Cape was dependent on vegetables from the Transvaal.

He said hawkers could be the first victims of the drought.

"These people simply cannot afford to pay R15 to R16 a pocket of potatoes at the market. When the price shoots up, they will simply stop buying potatoes. It is sad, but true."

SQUEEZED. The cost of weekly food baskets is playing havoc with the average family budget

Food price spiral sparks outrage

Sowetan 5/3/92 (244)

NEWS headlines about the way food prices have soared have stirred outrage among consumers reeling under the combined burdens of recession and inflation The cost of weekly food baskets is playing havoc with the average family budget

Mandarins at the Central Statistical Service obscure longer term trends in the consumer price index by turning the temperature of the inflation inferno down to zero every now and then on paper at any rate

It's an easy mechanism Every five years on the button, when the gauge reaches dizzy heights, the mandarins re-set all the index numbers back to a new nil baseline

It happened in 1980 in 1985 and again in 1990 It means, of course, that it becomes more and more difficult for meddlesome nosey-parkers to follow trends

If one digs deeper into alternative sets of official figures, however, there are still profound clues to be found

For example, one can discover that the real purchasing power of the rand collapsed from R1 in 1970 to a meagre 9 cents by the end of 1990 By now, due to unbridled inflation, it is worth no more than about 7c

Another way round, a mixed bundle of consumer items that cost R100 in 1985 had cost no more than R19,10 in 1970 By mid-1990 the identical items cost R217,10 Today the price tags amount to R271,59

What has pushed the temper of consumers to boiling point is evidence that the food price spiral - which hits family budgets hardest of all - seems to have shot out of all control

The average rate of inflation for all consumer spending is bad enough at 16,1 percent a year But food prices are rocketing by a stunning 26,2 percent

A basket of mixed groceries that cost R100 little more than 18 months ago now costs more than R138 Worse, the price tag on R100 worth of meat has soared to R146,80 Price increases on vegetables have been almost as steep And price tags on fruit and nuts have nearly doubled

The uproar has already forced the Government to launch a full scale investigation into the causes behind the explosion in food prices amid public clamour for the culprits to be exposed

Dr Helgaard Muller of the Board of Trade and Industry, who heads the probe, has promised to hand in a full report by the end of next month

Unwilling to wait that long, the VAT Co-ordinating Committee has called a summit conference to discuss the whole issue in Johannesburg today

Committee spokesman Miss Lisa Seftel is convinced that the "enormous scope" for cuts in food prices has been proved by reports of how meat prices came down from peaks following scathing exposures in the *Sunday Star* last month

The dramatic spiral in food prices has turned consumer concerns about inflation into outrage The SA Chamber of Business has investigated the problem and found that a Government network of control boards must shoulder a lot of the blame for interference in the food price chain from producer to consumer, reports MICHAEL CHESTER

Concern over trends has also prompted the SA Chamber of Business to conduct an urgent search for the reasons behind the surge in prices in the food chain from producers to actual consumers

A final report that has been submitted to the BTI investigation points out that, so far in the debate, it has been the retail sector that has been tied to the whipping post

Yet an examination of the balance sheets of the four major retail chains over the past three years had revealed that none of them showed a profit before tax above a modest 3 percent In fact, even the best performer made no more than 2,7 percent

There had been suspicions that the slender price differences between the leading supermarket chains on a wide variety of common branded goods was a pointer to price collusion

Price war

Not so insists Sacob "The fact is that at retail level the food industry is in a state of permanent price war No one can afford to be out of line with their major competitors "

Nor it argues, can all the blame be foisted on to farmers at the start of the food chain Their share of the consumer rand had steadily shrunk in past years On average it had declined from 45 6 percent in 1988 to 40,4 percent

In between the producer and the retailer, the cost of intermediaries and distribution needed to be better understood and required specific study It could be misleading to look at patterns of price indices without taking into account changes in items such as wages, operating costs, overheads, devaluation of the rand, and the impact of Government administered transport costs in petrol and diesel bills and rail tariffs

Sacob believes that the whole methodology in the way both the consumer price index and the producer price index are compiled should be overhauled

The role of trade unions also had to be taken into account. Average increases in payroll costs from wage negotiations last year reached 16,3 percent in the food retail sector and 16,7 percent in food manufacturing

Costs had also been pushed higher by strikes The food and retail sector had suffered 25 percent of the full toll of work days lost through strikes in 1990 - aside from the cost of tactics such as go-slows and overtime bans

Food costs had also been hit by

- Low labour productivity
- Crime including burglaries at business premises a wave of delivery truck hijackings, shoplifting and pilferage by employees (As one example of extra costs that had to be recovered in selling prices, anti-hijack insurance premiums had been increased by no less than 50 percent because of the crime wave)
- Transport costs - with increases of 21 percent in Reef petrol prices over the past two years and 25 percent in diesel prices plus increases of 17 percent a year in the cost of commercial vehicles

What really bothers Sacob is any evidence of outside interference that dulls the edge of competition the ultimate test of price levels

Its economic gurus find little trouble in flushing out the network of State control boards that keep putting a spoke in the wheel

' Direct intervention in the marketing of agricultural commodities through the Marketing Act has both discouraged competition and promoted a high degree of concentration in the food processing industry, it reminds the BTI investigators

It argues that the pursuit of Government strategies with regulations to control the marketing and processing of food products has turned out to act as protection of the inefficient

There are now, Sacob reminds the Government as many as 20 control boards in operation with varying degrees of power over supplies from producer to consumer

"None, ' it argues 'are designed to promote competition - a fact that has become increasingly evident and has led to moves towards deregulation in some fields

' Sacob is unequivocal in its support for the elimination of impediments that curb competition "

The Government is not off the hook yet "The true cause of inflation," says Sacob, "is a complex blend of factors which include an inflexible approach to interest rates a taxation system that adversely affects personal savings, an inability to contain Government expenditure, and inflationary expectations attuned to the evidence of the past 15 years

"Sacob stresses that food-price increases are not the cause of inflation but are the indicators of inflation '

NE

Drive for lower food prices will include marches, pickets

STAR 6/3/92

By Paula Fray
Consumer Reporter

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The Co-ordinating Committee on VAT (VCC) has organised mass marches, protests and pickets as part of a campaign for lower food prices leading up to the Budget on March 18, when protesters plan to march on Parliament

In the broadest local consumer alliance ever, about 65 organisations, including major consumer groups, yesterday joined forces with unions and welfare bodies to launch the campaign at a VCC-organised "food summit" in Johannesburg

VCC convener Bernie Fanaroff said the summit had identified that the nation was on the brink of a national starvation crisis High food prices, exacerbated by the drought, could mean malnutrition for millions

Delegates unanimously resolved that the VCC committee should meet the Government urgently to demand that there be no increase in the VAT rate, at present set at 10 percent, as well as ask for an extension of the temporary zero-rating of eight basic foodstuffs

The committee was also asked to demand that the Budget include provisions for the reduction of staple-food prices

An appeal by Operation Hunger executive director Ina Perlman that the Government reintroduce subsidies on imported maize would also be presented to the Government

Unless maize was subsidised, consumers could face price increases of as much as 20 percent for the staple food, Mrs Perlman said

According to Mrs Perlman food was, for most poor people, the only variable in their budgets and it was "frightening" to see the number of people who had already begun cutting down on the amount of food bought each month

Operation Hunger figures indicated that 30 percent of South African children were malnourished — and the figure was even higher in the rural areas

Mrs Perlman said about 1,8 million people already needed urgent help In view of the growing number of retrenchments and lay-offs and the searing drought, this figure could escalate to between 2 million and 2,5 million by the middle of the year

The VCC was also called on to request further negotiations for an effective poverty relief programme It was asked to bring together agricultural producers, retailers, marketers, agricultural control boards and consumers to identify and remedy the causes of the food price increases

Closing the summit yesterday afternoon, Consumer Union chairman Lillibeth Moolman described the meeting as remarkable "This is the broadest representation of organisations, and bodes well for joint consumer action in future It will belie the recent President's Council report which said consumer action has not been effective," she said

Delegates heard how high food prices kept inflation at an average 16 percent — which in turn kept up interest rates and delayed the end of the recession

A report on food price increases and its causes, commissioned by the VCC and compiled by Labour Research Services (LRS), pointed out that there was no problem in terms of food production — the problem arose from income

The LRS identified the following possible causes of excessive food price inflation the absense of competition, the excessively high cost structure of retailers, an inelastic demand for food, VAT, and the market power of food companies, control boards and manufacturers' associations

Cape Times, Friday, March 6 1992 3

Fight to cut higher food prices starts

(244) CT 6/3/92

Own Correspondent

JOHANNESBURG — Sixty-five organisations yesterday pledged themselves to launch a national campaign to lower food prices.

The organisations, under the umbrella of the Vat Co-ordinating Committee, agreed at a food price summit to embark on a programme of action which would include a march on Parliament on March 18 to coincide with the budget

Committee chairman Mr Bernie Fanaroff said there would be demonstrations and marches throughout the country leading up to the budget

Participating groups include the Housewives' League, the ANC, PAC, the Consumer Council, and Cosatu among others

The summit blamed rocketing food prices on the imposition of VAT, agricultural control boards and companies dominating the food industry.

Other campaign priorities include an urgent meeting with the government and discussions with retailers, producers and control boards to control price abuse. It was agreed the public had to be mobilised to put pressure on retail chains not to increase prices unnecessarily

Mr Fanaroff said the principal demands of the group were that VAT must not be increased in the budget, as is feared, zero ratings on staple foods be extended and subsidies be reintroduced

Operation Hunger's executive director, Mrs Ina Perlman, said South Africa would face a hunger crisis of enormous proportions unless a massive hunger relief programme was launched within the next few months — Sapa

65 groups to fight for lower food costs

B/Day 6/3/92

KATHRYN STRACHAN

(244) (~~243~~)

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Participating organisations include the Housewives' League, the ANC and PAC, the Consumer Council, Cosatu, Nactu, Fabcos, Nafcoc, Sabta, various unions, churches, civic associations and small business groups.

The summit blamed rocketing food prices on the imposition of VAT, agricultural control boards and conglomerates dominating the food industry

Other campaign priorities include an urgent meeting with government, and discussions with retailers, producers and control boards to control price abuse It was agreed the public had to be mobilised to put pressure on retail chains not to increase prices unnecessarily.

Tito Mboweni of the ANC economics department said high food prices and the devastating drought had brought about a

☐ To Page 2

Food

B/Day 6/3/92

(244) (~~243~~)

☐ From Page 1

national starvation crisis, but that there was hope as the summit had been a "long step forward in creating a consumer movement in this country"

According to Fanaroff, the principal demands of the group were that government not announce a VAT rate increase in the Budget, as was feared, and that zero ratings on staple foods be extended He said government would be approached to reduce staple food prices — and possibly to freeze prices for at least a year Organisations would also call for subsidies, especially on maize, to be reintroduced

The committee would meet the Milk Board to discuss next week's expected 15% milk price hike Other price hikes expected included a 20% increase for maize and a substantial increase in processed meats, Fanaroff said

The groups also called for the immediate implementation of the poverty relief programme to cushion the effects of VAT, as well as the effects of high food prices and the drought According to Mboweni, the IMF had recommended VAT be implemented only if there were a poverty relief programme in place Although the National Health Department had budgeted R220m for the programme, only R15m had been spent so far, he said

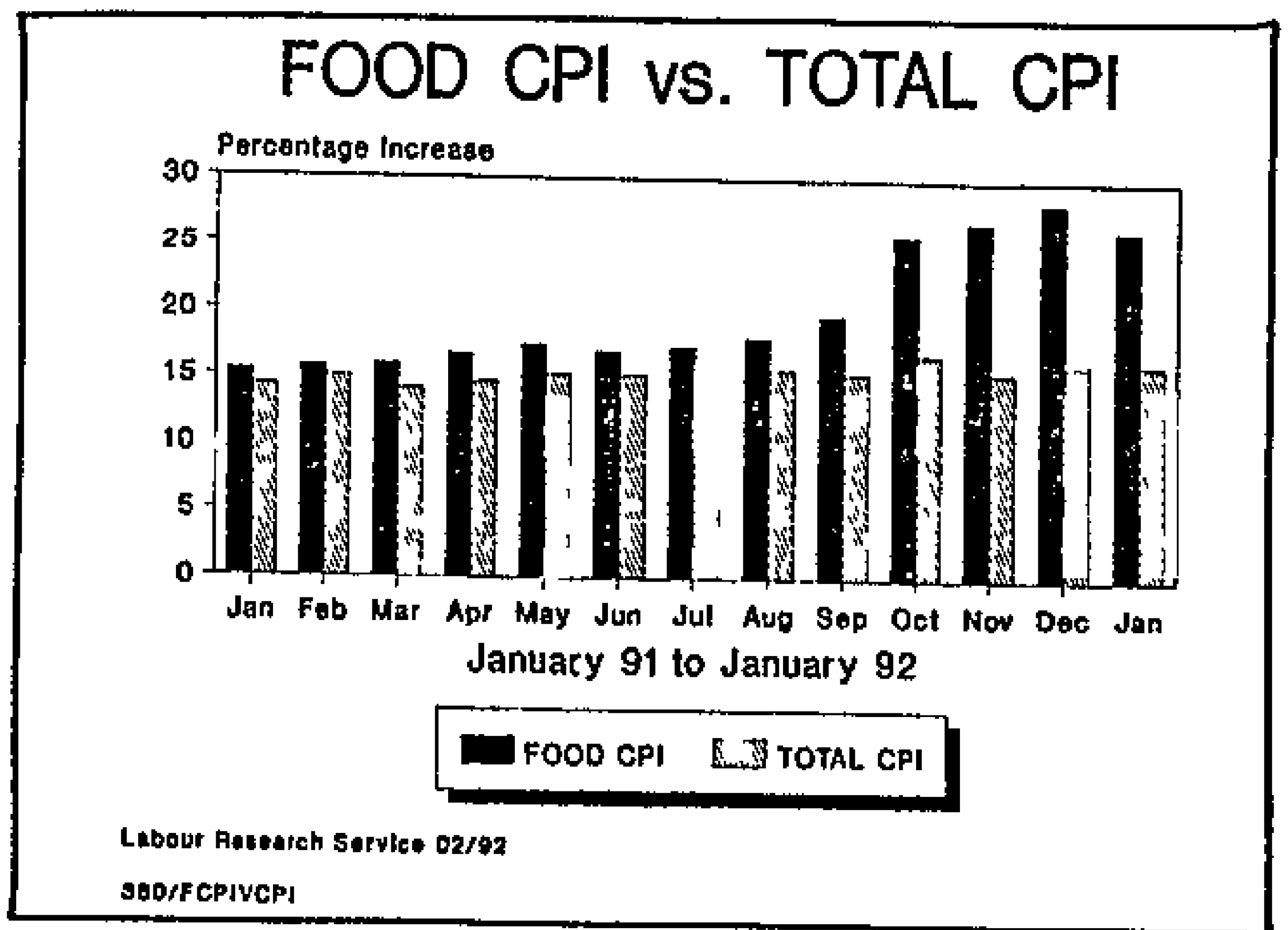
Operation Hunger executive director Ina Perlman told the summit SA would face a hunger crisis of enormous proportions unless a massive hunger relief programme was launched within the next few months "The public must realise it is not a question of preventing malnutrition anymore In some areas it will be famine We need massive hunger relief"

The indigestible facts about the food chain

W Mail 6/3-12/3/92 (244)

The focus on food price inflation has spurred new interest in the mechanism of food supply. Three studies each approach the issue of soaring food prices, particularly meat, from a different angle.

REG RUMNEY *reports*



How the food price inflation is higher than the CPI

Which of the following three statements do you think is true?

●For food prices to drop we can't simply rely on increased competition as overseas investors come into a post-sanctions South Africa

●We must rely purely on a competitive environment to push down food prices, including letting capital flow in and out of the country at will

●We need more competition in the red meat industry, but there must be balanced and appropriate regulation as well

These are potted summaries of the conclusion of three different and important studies of food prices All agree competition is vital to keep down food prices But the difference in approach speaks volumes about their constituencies

Reports and studies on food prices are floating around from the Labour Research Services, the Sunnyside Group, and the South African Chamber of Business (Sacob) All three concern food price increases, the subject of a government-sponsored probe and growing consumer anger

What is clear from reading all three is just how complicated and varied is the food price chain

Take the report by left-leaning Labour Research Service (LRS), which advises the Congress of South African Trade Unions

The 21-page research document by the LRS was released on Thursday at a VAT Co-ordinating Committee food price forum The report covers inflation, VAT, meat, wheat and maize and ownership and control

On ownership and control it comments "Massive conglomerates dominate the food industry from production to distribution It is difficult to believe that prices are formed entirely by competition"

On food companies' profitability it comments that the return on shareholders' funds of four major companies, ICS, Kanhym, Tiger and Premier, have increased since 1986

"The profit margins of manufacturing companies also improved Given the abnormal increases in food prices, this means that profitability was raised at the expense of the consumer"

The LRS is not very happy with a solution based entirely on the free-market

"There are some who hope that the removal of the ban on foreign investment will lead to more competition, as foreign companies enter the local market It seems more likely, however, that foreign companies will be loathe to take the major South African conglomerates head on They may prefer to enter into partnership agreements with them, so as to obtain a share of the growing profits to be had from this lucrative market In return, the South African partners would get capital and technology

"Some other way must be found of reducing pressures on food prices"

The voice of organised business, Sacob, in a submission to the Board of Trade & Industry (BTI) probe into "Price Formation in the Food Chain" takes another view

It cites several inducements to concentration, including the small size of the market and disinvestment It notes direct intervention by the government in marketing of agricultural commodities has discouraged competition and promoted concentration

"Sacob is unequivocal in its support for the elimination of impediments that curb competition" It says even the threat of a new competitor entering the market can ensure the benefits of competition without losing the benefits of economies of scale

Sacob says in the food industry it is impossible to determine whether economic concentration is an indicator of market exploitation or the reward for efficiency It opposes forced "asset divestiture", that is, compelling conglomerates by law to unbundle There is little evidence, it says, to show this leads to lower prices Sacob would like a competitive environment, including lifting bans on capital outflows

The Sunnyside Group, a deregulation lobby group, has also issued a report, but focusing on the meat supply chain Though a good part of the LRS report is devoted to meat, the Sunnyside Group's report is detailed and prescriptive

It is based on Pretoria University Department of Agricultural Economics research and practical experience of farmers, members of the Organisation of Livestock Producers

It finds that the red meat scheme (which regulates the supply of meat) has not made prices to the farmer stable and cannot guarantee farmer control "Concentration (and monopolies) have developed in the red meat industry, with the effect that three large integrated firms have the capability (directly and indirectly) of controlling the industry Producer prices fluctuate excessively, while consumer prices remain high, and consumption decreases"

The group recommends the red meat marketing system needs to be changed along free enterprise lines But it adds there must also be balanced, appropriate regulation

The Sunnyside Report benefits from its narrower focus Some of the points made by Sacob are borne out, as are the LRS's suspicions about domination of the meat industry

And it has specific solutions, which the government can act on immediately

Will the government have the political will to act on the BTI probe, under Dr Japie Jacobs? Will the investigation come up with far-reaching recommendations? Or will it be seen as just another government whitewash?

Whatever the investigation finds, there is enough other research, such as that done by the LRS, Sacob and the Sunnyside Group, to keep the debate going and the pressure on

Alliance plans big protest over cost of food and VAT

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ARGT 7/3/92

PAULA FRAY
Weekend Argus Correspondent

JOHANNESBURG. — Some organisations belonging to the Co-ordinating Committee on Vat (VCC) have planned mass marches, protests and pickets as part of a campaign for lower food prices leading up to the Budget on March 18 when protesters plan to march on Parliament.

In the broadest local consumer alliance, about 65 organisations, including major consumer groups, on Thursday joined forces with unions and welfare bodies to launch the campaign at a VCC-organised Food Summit in Johannesburg

VCC convenor Bernie Fanaroff said the summit had identified that the nation was on the brink of a national crisis of starvation. High food prices, exacerbated by the drought, could mean malnutrition for millions

Delegates resolved unanimously that the VCC committee should meet the government urgently to demand there be no increase in the VAT rate of 10 percent, as well as to ask for an extension of the temporary zero-rating of eight basic foodstuffs.

The committee also was asked to demand that the Budget include provisions for the reduction of staple food prices.

An appeal by Operation Hunger executive director Mrs Ina Perlman, that the government reintroduce subsidies on imported maize in view of the widespread drought, also would be presented

Unless maize was subsidised, consumers could face price hikes of as much as 20 percent for the staple food, said Mrs Perlman.

She said food was, for most poor people, the only variable in their budgets and it was "frightening" to see the number who already had begun cutting down on the amount of food bought each month.

Operation Hunger figures indicated that 30 percent of South African children were malnourished — and the figure rose in the rural areas.

Mrs Perlman said about 1,8 million people already needed urgent help. In view of growing retrenchments, lay-offs and the drought, this figure could escalate to between 2 million and 2½ million by the middle of the year

The VCC also was called on to ask for further negotiations for an effective poverty relief programme. It was asked to bring together agricultural producers, retailers, marketers, agricultural control boards and consumers to identify and remedy the causes of food price hikes.

The summit resolved to call on the public to monitor retail prices.

Closing the summit on Thursday, Consumer Union chairman Mrs Lillibeth Moolman described it as remarkable. "This is the broadest representation of organisations and bodes well for joint consumer action in future . It will belie the recent President's Council report which said consumer action has not been effective."

Cape retailers plead innocence over price rises

244 ARG 7/3/92

JEAN LE MAY
Weekend Argus Reporter

FOOD chains in the Western Cape have reacted angrily to allegations that retailers are responsible for the rocketing price of food.

Carrying the torch for all retailers, Mr Alan Baxter, general manager (foods) of Pick'n Pay supermarkets, said it was unjustified to blame them for huge price increases.

Mr Baxter produced statistics which showed that in the chain's supermarkets pre-tax retail prices on 375 grocery, perishable and household items increased by 11,6 percent for groceries and 18,4 percent for perishables, giving a total increase of 13,9 percent between February 1991 and February 1992

Allowing for VAT and GST, the grocery list increase actually went down to 8,8 percent, which Mr Baxter said was because VAT was three percent lower than GST. This was in spite of the fact that some staples previously exempt from GST now carry VAT.

The large pre-tax increase in perishables was explained by the substantial increases in the price of oranges (up 40 percent), apples (up 34 percent), and onions (up 37 percent)

Pick'n Pay prepared another shopping list of 75 items especially for Weekend Argus, comparing prices on March 61991 and March 6 1992. It was made up of groceries, cleaning materials, paper goods, frozen fish and ice-cream — but no meat, fresh fruit or vegetables.

This showed an increase of only 8,68 percent, adjusted for VAT and GST, over the year.

These percentages were substantially below figures published by the Central Statistical Services, which said while the average rate for all consumer spending over the last year rose 16,1 percent, food prices increased 26,2 percent

Although it was easy to identify "companies dominating the food industry", it was not as easy to decide which companies — manufacturers or retailers — made inordinate profits or to obtain appropriate statistics, said Mr Alfred Schuitmaker of the Cape Town Chamber of Business

The South African Chamber of Business has said the balance sheets of the four biggest retail chains over the past three years revealed that none made a pre-tax profit of above a modest three percent

Food manufacturers, on the other hand, habitually make more Cadbury-Schweppes, which makes a good proportion of the cool drinks and confectionery sold in the country, this week reported 9,9 percent.

The Premier Group and Tiger Oats together control companies which manufacture most of the canned and frozen fruit, vegetables, processed meat, chickens, eggs, meal, flour, baked goods and grain-based food such as biscuits and cereals sold countrywide Premier's latest results showed a profit of 7,3 percent and Tiger Oats 7,5 percent — both 2½ times more than the best performer among the retail chains

SA consumers outraged at uncontrolled food spiral

ARG 7/3/92

(244)

The dramatic spiral in food prices has turned consumer concern about inflation into outrage. The SA Chamber of Business has investigated the problem and found that a government network of control boards must shoulder a lot of the blame for interference in the food price chain from producer to consumer, reports MICHAEL CHESTER, Weekend Argus Correspondent in Johannesburg.

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For example, one can discover that the real purchasing power of the rand collapsed from R1 in 1970 to a meagre nine cents by the end of 1990 By now, due to unbridled inflation, it is worth no more than about seven cents

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The uproar has already forced the government to launch a full-scale investigation into the causes behind the explosion in food prices, amid public clamour for the culprits to be exposed

Dr Helgaard Muller of the Board of Trade and Industry (BTI), who heads the probe, has promised to hand in a full report by the end of next month

Unwilling to wait that long, the VAT Co-ordinating Committee (VCC) called a summit conference this week to discuss the whole issue

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Concern over trends has prompted the SA Chamber of Business (Sacob), also, to conduct an urgent search for the reasons behind the surge in prices in the food chain from producers to consumers

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Not so, insists Sacob "The fact is that, at retail level, the food industry is in a state of permanent price war No one can afford to be out of line with major competitors"

Nor, it argues, can all the blame be foisted on farmers at the start of the food chain Their share of the consumer rand shrank steadily in recent years On average, it declined from 45,6 percent in 1988 to 40,4 percent

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The role of trade unions also must be taken into account Average increases in payroll costs from wage negotiations last year reached 16,3 percent in the food retail sector and 16,7 percent in food manufacturing

Also, costs have been pushed higher by strikes The food and retail sector suffered 25 percent of the full toll of work days lost through strikes in 1990 — apart from the cost of tactics like go-slows and overtime bans

Food costs also have been hit by:

- ■ Low labour productivity,
- ■ Crime — including burglaries at business premises, a wave of delivery truck hijackings, shop-lifting and pilferage by employees (as one example of extra costs that had to be recovered in selling prices, anti-hijack insurance premiums have increased by no less than 50 percent because of the crime wave), and
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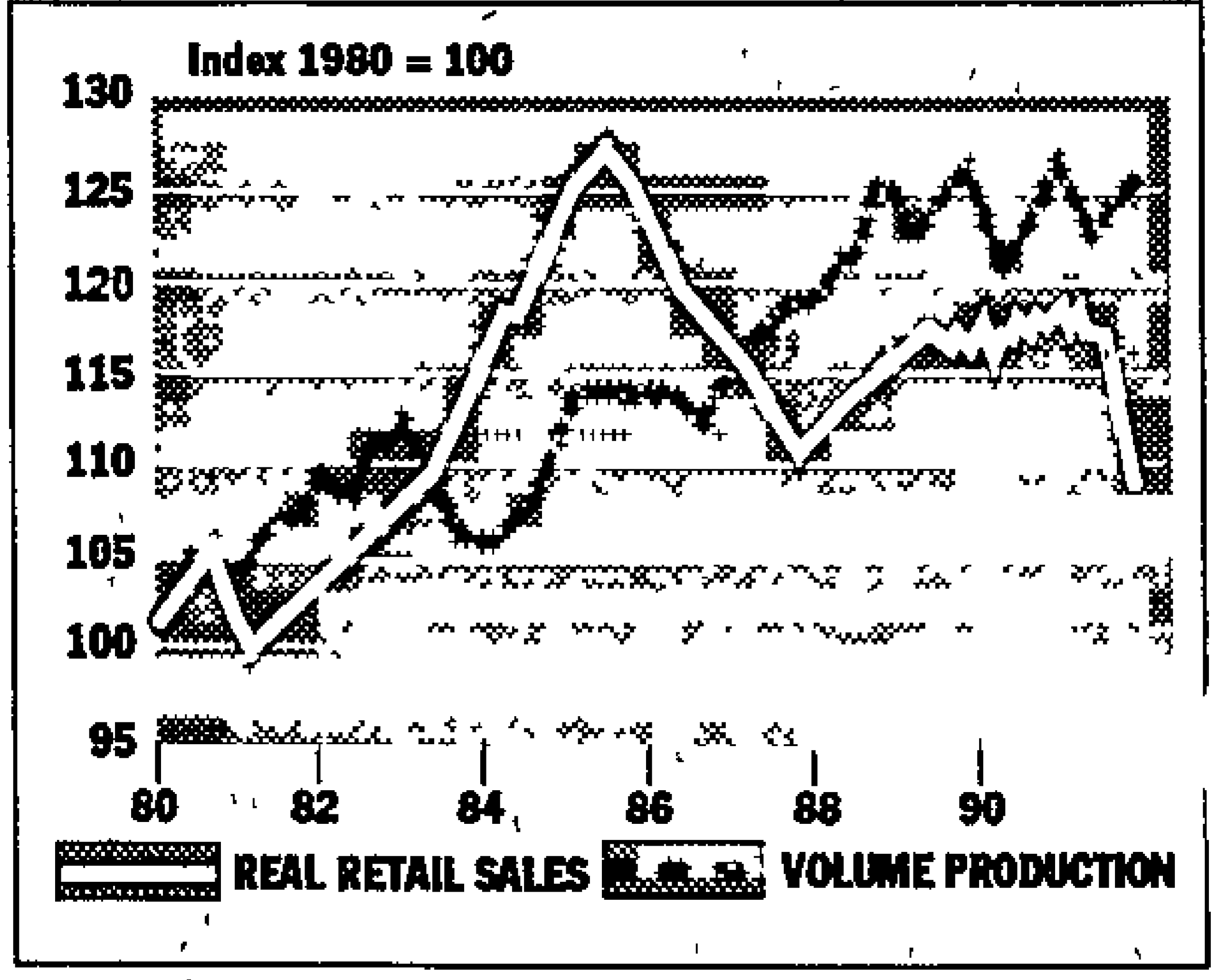
FOOD: PRODUCTION AND RETAIL SALES



Slump bites food sales

S Times (Buss) 8/3/92 244

By CURT VON KEYSERLINCK

RETAIL sales of food, measured in real terms, dropped 15% last November, according to Central Statistical Service.

Econometrix director Azar Jammine says "The decline is mind-boggling It shows how hard the recession is biting Until November food sales held up well Sales of durables and semi-durables were falling".

Dr Jammine says reasons for the fall are probably food-price inflation of more than 20% in recent months and the decline in buying power caused by below-inflation wage and salary increases.

Rising volumes of food sold by the informal sector could be another reason for official figures indicating a fall

The figures do not necessarily mean that people are eating less. It is more likely that they are eating less and switching from expensive to cheaper food.

He finds it puzzling that although real food sales are declining, volume of food production is relatively steady (see graph)

Pick 'n Pay senior buyer Richard Cohen confirms that food sales have fallen and that they are still down.

But Pick 'n Pay has increased its share of the market

He says the reason why production has not declined with sales could be that manufacturers are exporting more. In spite of low retail sales, manufacturers are frequently out of stock of popular canned goods, confectionery and toiletries

THE WEEK AHEAD by Simon Willson

Imports likely to keep PPI down

BDay 9/3/92 (244)

SINGLE-figure producer price inflation looks here to stay at this stage of the business cycle and January's annual increase in the producer price index (PPI), due later this week, should be the third consecutive outturn below 10%. Technical factors may also haul it below the December figure of 8,6%, back towards the seven-year low of 7,9% posted last November.

A particularly sharp slowdown in prices in the imported component should show up in the data, possibly resulting in another negative contribution to the index from the imports PPI. Part of the downward impetus to November's overall PPI figure was supplied by a 2% fall in annual imported producer prices in that month.

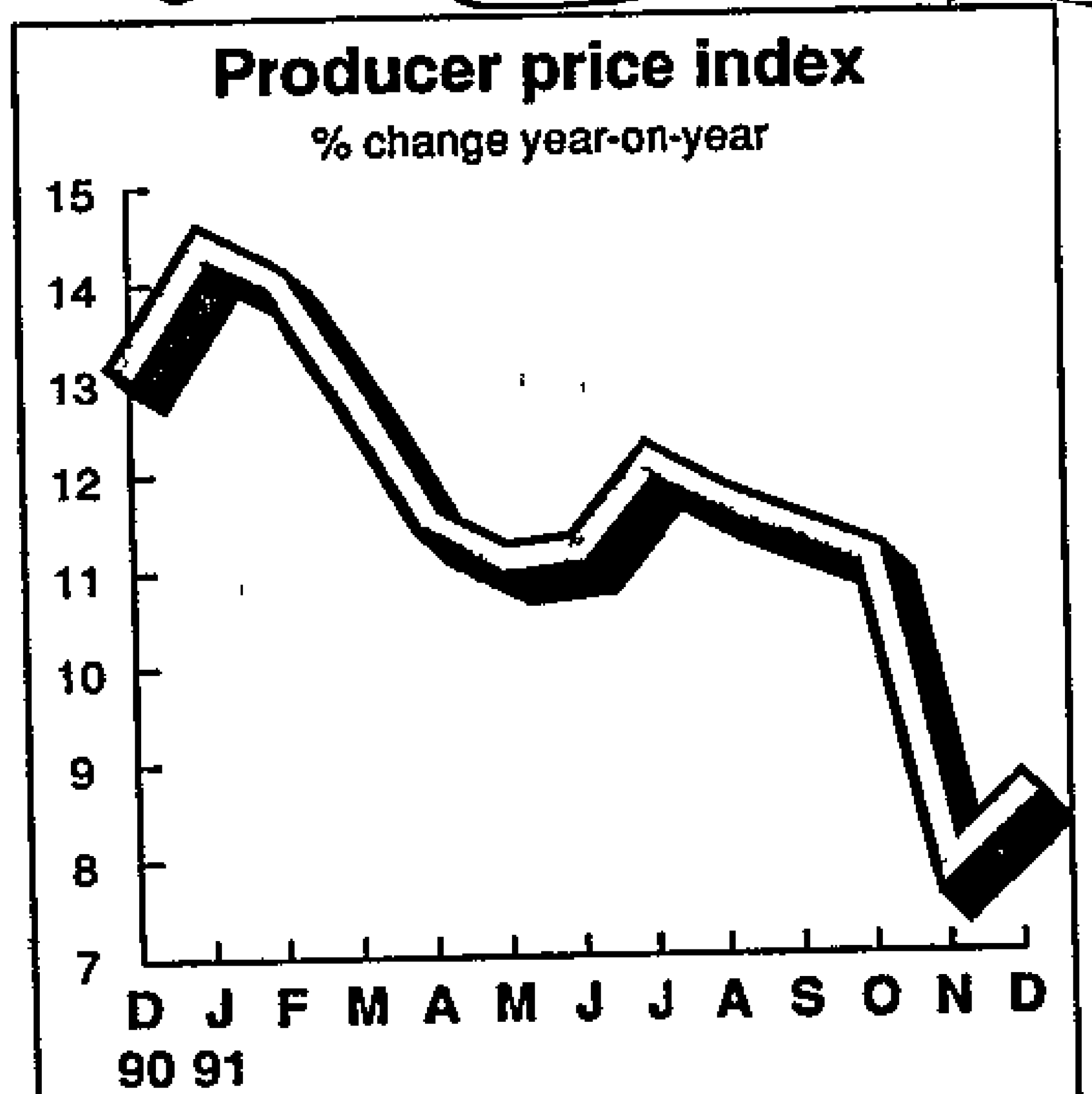
Imported prices rose again — by 1,9% — in the year to December, but look set to fall again in the 12 months to January thanks to movements in the imports PPI at the same time last year.

Continued repercussions from the escalating Gulf crisis at the time played havoc, briefly, with the oil price and this was quickly reflected in the imports PPI. It fell 2,4% month on month in December but rose, on the Gulf crisis effect, 3,2% month on month in January.

The startling 5,6% turnaround this represents gives the imports PPI a high base for the 12-month calculation to January 1992, and gives reason to expect another negative annual imported component of about the same magnitude as November's. Although the imports part of the PPI has a fairly modest weighting of 19,5%, a swing of the annual percentage change in the index back to negative should, as it was in the November data, be enough to force overall PPI inflation down close to a fresh seven-year low.

Internationally, it is one of those weeks when the world's financial markets are likely to be as closely tuned in to political developments as they are to the normal output of economic events.

The electoral shadow that has been perceptible to the financial markets in recent weeks due to upcoming polls in both the US and UK will loom heavily over trading this week.



Graphic FIONA KRISCH Source CSS

After a succession of preliminary skirmishes in relatively obscure upcountry locations, the US presidential election roadshow picks up serious momentum tomorrow with the arrival of the 1992 campaign's "Super Tuesday". This is the day, of which there is one every four years, when a series of influential primaries falls on the same day. In this case, 11 states hold their primaries tomorrow, including two large states with substantial influence in choosing each party's presidential nominee at the mid-year conventions.

Texas and Florida are the big fish at stake in these two states alone are 218 of the 2 200 convention delegates who will choose the Republican nominee, and 374 of the 4 300 who will nominate the Democrat candidate. All told, the concentration of primaries on Super Tuesday means that up to a fifth of each party's delegates will be committed by the middle of this week.

The Super Tuesday results will therefore begin to separate the hot prospects from the also-rans among each party's candidates, and the financial markets will have a better idea of the implications for the US economy of the election campaign.

By the end of this week much will also have crystallised in the as yet undeclared but very much up and running British election campaign.

On Saturday, Prime Minister John Major is due to give a speech in the unremarkable seaside town of Torquay, until now famous only for being the real-life location of Basil Fawlty's ghastly hotel. The speech is significant because it is Major's last practical opportunity to announce an April 9 general election, given the minimum election campaign of three weeks.

Chancellor Norman Lamont presents his pre-election budget tomorrow, and it is the positioning of this probably vote-catching fiscal package just ahead of the Torquay speech that leads irresistibly to the conclusion that Major will fire the starting gun for a whirlwind campaign on Saturday. The week is suitably devoid of any banana-skin British economic statistics that could upset delivery of the smooth, one-two combination of the budget and the general election date.

Market-moving US data are also thin on the ground in this politics-dominated week in the financial markets.

The figures most diverting to the traders who have already rerated the dollar upward are likely to be Thursday's retail sales for February. These should reinforce the comforting trends outlined by last week's purchasing managers' survey and leading indicator by showing another positive outturn, following the 0,6% rise in January that ended a sequence of successive negative monthly outturns.

All the improvement in the January upturn came from the building and high-street store sectors, promising an overall recovery in consumer spending that should have extended into February's retail sales data.

CT 10/3/92 (244)

January prices down 0,11%

By EUNICE RIDER

PRICES of food and household products dropped by 0,11% last month — and housewives' precious pennies will go further at Shoprite stores than at Pick 'n Pay supermarkets (second cheapest) or Checkers and OK.

Using the Housewives' League's list of 50 products essential to the average household with children, the Cape Times held a running price-check survey in January.

However, a price increase of 1,4% was recorded at Checkers supermarkets

It was found that Shoprite was the cheapest store, with Pick 'n Pay a close second, followed by Checkers and OK

Food and household product prices — which showed a general decrease of 0,11% at the four stores — dropped by 2,9% at Pick 'n Pay, 0,69% at the OK and by 0,28% at Shoprite stores.

Several of the 50 items had to be eliminated from the list as a result of some being on "specials" and others not being stocked when checks were made

Thus only prices of products identical as regards brand names and metric sizes were taken

Prices were recorded at supermarkets only The larger hypers and warehouse stores were excluded

THE WEEK AHEAD by Simon Willson

FW unlikely to slip on PPI banana skin

B/Day 16/3/92

244

GOOD news on inflation seems set to be published in SA and the UK this week — just before crucial tests of electoral opinion in each country.

In SA, the January rate of producer price inflation should be known before polling stations close at 9pm in tomorrow's referendum on political reform

In the UK, the inflation rate for February will be published on Friday — the last of two highly voter-sensitive economic figures due before the British general election on April 9

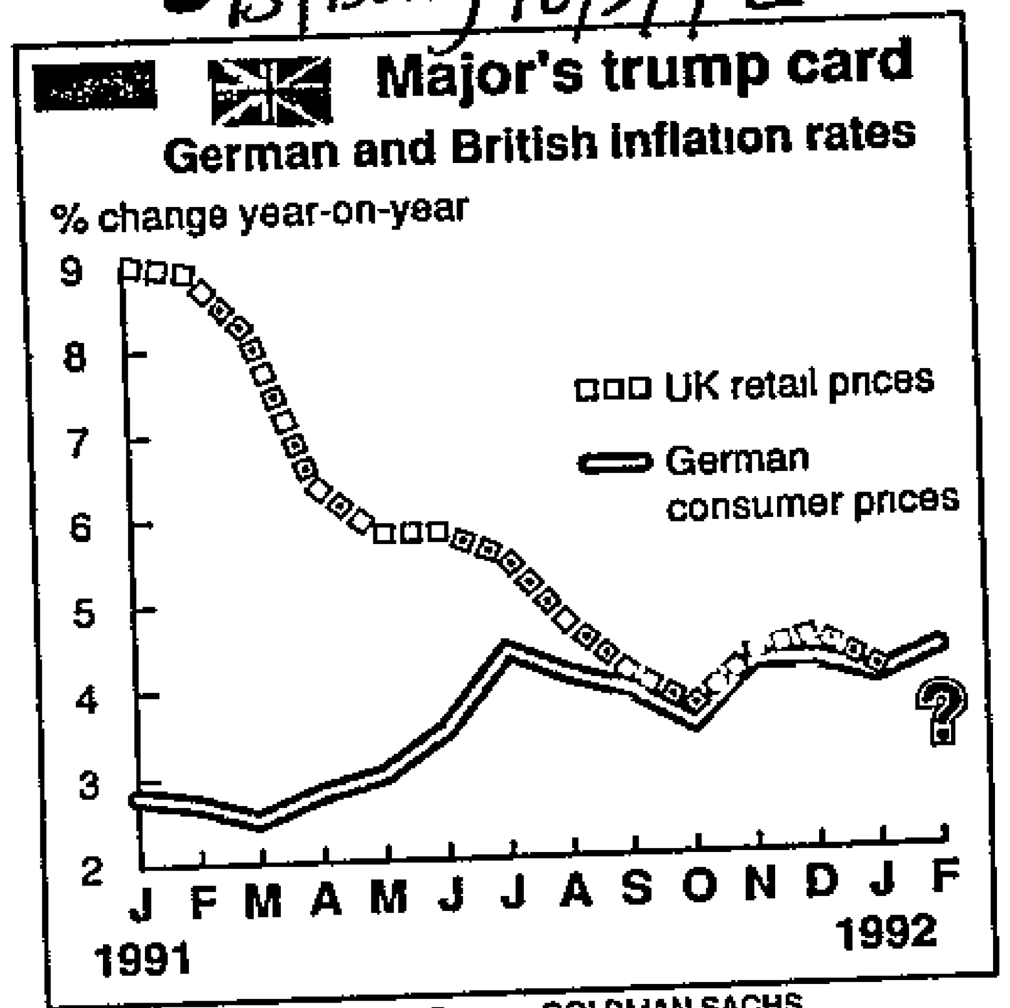
There are many advantages to incumbent administrations in calling snap elections The NP and the UK's ruling Conservative Party have each been constitutionally able to time their requests for a fresh mandate to maximise their chances of success

Both ruling parties have gone for quick, four-week campaigns called suddenly to try to catch their respective oppositions on the hop In knowing the poll dates before their rivals, the governing parties have been able to gear up their vote marshalling machines well in advance of the opposition

The other rationale behind a whirlwind campaign is that it cuts to a minimum the "banana skin" factor — that is, the possibility that a rogue economic statistic could emerge during the campaign and reflect badly on the incumbent administration, giving vote-generating fuel to the opposition

Since President F W de Klerk called the referendum on February 20, the regular economic releases have been broadly favourable January's money supply growth was higher and reserves were steady, but neither figure has a high public profile Higher profile January inflation was unchanged, which was a bonus simply because the rate did not rise Indeed, voter sensitive food inflation actually slowed.

The last possible banana skin before the referendum is the increase in the producer price index (PPI) in the year to January, which should be published later today or tomorrow A sharp fall in the imported component of the PPI should keep the annual rate well within single digits — possibly lower than December's 8,6% — and herald a later fall in the rate of consumer price inflation Although the referendum is ostensibly a vote on political reform, management of the economy has repeatedly entered the campaign and the trend in inflation is undoubtedly a factor



Graphic FIONA KRISCH Source GOLDMAN SACHS

The UK campaign definitely covers the economy, as it precedes a general election and not a single issue, "yes" or "no" poll This week the Conservatives face a probable slip on the campaign banana skin when the UK's February unemployment figures are published on Thursday, but they should quickly regain their balance when the February inflation rate is published on Friday.

All the signs are that February will be the historic month in which the British inflation rate drops below Germany's for the first time since 1966 It is a heaven sent electioneering opportunity for John Major's administration, and one which must have encouraged government to go for April 9 The Conservatives will need to make the most of their inflation achievement, because Thursday's unemployment figures are likely to be grim A probable rise of 40 000 could push the jobless total to more than 2,6-million, or 9,2% Although it could be pointed out that unemployment is running at more than 10% in Spain, Italy, Denmark, Australia and Canada, the inflation figure due the next day will be the best antidote to the jobless data

The UK inflation rate should dip slightly from January's 4,1% to 4% in February, taking British inflation well below the Germany February outturn of 4,3% announced two weeks ago This 26-year milestone should offer the Major government a matchless propaganda weapon and could even prove decisive in what promises to be a close election

The US inflation rate for February is also due out this week US inflation has, however, been relatively low for so long now that it is not an issue in the presidential primaries campaign. The February rate, out on Wednesday, is poised to stay below 3% for two successive months for the first time in five years following the January readout of 2,6%

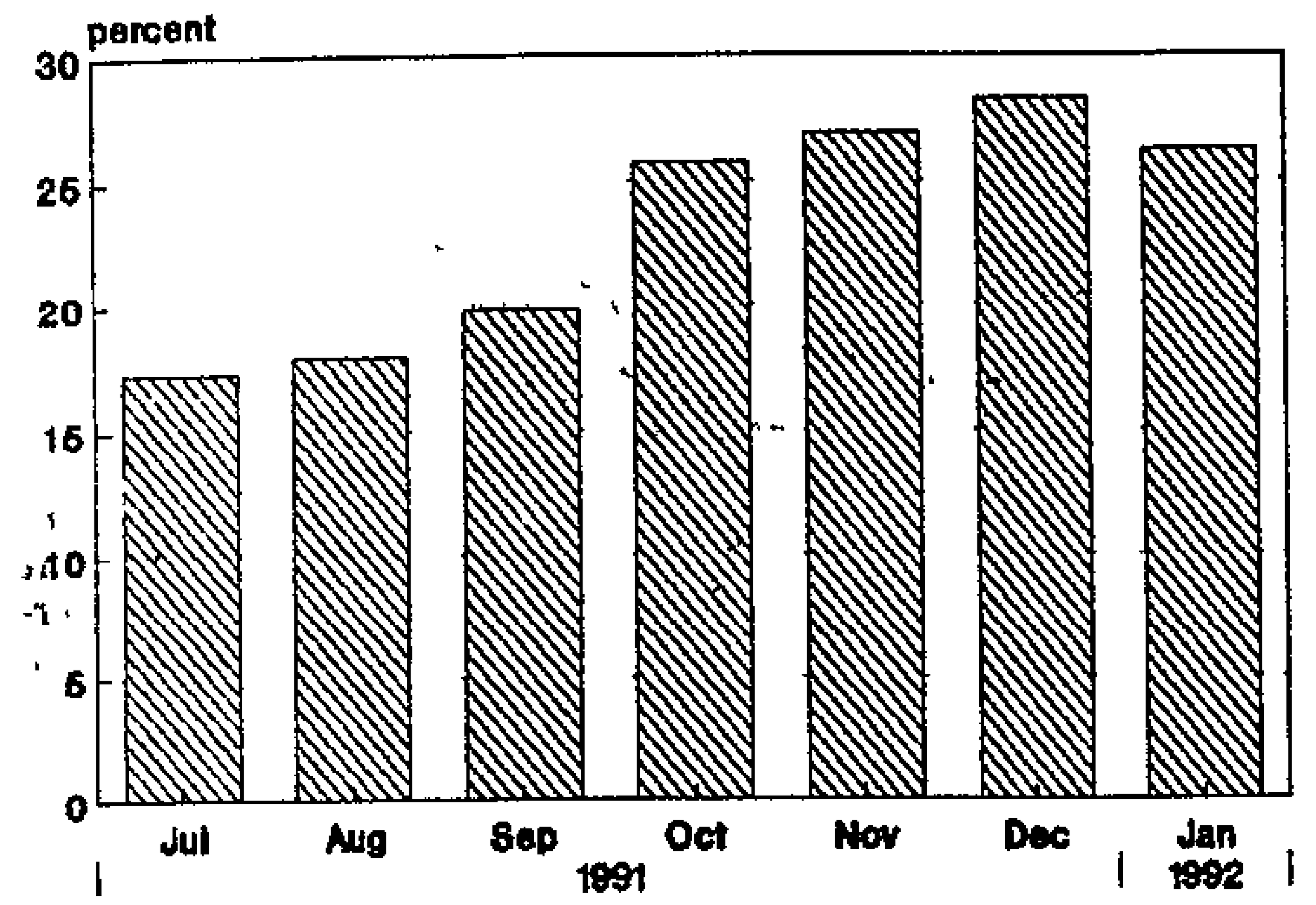
Of more concern to both politician and voter in the US is the economy's growth performance, and tomorrow's housing starts for February should offer more clues as to the prospects for recovery Starts broke above the 1,1-million level in December for the first time in 13 months, and rose further in January to their highest level since May 1990 Housing starts, which lead general economic performance by around two calendar quarters, point unmistakeably to a US economic recovery later this year.

The US January trade deficit is due on Thursday, but its impact will be absorbed by the quest for growth. A deficit from rising imports is not a negative in a stagnant economy, as greater import demand signals spending and consumer confidence An import derived deficit around $5bn after December's $5,94bn should ultimately be dollar supportive.

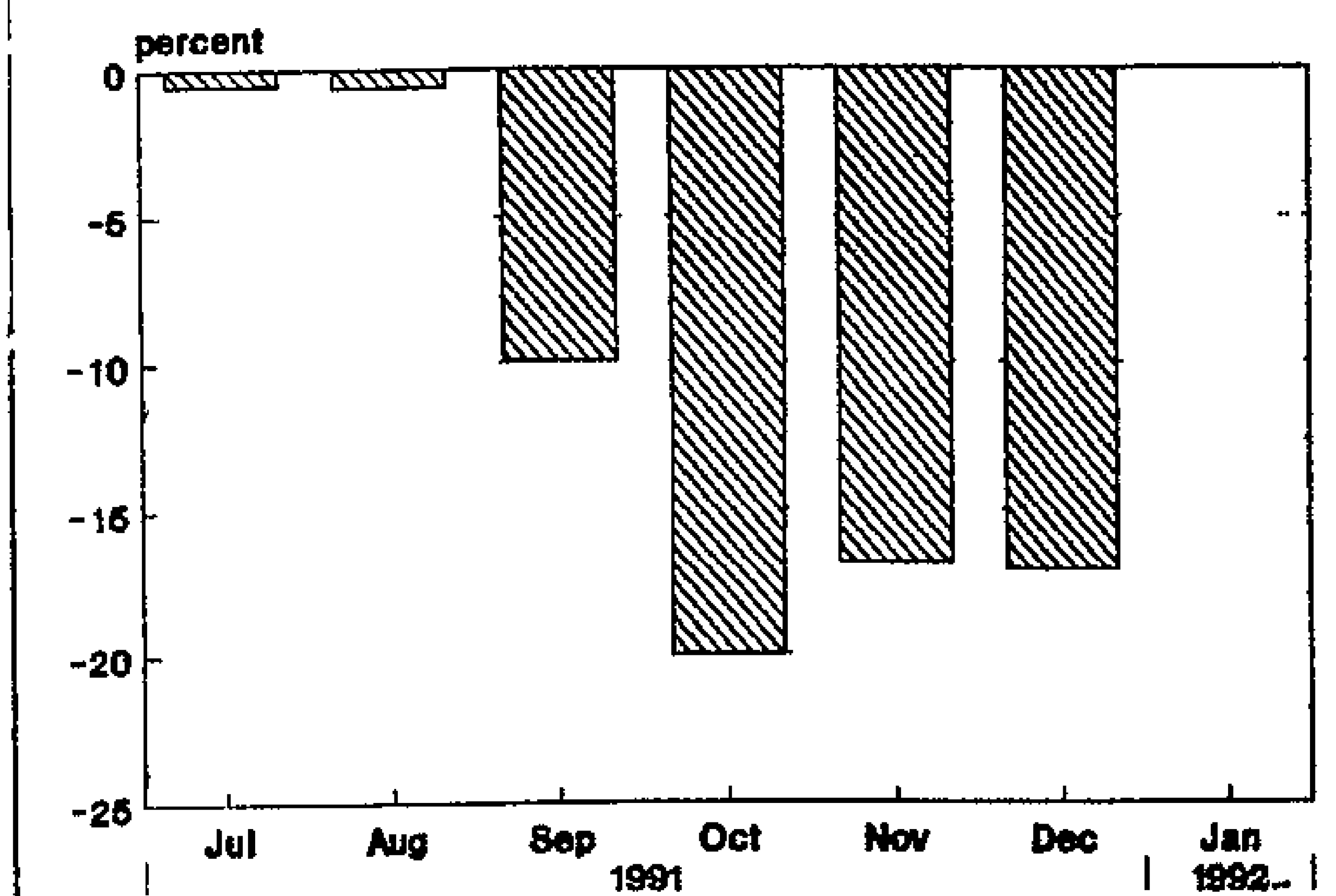
Food sales collapse as consumers cut spending

STAR 17/3/92

244



Food prices have rocketed this year as reflected in this graph showing the percentage increases, year on year.



Consumer resistance to price increases is shown here with sales volumes dropping sharply since September.

By Derek Tommey

Sales of food apparently collapsed in the second half of last year

Figures compiled from government statistics by Econometrix, which analyses economic developments, show that sales of food in real terms held up reasonably well in July and August.

They then started to decline and by December were down more than 17 percent on the year-ago figure. (See graphs)

The drop in sales of non-edible groceries was even sharper. Sales of these were down 17,9 percent in July, compared with a year earlier, and by December the year-on-year decline was more than 34 percent.

In sharp contrast, sales of clothing, furniture, audio equipment and TV sets held up well, though sales of small appliances declined.

Econometrix attributes part of the decline in sales of food and non-edible groceries to the increase in the prices of these commodities last year.

While food prices in July were running 17,3 percent higher than the previous year, by December prices were 28,3 percent higher than a year earlier

In January this year, the year-on-year rate of increase in food prices had dropped to 26,2 percent.

The increase in prices of non-edible groceries was even greater. In July these were running 30 percent up on the previous year, but by January this year the year-on-year rate of increase had dropped to 23,8 percent.

However, Econometrix has some doubts about the figures for the decline in food sales

It says anecdotal evidence from clients suggests that sales of food did not collapse to the extent indicated by the graphs.

It has taken up the issue with Central Statistical Services, which compiled the figures and which has promised to investigate the matter

Econometrix says that one possible explanation could be the sharp increase in meat prices last year.

As meat accounts for close on a third of the value of food sales, a dramatic fall in meat sales could have masked a reasonable performance by other food sales

If this is indeed the case, one has to question the validity of current monetary policy, says Econometrix.

Reserve Bank policy is to keep short-term interest rates two to three percent above the rate of increase in the Consumer Price Index (CPI)

But Econometrix asks if this policy is valid when it seems that at least part of the increase in the CPI is the result of distortions in the meat industry.

The linkage of the CPI and monetary policy by the Reserve Bank is also beginning to be criticised by other economists

They argue that apart from whether the CPI figures have been distorted by high meat prices, the fact remains that demographic developments are putting considerable pressure on food production.

The population is growing by about 2,5 percent a year, the number of teenagers and adults is steadily increasing and, with more blacks beginning to earn more money, the demand for food is probably rising by about five percent a year

In view of the low level of new investment in food production and the need to bring more marginal land into production, fairly significant food price increases must be expected, whatever the inflation rate.

It is argued that it would make more sense if the food component of the CPI were ignored when the Reserve Bank determines monetary policy

This would reduce the inflation rate on which monetary policy is based to 13,7 percent on a year-on-year basis and give the Reserve Bank scope for at least a modest increase in money supply, leading to a similar reduction in interest rates

Weaker crude oil price cuts cost of landed petrol

244

STAR 18/3/92

The landed cost of petrol and diesel fuel dropped again last month as a result of a weakening in the international price of crude oil, the National Energy Council said yesterday

In its monthly statement, the NEC said motorists in the PWV paid an average of 2,235c a litre too much for 93 octane petrol last month In January motorists paid 1,861c/litre too much.

The landed cost of 93 octane fuel last month was 48,007 c/litre, down from January's 48,381 c

The NEC said this was in spite of a weakening exchange rate of R2,7803 against the US dollar in January and R2,8168 last month

Unit over-recoveries last month were taken account of against the cumulative over/under-recovery account (the slate)

The landed cost of 93 octane petrol has declined since the beginning of November last year. At the time the landed cost was 52,148c/litre

The landed cost of diesel fuel also declined last month to 50,239c/litre from January's level of 51,237c

The unit over-recovery amounted to 5,813c, up from January's 4,686c over-recovery — Sapa.

Budget: petrol hike possible

Sowetan 18/3/92

244

By ISMAIL LAGARDIEN
Political Correspondent

POSSIBLE increases in petrol and luxury items could be contained the Budget for 1992/3 which will be tabled in Parliament by Finance Minister Mr Barend du Plessis today

As much as 38 percent of the Budget could go toward social spending (last year's figure), a move that could improve the lot of millions of black people

If the gradual increase in funds for black education over the past two years are anything to go by, education and training could receive a huge injection

No major shift is expected from the spending trend established by the Government in recent years, where the emphasis has shifted to social spending.

There is a great possibility of more money - an estimated R1 billion - going to the South African Police

No increase or decrease in personal taxes is expected The trend of social spending is expected to dominate the Budget

FOUNDED 1876 488 4911 WEDNESDAY, MARCH 18 1992 80c Prices include VAT

CT 18/3/92

244

Petrol price rise on the cards

Political Staff

THE petrol price is likely to go up today when Finance Minister Mr Barend du Plessis presents what analysts have warned will be a "tough budget"

National Energy Council members expect Mr Du Plessis to announce a substantial fuel tax increase, which will drive up the petrol price

A source in the council said the announcement could push the price of 93 octane from R1,43 to R1,60 a litre or more

The budget will apparently have little joy for most people. Tax relief for individuals is unlikely and the tax on items such as tobacco, liquor and other luxury goods could well go up

The VAT rate is unlikely to go up, but excise tax and levies on fuel could well be raised.

The government would like to stimulate investment and economic growth, and some stimulatory measures may be announced, but the reality is that it does not have the resources to initiate major new programmes

President FW de Klerk warned in Kimberley last week that it would be a very difficult budget and that the government had very little room to manoeuvre The economy was not growing and the tax base was too small

The only way the government could increase its income was to increase taxes, but South Africans were already overtaxed and paid higher taxes on average than people in Europe, Mr De Klerk said.

There may be some shift in spending priorities, with less emphasis on costly own affairs administrations and more emphasis on social welfare programmes, although it may only be possible to maintain these at the same level in real terms

Substantially increased spending on the police is inevitable to pay for the new Internal Stability Division This could be financed by another reduction in defence spending and more sales from strategic stockpiles

● Barend may still surprise all — Page 11

Hefty increase in petrol price likely

GERALD REILLY

PRETORIA — National Energy Council members expect Finance Minister Barend du Plessis to announce a substantial fuel tax increase, which will drive up the petrol price, when he delivers his Budget speech today ~ B Day 18/3/92

The sources — speaking on condition of anonymity — said Du Plessis' announcement could push the price of 93 octane from the current R1,43/l to R1,60/l or more

The council announced yesterday that in February, PWV motorists overpaid for 93 octane by 2,235c/l Motorists paid 1,861c/l too much in January.

A spokesman said that in spite of the weakening of the average rand dollar rate in February, unit overrecoveries were realised on all grades of petrol, diesel and illuminating paraffin (244)

International market prices of refined petroleum products followed the decrease in international crude prices and brought down the landed cost of petrol and diesel.

The average landed cost of 93 octane decreased by 0,374c/l from 48,381c/l in January to 48,007c/l in February

The average landed cost of diesel decreased from 51,237c/l in January to 50,239c/l in February and resulted in an average unit overrecovery of 5,813c/l in February

Warning of fuel price ripple

Business Staff 244 ARG 19/3/92

SUPERMARKET group managing director Mr Whitey Basson said the Budget was fair considering the economic situation, but warned of the ripple effect on prices of increased fuel levies.

This was echoed by Consumer Council executive director Mr Jan Cronje who said although the Budget was fair, the council could not accept the fuel price increase because of the effect it would have on the economy, pushing up prices over a wide front.

Mr Cronje appealed to business to try to absorb the fuel increase as far as possible

Mr Basson of Checkers/Shoprite said he was relieved that the VAT rate was unchanged and that excise levy inceases had been limited to non-essential items

But he still believed basic foods should be exempt from VAT

Mr Basson said the substantial additional allocation for social services would reinforce security and be a positive force for social and economic upliftment.

Other encouraging aspects were the increase in social assistance allowances and drought relief aid

But he questioned whether the R1 billion for drought relief would be enough

Petrol and diesel prices to increase

STAR 19/3/92

Economics Editor (244) (580)

CAPE TOWN — The petrol price will rise by up to 9c a litre at midnight tomorrow, Barend du Plessis announced.

The increase in the fuel levy, which also includes a 7c rise in the price of diesel, is lower than had been expected.

The 9c rise in the price of fuel comprises an 8c rise in the fuel levy and a 1c rise in the transport tariff The latter increase does not apply to coastal areas where the fuel price will increase by 8c a litre.

The increase, which will lift the price of 93 octane petrol on the Reef from 143c to 152c/l, will raise R940 million in revenue The diesel rebate for farmers has been increased by 2c/l to 20,6c in view of the difficult agricultural conditions, Mr du Plessis said.

Luxury goods up

STAR 19/3/92

244

Beer, hard liquor, cigarettes and soft drinks are among luxury goods which are to rise in price, Barend du Plessis said.

As a result of distortions caused by the *ad valorem* duties in certain production chains, he said, the Government had decided to accept urgent representations to replace such duties by an increase in specific duties.

The following rises were proposed:

Beer — 1,5 cs a 340 ml can or dumpy, or 4,8 c a litre; spirits such as whisky, brandy and gin — about 1,5 c a tot, or about 37,7 c a 750 ml bottle; cigarettes — 2 c for 10 cigarettes; pipe tobacco and cigars — 10 c/kg; fortified wine and sparkling wine — 10 c a 750 ml bottle; unfortified wine and other fermented drinks — 6 c a 750 ml bottle; sorghum beer — 1 c a litre; sorghum powder — 5 c/kg; soft drinks and mineral water — 2 c a litre. Sapa.

Petrol price to be pumped up by 8c

(244)

Own Correspondent

CAPE TOWN — Petrol is to go up by at least 8c/l and diesel by 6c from Saturday while the diesel rebate for farmers is being raised by 2c to 20,6c/l. BDay 19/3/92

In addition to the increase in fuel tax announced by Finance Minister Barend du Plessis yesterday, the transport tariff increases which became effective on January 1 this year are to be added to the fuel price from March 21

This will effectively raise the petrol price by up to a further 2c/l a litre and diesel by an extra 1,9c/l.

Coastal consumers will not be affected by the transport tariff increases which to date have been financed from the Equalisation Fund while PWV consumers can expect to pay 9c/l for petrol and 6,9c/l for diesel.

The pricing zone hardest hit is north-western Namaqualand where the increase will be 4,1c/l

Du Plessis said the new fuel levy was in line with government's goal of achieving a better balance between direct and indirect tax.

The net outcome of the higher petrol and diesel levies and the diesel rebate would be estimated additional revenue of R939m for 1992/3.

He said the 2c rebate for farmers would be effective until such time as circumstances permitted the continuation of its phasing out.

Mineral and Energy Affairs Minister George Bartlett said that during 1991 the net price increase of petrol and diesel amounted to 8c/l and 3c/l respectively.

Price increases ruffle feathers

Sowetan 19/3/92

(244)

SOWETO'S businessmen claim that they are being ripped off by Indian and white chicken dealers who have increased their prices significantly in the past months.

Mahlo Chicken Distributors said that the dealers have also refused to award them contracts to sell chicken to low-income families in the townships.

Live Cornish hens were selling at between R22 to R25 and these prices were unreasonable as they came after the introduction of Value Added Tax (VAT) which they claimed was having serious effects on the small businesses.

Major chicken sellers predicted that the future was bleak as prices will escalate because of the drought in the country.

They expressed these views after a survey of retail meat prices that showed chicken was still far and away the best buy for hard-hit consumers — the majority of them black.

Spectrum

The survey, carried out by Agrichicks, covered the market spectrum from corner butcheries in the low income areas to "smart set" supermarkets.

"Chicken prices have been increasing like everything else in these inflationary times," managing director of Agrichicks, Mr Roger Meredith, said this week.

The secretary of Mahlo Chicken Distributors, Mr Sam Mohajane, said that black fowl dealers who depended upon middlemen — Indian and white farmers outside Soweto — for their supplies were shocked by the new prices.

He said the problem started with the introduction of VAT. In January, 1991, a fowl cost R13, in September it shot up to R17 and was now selling at between R22 and R25.

High prices

"The black businessman is finding it difficult to cope with high prices as we serve the disadvantaged community in squatter camps and other poverty-stricken areas," Mohajane said.

He added that blacks depended largely on chicken for their food because they could afford red meat.

"No Indians, no whites depend on live Cornish hens to the same extent as blacks, who are the poorest section of the community."

Major chicken dealers serving Soweto businessmen have exonerated themselves from the new prices, which they said was beyond their control.

The breeding manager of Festive, Mr Clive Jones, said that they severed relations with many blacks who had contracts with them because "they have simply let us down in terms of payments".

Cash-flow

Many of them had cash-flow and transport problems. The company could not afford to lose money because "we have to feed and maintain the birds".

He denied that VAT was the reason for the new prices.

Cassamia Chicken Dealers' manager, Mr Bobby Cassamia, said in order to protect the birds they were forced to increase their prices. No business raised its prices as a result of VAT, he said, adding, "we know the law and will not rip off our people".

He predicted that the prices would rise as a result of the drought. Farmers would be hard hit by drought and be forced to keep their prices up.

A farmer, who did not want his name mentioned, said that the problem would be worsened by drought.

Petrol, booze up in Budget

Sowetan 19/3/92

(244)

FINANCE Minister Mr Barend du Plessis yesterday tabled a Budget for 1992/93 that aims to close the discrepancies created by apartheid

And to cushion the impact of increased social spending, Du Plessis announced, among other things, a 9c a litre increase in the price of petrol (8c at the coast) and 6c for diesel with immediate effect

Other increases are:

- The price of beer goes up by 1,5c a 340ml dumpy and 4,8c a litre,
- Spirits such as brandy, whiskey and gin increases by about 1,5c a tot or 37,7c a 750ml bottle,
- Sorghum beer goes up by 1c a litre and sorghum powder 5c a kg;
- Cigarettes up by 2c a packet of 10,
- Cigarette tobacco 2c a 50g,
- Fortified wines (sherry and port) 10c a 750ml bottle,
- Ordinary wine 6c, and
- Soft drinks 2c a litre or about 0,7c a 340ml can

The spin-off of this is that one percent of the total Budget of almost R100 billion has been allocated to close the gap between the pensions of black and white people

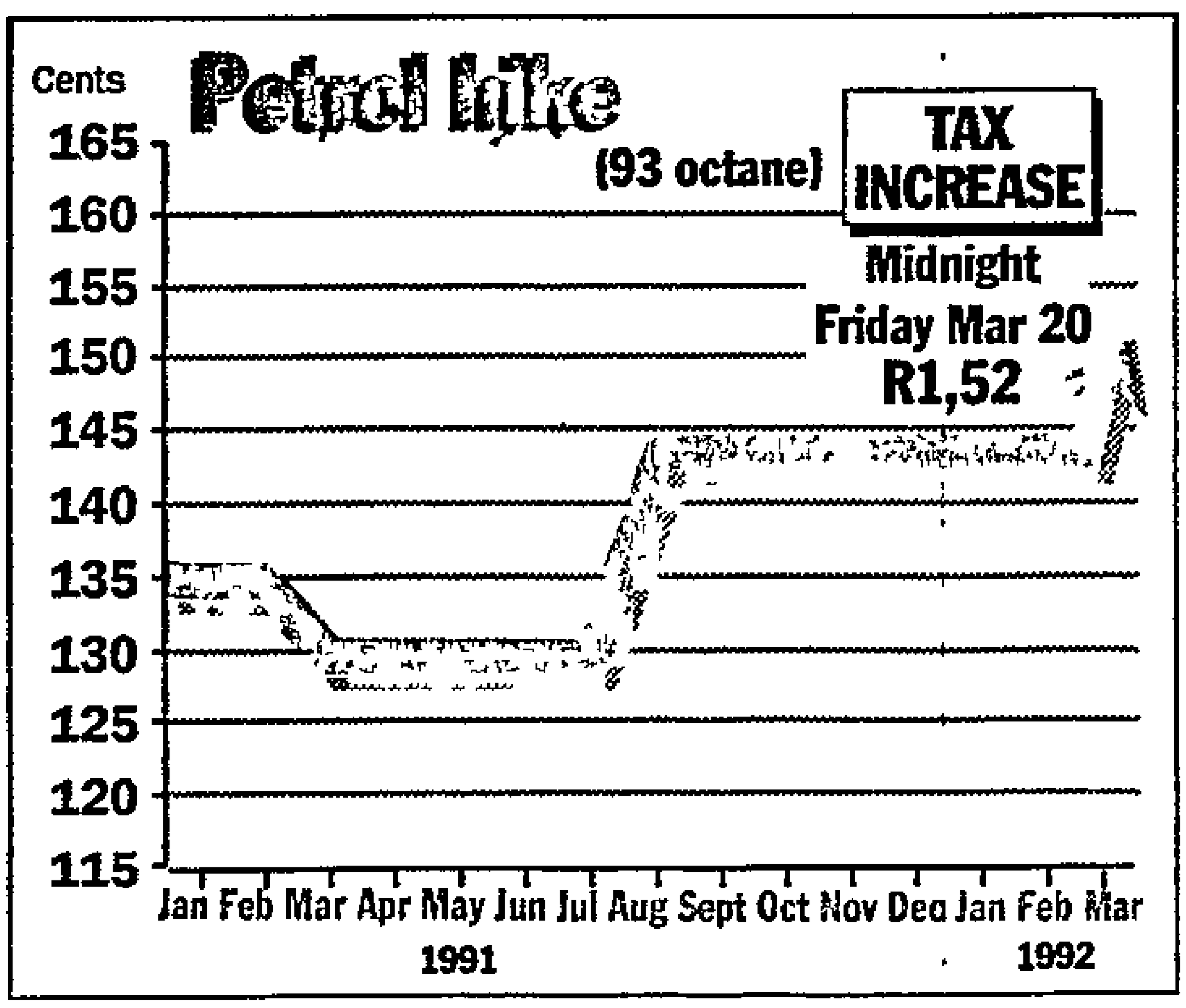
Du Plessis intends reaching his target of absolute parity by the same time next year — a task which, in terms of his own calculations, will need another R1 billion

Black pensions will be increased from R235 to R293, white pensions from R317 to R345 and coloured and Indian pensions from R314 to R345

"If an acceptable method can be proposed whereby additional revenue can be found without harming this industry or causing uncertainty on the part of individuals over the value of their retirement provision, it may still be possible to take parity further in the course of this financial year.

"If not, the Government now gives a fixed undertaking that full parity in social assistance allowances will in any event be proposed in the following Budget," Du Plessis said

Over a barrel . . . disgruntled motorist Colin Levin and petrol attendant Phineus Motababindi. Picture: Stephen Davimes



Government gets more than third of new petrol price

STAR 20/3/92 (244)

Consumer Reporter

Government receives more than a third of the new petrol price — expected to raise an additional R940 million — as hard-pressed South African motorists prepare to pay R1,52/l for fuel at the pumps from midnight tonight.

The 9c increase in petrol and 7c increase in diesel prices come as hopes were raised this week that the resounding "yes" vote would be the final nail in the coffin for the oil embargo

The latest increase follows a VAT-related rise in August last year when petrol prices increased by 13c to R1,43/l Then, the Government's portion of the R1,43/l was 46,9c.

The 9c increase announced by Finance Minister Barend du Plessis comprises an 8c increase in the fuel levy and 1c in the transport tariff.

This means inland motorists are paying 56c to the Government for every litre

BUDGET BRIEFS

W/Mail 20/3 – 26/3/92

■ THE stamp duty on credit card, cheque, transmission and telebank accounts debits is to increase from 10 percent to 15 percent as of the first of May. Finance Minister Barend du Plessis hopes to raise R35-million in this manner.

(65)

■ BUSINESS trusts will now be treated as companies for tax purposes, but details on this will be given when the Income Tax Amendment Bill is tabled in parliament later this year.

■ OF immediate concern to the man in the street is increased duties on alcohol and tobacco. There is an extra 4,8c per litre, or 1,5c per dumpy, duty. Duty on spirits has gone up by 37,7c per 750ml W/Mail 20/3 – 26/3/92

With fortified wines duty goes up by 10c per 750ml and with unfortified wines it will be 6c per 750ml. Sorghum drinkers get off much lighter with duty on this brew being raised by only 1c.

Smokers face a 2c increase in duty per 10 cigarettes. Duty on cigarette tobacco will increase by 2c per 50g while pipe tobacco goes up 10c a kilogramme.

Du Plessis has promised that increases in the retail price of these items will not exceed 2c.

(244)

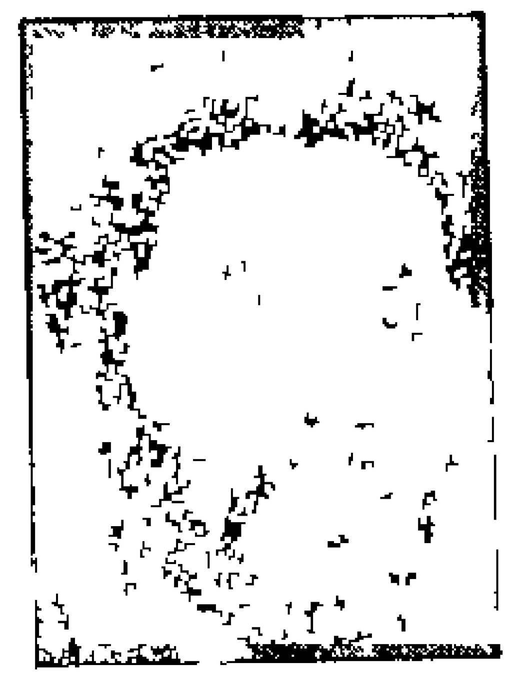
■ IN a move that is likely to be unpopular with the money authorities waging war on inflation, the fuel levy was hiked. Petrol will cost 8c more while diesel goes up by 6c. Transport tariff increases resulting from these hikes will be gazetted today. Drought-stricken farmers were, however, offered some relief in a 2c increase in the diesel rebate.

More pain for the poor as the money squeeze tightens

C1 PRESS 22/3/92.

This week's Budget, which has been described as a social conscience Budget in some financial circles, spells hardships for blacks, says MZAMO NXUMALO, Johannesburg manager of a prominent tax firm.

244



THE bad news in this year's Budget is the increase in the price of petrol and diesel That means transport costs go up – making it more expensive to get goods on the shelves and more pricey for the shopper

Food items that were zero-rated from September 1991 will become subject to VAT as from April 1 – another attack on the pocket of the poor

The petrol price increase is 8 cents a litre on the coast and 9 cents on the Reef. Diesel goes up 6 cents a litre

Less money

Fares for taxis, buses and trains will also increase This is a very worrying development if one takes into account the inflation rate of 16,2 percent Food prices in January 1992 were 26,2 percent higher than they were in January 1991 These percentages were quoted by Finance Minister Barend du Plessis in his Budget Speech this week

The increase in prices results in the general populace having less money to save The Minister said in the 1980s savings were 24,7 percent of the Gross Domestic Product – which is the value of goods and services produced each year in the country

This percentage had fallen to 18,8 percent in 1991. This means more people are dependent on fewer income-earners, who in turn have less net cash because of increasing prices Poverty is on the rise

Value Added Tax (VAT) remains at 10 percent However, basic food items that were zero-rated from September 1991 will become subject to VAT as from April 1.

These food items are. samp, mealie, rice, whole mealies for human consumption, dry beans, lentils, fresh milk, canned pilchards and powdered milk. This will obviously result in an increase in the price of food

There is also Excise Duty, which one way or the other will affect blacks This is a tax included in the price of certain products On beer the increase is 8 percent – 4,8 cents a litre

On spirits there has also been an 8 percent increase resulting in price rise of 37,7 cents a 750 ml bottle The duty on cigarettes is now 2 cents more for 10 cigarettes Pipe tobacco is taxed 10 cents more a kilogram

Cooldrinks and mineral waters will be taxed at 2 cents more a litre

On sorghum beer and sorghum beer powder there will be an excise duty increase of one cent a litre and five cents a kilogram respectively

A few changes have been made to the taxation of individuals Take, for instance, married women

The maximum rate of tax for a married woman has been increased from 38 percent to 40 percent at taxable income of R50 000, instead of R40 000 as before. This is effective from March 1 this year

The new tax rebates are married persons R2 225, unmarried persons R1 950, married women R900 and persons over 65 years old R2 500

Tax rates have been changed so persons in the lower tax brackets will save some tax The levels of income at which various persons start paying tax have been raised

Tax rates

- Married persons under 63 years pay tax at income above R12 501 a year
- Persons 63 years to 64 years start paying tax at above R13 132 a year
- Persons over 65 years pay tax when income exceeds R24 881 a year
- Unmarried persons under 63 years pay tax at R10 715 a year
- Between 63 and 64 years they pay tax at R11 286 a year
- Over 65 years they pay tax income of above R21 429 a year
- Married women under 65 years pay tax at R5 264 a year
- Over 65 years they pay tax at income of above R17 292 a year

Housing is another area which the Budget tried to tackle

Houses and flats up to R50 000 will not have transfer duty if they are sold between individuals who are not registered vendors for VAT

The Budget provides for an amount of R2 153-million for housing projects

No transfer duty will be payable on the purchase of unimproved land for dwelling purposes if the value is not more than R20 000 All the provisions regarding transfer duty apply as from March 19, 1992

THE WEEK AHEAD by Simon Willson

Two inflation rates, many signals

B/Day 23/3/92. (244)

EVENTS have conspired to produce a week in which the rates of both producer and consumer price inflation will probably be released Indeed, it is quite likely that only a few hours will separate the publication of the two rates, and it will therefore be important to distinguish between their different inflationary signals

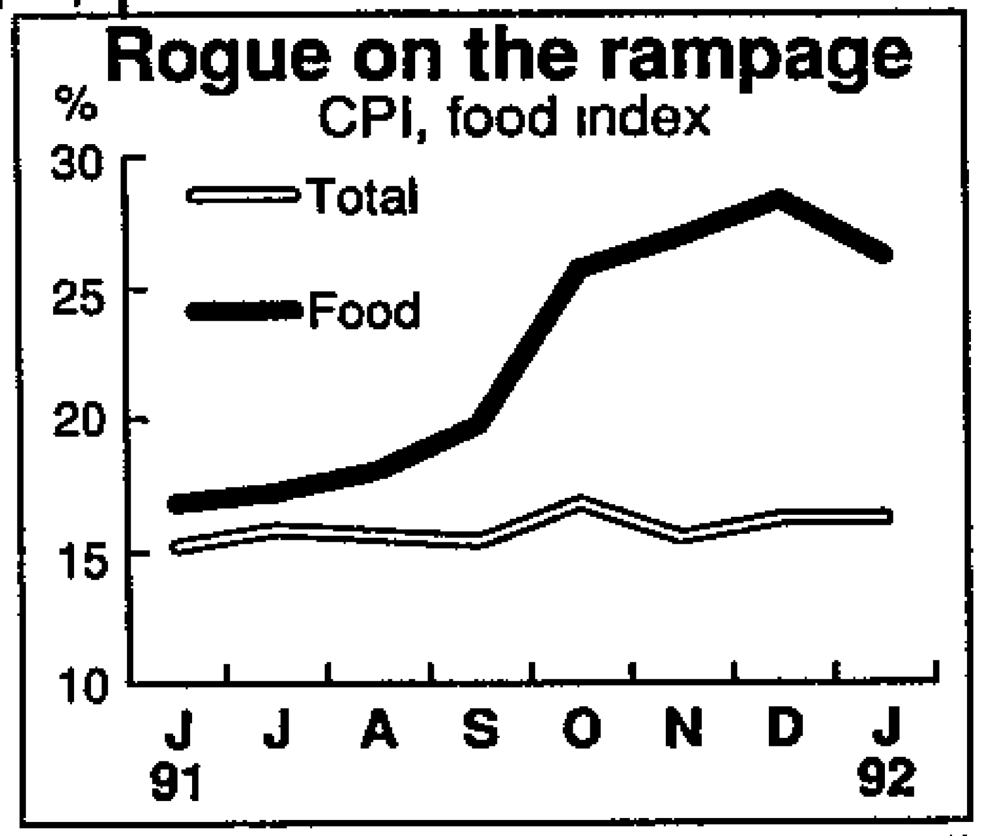
The latest data on the trade balance and on money supply growth are also due this week but, because these last two indicators are moving with relative consistency in the required direction, they will not command as much market attention as the prices data

Even though the Reserve Bank has acted to ease monetary policy, the Bank's stated resolve to "reconsider" its new credit stance if prices rises do not slow during the rest of the year means inflation in its various guises still holds centre-stage Inflation as measured by the Central Statistical Service's (CSS) producer price index (PPI) is due first, either later today or tomorrow The CSS's consumer price index (CPI) inflation rate should follow rapidly

The first distinguishing feature between the two figures is the month under review Although we move into April next week, the latest in a long series of delays in SA's data releases means we are still waiting for the January PPI. Put another way, we have yet to see a PPI figure for the calendar quarter we are about to leave

This week's CPI figure, by contrast, is for February The direct comparability of the two measurements is therefore even more restricted than it would normally be

The usual lead-lag relationship between movements in the PPI and CPI has, due to fiscal tinkering and rigidities in retailing and distribution, been suspended PPI inflation has almost halved over the past 12 months while the CPI rate has moved in the opposite direction, making a nonsense of the general rule of thumb that PPI movements lead similar trends in the CPI by about one calendar quarter



Graphic: LEE EMERTON

The other distinction to draw between the PPI and CPI data is the different "rogue" elements in each. Perversely, they are also pulling in opposing directions The CPI continues to be blighted by soaring food prices which have been rising at almost double the rate of overall prices The PPI, however, has a benevolent rogue in the form of soft and, in some cases, falling import prices.

The startling chart shows the main impediment to the CPI following the PPI downward rogue food prices. Even after a near-doubling of food price inflation in the second half of last year, overall headline inflation has been steady Had food prices been more docile, therefore, headline inflation would have been considerably lower.

A Board of Trade and Industry investigation into food price inflation is dealing with the technicalities of the issue; market concern is with its effect on the overall inflation rate and, in turn, inflation's effect on the setting of monetary policy. What is clear enough from the chart is that, if food price rises could be moderated, their appreciable weighting of almost a fifth of the total CPI basket would quickly allow overall inflation to ease

Food price inflation did slow in the year to January for the first time in seven months, and may again slow in February before coming under upward pressure from the effects of the drought This may allow a dip in headline inflation from January's 16,2% January PPI inflation, meanwhile, should stay well in single figures thanks to another contribution from possibly falling import prices

The announcement of the new guideline range for M3 for calendar 1992 means that the February money supply data, also due out later this week, will have to be seen in the context of the authorities' tighter M3 target Growth in M3 from February 1991 to January 1992, at 10,8%, was comfortably in the middle of the old, 1991 guideline range of 8%-12% But it is overshooting the authorities' new and narrower 7%-10% guideline range for 1992 and, in terms of the Reserve Bank's weekend statement, the January data say broad money supply is suddenly growing too quickly again

Internationally, Thursday's final revision to US fourth-quarter GDP is unlikely to show much change from the upward adjustment at its first revision three weeks ago. Then, quarter-on-quarter annualised growth for 1991's December quarter was adjusted up from a preliminary 0,3% to 0,8% on higher private consumption of non-durables, higher government spending and firmer total domestic demand

On Wednesday, a more up to date measure of US economic activity emerges with February durable goods orders. A big rebound in January to a 1,5% increase from December's 5,1% decline leaves the February figure needing to show continued recovery if current talk of a build-up is to have any substance

Last week's climactic unemployment and inflation figures in the election-feverish British markets leave this week quieter in the UK The trade figures, which had a lot to do with Labour losing the 1970 election when a bad deficit was announced in the middle of the campaign, are less influential these days.

Today's trade figures for February may show lower trade and current account deficits than the respective £1,1bn and £0,8bn in January without necessarily offering the Major government any solace from last week's diappointing jobs and prices outturns

Retail sales in Japan have looked a bit sickly this year, managing to rise only 1% and 1,4% in December and January after rising 3,3% and 4,5% in October and November Even another figure of 1% or so in tomorrow's release of the February sales figures would probably not push the Bank of Japan any closer to a discount rate cut, as it has gone on the record this month to say it does not consider the present state of availability of funds or bank lending to be an obstacle to the economy

The fiercely independent Japanese Central Bank could still be swayed by Wednesday's release of the January leading indicator. The leading indicator cuts more ice with the bank than the performance of the stock market as a barometer of economic confidence because it is closer to the real economy It was the indicator's crash from 46,2 last September to a horrendous 8,3 in October, as announced in December, that pushed the Bank into trimming a point off the discount rate to 4,5% on December 30.

The indicator has staggered back to 27,3 in December — partly thanks to the last discount rate cut — but any further signs of wobbliness are likely to jog the Bank's rate-cutting arm more sharply than the Nikkei's testing of the 20 000 level

Results 'clear chain on food inflation'

244

B Day 23/3/92

LINDA ENSOR

CAPE TOWN — The 13,9% growth in Pick 'n Pay's turnover to R5,9bn (R5,2bn) in the year to end-February, a period in which the food retailer's market share increased significantly, proved that it could not be held responsible for the escalating inflation in food prices, MD Hugh Herman said at the weekend

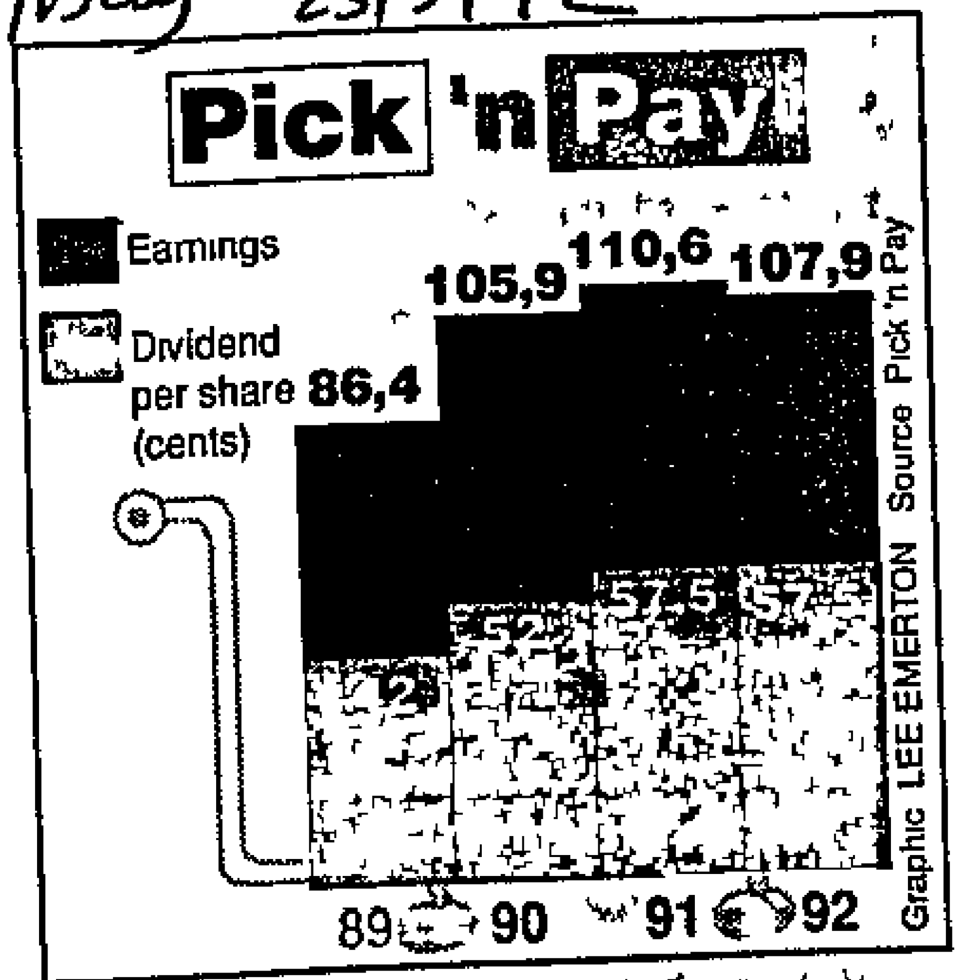
There was no way, looking at the Pick 'n Pay results, that the group could be blamed for runaway food inflation of about 28%, he said Earnings slipped 2,4% to 107,9c (110,6c) a share and the dividend was maintained at 57,5c

"We are tired of the accusations which bear no relation to the facts," Herman said. The group's auditors were examining the rise in prices over the past year of a sample of actual shopping baskets representative of the whole spectrum of the shopping population.

Preliminary statistics showed that the average unit price at Pick 'n Pay stores had risen by about 13% to 14% over the past year, and by 11,5% if the tax element of the price was excluded.

Herman said the 28% rise in inflation alleged by the Central Statistical Service was totally inaccurate, as it was based mainly on small traders and gave no weighting to large supermarket chains

Also, the mix of goods was not representative of average buying trends, as it overemphasised the proportion of meat.



Operating margins dropped to 2,16% (2,57%) during the year, with the decline in purchases of clothing and hardware goods contributing to the fall.

Pick 'n Pay chairman Raymond Ackerman said, however, that the gross margin on food alone — which contributed about 81% of sales — was about the same as last year It was not possible to break down the operating income derived from food and non-food sales, he said, as no separate profit and loss accounts were kept.

Ackerman added that the higher-margin, non-food sales were subsidising food sales, rather than the other way about.

The slide in margins resulted in a 4,2%

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Pick 'n Pay

B Day 23/3/92

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☐ From Page 1

decline in operating income to R127,9m (R133,5m), but this was offset by the sharply higher investment income which more than doubled to R14,5m (R6,8m)

The increase in interest paid arising from the group's extensive capital investment programme in new technology and a rise in the tax rate to 39,3% (37,9%) because of the change in capital allowances, saw the bottom line slip downwards.

Pick 'n Pay ended the year in a cash flush position with R191m in the bank and Ackerman said it would revert to being a net earner of interest in the last three months of the financial year The cash was derived from the cutback in stocks and the sale of equity-linked insurance policies.

Ackerman expressed relief that the results had remained steady in a very tough economic climate, the worst he had experienced in the 25 years of Pick 'n Pay's operations

The tight control of expenses and shrinkage in the second half had offset the continued deterioration in turnover and enabled the group to make up the decline suffered at the interim stage Ackerman was pleased with the reduction in stocks from R451m in August to R416m, achieved in spite of the store expansion programme, and said stocks would be cut further

He expressed confidence about the year ahead, especially if consumers' disposable incomes increased by, for example, the cut in interest rates, and said there would be growth at the pre-tax and after-tax level

Herman added that while no big upturn in the economy was expected, Pick 'n Pay had budgeted for a reasonable rate of growth "well into double-digit figures" this year He believed turnover would gradually improve, especially because of the group's 25th anniversary promotions

Steps taken to improve control of expenses would continue to pay dividends in the coming year

Holding company Pick 'n Pay Holdings maintained earnings and dividends of 28,4c and 28,41c a share respectively

Marked decline in food retail sales

STAR 24/3/92

244

Retail trade sales for December 1991 totalled R10,12 billion, two percent higher than expected.

Estimates for sales were previously pitched at R9,93 billion

The Central Statistical Service said in a news release that expected retail trade sales for March 1992 amounted to R6,69 billion.

This figure reflected a decrease of 2,2 percent compared with December 1991, after seasonal adjustment.

The total retail trade sales for 1991 showed an increase of 12,3 percent, compared with 1990

The Cape enjoyed the largest increase, with a 15,5 percent rise, followed by the Transvaal with 12,6 percent, Natal 8,5 percent and the Free State with six percent.

The CSS said total real retail sales (at constant 1990 prices) for 1991 were 3,6 percent lower than for 1990.

The largest decreases occurred at general department stores, which declined by 11 percent and grocers and other dealers in foodstuffs, which were 8,1 percent down.

"In a year-on-year comparison, the real sales of groceries showed a decrease of 9,8 percent, whereas furniture (including domestic appliances and TV sets) increased by 4,3 percent and clothing (including footwear) by 2,9 percent," the CSS said — Sapa

Higher trade surplus is 'good news'

Hopes rise for recovery as inflation slows

B/Day 25/3/92 244

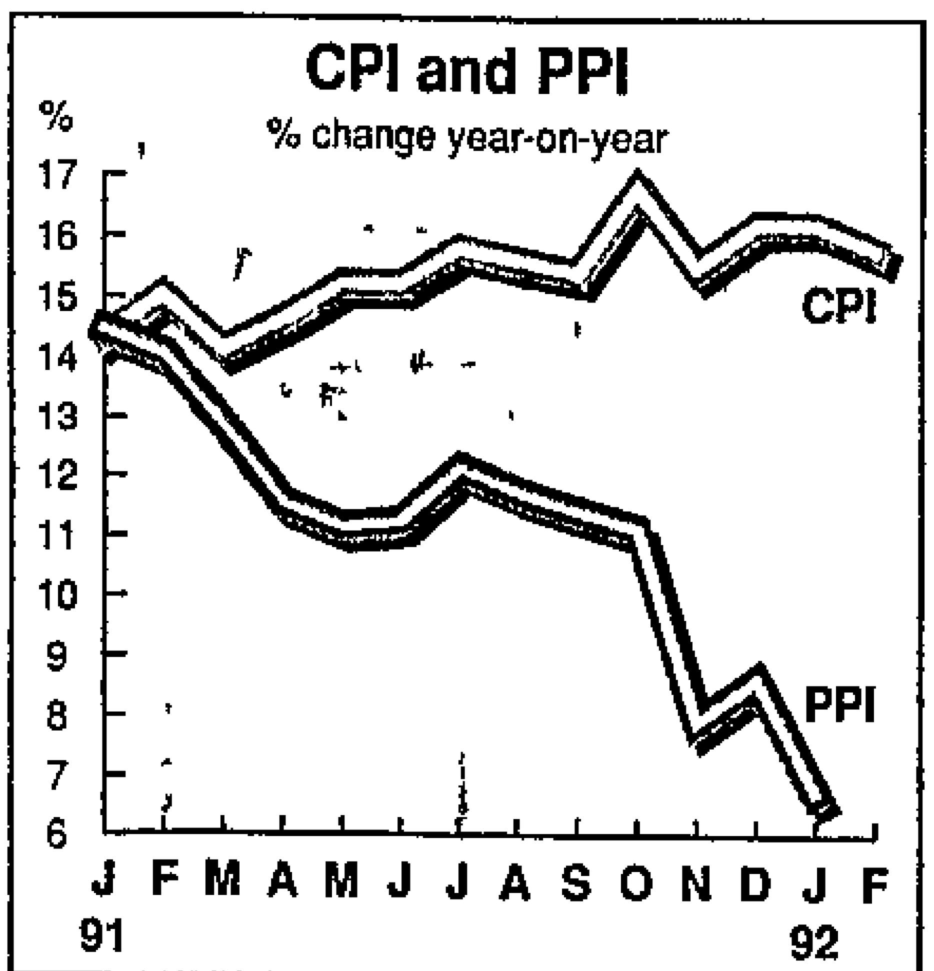
SIMON WILLSON and SHERIDAN CONNOLLY

INFLATION measured at both factory gate and shop shelf is slowing, according to official figures, and analysts say the combination of lower inflation and other favourable indicators leaves the economy poised to begin a strong upswing.

Data published yesterday by the Central Statistical Service (CSS) show a dip in the rate of consumer inflation — the average rate of price increases in the shops — to 15,8% in the year to February from 16,2% in the 12 months to January.

The increase in producer prices — those paid at the wholesale stage of the distribution chain — also declined, to 6,7% in the year to January from 8,6% in the 12 months to December This means producer price inflation is at its lowest level since the 6,6% recorded in May 1984

And statistics from the Customs and Excise Department showed a widening in the trade surplus — the margin by which exports exceed imports — to R1,89bn in February from R700,6m in January



Graphic FIONA KRISCH Source CSS

Allied to positive trends already visible in other variables such as money supply growth, balance of payments strength and the build-up in foreign reserves, the prices and trade data have left analysts confident about medium-term economic prospects

"Financial indicators are now collectively moving in a positive direction," Bankorp economist Nick Barnardt said yesterday "This has important implications for an upswing in the business cycle and a resumption of economic growth. In total, the process of financial improvement now under way gives a clear signal that the business cycle will move into a renewed upswing phase in the economy."

The inflation slowdown comes only days after Reserve Bank Governor Chris Stals's weekend statement warning that the cut in official interest rates effective on Monday could be justified only by lower inflation.

Stals said unless inflation declined during the course of 1992, the stance of monetary policy would have to be reconsidered

Nedbank chief economist Edward Osborn said he expected the rate of consumer inflation to fall rapidly to around 12% by the year-end, helped by the effect of VAT's introduction falling out of the consumer price index (CPI) in the fourth quarter

The decline in the headline rate of consumer inflation masked a rebound in the rate of increase in food prices After drop-

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Recovery

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☐ From Page 1

ping for the first time in seven months to 26,2% in January, annual food price inflation accelerated to 27% in February

The CSS singled out vegetables, fish and oils as the main contributors to the higher rate of food inflation and alcoholic beverages, vehicles and clothing as the main offenders in the CPI as a whole.

The chief factor behind the decline in producer price inflation was the cost of imported items, which fell by 1,9% in the year to January Cheaper imports helped set a single-digit rate of producer price inflation for the third successive month in February, for the first time since the three months to October 1984

Osborn said the low rate of producer inflation could be attributed to the relatively high base as a result of higher imported fuel prices this time last year He expected the February rate of producer inflation to remain around current levels

The higher surplus in the February trade figures arose from a rise in exports to R5,58bn from R4,82bn in January and from a fall in imports to R3,68bn from R4,12bn.

Unclassified imports (mainly of crude oil) were higher in February at R371,4m from R369,4m in January and unclassified exports (mainly gold and armaments) were lower in February at R1,87bn from January's R2,03bn

Rand Merchant Bank chief economist Rudolf Gouws said the higher trade surplus was "very good news" Exports had recovered from their recent lows

Gouws said, however, in spite of the abolition of sanctions and the normalisation of trade relations, recessionary conditions in SA and the world economy would limit SA's export performance in 1992.

The excellent results received from economic indicators in the past few days were very promising, he said

Food prices rocket

Devastating drought takes toll on crops

ARCT 26/3/92

244

Staff Reporter and Sapa

THE prices of vegetables have rocketed on the Cape Town Fresh Produce Market, some more than doubling in price, as the drought in many parts of the country takes its toll on crops

Some vegetables have reached record highs this month Potatoes have gone up from R6 for a 10kg pocket in January to R14 a pocket It is predicted that the price will go up to R20 before coming down again

Mr Joe Bester, a spokesman for the Epping market, said farmers in Ceres had to supply inland markets, limiting supplies and pushing up prices

The prices of gem squash, pumpkin and hubbard squash were "higher than normal" because of the constant demand

Tomatoes are fetching prices of up to R10 a 5kg tray, but a constant supply brought the price down to R6 a tray on Monday

Food prices are set to soar throughout South Africa as the country is forced to supplement drought depleted crops with more costly imports, consumers have been warned

In addition to maize, drought has struck down summer grain and oil seed crops, which constitute an important part of many foodstuffs, making imports and higher prices inevitable

Meat prices are also expected to rocket The Meat Board predicted at a recent agricultural conference that beef would fall slightly in April but thereafter it would go up month by month

Sheep and pork

Sheep and pork prices would continue to rise month by month, without any relief

Although the South African Agricultural Union would not confirm that higher food prices are in the pipeline many agriculturalists agree that consumer prices will be forced upwards

A task group of organised agriculture and banks are at present liaising with the department to establish who needs help most from the R1-billion drought relief allocated by government in last week's Budget

Mrs Lyn Morris of the Housewives' League has called on the government to use some of the drought relief to subsidise mielie meal at the consumer's end to prevent the price of the basic foodstuff rocketing

The Oil Seed Producers' Organisation of the South African Agricultural Union has asked the union's disaster and emergency aid committee to consider the precarious situation of oil seed producers when planning aid schemes

Inputs were higher than for last season's crops and income will be far lower

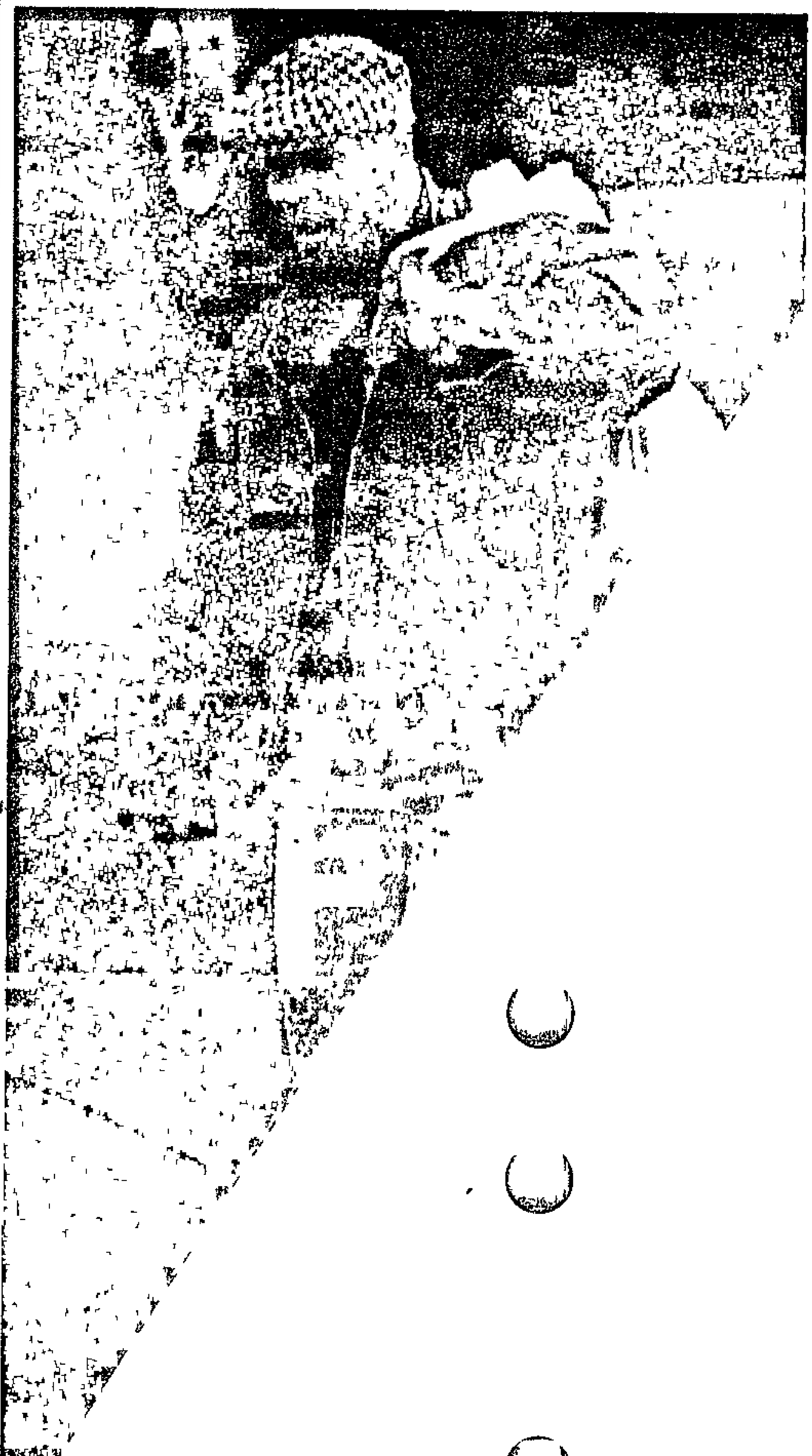
Oil seeds organisation chairman Mr Gerhard de Kock said producer prices of sunflower seed, soya bean seed and peanuts increased by an average of 10 percent, 9 percent and 12 percent a year over the past 10 years.

The cost of imported maize on the Witwatersrand will be about R520 a ton, which is nearly R200 more than that of local maize

Maize is the main feed for poultry and pigs and is needed for efficient milk production

As the searing drought continued, the Department of Agriculture yesterday listed the Cape area of Swellendam, Frankfort and Heilbron in the Orange Free State, and the Transvaal's Highveld Ridge in Evander, as disaster drought areas

It also said that the district of Hankey in the Eastern Cape and Beaufort West in the Klein Karoo were no longer classed as drought disaster areas



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Food prices still play havoc with inflation

(244) BDay 26/3/92

SHERIDAN CONNOLLY

FOOD prices continued to play havoc with the rate of consumer inflation in February, inflation figures released by the Central Statistical Service show.

Food price inflation ticked up to 27% in the year to February from 26,2% in January and 28% in December. CSS ascribed the rebound in food prices in February to price increases in vegetables, fish and seafood, fats and oils, and "other" food products.

Inflation statistics showed vegetable prices increased by 44,2% in the year to February while the price of fruit and nuts was 56,5% higher and meat prices rose 33,9% over the same period. A deceleration in food price rises in January raised hopes of a slowdown in the rate of food inflation. It slowed to an annual rate of 26,2% and to 0,2% in month-on-month terms — the lowest monthly rate of increase since June last year.

Agricultural control boards, industry conglomerates, farmers, manufacturers and retailers have all been blamed for the rate of food inflation which consumer boards say is unacceptable. Although the introduction of VAT has also been blamed, organisations such as Cosatu have said "businessmen in the food industry exploited VAT to the full even before it was officially introduced".

The Board of Trade and Industry's investigation into price structures within the food chain will only be released towards the end of next month. Housewives' League representative Sheila Lord said yesterday the board had not approached the league for comment.

The CSS's calculation of food price inflation has also come under attack recently from Pick 'n Pay MD Hugh Herman, who said the rate as measured by CSS was "totally inaccurate". Herman said CSS based its price survey on small traders and gave inadequate weighting to large chains.

Furthermore, the mix of goods was not representative of average buying trends as it overemphasised the proportion of meat, Herman said.

CSS spokesman Johan Rosenstrauch said yesterday the food weighting of the consumer price index (CPI) reflected the ratio between food items determined by the actual expenditure of the average urban household.

In determining the CPI, the CSS surveyed 12 urban areas which covered all income groups and all population groups in different suburbs within the 12 areas, Rosenstrauch said. The weighting of items in the consumer basket had been determined by a survey conducted by the Human Sciences Research Council in October and the CPI was compiled on the basis of a 1990 weight structure

Higher food costs inevitable

Sowetan 26/3/92 (244)

Sowetan Correspondent

PREPARE for a wide range of food price increases; drought has struck down summer grain and oilseed crops so much that imports and higher costs are inevitable

Although the South African Agricultural Union would not confirm that higher food prices are in the pipeline many in agriculture say that consumer prices must rise.

The Meat Board predicted at a recent agricultural conference that beef would fall slightly in April but thereafter it would go up month by month

Sheep and pork prices would continue to rise month by month, without any hiatus in April

The cost of imported maize on the Witwatersrand will be about R520 a ton, which is nearly R200 more than that of local maize

Maize is the main feed for poultry and pigs and is needed for efficient milk production The grain sorghum crop - some farmers use sorghum as a partial replacement for maize - will be down to 94 000, which is about half of the human consumption of the country

The cost of imported sorghum is expected to be about R450 to R515 a ton on the Witwatersrand, which is considerably more than last year's floor price of R295 a ton for local grain.

The sunflower seed crop is about 170 000 tons, roughly 70 percent lower than the previous year's 588 000. Sunflower oil is widely used in catering.

Grain processors have in the past said that South Africa's internal grain price was lower than the world price, but the prices South Africa now has to pay for its grain imports seems to give the lie to this argument.

The soya bean crop is expected to be 40 percent lower than last year's 125 000-ton crop

An above-average peanut crop was expected but the predicted crop will be about 80 000 tons, which is about the same as the previous season Eating peanuts will make a smaller percentage of the total which can mean a loss of income because nuts used for oil expressing command a lower price

The Oil Seed Producers Organisation of the South African Agricultural Union has asked the union's disaster and emergency aid committee to consider the precarious situation of oil seed producers when planning aid schemes.

Inputs were higher than for last season's crops and income will be far lower

Mr Gerhard de Kock, chairman of the Oil Seeds Organisation, said that producer prices of sunflower seed, soya bean seed and peanuts increased by an average of 10 percent, 9 percent and 12 percent a year over the past 10 years

INTEREST RATES

Reading the omens

FM 27/3/92 244

The announcement last Friday of a one percentage point fall in the official rate at which the Reserve Bank lends to the banking sector took some market players by surprise

Earlier in the day, the Bank's weekly Treasury bill tender included — for the first time — six- and nine-month bills So the Bank's own treasury did not signal a fall

Also caught wrong-footed were those who expected that, with the market already discounting a fall in Bank rate of more than one percentage point, Reserve Bank Governor Chris Stals would announce a bigger reduction

Disappointment was reflected in long rates The benchmark Eskom 11% climbed from its Friday close of 16,045% to end Monday at 16,135%.

Whether a fall of one percentage point was appropriate depends, perhaps, on whether the recent surge in the official inflation rate — based on the consumer price index — or the rise in producer inflation is regarded as the most reliable indicator of the path of future inflation Stals must have pondered over the conflicting evidence

Since January 1991, when the CPI climbed 14,3% and PPI 14,4%, the two have moved in opposite directions (see P38) By January 1992, the gap between the two rates amounted to 9,5 percentage points. Traditionally, PPI movements precede those of CPI but this period of 12 months in which they have moved in opposite directions falls well outside the normal lag

If PPI is an accurate reflection of fundamental inflation, there would certainly be a case for a larger fall in Bank rate. But Stals chose the path of caution because he knows the strength of inflationary perceptions He must also have been influenced by the latest money supply figures which show a recent acceleration in the rate at which the broad monetary aggregate M3 is growing (see P36)

This is probably due in part to an inflow of foreign funds

Though it is good news for the balance of payments, the inflow creates excessive liquidity in an economy protected by exchange controls — which is an important reason for Stals's decision to intervene in the financial rand market (see below)

The relaxation of hire purchase restrictions announced a day ahead of the announcement of a fall in Bank rate does not signal a change in monetary policy

That the two announcements came within a day of each other is coincidental, Stals told the *FM*

The decision on HP requirements was designed to help certain sectors — the car industry and furniture retailers — while the fall in the official Bank rate was a logical outcome of market conditions

"We have reduced the rate to a level which we can defend," says Stals

He has signalled that monetary policy will remain firm by setting the target guidelines for growth in the broad monetary aggregate M3 at 7%-10% for 1992, below the previous year's 8%-12%

And on Tuesday, he was siphoning money out of the system with a R500m tender of special Treasury bills

Stals stressed that the convention that banks should reduce their own lending rates

in line with Bank rate no longer holds He says they are free to set their rates according to their needs But no bank took advantage of this to gain a competitive benefit in the market — all major banks announced one percentage point falls They are reluctant to sacrifice margins and uncertain about liquidity in the market

Rediscount bills

Along with the fall in Bank rate, other rates at which the Bank rediscounts bills for banks were lowered

- ☐ On Land Bank bills to 16,15% (down from 17,15%) , and
- ☐ On bankers' acceptances to 17% (17,5%)

The penal rate on overnight loans will be fixed at 1,5 percentage points above the prevailing prime rate ■

FINANCIAL RAND

Package deal

FM 27/3/92

Reserve Bank Governor Chris Stals has equipped himself with a versatile new policy instrument With one stroke he has found a way to reduce

- ☐ Liquidity in the money market,
- ☐ The financial rand's discount against the commercial currency;
- ☐ Debt held in the standstill net; and
- ☐ Losses incurred on the Bank's forward cover operation.

For the first time since the financial rand was introduced in 1961, the Bank will intervene in that market By using dollars to buy financial rands, it will offset inflows of foreign funds to the money market Though determined "at the discretion" of the Bank, the exchange rate of the financial rand will be linked to the level of official reserves

At the same time, the Bank will shrink the pool of financial rands which will increase the value of the unit Stals implies in his statement that this is a first step towards abolishing exchange control "As sanctions are now being lifted, unnecessary exchange control restrictions should also be phased out"

For some time, he has complained that exchange control has distorted SA's financial markets, creating liquidity which would not be there if market forces prevailed This has the unfortunate effect of stimulating credit creation and driving inflation Now he has found a way to tackle that problem

He points out that foreign creditors with claims against the debt standstill net (now worth less than $6bn) can convert these into financial rand They can then sell them, indirectly, through authorised dealers in foreign exchange, to the Bank But, clearly the Bank could not absorb huge sums overnight, so transactions will be limited by availability of reserves

As long as there is a discount, the Bank's finrand interventions will generate profits At prevailing rates $100 will eliminate R350 in financial rands, at a cost to the Bank of only R290 These profits will be transferred to the Forward Contracts Contingency Reserve Account of the Treasury, held by the Bank, which had accumulated debits of R10,4bn by March 1991 — the latest available figure. Allocations from the Budget in certain years reduced the amount.

The immediate effect of the operation will

Continued

FM 27/3/92 (244)

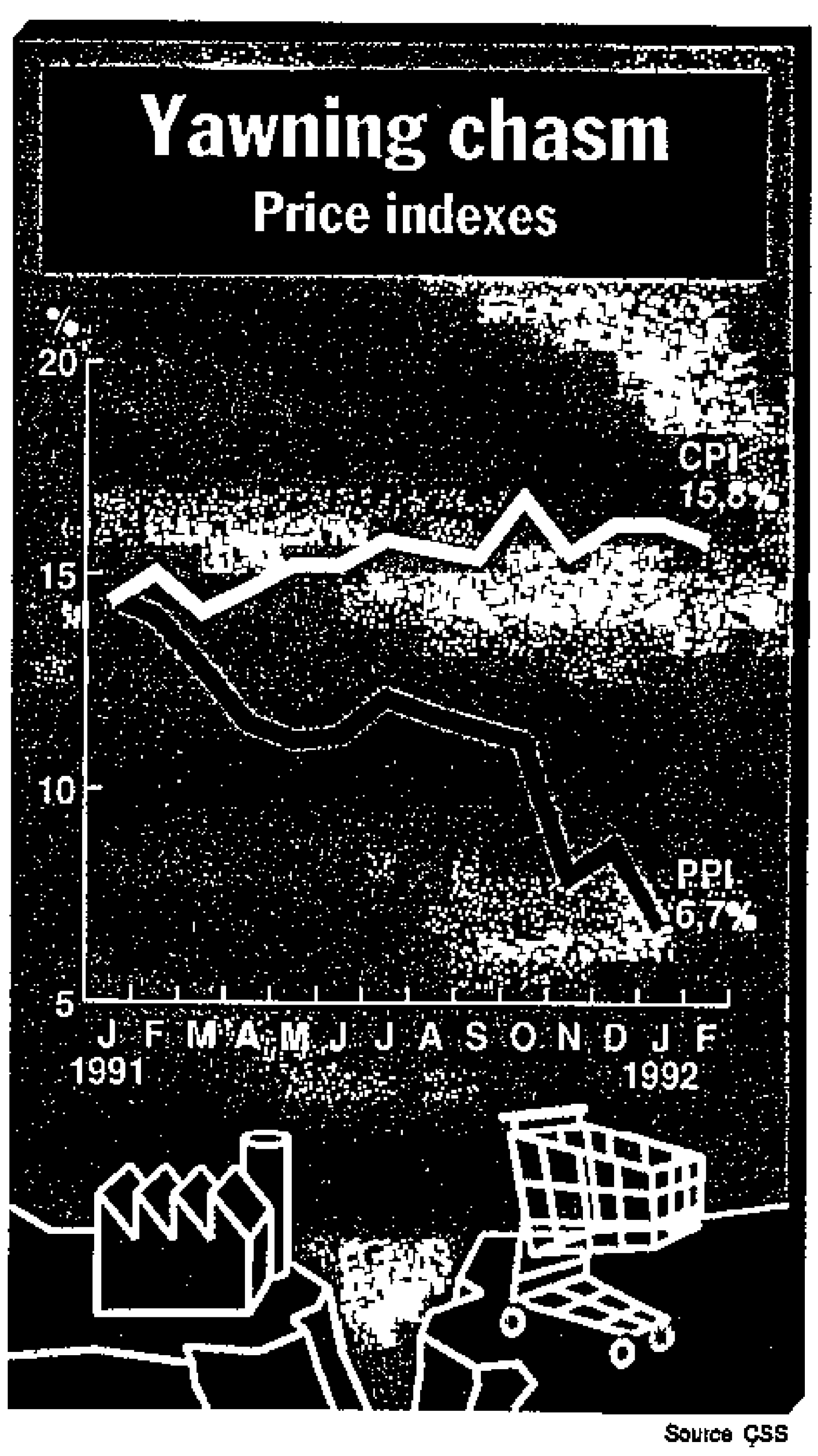
PPI/CPI FM 27/3/92

Inflation puzzle (244)

The gap between the rates at which consumer and producer prices are rising reached a record 9,5 percentage points in January Growth in the producer price index (PPI) continues to subside. According to Central Statistical Service, the January year-on-year rise in the index fell to 6,7% (from December's 8,6% increase) In that month, the rate at which the consumer price index (CPI) rose was 16,2%

The major contributor to the deceleration in producer price rises was a decline in imported commodity prices — 1,2% month-on-month and 1,9% year-on-year. Econometrix's Tony Twine says two factors are responsible

The first is that oil prices declined from an exceptionally high base in January 1991. Brent Crude hit a peak of US$33,5 a barrel in January 1991 but traded in the $17-$18



Source CSS

band this January Twine points out that, in coming months, calculations will be off lower base prices so the effect will be phased out However, he points out "There will be a spillover into local prices, since oil-derived products are an input into just about everything that is produced."

The second factor is the strong performance of the dollar since January. "As the dollar rises, the rand tends to rise marginally against other currencies in the trade-weighted basket, so the rand price of imports from our major trading partners falls."

What is encouraging is that the rate of increase in the prices of locally produced commodities remains at a low level, at 8,7% year-on-year and 0,3% for the month "The monthly increase annualises at about 4%, which is comparable with the inflation rates of our major trading partners," says Twine The combined effect of falling demand and high nominal interest rates has meant that manufacturers are rejecting increases in input costs, he says

But there is little indication that the CPI-PPI gap is about to narrow significantly CPI for February rose 15,8%, year-on-year, and 0,9% in the month The major impetus came from food, with a weighting of 18,64% in the index, which contributed 0,2 of a percentage point of the 0,9% monthly increase, and transport, with a weighting of 14,43%, which contributed 0,4 of a percentage point

Food's increase in the month can be attributed to large rises in fish, fats and oils and vegetables, which counteracted the comparatively small increase of 0,3% in meat prices But, says Twine, there are signs that food increases should decelerate in the coming months This is because a large surplus of meat, which accounts for a third of food's weighting in the index, should occur as more stock arrives at abattoirs

The large contribution of transport to the rise in the index, particularly vehicle prices which rose 5,1% in the month, can be explained by technical factors According to CSS, transport figures are recorded quarterly, though figures are published at other times if available So the February increase reflects changes over the past three months A more accurate picture emerges from the year-on-year figure of 22,3% for vehicle prices ■

Zero ratings expire tomorrow

Govt poised to back down on VAT relief

BDay 30/3/92 (244)

BILLY PADDOCK

CAPE TOWN — Finance Minister Barend du Plessis is expected to extend the zero rating of basic foodstuffs today, say government sources

It could not be established yesterday how long the concession would last, but it is understood that Health Minister Rina Venter, who is responsible for targeting food relief to the poor, will soon start negotiations with interested organisations on how to channel the R400m in food relief set aside to those most in need

Last year R220m was set aside for food relief for the poor but only half was spent because it took so long to set up systems and structures for channeling the relief, officials said

Du Plessis, Venter and Deputy Finance Minister Theo Alant, who is responsible for overseeing VAT, will host a news conference in Pretoria today

The ANC and Cosatu have threatened mass action if the zero rating is not extended. At the weekend Sacob, the SA Milk Organisation and the Cape Town Chamber of Commerce also called for an extension.

Following last year's confrontation over the implementation of VAT and the two-day national strike, Du Plessis was forced to back down, reduce the VAT rate and zero rate a number of extra foodstuffs

At the time he said this would be for only six months, to the end of this month, when the position would be reassessed There was no mention in the Budget of extending the concession, but sources said this was because Du Plessis did not want to commit himself for the whole year

Earlier this month Du Plessis made a partial concession by extending the zero rating on brown bread and maize meal

The zero rating on other goods expires at midnight tomorrow and because of the widespread antagonism and threats of further strikes and demonstrations that government wants to avoid, especially with Codesa at a sensitive stage, Du Plessis would extend the period, sources predicted.

It is known that he is unhappy about having to grant further extensions, due to the belief that the VAT system operates more effectively with a minimum or no exemptions and that it is better to use other methods of targeting the poor for relief purposes So he is unlikely to back down completely with permanent exemptions.

It is more likely that Du Plessis will extend the period until consultations between Venter and organisations such as trade unions and consumer groups have resolved ways of ensuring efficient distribution of relief

GERALD REILLY reports from Pretoria that the SA Milk Organisation chairman Marthinus Hermann urged Du Plessis to extent zero rating of certain dairy products "to strengthen nutritional and economic support of underprivilged groups"

Hermann said the drought had already exerted great pressure on costs and prices which would increase during the year

Sacob has turned the screws on Du Plessis In a statement last week the organisa-

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VAT relief

BDay 30/3/92 (244)

☐ From Page 1

tion pleaded for a six-month extension of the zero rating of certain basic foods

The poor performance of the economy and increased unemployment made it inadvisable to terminate the zero rating at the end of this month, Sacob said

Sapa reports that the ANC on Saturday welcomed Sacob's stand, saying the targeted relief programmes had not been implemented, nor were the funds allocated adequate for this purpose

It said President F W de Klerk should meet the Vat Co-ordinating Committee to discuss the issue An adequate relief programme should be negotiated, mechanisms should be created to bring down food prices and the problems of small business in implementing VAT should be addressed

DP finance spokesman Brian Goodall said until an efficient poverty aid relief delivery system was in place it would be extremely unwise in the current socio-economic climate to terminate the zero ratings

LINDA ENSOR reports that Cape Town Chamber of Commerce acting president Herbert Hirsch also called on De Klerk to extend the exemptions

Hirsch said government's poverty relief scheme to offset the effect of VAT on the poor had been "dreadfully slow" to take effect

VAT on food may be put on hold

244

Sowetan 31/3/92

Sowetan Correspondent

THE Government looks set to bow to concerted public pressure on VAT and is today expected to announce a temporary extension of the zero-rating on certain basic foods

Cabinet sources yesterday indicated the Government would not budge from its original plan to impose VAT on all but the most basic foods from tomorrow

Three Cabinet Ministers, including Minister of Finance Mr Barend du Plessis, were to hold a Press conference yesterday

They were expected to announce that VAT would be slapped on nine food items - including samp, powdered milk, mealie rice, whole mealies, dry beans, fresh milk, canned pilchards and rice

These were the food stuffs for which a temporary VAT-free concession was granted when VAT was introduced on September 30 last year

The press conference has been postponed to today.

Yesterday Du Plessis consulted with his colleagues, including President FW de Klerk, on the issue

It is likely that a decision to temporarily extend the zero-rating of basic food stuffs was taken during these consulations

Apart from averting a threatened strike by trade unions, the Government's decision may well have been influenced by the knowledge that most major business organisations also favour an extension

Business organisations are today expected to appeal to Du Plessis to postpone imposing VAT on basic foods, which would have left the Government standing alone on the issue.

Last night Du Plessis would not divulge on what he would announce today but gave a strong hint at flexibility and concession

"We never want to be perceived as being dogmatic and putting the plight of the poor in any subservient position on the priority list

"Therefore we must seek to deliver our assistance to the best advantage of the needy and at the lowest cost to the taxpayer This strategy can vary from time to time," he said

Support for zero rating basic food

THE Co-ordinating Committee on VAT yesterday welcomed calls by Sacob and the SA Milk Producers Association supporting the extension of zero-rating VAT on basic foods Sowetan 31/3/92

"The calls by these two major business organisations, following soon after the powerful demand by the president of the ANC, Nelson Mandela, show that an increasingly wide spectrum of South African society recognises the urgent need for government to reconsider its position on this issue.

"This is a matter of life or death for hundreds of thousands of South Africans. Starvation is already widespread Food prices have rocketed The burden on the poor is crippling

"Government's refusal to extend the zero-rating on basic foods is heartless and ill-thought out. We cannot accept that the technical symmetry of a tax system should be achieved at the expense of widespread suffering " - Sapa

Telling pressure from business

Barend backs down on food zero rating

B/Day 1/4/92

(244)

CAPE TOWN — Businessmen wary of conflict and labour disruption put pressure on government to back down on VAT and extend the zero rating on certain foodstuffs.

It has been reliably learnt that senior businessmen contacted President F W de Klerk to warn him of serious consequences for the economy should Finance Minister Barend du Plessis persist with his plan to abolish the zero rating

Yesterday Du Plessis announced the zero rating on 11 basic foodstuffs (including brown bread and mealie meal) would be extended indefinitely, but fresh milk and rice would no longer be exempted

At a news conference in Pretoria Du Plessis denied any political motivation for the move, or that government was afraid of a confrontation with labour organisations No action government took would have satisfied these groups, he said

"We have no illusions that these latest steps we have taken will be met with joy from Cosatu and others with a political agenda," he said.

He said those with a political agenda had no understanding of how the economy worked, were not operating out of compassion and had, in fact, already planned their mass action last year

Du Plessis said he had not spoken to the

BILLY PADDOCK

VAT Co-ordinating Committee because it refused to speak to him and wanted to speak only to De Klerk. "The (committee) is a front organisation for socialist and even communist groups and we are too far apart to reach agreement," he said

PICK 'n Pay pre-empted government by placing a newspaper advert — before the Minister's announcement — offering customers a VAT holiday on milk and rice for the month of April. But Pick 'n Pay chairman Raymond Ackerman denied the group had any prior knowledge of what would be zero rated. The chain had decided to absorb VAT on some items — but had had no idea its assumptions would be spot on.

VAT was an emotionally sensitive issue and "we have to listen to responsible church and business leaders"

Du Plessis insisted he had not changed his mind on the issue but had consulted widely Cabinet had made the decision after weighing up the implications

Announcing the extensions, Du Plessis said there were three deciding factors

□ The responsible and persuasive repre-

□ To Page 2

VAT

B/Day 1/4/92

(244) From Page 1

sentations from business and church leaders,

□ The scientific investigation into food price increases that still had to be completed, and

□ The fact that the geographic implementation of the food relief programme had not yet been satisfactorily completed

He said the extension was indefinite The Treasury would lose R136m if it was kept in place for a full year If all 13 foodstuffs had been zero rated, the loss would have been R380m So by bringing fresh milk and rice into the VAT net, government was saving R244m Government would have to find ways of making up the lost revenue

Brown bread and mealie meal were permanently zero rated as announced in last year's Budget The other nine items now affected were samp, mealie rice, dried whole mealies, dried beans, soya beans, lentils, tinned pilchards, milk powder and dairy powder mixtures

Du Plessis said abolishing the zero rating on the nine items depended on the results of the food prices investigation and the satisfactory implementation of the food relief programme

Du Plessis rejected the allegation that the rise in food prices since the introduction of VAT was primarily caused by the tax "This is refuted by the fact that the prices of certain foodstuffs which were zero-rated have risen by more than 10% since the introduction of VAT," he said

DP finance spokesman Ken Andrew said Du Plessis should stop playing games with VAT on basic foodstuffs "It is a pity that important economic decisions continue to be characterised by brinkmanship, bluff, vacillation and capitulation rather than timeously negotiated agreements on how to resolve our challenging problems"

MARCIA KLEIN reports that Sacob welcomed the decision A VAT system with as few exemptions as possible was still desirable, a Sacob statement said, but the current economic circumstances required a flexible approach

Sapa reports the VAT Co-ordinating Committee welcomed the announcement, but said it was not enough to address poverty and starvation

Pick 'n Pay and the OK said they would absorb VAT on fresh milk and rice for a short time

● Comment. Page 12

VAT exemptions to remain on 7 basic foodstuffs

Barend 'fails to go far enough'

244

STAR 1/4/92

Du Plessis . . political mot'-

By Paula Fray
Consumer Reporter

The Government's decision not to impose VAT on seven basic foods until further notice was last night described as "not going far enough"

Finance Minister Barend du Plessis yesterday backed down from his intention to lift the temporary zero-rating on nine basic foodstuffs as from today

However, rice and fresh milk will now be liable for VAT The foods which remain temporarily VAT-free are samp, mealie rice, dried whole mealies, dried beans, soya beans, lentils, tinned pilchards, milk powder and dairy powder mixtures

Brown bread and mealie meal are permanently zero-rated

According to Mr du Plessis, the Government would collect an additional R244 million this year following the lifting of the VAT zero-rating on milk and rice, while the temporary zero-rated items would cost R136 million

He said the Government had responded to "responsible representation"

Factors which influenced Cabinet to extend the zero-ratings included the fact that Dr Rina Venter was in the process of extending the nutrition development programme He said Government was also awaiting the results of an investigation into high food prices

Also, the present economic situation had been "slow to recover"

"If we err, we would rather err on the side of compassion," Mr du Plessis said

He said he did not believe the concessions would find favour with the "excessive demands of Cosatu".

Shocked

The Minister would not comment on when the concessions would be dropped

Housewives' League president Lyn Morris said she believed the extension was good as it was aimed at assisting the poor

Nabbed . . . police hold a man in an Alexandra backyard during their investigations into yesterday's Ti'

4 killed in Alex rampa

By Bronwyn Wilkinson

Four people — including a seven-year-old child — were killed and scores were injured when armed Zulus went on a rampage in Alexandra yesterday morning, the ANC has claimed

But police said only one man was killed in a gun attack near the Madala hostel at 9 am

In another attack at 5 pm, three people were wounded when gunmen attacked a taxi rank at the entrance to the township

ANC spokesman Ronnie Mamoepa claimed that about 10 armed Zulus launched the attack from the hostel, shooting at people in yards and at children at the M C Weiler Lower Primary School in Second Avenue

The child who was shot dead was a member of a choir visiting Alexandra from Lesotho His guardian, "Robert", said the child had been in a minibus near Third Avenue at about 9 30 am when the shooting started

"They killed my one child and three of the others were injured When we got out of the kombi further on we was hijacked," Robert said

Police had no record of the attack Witwatersrand liaison officer Captain Eugene Opperman said "Police were called to a school area, but when they there, nobody could say was going on"

ANC PWV spoke Floyd Mashele told a conference in the tow that, after the attack school, "the (attackers) retreated back into the tel and came back with forcements" He said then ran down Third A

Bank rescues African Unity games

By Jeff van Blerk

South Africa's athletes can breathe a sigh of relief The African Unity Athletics meetings are on

In a last-minute reprieve, Nedbank launched a R700 000 rescue act to put South African athletics on ed the games to be cancelled Frantic appeals by SA athletics officials to the African Amateur Athletics Confederation led to an extension of time to raise funds

At a press conference in Johannesburg yesterday, it was announced that Nedbank had advanced R700 000 in Dakar, Senegal, on April 18, immediately after the SA Senior athletics championships in Bloemfontein

South Africans will compete in their first official international meeting in green and gold, but without the Springbok

The Germiston meeting.

ment was also awaiting the results of an investigation into high food prices.

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Shocked

The Minister would not comment on when the concessions would be dropped.

Housewives' League president Lyn Morris said she believed the extension was good as it was aimed at assisting the poor.

However, Checkers/Shoprite MD Whitey Basson expressed shock at the decision to include fresh milk and rice in the VAT bracket.

He said the imposition of VAT on these items would be a hard blow to consumers.

Mr Basson reiterated his call to government to terminate the taxation of basic foodstuffs until economic recovery was well under way

Democratic Party spokesman Ken Andrew said the Minister should stop playing games with VAT and continue with zero-rating on all basic foodstuffs

South African Chamber of Business chief Dr Ben van Rensburg said Sacob supported the decision against the background of the present economic situation.

"We still believe in a clean VAT system but think this step is necessary as an interim measure until such time when the poverty relief programme is in place," said Dr van Rensburg

VAT Co-ordinating Committee (VCC) convener Dr Bernie Fanaroff said that once again Mr du Plessis had reacted to pressure and made ad hoc changes. While the VCC welcomed the move it did "not go far enough" in two respects, he added.

The crisis of poverty and starvation in the country would not be properly addressed until a poverty relief programme was established

The second issue which the VCC considered essential was that the Governement should consult broadly on the issues of budgetary measures such as VAT and the stabilisation of food prices.

Zero-rated goods cost more in township stores

244

Sowetan 3/4/92

Sowetan Correspondent

THE cost of zero-rated items in major supermarkets remained "fairly stable".

But the problem areas were the small stores in townships and rural areas, Housewives' League vice-president Mrs Sheila Lord has revealed

Lord said on Wednesday - the day after Finance Minister Barend du Plessis had zero-rated certain basic foodstuffs - that there were no dramatic increases in the cost of zero-rated foodstuffs during the past six months.

But, she said, experience had shown white consumers in urbanised areas were paying less for food than the needy

National Black Consumers Union president Mrs Nonia Ramphomane concurred "Prices of these basic foodstuffs have gone up drastically in the townships - taking into account the cost of travel incurred by the dealer "

Ramphomane said she was not aware of the zero-ratings having a dramatic impact in township stores "Even in the past we have always paid much more in township stores than in the CBD supermarkets," she said.

Interfact, the research company commissioned by Vatwatch to monitor prices countrywide during the Value Added Tax transition period, said most zero-rated items had increased slightly.

Milk powder showed the highest increase of 6,93 percent since pre-VAT days, samp increased by 3,86 percent, brown bread by 3,15 percent; canned fish by 1,8 percent, rice by 1,19 percent, maize meal by 0,95 percent; and fresh milk by 0,45 percent

Du Plessis was "insensitive to the majority of the aged, unemployed and underpaid" by not making the zero-ratings permanent, said Ramphomane

"We are also disappointed that milk has been put into the VAT bracket This is one food consumers cannot do without It is the easiest protein our people can take and which they consume a lot," she said.

"The solution is for the Government to find ways and means of reducing food prices ... even if it means subsidising some of the production process and selling the products to the disadvantaged."

It was no use looking towards retailers to reduce prices

"It's not the retailers as such, as their prices are influenced by the manufacturers and producers," she said

Other organisations have also deplored the lifting of the zero-rating on rice and fresh milk.

National Co-operatives Dairies has said it regretted the lifting of the VAT concession on fresh milk

NCD corporate affairs manager Dr Chris Lerm said the nutritional value of milk was more than any other product at present still zero-rated and the decision was thus obviously taken for financial reasons.

He, however, welcomed the extension on milk and milk blend powders.

"NCD stands by its belief that maas (sour-milk) is an even more vital basic foodstuff for an important section of our population Maas is used primarily with mielie pap and should have been zero-rated from the start," said Lerm

The Department of Revenue has confirmed that VAT is payable on green maize sold at roadside stalls. The zero-rating only applies to "dried silo-screened maize or dried maize for human consumption"

Egg price shoots up very soon

Sowetan 244

Correspondent

A "MASSIVE" increase in the price of eggs is to be announced by the Egg Board this week.

"The price of eggs at the moment is not market-related and this, the first major increase since the introduction of VAT, has become necessary," the chairman of the Egg Board, Mr Ben du Plessis, said yesterday. Sowetan

Du Plessis said the impending increase was also attributable to increasing production costs on the side of the producers who, due to the drought, would need to buy imported maize and other grains. 9/4/92

This could push up prices by 35c a dozen, depending on the price of imported grain.

FOOD PRICES

The fruits of rhetoric

FM 10/4/92

244

Militant unions and consumer bodies are unwittingly part of the problem

Since food prices started rising well ahead of the overall inflation rate, they have been a focus of controversy From mid-1991, people have been asking who is reponsible for food inflation approaching 30%? The search is on for culprits.

The trail laid by official statistics appears to lead directly to the retailers and beyond them to the wholesalers Though retail wage increases and producer price rises decelerated sharply last year, the consumer food price index shot ahead by 28% in the 12 months to December

Central Statistical Service (CSS) chief Treurnicht du Toit says· "In the case of locally produced commodities, producer prices are collected at the point of production. the prices of fresh meat, hides and skins from the Meat Board, the prices of milk and milk products from the Dairy Board, the prices of fresh vegetables and fruit as well as cotton from the Department of Agriculture "

But "price movements between production and retail level, such as wholesalers, are not taken into account in the PPI "

The major food retailers who together hold more than 40% of the market have attracted criticism And because of the 33% weighting of meat in the food basket, so too have the three main meat suppliers — with 90% of the red meat industry

The structure of the red meat industry makes it a soft target Yet as Pick 'n Pay chairman Raymond Ackerman points out, his purchases are not confined to the big three "It is not as much of an oligopoly as people think. I am free to buy from other sources and I do"

So the power of the big three — Kanhym, agricultural co-op Vleissentraal and Imperial Cold Storage — to manipulate wholesale prices is limited

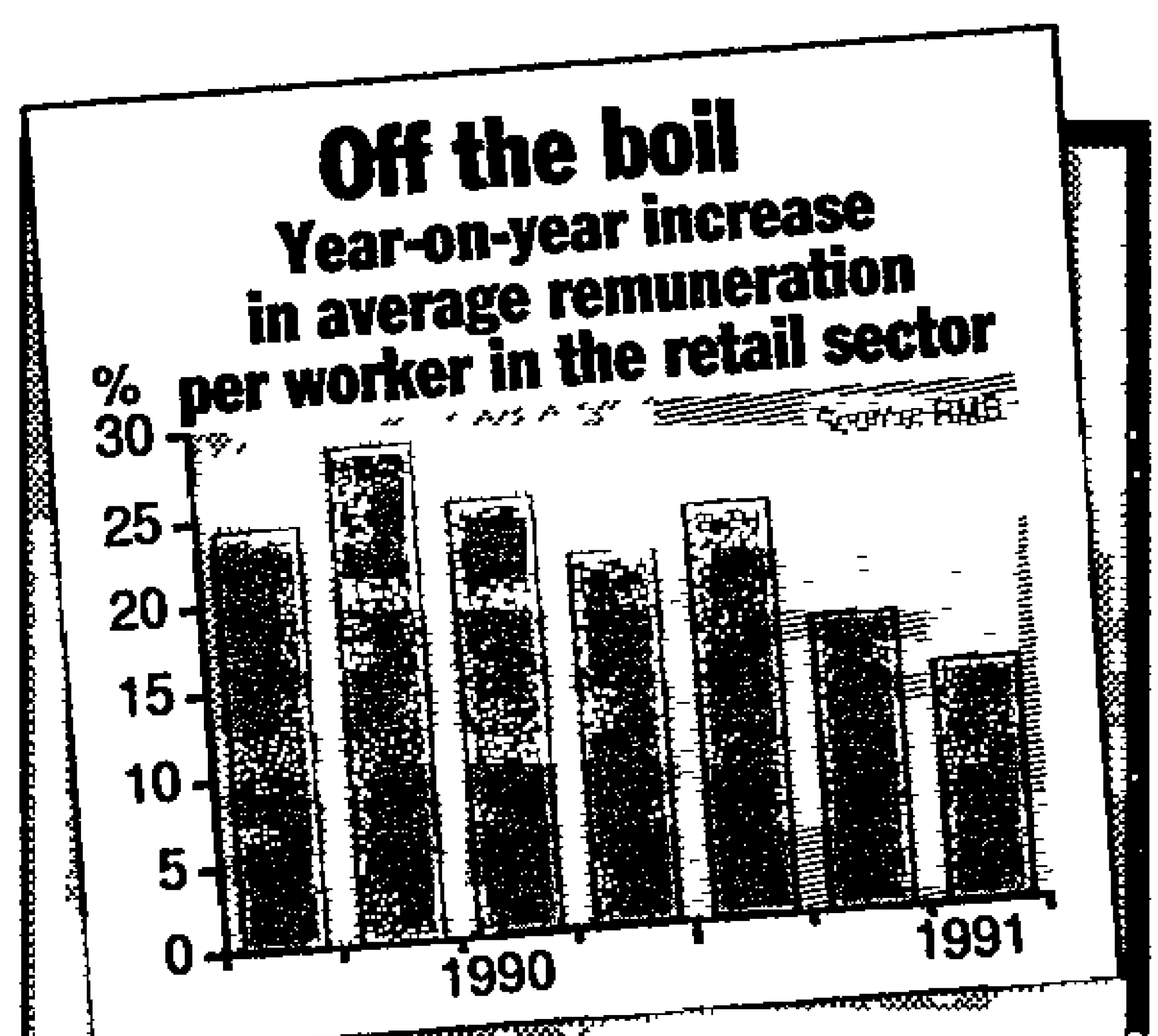
But what of their role in retail pricing? Apart from controlling the wholesale sector, the big three also have a stake of about 50% in supermarket butcheries Gareth Ackerman, national GM of Blue Ribbon Meat Corp (the meat company which runs Pick 'n Pay butcheries), says "ICS has a 50% shareholding (in Pick 'n Pay butcheries) but no management control and therefore no say in the pricing of meat"

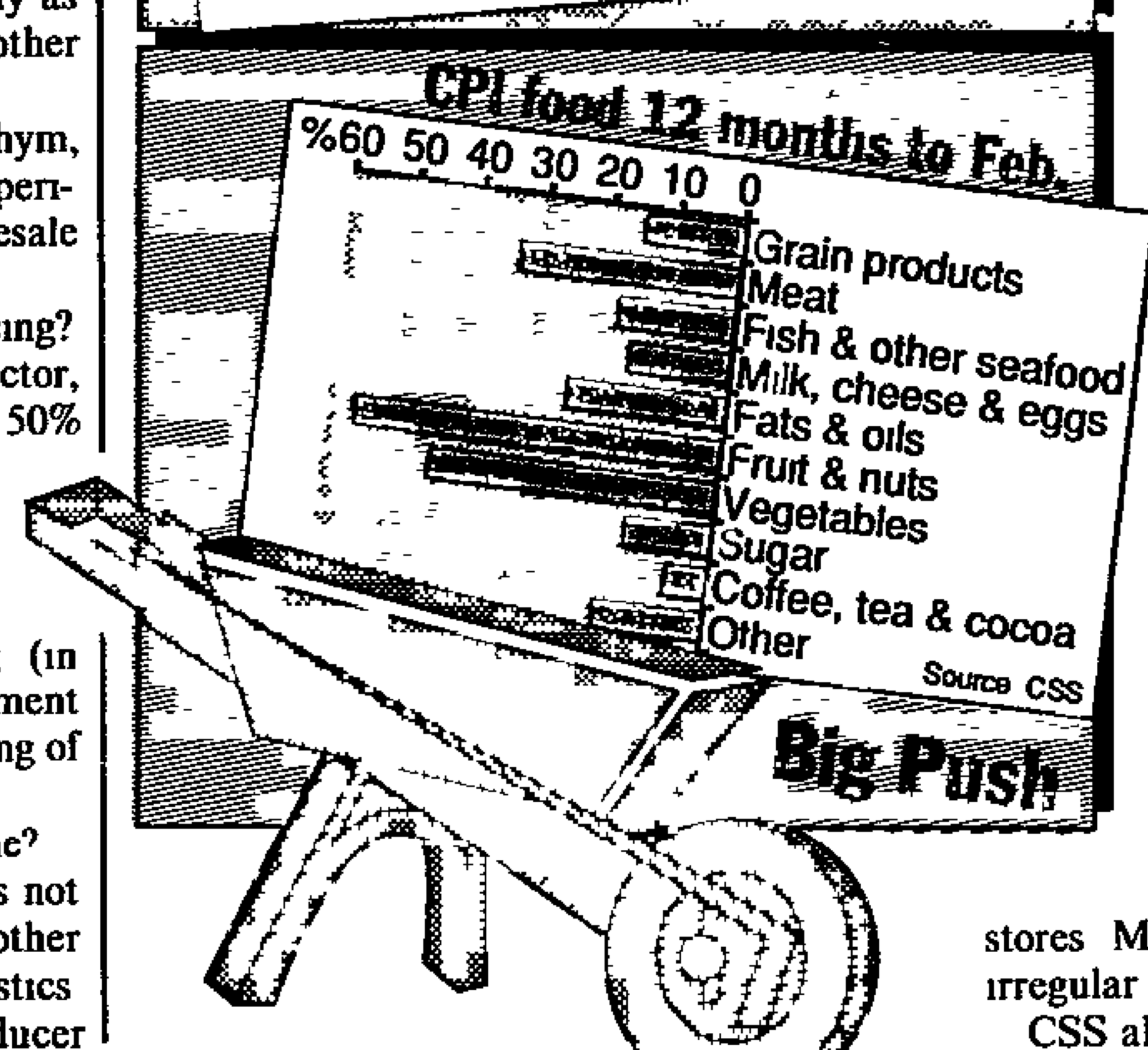
So are the retailers entirely to blame?

Unfortunately, apportioning blame is not that simple There are a number of other potential culprits, starting with the statistics Since a mistake was discovered in producer price figures in August — revisions were published for a period of 17 months — official statistics have suffered a loss of credibility But the measurement of both CPI and PPI was thoroughly checked at the time and procedures improved to avoid subsequent mistakes, according to CSS's Du Toit He insists the figures are accurate

The next question is how good is the basket of commodities on which the CPI is based? It was revised in 1990 and the latest basket introduced from August 1991 when the weighting of food was reduced from 22,72% to 18,64% Within that, meat prices, which are rising at a rate well above 30%, remained at about a third of the food component This is clearly a major factor in overall food price inflation.

Pick 'n Pay financial director Chris Hurst says that company figures show its customers spend an average of 8% of their food bill on meat, poultry and processed meat





CSS's retail survey shows that 15% of food bought nationwide is at butcheries, including concessionaries at supermarkets Says Du Toit "It is obvious then that at least 15% of the average shopper's food bill is spent on meat, to which should be added poultry, prepared or processed meats and sales by in-house butcheries."

Hurst estimates only about 12% of the average shopper's food bill is spent on meat

Pick 'n Pay's own data show prices of food on sale at its outlets rose only 14% over the latest financial year to February

Hurst's estimate, without VAT included and based on actual sales in the financial year, is even lower "In rand terms these increased 13,3% But real sales — the best measure of this is the number of units — rose 2,6% The difference is only 11%"

Ackerman plans an exercise this week at his Bedfordview branch to validate his claims "We will approach everybody as they leave the till and ask for a till slip We will then check the prices of the goods and compare them with those in the previous year" The results will be made public

Whatever the merits of reshuffling the basket, a question remains if the basket is so inappropriately weighted, why did the distortions emerge only last year? Besides, as Standard Bank group economist Nico Czypionka argues, the Pick 'n Pay experience cannot be extrapolated because there are too many areas where people do not have access to supermarkets

What about the respondent sample? CSS processes responses from more than 3 500 store owners in 12 urban areas to measure about 88 000 prices The same item in the same shop is monitored each month on the same date CSS investigates any obvious anomalies

Ackerman says the official sample is unduly skewed in favour of small businesses such as cafés, where smaller turnovers require higher margins CSS's Martie Grobler disputes this but is not prepared to provide details of the sample She says that every supermarket outlet in an area is targeted and more returns are obtained from these points than from smaller stores Moreover, the sample is updated at irregular intervals when it seems necessary

CSS also argues that corner cafés cannot

OIL AND OIL SUPPORTS

FM 10/4/92

Letting go of the obsolete

For about 10 years this country has had little difficulty obtaining the oil it requires — nor has it had to pay much of a premium for it. There has simply been too much oil available and too many indigent suppliers to make an embargo work.

It is tempting in these circumstances to take the view that the EC's formal lifting of its embargo is mostly symbolic

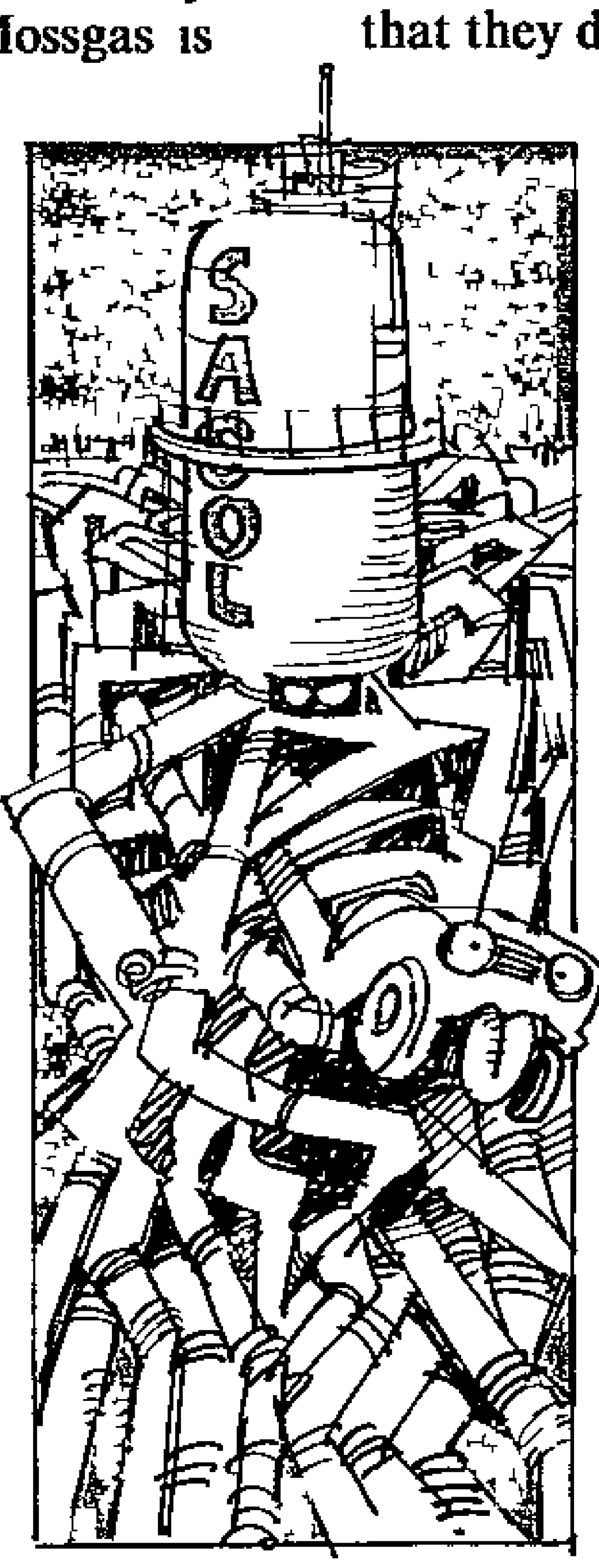
Tempting, but wrong. The almost unfettered access this country now has to international energy resources — at relatively low cost — should be a critical factor in an economic restructuring initiative

The reason is that the real cost of apartheid has not been in the duplication of public facilities and services or the financing of the homelands and "independent" states, but in attempts — perceived as strategic at the time — to make this economy self-sufficient

So we have come to pay far too much for a wide variety of manufactures — including cars, plastics, chemicals, explosives and paper — as a result of this notion But the waste caused by the misallocation of resources that the efforts at self-sufficiency have fostered does not end there It has meant we have nurtured large manufacturing undertakings that have little chance of becoming competitive internationally unless some radical policy changes are made.

The greatest of our self-sufficiency mistakes was Mossgas. Provided the capital costs of billions of rands are ignored, it will earn enough at current oil prices to justify its existence. The best the taxpayer can hope for is that an economically enlightened government gives it to Gencor, for Mossgas is most assuredly incapable of running itself.

The policy of self-sufficiency at all costs spawned Sasol, probably the largest industrial undertaking in the country, recently privatised but still run by the men government put in control (though with a tarted-up board of directors, if that means anything).



Sasol and its shareholders have the great advantage of a price support system paid for by the motorist when the oil price falls below US$23 a barrel. Now is the time for government to dismantle an arrangement that amounts to protection and divert that portion of the price of petrol that is intended as price support to a more useful purpose For instance, it could be used to maintain those parts of the national roads system necessary for commercial transport, or, in conjunction with other savings, be used to cut corporate taxes.

There is no purpose now in continuing to administer the domestic price of petrol It is calculated periodically by BP according to a formula that takes into account an international market price and allows for under- or over-recovery in the periods between calculations

To the extent by which this domestic administered price has in the past been based on an oil price above the international price of oil, this has represented protection for Sasol and the oil majors operating here. Of course, Sasol and the oil majors place their hands on their hearts and declaim that this has never happened. You can believe them if you wish The secrecy clauses of the Petroleum Products Act will prevent you from knowing, if you are of a more sceptical frame of mind.

Probably, it doesn't matter any more. If there ever was a subsidy it was long ago and in different — and difficult — circumstances. What does matter for the sake of prosperity in this country, and the need to redress the depredations of apartheid, is that market forces should be allowed to function with as little hindrance as possible And that such arrangements whereby Sasol can depend on its output being taken up by the oil majors in return for certain retail distribution concessions should be stopped.

We have no doubt that if all direct and indirect protection enjoyed by industry in this country were removed in return for a corporate tax rate in the vicinity of 30%, the dynamics of economic growth would be substantially enhanced And we suspect that there would be little opposition from the industrialists in question.

There, of course, would be some. For the question of protection and self-sufficiency has been so inculcated in the psyche of so many industrialists here, for so long, that some have difficulty in coming to terms with the economic harm that they do. They have never known anything else So most industrialists are free-traders only up to a point.

Simply put, if government needed reassurance that this country has unfettered access to world energy resources, the EC has provided it by lifting its embargo If this economy is to be restructured so that manufacturing output is enhanced — and can in due course replace income from a declining gold mining industry — there is no sense in delay. It should start now with Sasol

Another good reason for doing so without delay, is that when an interim government is in place matters such as this are likely to remain in suspension if only because the need to agree on a new constitution will dominate proceedings. More time will be wasted and more people will have to continue suffering the indignities and hardship of unemployment.

Canada's External Affairs Minister Barbara McDougall may be quite happy with that. She, like Australia's interfering Gareth Evans, has no constituency to answer here And it will win support among those of a recidivist tendency in the Commonwealth But it is neither rational nor humane. ■

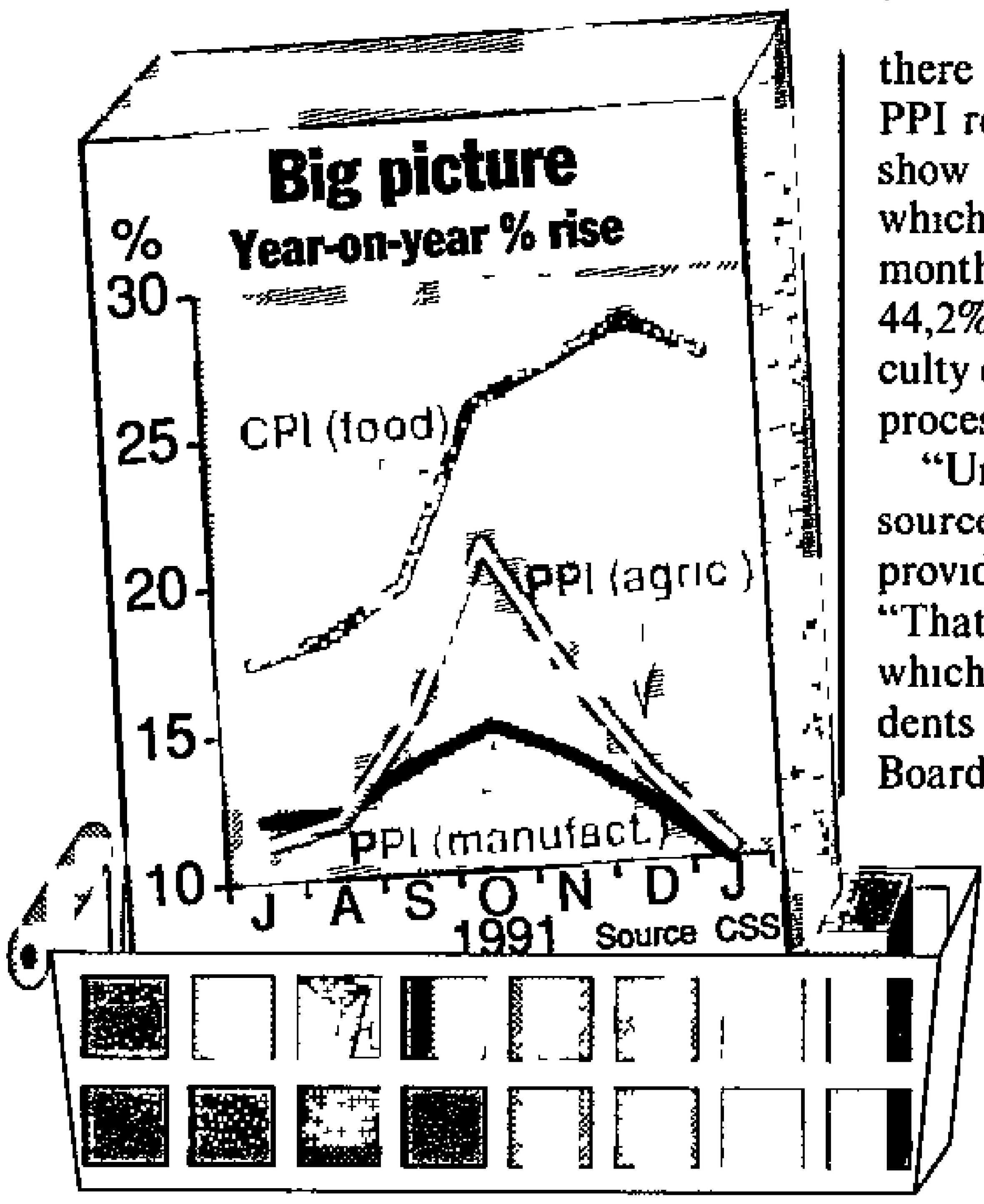
afford to price themselves out of the market Consumers expect to pay more for accessibility but there is a trade-off between cost and convenience Though prices may be higher, the rate of increase may be identical to that of the big stores

Then there is the introduction of VAT in October Under the previous system, where GST was levied at the sales point, small businesses, which are not subject to auditing and public scrutiny, could evade payment with relative ease Under VAT, which is levied at every step of the production and distribution chain, the tax is automatically included in the price To recoup their margins, these businesses are pushing up prices

An indication that official figures on inflation are not far off target comes from Interfact, a market research company commissioned by Vatwatch to monitor food prices David Geldenhuys, a partner in Interfact, says the survey shows rises that are lower than those recorded by CSS — but they are in the same ballpark He puts food inflation from August to February at an annualised 22%-24%

Though this may be well under the CSS figure, it remains high enough to justify the widespread concern about food prices

Looking at the broad picture, Czypionka says "Over the past few years sales volumes have been declining and input costs — especially staff costs — have been rising, so there has been tremendous pressure on profits of both manufacturers and retailers This has led to their pushing for wider price margins and accelerated food price rises "



Attempts to identify the sources of price push are hampered by CSS's inability to provide additional information Though a breakdown of the food category into various products is available in the CPI release, there is no comparative breakdown in the PPI release The PPI does not, for instance, show separate indices for fruit and nuts which in the CPI were up 56,5% in the 12 months to February, or vegetables — up 44,2% in the CPI This highlights the difficulty of making comparisons without further processing by CSS

"Unfortunately, we do not have the resources," says CSS's Du Toit Nor can CSS provide the raw data to other researchers "That is prohibited by the Statistics Act which guarantees confidentiality to respondents I was not even allowed to give it to the Board of Trade & Industry for the investigation it is conducting "

The BTI's Helgard Muller, who heads the committee responsible for the investigation, says the result will be published some time after April 27 "On that date, there is a meeting of the board and our findings and recommendations will be put to the board There may be further delays if recommendations are changed "

According to CSS, food prices rose a monthly 5,6% in October CSS does not provide a separate food index that shows what proportion of the rise was due to VAT Pick 'n Pay figures for that month show the VAT effect was only 0,9% Interfact's show an actual fall in food prices of 0,29% in the month

The significance of VAT is that it fed on people's fears It was not its impact on prices that mattered but its impact on perceptions The issue was relentlessly exploited by Cosatu, which chose to make a political stand over the introduction of the tax The problem was compounded by government which failed to anticipate and pre-empt this response by providing poverty relief actively and visibly

To their discredit, a number of consumer bodies joined forces with Cosatu They said loudly and repeatedly that prices would rise — and prices rose

Trade unions ensured workers they would pay more for the goods on supermarket shelves in 1991 The Commercial, Catering & Allied Workers' Union negotiated wage increases averaging 25% in 1990 This was more than 10 percentage points higher than the average inflation rate for the year, and guaranteed the retail industry would raise prices by 25% in 1991 Which it did

This year, no doubt, unions will cite the inflation rate as a reason for still higher increases And next year the retailers will get it back at the tills

It is worth noting that profits of retailers have limited relevance when attempting to apportion the blame Ackerman says the fact that his group, the most profitable in the sector, only did as well as the year before proves that prices are reasonable He says that where net pre-tax profit used to average 3% of turnover, it has now dropped to 2,3% And, for comparison, he cites figures from the UK of 7%-9% and from Continental Europe and the US of 2%-3%

Labour and consumer organisations, however, produce figures from previous years to show retailers' profits are "too high"

P & P's Ackerman *finding support in the figures*

One must see the claims in perspective Profits are determined by margins which depend on cost and income So efficiency is a major determinant of profits On this score, Ackerman says he achieved a R20m saving in expenses in 1991 And shrinkage has dropped from about 2,5% of turnover a few years ago to 1% because of better controls

Checkers and OK Bazaars have not provided similar figures Nor have they made similar claims — either on price increases or cost-effectiveness But Ackerman says that in a competitive market, the standard is set by the most efficient retailer Prices at other chains cannot be out of line

Other cost factors play a relatively unimportant role in the recent price surge Ackerman says about half the rentals of his outlets are linked to turnover and the rest are fixed over 20 years But he does not cite rentals as a major cost-push factor

So it seems that, despite the decline in remuneration rises in 1991, it was largely the lagged effect of negotiated settlements in the previous year that caused the surge in prices in 1991

Of course, it is pointless to expect the average individual to consider the big picture Everyone is intent on maximising his or her own profit, it is only other people who are greedy But those in positions of responsibility, who influence public perceptions and understand the macro-economic implications of their actions, should carefully consider what they do.

There may be political advantage for trade union leaders to press militant wage demands, but there is not much in it for the workers if higher wages restrict production and result, after a time lag, in higher prices

There is a way out of the spiral Profit-linked wage settlements would ensure an equitable return from profits and give workers an incentive to keep down costs

It is not a politically simple solution, as shown by the recent retreat of the National Union of Mineworkers from profit- and productivity-linked deals

It gives rise to a number of other controversies such as workers' access to information and their demands to play a part in decision-making

But the differences are not beyond resolution The linkage would do more to enhance the workers' wage packets than the customary destructive round of wage negotiations because it would protect the purchasing power of their rands ■

Grocery price hike shocker

ST Times (Cape Metro) 12/4/92

244

Product	Price 1988 R	1992 R	% Increase
White bread	79	1,49	88,6
Brown bread	61	1,25	104,9
Bliss milk 2	2,35	4,61	96,2
Elite skim milk per 1 kg	7,59	13,99	84,3
Bunch carrots	49	1,49	204,1
Joko teabags 100	3,35	5,99	78,8
Eggs 6 XL	95	1,62	70,5
Coke 2	2,68	4,79	78,7
Simba Classic chips	1 85	3,69	99,5
Ceres fruit juice 1	1 89	3,09	63,5
Romany cream biscuits	1,62	3,49	115,4
Country Spread marg 500 g	2,23	3 30	48 0
Husky beef 425 g	85	1,39	63 5
White sugar 2,5 kg	3,22	4 95	53,7
Tinned tomatoes	77	1,86	141,6
Beans in tomato sauce	69	1 59	130,4
Tin mixed veg	63	1,55	146,0
Tin whole corn	88	1 89	114,8
YB autowash pdr 1 kg	3,01	4,78	58,8
YB fabric softener 2 5	2,56	5,19	102,7
Sun dishwasher	4,87	8,29	70,2
Mum roll-on	2,68	4 49	67,5
Milo 250 g	3,34	5,09	52,4
Potatoes 15 kg	10,99	17,98	63,6
Bottle Nederburg Cuvee Brut	7,38	13,39	81,4
	68,29	121,24	77,5

GST and VAT included where applicable

SOUTH AFRICAN consumers are paying 77,5 percent more for a basket of groceries than they did nearly four years ago

A survey this week showed that 25 everyday grocery and cleaning items which could be bought for R68,29 in June, 1988, now cost R121,24

These items have increased at a higher rate than the Consumer Price Index

An officer at Central Statistical Services calculated that, if these prices had kept in line with the CPI, the basket would now cost R114,30

This is despite a two percent decrease in sales tax (GST was 12 percent then), on some items, though others are now liable for VAT after being exempt from GST

I did the survey after finding one of my first scanned supermarket bills, which details most of the products and their prices

On Friday last week, I went back to the same store and re-priced the items that I'd bought there 45 months previously

The results are shown in the table

The survey shows both frightening trends and interesting pointers

Is anyone surprised that margarine has gone up as little as 48 percent (from R2,23 to R3,30)? There are at least 10 margarine brands on the market and competition has obviously kept the price down

Using the CSS' calculations, this marge would now cost R3,73 if it had kept up with the CPI

The big competition in detergents has also kept price hikes down to 58,8 percent

The big shock from the survey is that essential items such as brown bread and milk both cost about double what they did in 1988, when subsidies were still in force

The way-over-the-average increases on fresh and tinned vegetables (which are staple foods for many poorer people, specially those without electricity to run fridges) is also frightening

Fresh carrots are up 204 percent, and tinned tomatoes (141,6 percent) and canned mixed vegetables (146 percent) show massive rises, too

If these had stayed in line with the CPI, they would have cost only 81c, R1,29 and R1,05 respectively, instead of the actual R1,49, R1,86 and R1,55 we're all paying

Potatoes (bought by the pocket) have not risen as much — 63,6 percent

That other cheap staple, baked beans on toast, with the topping 130 percent dearer than it was nearly four years ago, means the schoolchildren's lunchtime standby costs well over twice what it did in 1988

Inessentials (biscuits, chips, champagne and cola) also show some of the highest increases

Cutting out such non-nutritional items could be a way of saving on the budget without losing food value for money

Why the government has not ordered an urgent investigation into why food costs are soaring way above the CPI, I do not know

In the UK last year, when newspaper reports showed that items often cost 40 percent more than in German supermarkets, the government went into top gear to find out why by calling in supermarket chiefs, food manufacturers and distributors

Surely it's time the same thing happened here?

It's official — Mother City most expensive in SA

The high cost of Cape Town

244

ARG 13/4/92

TROLLEY for trolley, the Mother City is the most expensive city to live in — more costly than the Witwatersrand, Pretoria and Durban — and Cape Town workers earn a lot less.

A spokesman for the Central Statistical Service said the cost of a food basket on which the Consumer Price Index (CPI) is based is recorded every month in each of the 12 major centres. The inflation rate is based on these prices.

Once a year the monthly CPI for each centre is compared with those of other major centres and on these figures, Cape Town was found to be the most expensive city in South Africa last year.

The Witwatersrand is used as the base, given 100 points and compared with other centres

In this comparison a foodbasket would cost R100 in the Witwatersrand, R102,60 in Cape Town, R98,40 in the Durban-Pinetown area, R99,70 in Kimberley, R95,70 in Bloemfontein and R93,10 in Port Elizabeth-Uitenhage

Maritzburg was the cheapest city last year with the food basket costing only R91,70

Mayor Frank van der Velde said he was obviously not happy that Cape Town was the most expensive city in the country.

Prepared to accept less

Captour chief executive Mr Gordon Oliver also voiced his concern at Cape Town's dubious honour of being the most expensive city "We must be very careful not to price ourselves out of the tourism market People in tourism should make a concerted effort to keep prices down and use every possible opportunity to become more efficient"

Cape Town Chamber of Commerce assistant director Mr Albert Schuitmaker said the fact that Cape Town is South Africa's most expensive city could be because it was growing very fast and it was difficult to keep the inflation rate down

Although it was true that Capetonians in many field were earning lower salaries than their counterparts in the Transvaal, people were prepared to accept less pay just to be able to work and live in Cape Town

"That is why people ask for 20 percent more in salary before accepting transfers up north

"But I do not think local companies exploit people and pay them meagre salaries because they know they will accept them"

THE WEEK AHEAD by Simon Willson

Oil price effect fading from producer inflation

(244)

B Day 13/4/92

PRODUCER price index (PPI) figures for February, due today, may show that PPI inflation hit its low for the year in January and is heading back to levels nearer 10% by mid-year

The PPI inflation rate for February is unlikely to match the eight-year low of 6,7% posted in January Several factors are pushing the rate up again and signalling that 6,7% is unlikely to be bettered in 1992

The first is the gradual decline in influence of the oil price effect that has recently done so much to restrain PPI inflation The spike in the oil price at the time of the Desert Shield and Desert Storm campaigns in 1990-91 helped boost temporarily the import component of the PPI and gave the year-on-year percentage change in PPI a high base 12 months later

This little phase is now over Indeed, the PPI's import component fell in each of the three months to April 1991 so that, far from being high, the base for the year-on-year rate is going to be successively lower over the next few months

The February data seem set to come out along much the same lines as December's PPI inflation was down at 7,9% in November but the December figure had to accommodate a five-point fall in the imports index and an almost unchanged overall index in the PPI 12 months earlier

The result an uptick in the annual rate to 8,6% in December

PPI inflation was down at 6,7% in January, but the February figure has to accommodate a three-point fall in the imports index and an almost unchanged overall index in the PPI 12 months earlier Likely result an uptick in the annual rate from January's 6,7%

Retail

Internationally, the dollar's uncertain progress over the last two weeks shows that markets are not yet convinced that recent improved US economic data mean a sustained recovery is under way

March retail sales, out tomorrow, will be a key gauge of the economy's performance Retail sales amount to about half of all US consumer spending which, in turn, accounts for more than two-thirds of overall activity as measured by GNP

US retail sales jumped above expectations by 1,3% in February, and the January outturn was revised strongly upward from 0,6% to 2,1%

It was the first time since the third quarter of 1985 that retail sales had risen by more than 1% for two consecutive months

Special factors such as post-Christmas price reductions, end-year wage bonuses and tax rebates and a flurry of mortgage refinancing may have had a lot to do with the year's good start

The pace may be hard to keep up in March, but a corner does seem to have been turned in consumer spending patterns

On Wednesday US industrial production and capacity utilisation levels for March are due for release Here the trend has been a lot duller, with production lower in four of the last five months Production rose — by 0,6% — in January for the first time since September last year, but car production accounted for half the increase, making it a patchy improvement.

Housing starts have been one of the best-performing US indicators for several months and March starts, published on Friday, should extend this indicator's bullish run The 1,3-million starts recorded in February was the highest monthly total for two years and heralds higher durable goods orders when these new dwellings are inhabited by their proud owners

In the two key international economies heading into, rather than out of, recession, German retail sales and Japanese revised industrial production — both for February — are the most diverting data on offer this week Retail sales in Germany were down 1,3% on the year in January as consumer spending continued to drop after last year's tax increases

Japanese industrial production fell 4% in the year to January, although part of the reason could have been delayed capital spending pending the interest rate cut that eventually came at the beginning of this month

Unchanged PPI augurs well

(244) CT 14/4/92

By AUDREY D'ANGELO
Business Editor

THE producer price index (PPI) for February was unchanged from January at 6,7% year on year — a further encouraging sign that inflation is slowing down The January figure was the lowest since 1975

The month on month rise between January and February was only 0,1%. The index for locally produced goods rose year on year by 8,5% compared with 8,7% in January

The index for imported goods continued to fall, although the drop was less than in January It was down by 0,9% compared with a drop of 1,9% in January.

Producer prices for red meat fell in February by 4,3%. But prices for "other" agricultural produce rose by 9,8%.

The figures released by the Central Statistical Services yesterday were welcomed by economists, who said the fall in the PPI should bring down the consumer price index (CPI) within the next few months.

But they warned that the year on year figures for imported goods — which have been distorted by high oil prices at this time in 1991 — will rise soon.

Southern Life chief economist Mike Daly said the slowing down of the PPI was "tremendous news

"These figures are better than we expected. What has kept them down is partly the ongoing disinflation in imported products.

"This is still distorted by the high oil prices last year, but this effect will fall away soon. Then overseas inflation and the rate of depreciation of the rand will push up the price of the imported component again.

"What is really encouraging is that the rise in locally produced goods is still down in single figures. This is excellent It shows that the cost pressures have clearly fallen away very nicely.

"It is worrying that there is still a yawning gap of 9% between the PPI and the CPI

"But the effect of lower producer prices should come through in the CPI by the second half of this year

"If food prices were excluded the CPI would by now be less than 14% Clearly prices other than food have come down, mirroring the trend in the PPI."

Sanlam chief economist Johan Louw commented:"These figures are quite good We expected the PPI to be higher.

"But it has probably reached a lower turning point We expect it to rise to 7% or 8% next month. The imported component will rise as the effect of last year's high oil prices falls away

"The rand has also weakened and that will set imported inflation on a less favourable course "

Pointing out that high food prices were mainly responsible for the difference between the PPI and the CPI Louw continued·"The report of the investigating committee is due out soon and should explain this."

Old Mutual economist Rian Le Roux said the PPI figures were "an indication that inflation is coming off.

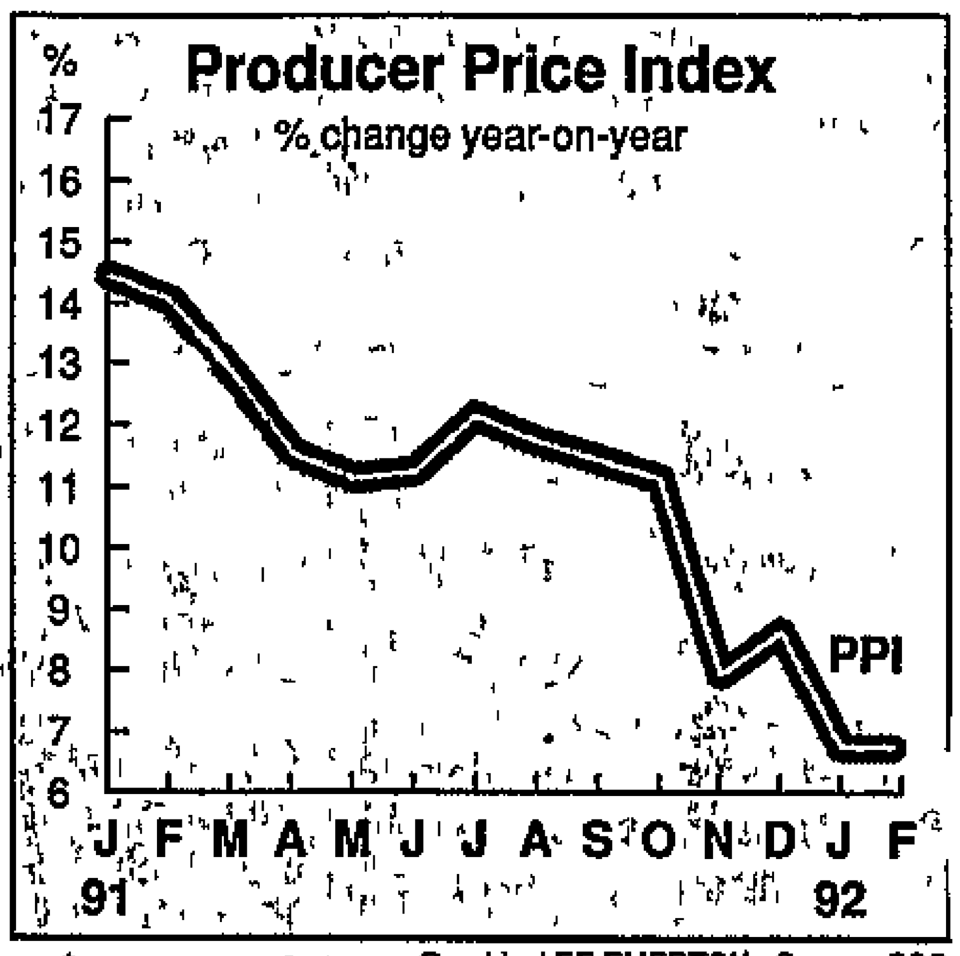
"The domestic component has fallen quite a bit — it is significantly below 10% now The effect of the weak economy is showing.

"This is an indication that underlying deflationary forces are at work and they must affect the CPI. It is difficult to see the CPI remaining where it is in the months to come.

"That does not mean there will be a steep fall in inflation With a bit of luck it will be between 12% and 13% by the end of the year.

"That is the type of decline expected. But it has taken a lot of time — more than two years — to bring it down to this level.

"If the CPI does follow this expected trend there will be scope for more cuts in interest rates later this year."



Graphic LEE EMERTON Source CSS

PPI remains static at its 20-year low

SHERIDAN CONNOLLY 244

PRODUCER price inflation in February was static at the 20-year low of 6,7% posted in January, CSS figures released yesterday show BDay 14/4/92

The CSS said the annual rate of increase of 6,7% in the PPI recorded in January and February was the lowest since May 1972, when the index increased at a rate of 5,9%. In seasonally adjusted month-on-month terms, the PPI rose 0,1% in February.

The annual rate of increase in locally produced commodity prices dropped to 8,5% in February from 8,7% in January. The price index for imported commodities was 0,9% higher in the year to February — one percentage point higher than the corresponding rate for January.

Monthly increases of note occurred in the prices of "other" agricultural products which rose by 9,8%, non-metallic mineral products (4,9%) and alcoholic and non-alcoholic beverages (3,3%).

Relatively large monthly decreases in February were recorded in the price of fresh meat (4,3%) and in "other" mining products (1,4%)

Nedbank chief economist Edward Osborn said yesterday the rate of producer inflation in February was still restrained by the imported component as a result of

□ To Page 2

PPI

BDay 14/4/92 (244) □ From Page 1

higher oil prices during the Gulf war

Osborn said he expected PPI inflation to tick up to around the 10% level in March and to remain there for some time

The 8,5% rate of increase in the price of commodities for SA consumption was "most reassuring", he said

The lower rate of producer inflation was indicative of abating inflationary pressures in the manufacturing sector and this would filter through to the rate of consumer inflation

Osborn said an overall drop in producer prices usually took about two to three months to influence consumer prices, although some individual decreases would be reflected in consumer prices more quickly For instance, the monthly decline of 4,3% in meat prices recorded in February should be echoed in the next set of consumer inflation figures

PRODUCER PRICES — DROUGHT DIP

244

FM 17/4/92

Against all expectations, producer prices are still rising at a modest rate. In the 12 months to February, the index rose only 6,7%. Since November, when the rate of increase decelerated sharply from 11,1% to 7,9%, PPI movements have confounded economists. The technical factors that contributed to the November fall have now been eliminated and, after a blip up to 8,6% in December, the rate began to decline again — to 7,9% in January and February.

Surprisingly, an important factor in the recent decline was food prices, specifically meat. Unfortunately, this may be a spin-off from the drought as farmers who have run out of feed and grazing send cattle for slaughter.

Food prices are recorded in two places in the PPI. The item *agriculture: food* rose only 9,74% over 12 months and declined 1,5% in the month. Contributions to the monthly fall came in a range of products, says the Central Statistical Service. These included beef, veal, eggs, onions, pears, bananas and grapes.

In the same periods, *manufacturing: food* rose 8,7% and declined 1,3%. If this component is broken down, it emerges that meat prices (at abattoirs) rose only 6,6% over 12 months and fell by 4,3% in February.

Food has the heaviest weighting in the index: agricultural 8,64% and manufacturing 12,91%. Together they make up about a fifth of the index. So movements in these prices drive the Overall index.

This again highlights the strange anomaly in the relationship between producer and consumer prices. The normal lag between the two was distorted in January last year when the curves tracing the increase in the two indexes started to move apart sharply — and food prices were largely responsible for the discrepancy. Though consumer price rises have shown signs of abating, food prices rose 27% in the 12 months to February — after similar increases in previous months.

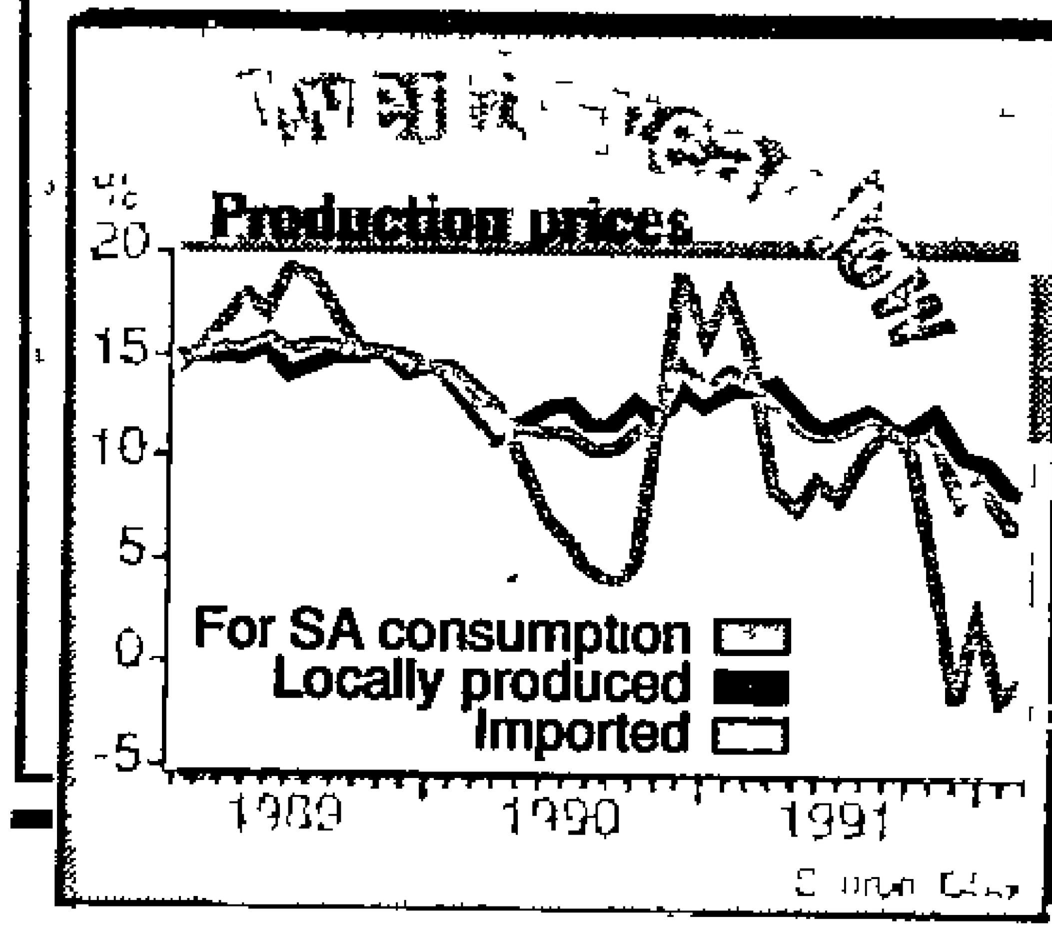
Consumer prices are particularly vulnerable to perceptions (*Leading Articles* April 10), so, at this point, are not reflecting fundamentals in the economy. UCT economist Brian Kantor argues (see page 32) that PPI may now be the better indicator.

While the downward blip in meat prices in February may have accentuated the decelaration, it is part of a pattern that has been in place since the middle of last year and was given impetus by falling oil prices towards the end of the year. The index of *mining and quarrying: other* (which comprises oil) was down 9% over 12 months and 1,4% in the month. The total of imported commodities fell 0,9% in the year and 0,2% in the month, assisted by lower inflation overseas.

Increases in prices of local commodities remained restrained, with a rise of 8,5% over 12 months and 0,5% in the month.

Working against the trend were monthly rises in a number of indices:

- ☐ Other agricultural products 9,8%;
- ☐ Alcoholic and nonalcoholic beverages 3,3%;
- ☐ Nonmetallic and mineral products 4,9%; and
- ☐ Transport equipment 4,7%.



Focus on food price inflation

BDay 21/4/92 (244)

THE WEEK AHEAD
by SIMON WILLSON

PUBLICATION of the inflation rate for March, due this week, is likely to be drowned out by a fresh flurry of claims and counterclaims about the accuracy of the techniques used to generate the figure.

Whether consumer inflation in the year to March has slowed from February's 15,8% may, therefore, occupy less of the limelight than the performance of the food sector of the CPI For it is over the measurement of food price inflation that most of this week's hot air will be expended

As measured by the Central Statistical Service, food price inflation speeded up again in the 12 months to February, reaching 27% after slowing — for the first time in seven months — in January to 26,2% Food inflation had earlier peaked at an 11-year high of 28,3% in December

But the new controversy over how food — as opposed to overall — inflation is measured was stirred up in the same week as the release of the February CPI data. Pick 'n Pay MD Hugh Herman said the CSS's measurement of food inflation was totally inaccurate, as it was based mainly on small traders and gave inadequate weighting to the large supermarket chains Herman also said the mix of goods in the CSS price survey was unrepresentative of average buying trends, as it overemphasised the proportion of meat

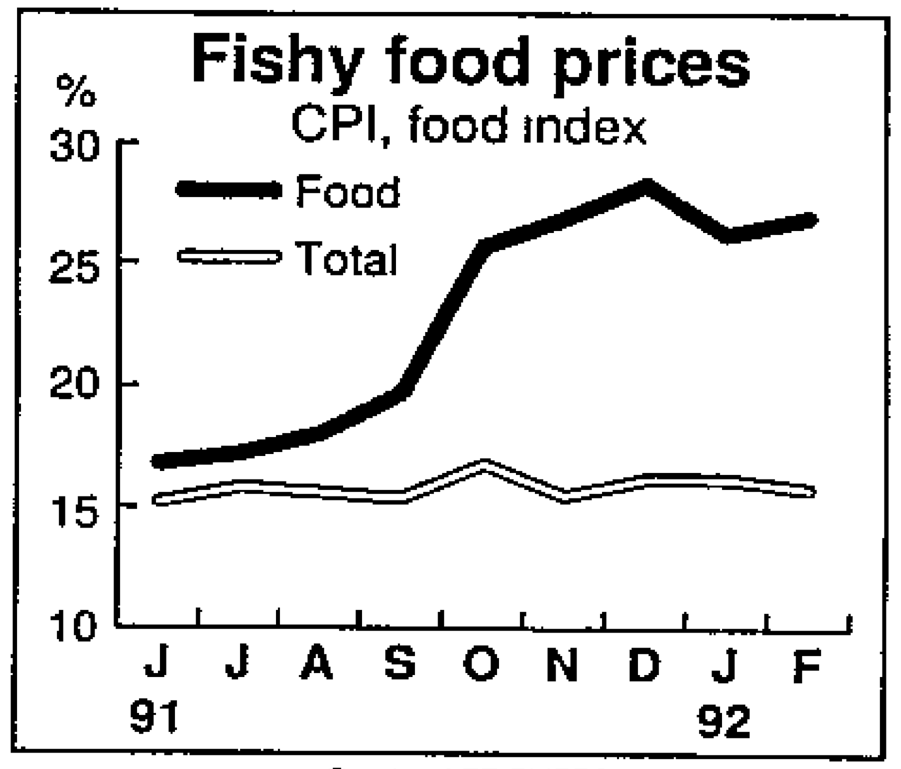
The chain's chairman, Raymond Ackerman, went further last week when he said the store would be carrying out its own price survey The findings constitute a diverting sideline to the official data

If these unofficial claims of overstated food inflation are shown to carry any weight, then there is clearly a distortion in the divergence portrayed on the chart which could have far-reaching implications

It may be fashionable, anyway, to start a hand-wringing session over the measurement of inflation — the British are doing it. The Chancellor of the Exchequer has ordered the UK's statistics thinktank, the Central Statistical Office, to set up a committee to look at the compilation of Britain's retail price index (RPI), which measures UK inflation

This follows claims from independent researchers last month that the RPI overstates inflation in conditions of recession and that the true UK inflation rate could be as low as 1% rather than the 4% measured by the RPI for March

Also due this week, although experience has taught that public holidays wreak havoc with data release schedules, are the trade balance and monetary aggregates for March The February trade surplus rose to R1,89bn from January's R700,6m, mainly on a rise in exports



Graphic LEE EMERTON Source I NET

The main item of interest in the money supply figures is the level of M3 growth relative to the new guideline range for the broad aggregate set for the current calendar year In February, although year-on-year M3 growth slowed to 10,8% from 14,4%, annualised M3 growth from its guideline base was 16,3% — still well above the 8%-12% range set for 1991, let alone the 7%-10% range for 1992

Internationally, there are isolated signals scheduled from the major economies Potentially the most influential number over the short term is the March UK retail sales figure, due out on Friday The February number emerged early in the recent general election campaign and, conveniently for a government behind in the opinion polls, showed a second consecutive monthly rise in High Street sales

The 0,4% sales growth in February was the same as January's but took year-on-year sales growth to 1,5% from January's 0,9% The cautious recovery in sales while UK manufacturing production continues to fall — by 3,5% in the year to February — points to a drawdown on inventories until more convincing evidence of economic recovery emerges

Japanese retail sales for March are also timetabled for release on Friday Although the February figure was up 4% on 12 months earlier, it showed sales 16,5% down on the January level — one of the telltale signs that prompted the Bank of Japan's three-quarter point discount rate cut on April Fool's Day Friday's figure is likely to show Japanese private consumption still under pressure ahead of the rate cut

Prospects further out for Japan do not look too good either The February level of the index of leading indicators comes out on Thursday and looks set for the mid to low teens after January's 18,2 outturn The index projects activity six months off, and its watershed between boom and bust is at 50 — a level last topped in August 1990

The week's significant figure from the US economy is the durable goods orders for March, scheduled for Thursday The February figure was well below expectations at down 0,1%, although the January figure was revised up to a rise of 2,4% from a preliminary 2,2% increase Although this indicator is proving volatile and erratic, its three-month moving average remains downward

Food inflation report expected soon

BDay 22/4/92

LINDA ENSOR

CAPE TOWN — The Board of Trade and Industry committee's report on the disparity between producer and consumer prices — including the reasons for the rocketing rate of food inflation — is expected to be finalised towards the end of this month

The board has collected evidence from a wide range of organisations

Pick 'n Pay was one of the companies which presented evidence, MD Hugh Herman said in an interview The retail chain had conducted several tests over the past month to clear its name of allegations that it and other food retailers had been profiteering on food.

The soaring rate of food inflation has resisted attempts by the monetary authorities to bring down the consumer price index Since October last year food inflation has kept above 25%, peaking at 28,3% in December and hovering at 26,2% in January and 27% in February.

(244)

Statistics provided in Sanlam's latest Economic Survey show that the consumer price index for non-food goods was 13,7% in January and 13% in February.

The survey attributed the rise in February to increased prices of fish, fats and oils, and vegetables These, it said, were not completely offset by the drop in the price of milk and fruit

● See Page 4

Protests ARG 22/4/92 but Cape Town still most expensive

244

WILLEM STEENKAMP, Staff Reporter

AN official claim that Cape Town is the most expensive city to live in has led to a flood of protest from shopkeepers and residents who believe it is the cheapest

But Central Statistical Services, which compile the consumer price index by means of a "consumer basket" used by an average houshold in each of the 12 major cities in South Africa, remains adamant that according to their figures Cape Town was the most expensive city in the country last year.

A spokesman for Central Statistical Services said he was not prepared to comment on claims by certain retailers that their baskets or trollies of consumer goods were the cheapest in the country

"We compared goods that were available in each of the 12 cities for 12 months of the year Our consumer basket consists of a wide spectrum of goods and we have no problem in making the list available," said the spokesman

Once a year the CSS did an inter urban comparison of the baskets put together in each of the 12 centres

Using the Witwatersrand as a base, the CSS compared the other major cities In this comparison Cape Town was found to be the most expensive, Pretoria a close second and Kimberley the third most expensive city in the country

The Argus had numerous calls from people living in Cape Town saying the city was still cheaper than places like Johannesburg and Pretoria

● The list of goods and expenditure used by the CSS to compile the Consumer Price Index consists of 14 pages. The spokesman for the CSS said there would be a statement to clarify confusion on how the Consumer Price Index was compiled.

FOCUS: *Milk delivery men are a dying breed*

Don't cry over spilt milk

W Mail 24/4-29/4/92

244

EVERY couple of months, it seems, the price of milk increases For those consumers who can afford the luxury (it now attracts the 10 percent VAT as if it is not a basic food) and who have had their milk delivered, they will also either have found that deliveries in many areas have stopped, or they have become more erratic of late.

These consumers, particularly in the Johannesburg area, may think they are about to lose their deliveries altogether. But, for the time being, milk delivered in glass bottles by Nels Dairies will continue.

The jobs of some 250 delivery workers depend on this and, according to Nels managing director (and owner), Martin Loubscher, he is doing everything he can to continue delivering milk Nels, going against the international trend in this regard, has expanded its deliveries and begun advertising in local newspapers to make consumers aware that it provides this service.

Of course, many of his consumers who have complained of late of eratic deliveries will be unsympathetic. They will point out that if Nels cannot deliver when and where the consumer wants, they will not be able to get deliveries at all as there is no competition

In fact, the perception of many consumers is there is little or no competition in the milk industry — a hangover from the early 1980s when there was no competition This is true in the deliveries areas as Nels is one of the few dairies in the country offering a delivery service One of the prices consumers pay for this (other than about 12c a litre built into the cost) is that the dairy cannot economically deliver all its milk before 7am. Those consumers who cannot pick their milk up from their doorstep because they have left for work should not get it delivered

There are some 600 dairies in South Africa — "far too many" in Loubscher's opinion — producing upwards of two million litres daily Milk prices vary from dairy to dairy. In some areas,

CRITICAL CONSUMER

Pat Sidley's weekly advice on what to buy ... and what to avoid

where consumers fetch their own milk, it will cost R1,20 a litre and in others, where milk is bought in cafes, it can cost upwards of R2,50 a litre.

A delivered litre of full cream milk in Johannesburg, in glass, costs R2,30 with the VAT included In supermarkets, it can be slightly less if it is sold on special, and it will not be in glass.

In most Western countries — except in the United Kingdom and the Netherlands — milk is no longer delivered and cannot be bought in glass

The environmental argument surrounding glass is not as simple as it sounds; in the United States consumer groups have concluded that it may not necessarily be sounder ecologically to produce milk in returnable glass bottles That argument holds that the washing, sterilising and then delivery of glass is not good for the environment. The other argument has it that plastic is non-biodegradable or that some milk cartons give off unhealthy chemicals Either way, South African consumers still have some choice in the issue.

One of the costs built into each litre of milk is also a hangover from pre-1983 when milk prices, production, distribution and sales were strictly governed by legislation and the Dairy Board

Nowadays, dairy farmers and dairies have been freed to produce and charge what they want or, technically, how the market will allow. But in order to cover some "administration costs" for the industry, the Dairy Board still levies (enforced by the law) an amount of about 2,62c on each litre produced by a dairy This used to be 5,5c a litre but has been reduced. Despite this, the industry is not keen on the levy and several small dairies have rebelled against the system, taking the Dairy Board to court to try and get the levy dropped

Loubscher, whose dairy is the fourth biggest in the country, believes there should be a very small levy, to cover "reasonable" administrative costs like the dissemination of general information about the dairy industry, to ensure a better flow of milk throughout the country and cope with some aspects of surpluses.

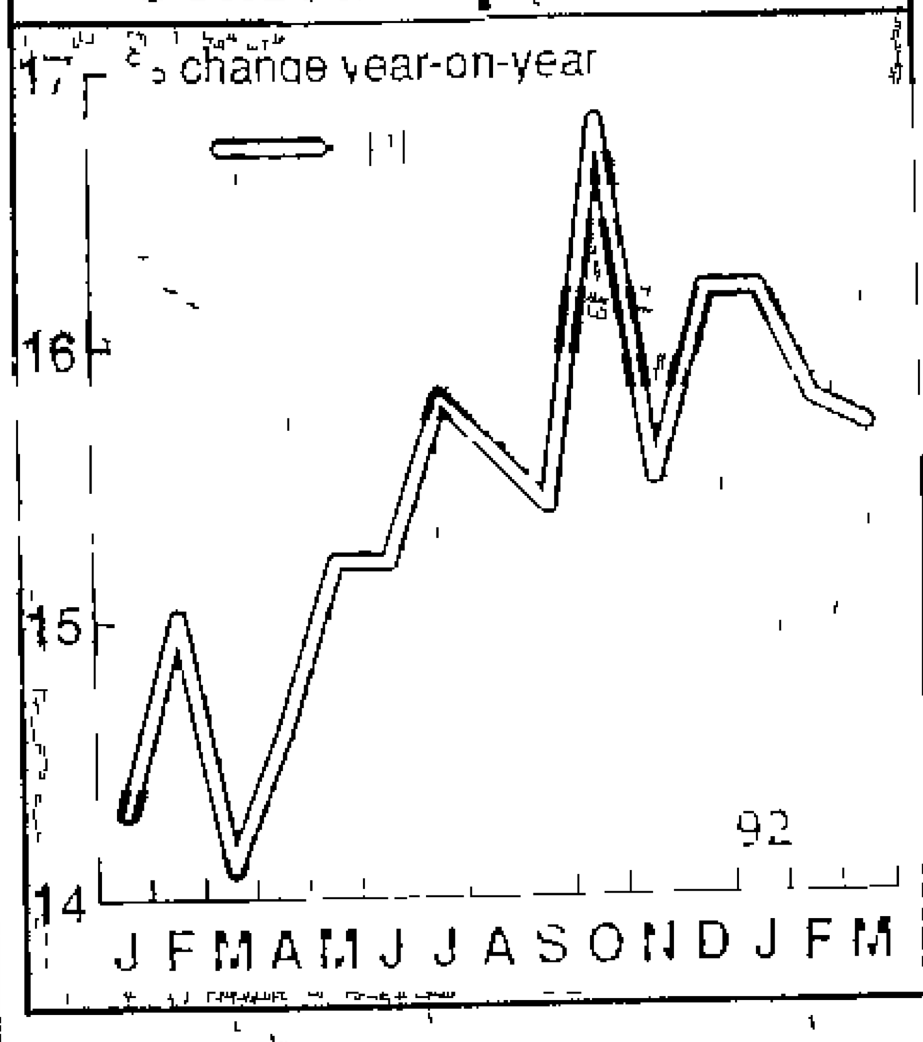
However, according to the Dairy Board (which still exists, but with few of its previous powers), it uses the levy in its stabilisation fund to subsidise exports of surpluses in order to compete with a heavily subsidised international dairy product market. Prior to the dropping of controls in 1983, the fund and its levies were used to ensure that prices did not fluctuate too much while ensuring that farmers got enough of a reward to stay in business.

Since then, the rate of increase in the price of milk has risen sharply and now matches the inflation rate, according to the Dairy Board and Loubscher The Dairy Board, however, believes that prices could have been held lower without the freeing of controls

Loubscher, and others in the industry, believe that now that the market is "free" it is up to the dairy industry itself to find markets for surpluses, ensure the industry's profitability and deal adequately with farmers The most recent rise (last month) in the price of milk included a larger than usual increase to dairy farmers who have had a rough time during the drought, says Loubscher.

Meanwhile, have some sympathy for those in the milk delivery business The dairies that deliver, the delivery men and glass bottles are part of a dying era

Consumer price index



Food price inflation rises to 11-year high

SHERIDAN CONNOLLY 244

FOOD inflation climbed to an 11-year high of 28,9% in the year to March from 27% in February, Central Statistical Service (CSS) figures released yesterday showed.

The rise was attributed to large increases in the prices of fruit, vegetables and grain products B/Day 28/4/92

The overall rate of consumer inflation was 15,7% in March, 0,1 of a percentage point lower than February's 15,8% Excluding the effects of VAT, the rate of consumer inflation was 14,5% in March

The annual rate of food inflation of 28,9% in March was the highest increase since 1981, when food prices climbed 29,5% in the year to March Excluding food, the rate of consumer inflation in March was 12,5% against 13,0% in February.

Education costs rose sharply, according to the data, increasing 45,9% in the year to March as against 21,1% in the year to February. Notable monthly increases in the prices of food, education, clothing and footwear and personal care contributed to a 0,9% monthly rate of increase in the consumer price index in March, unchanged from February

Sanlam chief economist Johan Louw said although the inflation rate was more or less within expectations, the figures were "not good news". They showed food price inflation was still the main contributor to the overall inflation rate.

He expected the rate of inflation to re-

☐ To Page 2

Inflation B/Day 28/4/92

☐ From Page 1

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main above 15% for three to four months. Technical factors should lead to a noticeable slowing down in the last quarter

Commenting on the 45,9% increase in the cost of education in the year to March, Louw said recent changes in the education system had definitely played a part in higher education costs

The food price component was "very worrying" because higher wheat prices in coming months as a result of drought conditions would put further upward pressure on food prices, Louw said

Old Mutual economist Rian le Roux said although the rate of food inflation was still cause for concern, the rate of consumer inflation excluding food was lower in March than in February. "We are making some progress," he said

● See Page 3

CSS fights back against criticism

Bday 28/4/92

(244)

SHERIDAN CONNOLLY

THE Central Statistical Service (CSS) is fighting back against criticism of the statistical methods it uses to calculate the official inflation rate.

In recent weeks the CSS has been criticised for underweighting supermarket prices and for giving disproportionate emphasis to small retail outlets' prices, which are often marked up by more than 100%. CSS deputy head David van den Heever said in a statement yesterday that allegations that the CSS considered price information from the larger retail outlets to be of minor importance were "simply not justified".

"Apart from the fact that the price information of relatively more items is collected from these outlets, the questionnaires of the small and large outlets are taken into account in processing, in the ratio of approximately one to two respectively."

Pick 'n Pay MD Hugh Herman said last month the results of a company price investigation provided some evidence that the national rate of food inflation — estimated by the CSS to be 28,9% in the year to March — was not an accurate reflection of the situation at Pick 'n Pay stores. The store's investigation showed the average weighting of meat in the average shopping basket to be far lower than the CSS's 30%.

The CSS said the questioning of meat's weighting was "unfounded".

It said the reliability of the inflation rate that emerged from the consumer price index (CPI) was not affected by the different price levels of some retail sales outlets. The question was rather whether the rate of change in their price levels ultimately showed the same trend.

The CSS stressed that the CPI reflected the "change in the average price level of all those goods and services bought by the average or 'typical' urban household". The CPI's calculation has been questioned because consumer inflation data has not followed the downward trend recorded in producer inflation figures.

The CSS said while the CPI could be expressed as a retail price index, the producer price index (PPI) could be regarded only to a limited extent as a wholesale price index.

"The CPI reflects, on the one hand, the movement of retail prices only, while the PPI reflects, on the other hand, the movement of production prices and of imported goods," the CSS said. Furthermore, the PPI did not take VAT into account.

"The CSS is not only satisfied, but indeed convinced, that the current inflation data are in every way a correct and accurate reflection of the price details supplied to the CSS by all respondents," it said.

police insignia, a...

Food prices highest in 11 years

(244)

CT 28/4/92

FOOD inflation climbed to an 11-year high of 28,9% in the year ending in March, Central Statistical Service (CSS) figures released yesterday showed

The rise, from 27% in February, was attributed to large increases in the prices of fruit, vegetables and grains

The overall rate of consumer inflation was 15,7% in March. Excluding the effects of VAT, the rate was 14,5% in March

● **March inflation rate stubborn at 15,7% — Page 12**

Rugby — vive la differánce!

Food price increases now at record level

(244)

ARG 28/4/92

SVEN LÜNSCHE

JOHANNESBURG — Soaring food prices have again prevented any worthwhile drop in the inflation rate and the drought has not made the battle against spiralling food costs any easier

The food component of the Consumer Price Index (CPI) surged by a record 28,9 percent from March 1991 to March 1992 and by 2,2 percent from February to March this year, according to figures released by the Central Statistical Services (CSS) yesterday

The rise in food prices largely offset the benefit for consumer prices from the fall in bond rates and the overall inflation declined by only 0,1 percentage point from 15,8 percent in February to 15,7 percent in March

Commenting on the figures the Econometrix research institute says "The increase in the CPI is again disappointing and puts paid to rumours suggesting a drastic downward revision of the statistics on the basis of Pick 'n Pay's findings that its food inflation rate is well below that of the CSS figures"

The economists add "Even if the CSS food inflation rate is seen to be too high and in so doing to account for the sharp fall in food retal sales, this may be counterbalanced by CSS figures understating inflation in industries such as clothing and furniture"

The exorbitant rise in food prices at the consumer level — in contrast to the ever-declining rate of producer price inflation — has strengthened calls for a speedy conclusion to the investigation by the Board of Trade and Industry into the matter

"If we are to control the surge in prices, the BTI will not only have to conclude its findings as soon as possible but also pinpoint those areas in the food price chain which have been responsible for exorbitant price rises," says Southern Life economist Mike Daly

He suspects that the protection of local food producers is playing a major role in the surge in food prices

Figures provided by Southern Life show that a reduction in food prices, which have a weighting of almost 19 percent in the composition of the CPI, is crucial in bringing down the overall inflation rate.

Excluding food the inflation rate in January this year would only have been 13,7 percent, in February 13 percent and last month 12,5 percent — on average three percentage points below the official rate for the month.

The situation has undoubtedly been exacerbated by the worsening drought, as well as the inflationary impact of the petrol price hike.

Food price increases now at record level

STAR 28/4/92

244

By Sven Lunsche

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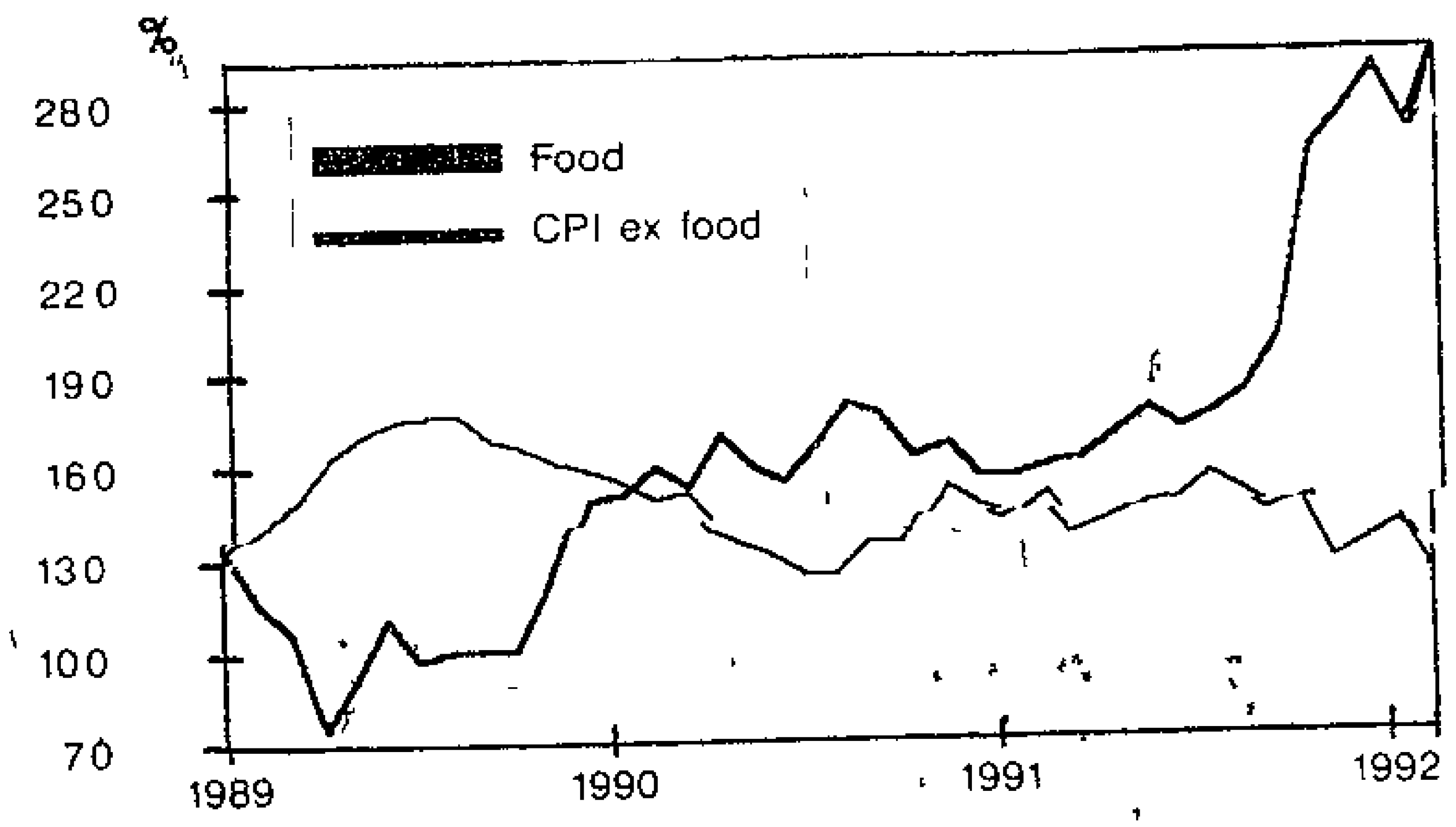

Inflation Food price increases versus total (excl food)

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The situation has undoubtedly been exacerbated by the worsening drought, as well as the inflationary impact of the petrol price hike announced in the Budget

The CSS figures show that on a monthly basis — from February to March 1992 — prices of key agricultural products surged by over 12 percent as the drought led to shortages on local markets and subsequent expensive imports

The prices of vegetables (including maize) alone have surged by 12,6 percent, while fruit has increased by 7,1 percent and grain products by 2,1 percent on a monthly basis

Meat prices, however, fell by 1,2 percent with farmers forced to slaughter more cattle than normal

The rise in food prices virtually offset the benefits of the lower bond rate, although housing has a weighting of 20,5 percent in the CPI

The CPI for housing showed an 0,3 percent decline from February to March as a result of the cut in interest rates

W/Mail 30/4-7/5/92

BUSINESS B.

Food inflation at record levels...

DESPITE public outcries and both governmental and private investigations, food price inflation is just not letting up - 244

Central Statistical Services' year-on-year figures show food inflation reached an 11-year high during March — at 28,9 percent almost double the 15,7 percent recorded for the overall consumer price index. The overall CPI in fact showed a 0,1 percent decline.

This huge increase was blamed by the CSS on large fruit, vegetable and grain product price increases. Excluding food price inflation, the CPI would have been 12,5 percent in March as opposed to 13 percent in February.

The introduction of VAT also had an effect as many of the foodstuffs now subject to VAT were exempt last March.

CPI — 2 FM 1/5/92

Drought effect

(244)

It won't go away CPI figures for March once again show that food, with a year-on-year inflation rate of 28,9%, is the major contributor to an overall CPI of 15,7% In monthly terms, food rose 2,2%, contributing 0,4% of the monthly overall increase of 0,9% Education, also at 0,4%, is the other major contributor

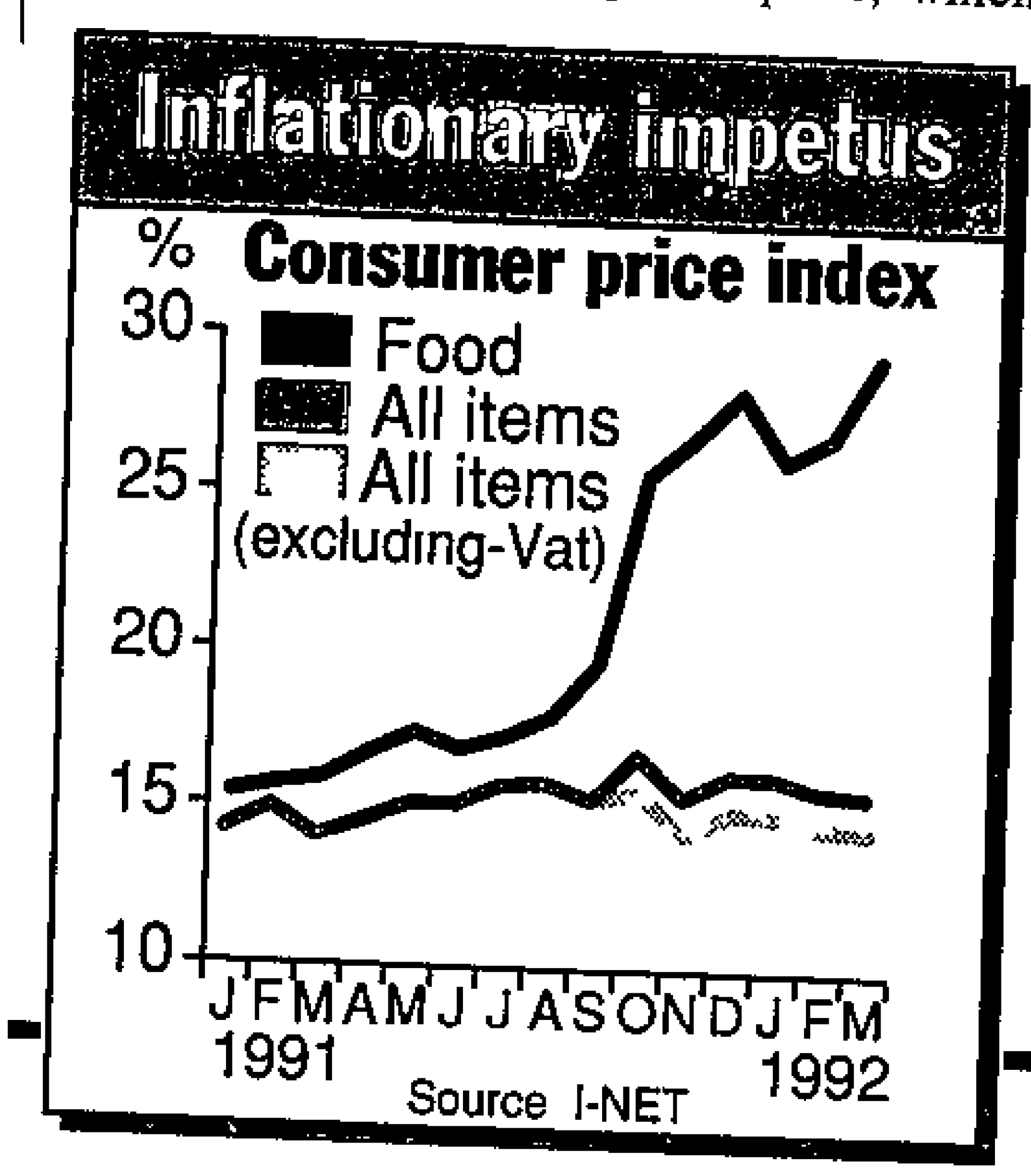
Fruit & nuts (up 7,1% in the month), vegetables (up 12,6%) and coffee, tea & cocoa (up 4,4%), were the major forces behind the food increase However meat, which accounts for a third of food's weighting of 18,64%, decreased by 1,2% in the month "The drought seems to be the cause of both the increases and meat's decline," says Econometrix's Tony Twine. "While fruit and vegetable prices have increased, farmers have been forced to destock their herds, causing a surplus of meat "

However, excluding food, there are positive signs that CPI's surge has been arrested The increase in the index between January and March gives an annualised inflation rate of 12%

The index for all items excluding food rose 12,5% over the year and 0,5% in the month, while the overall rate, excluding the effects of VAT, rose 14,5% and 0,8% respectively

The decrease in the index for housing is largely a result of banks lowering their mortgage rates in anticipation of the reduction in the bank rate in mid-March

The increase in the petrol price, which



FM 1/5/92 (244)

ame into effect at the beginning of April, and the removal of the VAT exemption on many items will put pressure on the index in future "Since the price of 93 octane fell from R1,35/l to R1,30/l, last April, the eff of the increase to R1,52 could be su tantial," says Twine ■

New shock as maize, sugar prices soar

STAR 11592 (244)

By Paula Fray
Consumer Reporter

The cost of two basic food commodities, maize and sugar, are set to increase and hard-hit consumers — already reeling from a record 28,9 percent food inflation rate — have been warned of a ripple effect.

The cost of sugar will rise by at least 14,5 percent next month, the SA Sugar Association announced yesterday — giving consumers and retailers ample time to stock up on the product.

However, maize selling prices go up today.

The Maize Board announced yesterday that the 1992/93 prices, excluding rail costs from the coast, would increase by 14,2 percent for white maize and 13,4 percent for yellow.

The new maize prices were immediately slammed by Premier Group chief executive and chairman Peter Wrighton, who said the price of imported yellow maize for stock feeds would increase by about 34 percent after railage costs to the Reef were included.

"This increase will have a horrendous effect on the price of meat, poultry, milk, butter and eggs and will exacerbate the alarmingly high reported food inflation rate," said Mr Wrighton.

Maize Board chairman Jan Schabort said it had become evident that the producer price had to be fixed at a level which would encourage local producers to deliver their maize to the board and not retain it for their own use.

Consumer prices of white sugar are expected to rise by about 24c/kg and by 59c for a 2,5 kg packet. The final price to consumers is set by retailers.

'Shaun tried to be the best'

Own Correspondent

DURBAN — Natal's star hooker Shaun Gage and his former wife Robin had decided to make another go of their marriage the night before he died ...

CP moves closer to negotiations

STAR 11592

By Peter Fabricius
Political Correspondent

CPI — 1 FM 1/5/92

Apples and pears

(244)

The war of words between a giant food retailing chain and official statisticians intensified this week With the latest CPI figures came 13 pages of explanatory notes from Treurnicht du Toit, head of the Central Statistical Service (CSS), defending its methodology

Though Pick 'n Pay is not mentioned in the release, the notes are clearly a response to criticism from its executives (*Leading Articles* April 10) Chairman Raymond Ackerman and financial director Chris Hurst have questioned

☐ The 33% weighting that CSS gives to meat in the food index Hurst says his figures show that customers spend an average of only 8% of their food bill on meat, poultry and processed meat, and

☐ The relative importance in the sample of convenience stores that charge higher prices than food chains

Hurst says that in the 12 months to February, when official food inflation rose to 27%, Pick 'n Pay's food prices rose only 14% This figure is based on average unit prices — the total value of sales or turnover divided by the number of items sold

Du Toit argues that.

☐ The weighting given to meat is consistent with the findings of its retail sales survey, previous weighting patterns and "other sources"; and

☐ Inflation measures movements in price and not average levels, therefore the fact that small outlets charge higher prices is not relevant. "It is also untrue that small stores dominate the sample "

He says average unit price movements are not a valid measure of inflation unless the

Cont --

FM 1/5/92 (244)

mix of purchases corresponds closely to the average consumer basket "and furthermore remains static in the periods compared "

Pick 'n Pay MD Hugh Herman, who started the controversy when he announced the company's results in March, disagrees "You couldn't get a more valid measure because it is exactly what the consumer buys "

But he says he did not intend to imply that the official figures are incorrect He was simply pointing out that Pick 'n Pay's figures are different But he concedes his figures for "food" include a number of other items such as household consumables and toiletries

This, of course, could explain the difference in the weighting of meat in the total food bill In addition, the official inflation rate for household consumables, in the 12 months to February, was 7,5 percentage points lower than the food inflation rate

The inclusion of nonfood items did not emerge in lengthy discussions early in April between the *FM* and a number of Pick 'n Pay executives — despite repeated requests for confirmation that the figures under discussion related only to food and not to other items in the store It was revealed only this week after a meeting between Pick 'n Pay executives and CSS.

Pick 'n Pay is unable to provide a breakdown of its food and nonfood sales, but clearly the comparison of Pick 'n Pay price rises with official food inflation is like comparing apples and Handy Andy

A recent internal price investigation by the chain, that showed price rises of about 12%, was even more pointless because it excluded fresh meat and produce — the chief impetus to official food inflation

Pick 'n Pay's reservations about the role of small outlets, on the other hand, may be more valid But this would apply only in the aftermath of VAT It may well be that the price rises of small businesses were swollen by the fact that a number of them have been paying sales tax for the first time GST, levied only at sales point, was vulnerable to evasion while VAT is not

Because this situation will not be repeated, it is a partial explanation of past price movements but not an indication of future movements ■

Western Cape supermarket competit

(244) ARG 2/5

Sharper sho

DI CAELERS, Weekend Argus Reporter

COMPETITION between supermarkets in the Western Cape appears set to sharpen with the recent Checkers/Shoprite link-up.

While the major players on the supermarket scene deny any serious price war is in the offing, they agree that the fiercer the competition, the greater the benefits to the consumer in terms of low prices and savings.

And they remain adamant that, trolley for trolley, the Mother City is not the most expensive city in which to live

Managing director of the Checkers/Shoprite group Mr Whitey Basson, responding to Central Statistical Services findings which claimed Cape Town was the most expensive city in South Africa, said "Independent price surveys of food and groceries show that the Western Cape is, in fact, one of the cheapest areas in which to live."

Quoting a study by IBIS Information Marketing Services, Mr Basson said that in monthly price checks conducted over the past year, the Western Cape had recorded the lowest food-basket cost in most months compared with most major centres

A Pick'n Pay advertisement, quoting the same statistics, claimed· "Cape Town is the cheapest, and that's a fact. Your shopping trolley is 10% cheaper in Cape Town compared to Pretoria and 7,7% cheaper than in Johannesburg"

Pick'n Pay managing director Mr Hugh Herman said there were between 12 000 and 15 000 different products in the average supermarket which meant statistics could differ vastly, but that "in our experience generally, prices here are certainly not the highest in the country"

The IBIS study is a survey conducted in 124 stores countrywide with a basket consisting of 210 items including dry goods, toiletries, confectionery, perishables, meat and fresh produce.

Mr Basson told Weekend Argus that supermarket competition in the Western Cape was among the fiercest in South Africa, if not the world, allowing consumers to enjoy the benefits of low prices and savings on food and grocery items

"In terms of our own research, Shoprite is definitely the cheapest supermarket in the country and now, with Checkers on board, our buying power will be substantially increased, allowing us to bring even lower prices to the people"

In the case of Shoprite, more than half the total number of sales recorded were in the Cape Peninsula and "the acquisition of Checkers makes us about the biggest supermarket in the Western Cape", he said

According to Mr Basson, a single name "probably" would finally emerge from the Checkers/Shoprite coalition.

OK group chief executive Mr Gordon Hood said competitors in the Western Cape went at it "hammer and tongs", making the supermarket scene here tougher than in the rest of South Africa

However, because competition in the country as a whole was so intense "our profit margins here are the lowest in the Western world"

"In fact, the housewife in this country gets a better food deal as far as the major retailers are concerned than she would anywhere else in the Western world," Mr Hood told Weekend Argus

He said that in the United Kingdom, for example, the premier retailers' gross profit percentage was up to 10% higher than it would be among the major retailers in South Africa

Mr Gordon Pasley, joint managing director of IBIS, told Weekend Argus that South Africa enjoyed one of the highest levels of concentration of trade in the world Major supermarket chains in the Western Cape accounted for 63,2% of total business

He said there were 218 supermarket-type outlets in the Western Cape and that pricing data for March this year showed packaged groceries to be 4% cheaper here than in the Transvaal and fresh meat to be 4% more expensive

Study of high food prices out soon

S Times (Buss)

By ZILLA EFRAT

3/5/92

A GOVERNMENT investigation, to be completed this month, may throw light on soaring food prices

Consumer price index (CPI) figures for March show that year-on-year food inflation was 28,9% — an 11-year high.

Overall consumer inflation for March was 15,7% If food is removed, the figure drops to 12,5%, down from 13% in February and 13,7% in January

Chairman of the Board of Trade and Industry investigation into food prices Helgaard Muller expects to present the report to the ministers of trade and industry and agriculture this month

They might decide to instigate further investigations in the light of the BTI findings.

Dr Muller says food prices from the farm gate to the supermarket shelf were examined He believes some causes of soaring food prices have been discovered, but will not say more because the issue is sensitive

244

Stages

A paper by Standard Bank's economics division suggests that the meat industry may be one of the major contributors to food-price inflation

It says meat has a weight of a third of the food price index, or about 6% of the total CPI index This means that whatever happens to meat prices may have a disproportionately heavy impact on the food index

The paper says the meat industry is heavily regulated and controlled, and is dominated by three large companies At all stages of production and distribution there is a high degree of regulation and monopolistic practice

Although the Meat Board intends to deregulate, some rules will remain, such as the floor-price system, compulsory auctions in urban markets and the prevention of retail outlets from buying directly from farmers

Unisa expects mid-year rates cut

Retail prices 'will outstrip inflation'

(244)

BDay 4/5/92

GERALD REILLY

PRETORIA — Retail price increases will far outstrip the inflation rate and consumers will have less disposable income this year, Unisa's Bureau for Market Research has predicted.

The biggest single item increase would be food, which would go up by 22,3%, according to the bureau's retail forecast for 1992 released today.

The Unisa survey comes hard on the heels of rises in maize and sugar prices which economists predicted would have a ripple effect on other food prices

The industry price of sugar will go up 14,5% from next month, while the Maize Board increased its selling prices to the trade on Friday by 14,2% for white maize and 13,4% for yellow maize.

The Bureau for Market Research expects there will be a further reduction in interest rates at about mid-year, which could keep the housing cost increase down by two percentage points. This will exert further downward pressure on the inflation rate.

Inflation was expected to run at 14,6% this year, falling to 12,7% by December.

The expectations were based mainly on two assumptions — a one percentage point drop in the Bank Rate by mid-year and a return to normal agricultural conditions by the year-end.

VAT, levied from September last year, would be a major cause of the expected sharp increase in food prices.

The rise in the prices of other items would be due to increases in customs and excise duties from March 18 this year.

The bureau pointed out that VAT on foodstuffs would strengthen the informal retail sector's position because few formal businesses had annual turnovers of less than R150 000 — the level at which vendors had to register for VAT. Very few informal sector businesses were registered vendors

It was expected that food sales would rise by 2% during the year. Informal food retailing, however, would expand its market share by 4%. The bureau also said retail spending by blacks would almost equal that of whites this year.

Of an expected retail sales volume of R82,25bn, the bureau believes whites will account for R38,6bn or 43,3%; blacks R35,3bn or 42,9%; coloureds R7,57bn or 9,2% and Asians R3,78bn or 4,6%.

The "non-white" groups have a more than 50% share of the market for 11 of the 19 merchandise groups — including food, non-edible groceries, alcoholic and non-alcoholic beverages, cigarettes, footwear, clothing, furniture and TV and radio sets.

The bureau estimated an average price increase in total retail sales of 16,6% — some two percentage points higher than the expected inflation rate.

However, retail sales represent only about 41% of total consumption expenditure. The price of non-retail items would probably not rise by more than 13,2%.

Personal disposable income (after tax) was expected to be 1% lower than 1991 and private consumption expenditure 0,5% lower, in real terms.

However, marginal benefits should come from the Bank rate falling to 15% by the year-end and mortgage rates two percentage points lower.

Liquidations up 34,2%, CSS figures show

BDay 4/5/92 (244)

GERALD REILLY

PRETORIA — The number of liquidated companies and close corporations leapt 34,2% in the three months to end-February, Central Statistical Service figures show

In December to February there were 561 liquidations, a 34,2% increase on the same period the year before. Compared with the preceding three months, there was a 26,9% increase in liquidations.

Insolvencies in the three months to end-January increased by 18,4% to 890.

In January insolvencies of private people and partnerships increased 24,4% compared with January last year There was a 29% decrease in insolvencies from the 1 254 in the previous three months.

Industries which showed increased liquidations included manufacturing (41 to 64), wholesale and retail trades, and catering and accommodation services (102 to 135), and finance, insurance, real estate and business services (84 to 113). Construction liquidations decreased from 35 to 31.

Retail hikes to top inflation

CT 4/5/92 (244)

From GERALD REILLY

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However, retail sales represent only about 41% of total consumption expenditure The price of non-retail items would probably not rise by more than 13,2%

Personal disposable income (after tax) was expected to be 1% lower than 1991 and private consumption expenditure 0,5% lower, in real terms

However, marginal benefits should come from the Bank Rate falling to 15% by the year-end and mortgage rates two percentage points lower

Potato price soars as drought bites

244

STAR 5/5/92

By John Miller

The *slap* chip, along with mash and roast potatoes, could soon become a luxury if the spud shortage continues.

Gerry de Jager, commodity manager for the Potato Board, said yesterday he expected prices to remain high until at least the rainy season in October/November

Mr de Jager said some greengrocers were now charging up to R30 a pocket, compared with the R3-R5 paid six months ago.

He said summer suppliers to the PWV area from the eastern Transvaal and Free State had had their crops cut in certain cases by up to half

The eastern Transvaal this season delivered 16 million pockets, compared with 19 million last year; the eastern Free State was down to 12 million pockets (19 million last season); and the western Free State could produce only 10 million pockets (23 million)

Mr de Jager said the winter crop from the northern Transvaal, which was under irrigation, was expected next month and the main crop in September.

This crop was expected to be the same as the previous season — roughly 25 million pockets However, this would depend on frost in the region

"Unfortunately for consumers who want a good-quality potato, they will have to pay for it as the drought has affected quality," he said.

While bangers and the traditional Sunday roast may have to be served without potatoes, there is good news for the potato crisp fans, as both major manufacturers rely largely on contractors and are not dependent on the market

For the same reaon, major fast-food outlets will also not be affected and will also not put up prices for their chips, but corner-cafe owners will have to increase prices.

Economist blasts food price rise

244

The "incredible" rise of 29 percent in food prices over the past year bordered on national economic sabotage and had to be condemned in the strongest possible terms, Nick Barnardt, chief economist of the Amalgamated Banks of South Africa (ABSA), said in Johannesburg yesterday. STAR 5/5/92

He was speaking at the Federated Hospitality Association of South Africa (Fedhasa) Transvaal congress.

Mr Barnardt said: "Raising food prices by 29 percent in the midst of rising poverty and unemployment, shrinking economy and a general disinflationary environment, simply exacerbates the recession and borders on national economic sabotage

"The parties involved are themselves paying a heavy price in the form of massive declines in food sales in recent months, and increasing retrenchment of staff in the food manufacturing and distribution chain."

He said it was of the utmost importance that participants in the food price chain began co-operating to reduce the food price inflation rate drastically within six months. — Sapa.

29% rise in food prices 'is sabotage' — Absa

(244) CT 5/5/92

JOHANNESBURG — The "incredible" rise of 29% in food prices over the past year bordered on national economic sabotage and had to be condemned in the strongest possible terms, Nick Barnardt, chief economist of the Amalgamated Banks of South Africa, said here yesterday

Speaking at the Federated Hospitality Association of SA (Fedhasa) Transvaal congress, he said "Raising food prices by 29% in the midst of rising poverty and unemployment, shrinking economy and a general disinflationary environment, simply exacerbates the recession and borders on national economic sabotage — Sapa

Another fuel price increase expected — energy council

(244)

B/Day 6/5/92

Political Staff

CAPE TOWN — Another increase in the fuel tax on petrol and diesel to generate state revenue was expected, the National Energy Council reported yesterday.

"Due to substantial cost increases, it is also expected that the Multilateral Motor Vehicle Accidents Fund and National Road Safety Council budgets for 1992/93 will be increased, which will in turn increase fuel prices."

It was impossible, however, to predict the increase in the price of fuel, the council said in its final report, which covered the 1991/92 financial year

The report, tabled in Parliament yesterday, was completed at the end of March, after the 1992/93 budget, in which the fuel tax was increased, was tabled

The council said crude oil markets expected more drastic declines in the price of petrol. Lower international prices, the council said, could lead to lower international prices for refined products and, also, to lower fuel prices in SA.

"The possible decrease in the landed cost of refined petroleum products could, however, be partially offset by the weakening of the exchange rate, which could average above $1 = R2,85 for 1992."

The lower landed cost of fuel could offset the expected increases in the price of petrol in SA, but it was impossible to predict these, the council said

Government had decided to introduce unleaded petrol, which would be generally available in SA by 1995 It would be phased in over several years. Leaded petrol would be available for as long as required.

Leaded petrol is being phased out in most developed countries, despite the higher cost of unleaded petrol, mainly for health and environmental reasons

The council said it had recommended introduction of unleaded petrol after extensive investigations and consultations. Government had accepted the proposal.

"Due to the time needed by the oil industry to instal the required production facilities, it can be expected that unleaded petrol will be generally available by 1995."

The Department of Mineral and Energy Affairs would co-ordinate the phasing in of unleaded petrol.

□ The Cahora Bassa hydro-electricity scheme in Mozambique, which has never supplied electricity to SA since it was completed 20 years ago, could soon come on stream.

The multimillion-rand Cahora Bassa Dam, built on the Zambezi River after an agreement was signed by Portugal and SA in 1969, has not been able to supply electricity because of sabotage and disruption after Mozambique's independence in 1975

Food price report may be kept secret

BDay 6/5/92 (244)

ANDREW KRUMM

THE Board of Trade and Industry's long-awaited report on food price inflation may never be released to the public.

BTI deputy chairman Helgard Muller, who chaired the investigation into food prices, said it was up to Agriculture Minister Kraai van Niekerk and Finance Minister Derek Keys to decide whether the report flowing from the investigation would be made public

Muller said he could not say exactly when the report would be completed and handed to the Ministers, but said this would probably occur late this month The report, he said, was still undergoing adjustment

Agriculture Ministry spokesman Frans Loots said normal procedure dictated that the report be directed to the two Ministers, then discussed by Cabinet which would then decide what should happen to it

Spokesmen for the Finance Ministry could not be reached for comment.

Loots said the two ministries had commissioned the investigation in April 1991 The BTI, which started investigating only in August, came under fire from various consumer organisations which were keenly awaiting its findings To speed up the investigation in the face of staff shortages at the BTI, two consultants were appointed

In January Muller said preliminary results of the BTI investigation into price structures in the food chain would be released in the first week of February This was not done.

Meanwhile, according to Central Statistical Service figures the food inflation rate climbed to an 11-year high of 28,9% in the year to March 1992 from 27% in February

Another petrol price rise expected this year

244

By Helen Grange STAR
Pretoria Bureau 7/5/92

Another increase in the petrol and diesel price — hot on the heels of a fuel increase in March — is in the pipeline this year

This emerges from the National Energy Council's (NEC) latest annual report tabled in Parliament, which states that the Government is expected to increase fuel tax to generate state revenue

The 9c-a-litre March fuel increase was also made up largely of a tax increase

NEC spokesmen said the expected increase was not definite, and was not likely for at least two months in view of a favourable situation in the Equalisation Fund

However, the Government would be justified in raising fuel tax again this year in the light of the fact that the Equalisation Fund, despite its improved situation, was still carrying some of the burden of under-recovery on the price of petrol and diesel

An expected increase in the 1992/93 budgets for the bankrupt Multilateral Motor Vehicle Accidents Fund as well as the National Road Safety Council would also make up a portion of the pending increase

The NEC report says it is not possible to predict the expected fuel price increase at this stage.

- Crude oil markets can expect declines in the oil price unless the Organisation of Petroleum Exporting Countries cuts production in the second quarter, the NEC report adds

- The Government's acceptance of the NEC's recommendation to introduce unleaded petrol means such fuel could be available from 1995

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SALDRU

THE WEEKLY MAIL, May 8 to 14 1992

Tracking the food price spiral

W Mail 8/5-14/5/92. (244)

Food price increases continue to outstrip the general inflation rate. **REG RUMNEY** *looks at the causes and effects of producer price rises*

WHILE the Board of Trade and Industry hums and hahs about releasing its report on food prices, producer prices of basic foods continue to rise

This week it was announced the price of sugar would rise at the producer level by 14,5 percent The Maize Board recently announced an increase in the prices of both white and yellow maize

Examined closely, both increases are not exactly straightforward in their effect on the consumer

Take the maize price The board announced a 13,4 percent increase in the price of yellow maize and a 14,2 percent increase for white maize

But according to Premier Milling chairman Peter Wrighton the price of imported yellow maize for stock feeds for animals will rise by around 34 percent Unless the farmers absorb the yellow maize increase, this will cause a knock-on rise in prices of meat, poultry, milk, butter and eggs

On the other hand, Premier says mealie meal for human consumption will not rise in price above inflation because of its mixture of cheaper yellow maize with white maize

The Maize Board does not dispute the figures, though it lays the blame on the expense of food imports Wrighton argues that the government is making a profit on the imported maize of R30 a ton

Maize Board deputy chairman Hans Swart does not deny this, thoughhe points out the R30 profit figure is based on the price of imported maize now The import price does fluctuate and the R30 could be swallowed by a rise in the import price

Wrighton claims the government made a profit of R100-million last year on imported wheat, and this was not passed on to the consumer Moreover, the bread subsidy of R80-million was removed

The price to the farmer for locally produced maize will rise by around 30 percent, notes Premier Again, note that this a producer price Inflation as measured by the producer price index for February this year compared to February 1991 date was 6,9 percent

The average sugar price increase between 1985 and 1992 was 11,3 percent a year, compared to food price increases of 18,4 percent a year, according to a statement by South African Sugar Association (Sasa) chairman John Chance

But this compares the producer price of sugar with the consumer price index

In some senses at least, both the sugar price increase and the maize price should be compared with the producer price index

The sugar price rise, for instance, will also have a knock-on effect on cool-drinks and other processed foods

In South Africa, as opposed to developed countries, only 30 percent of sugar consumed goes to industry for inclusion in processed foods Seventy percent is consumed directly as sweeteners for tea, coffee and for cooking in the home

The sugar price to the consumer should rise by a like amount, asserts Sasa director Mike Mathews The retailers need add nothing more to recover costs of further packaging or processing the sugar

Whether that is so or not, anti-trust-laws proponent Robin McGregor points to much higher rises in the all-important retail prices of both sugar and maize than the consumer price index (CPI) increases over a 12-year period His figures show an increase of 456 percent over 12 years in sugar Maize and bread soared too (see table)

Premier Food Industry chairman Norman Fowler argues McGregor has arrived at high inflation figures for bread and maize by taking as his base year a year when bread and maize were subsidised by the government The falling of subsidies has boosted the prices of these abnormally

"Maize was still subsidised in 1980," says Fowler

Perhaps that is too long a period The CPI increase for sugar from 1985 to 1989 was 95,1 percent The CPI itself rose by 78,1

The CPI's grain products category is not broken down into maize, bread and other products The grain products category rose over those years by 62,7 percent But this was before the removal of the bread subsidy Grain products rose in March this year by 17,9 percent — more than the overall March inflation figure of 15,7 percent

Consumers inured to soaring prices

EVERY new report of a surge in the price of this or that or the other foodstuff softens the blow that inevitably follows.

As a just published Standard Bank economics division position paper notes: "Nearly 20 years of double-digit inflation has led South African consumers to believe that ever-rising prices are part of their daily lives. This complacency on the consumers' side has provided no spur for manufacturers or retailers to keep prices as low as possible. Any rise in input costs ... is immediately passed on to consumers, without making efforts to improve productivity or cope with fundamental problems."

This is not to say that publicity about soaring food prices does no good. Already, attention has been drawn to the concentration of ownership and other pressure points in the production and distribution of food.

While economic concentration in the food business must be investigated, it bears repeating that there is more than one reason for soaring food price inflation.

The Standard Bank suggests one major and a number of minor reasons for the recent behaviour of food prices. "The major reason is the importance of, and distorted competitive conditions in, the meat industry."

Minor reasons include:

- **Declining sales volumes.**
- **Selective export parity pricing (ie food manufacturers upping local prices to match those they can get for their products overseas).**
- **Phasing out and termination of certain subsidies.**
- **The high rate of shrinkage (theft) in stores.**
- **The possible ability of supermarkets to juggle some prices faster than consumer watchdogs can keep track of them.**
- **A general atmosphere of inflationary expectations.**

The report concludes that since food prices have been volatile in the past, it seems likely the big gap between food inflation and general inflation is temporary. "The time lag in closing this gap will crucially depend on how soon the economy improves and the extent to which variable costs (especially wage costs) are contained in the near term."

COMPARATIVE PRICES - 12 YEARS TO 1992

Commodity	Increase % 1980-1992	Suppliers for more 75% of the market
Apples per carton -sk6	311	Many
Inflation rate	367	
Eggs - doz, large	413	Control Board
Sugar - 2 5kg	456	2
Margarine - 500gm	456	4
Mealie Meal 2,5kg	490	3
Meat kg rump	514	Control Board
Bread - brown loaf	553	3
Breakfast oats 1kg	597	3
Salt 1kg	645	1
Cream cracker biscuits	709	1
Asprin per 100 wholesale	846	2

Maize price rise 'closer to 50 pc'

STAR 13/5/92

(B) Economic (244)

By Paula Fray
Consumer Reporter

The Maize Board's recent announcement of a 13,4 percent price increase was misleading and the increase could be as high as 45 percent on the Reef after transport costs were accounted for, angry farmers warned yesterday

Calling on the Maize Board to explain "inaccuracies" in its announcement, Red Meat Producers Association assistant manager Gerhard Schutte said yesterday that the May 1 increase was closer to 44,9 percent for Witwatersrand consumers

In a statement on behalf of the SA Feedlot Association, the SA Pork Producers Association and the SA Poultry Association, Mr Schutte said "During 1991/92 the actual price to consumers under contract (about 92 percent of all yellow maize sales) amounted to R383 a ton, while for 1992/93 it is R550 a ton"

When the increase was announced, Premier Group chief executive Peter Wrighton warned that the increased prices would have a "horrendous effect on the price of meat, poultry, milk, butter and eggs and will exacerbate the alarmingly high reported food inflation rate"

● Maize meal goes yellow — Page 7

Bread quality dips as price rises

STAR 13/5/92 (244)

Consumer Reporter

While the cost of brown and white bread had escalated "appallingly" in the past year, the quality of some bread had dropped, says the South African National Consumer Union

Expressing concern at bread costs, the union yesterday called on the Board of Trade and Industry to release its report into high food prices

Union chairman Lillibeth Moolman said brown bread, which was not taxable, had leapt in price by 27 percent since March last year

The average cost of white bread had increased by 26,1 percent during the same period

"It has also been found that certain bakeries' loaves do not have the prescribed standardised weight," she said.

Control tests were done by the SABS, which could take steps if the standard weight — 800 g — was not adhered to

"We would like consumers to put the loaf of bread on a scale and weigh it If this weight is not correct, inform the SABS," she said

...king Van Tonder on the ground as several sources claimed.

Schmidt said last night he was happy with the decision, but declined to comment further.

● See Back Page

Food inflation claim contested

244

STAR 15/5/92

By Patrick Laurence

Peter Wrighton, executive chairman of the Premier Group, has challenged the official calculation that the price of food is rising at nearly twice the average inflation rate.

He calculates that the inflation rate for food is close to the general inflation figure of just less than 16 percent and not nearly 29 percent as put out by the Central Statistical Service.

In a wide-ranging interview, Mr Wrighton focuses on some of the anomalies in official figures, noting that, according to these calculations, spending on food is diminishing while the purchase of audio-visual products is increasing.

● Food price conundrum — Page 13

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Output fall keeps SA in recession

BDay 15/5/92 (244)

SHERIDAN CONNOLLY

SA remains firmly in the grip of recession with latest figures showing one of the largest quarterly declines in national output in more than two years of steady economic contraction

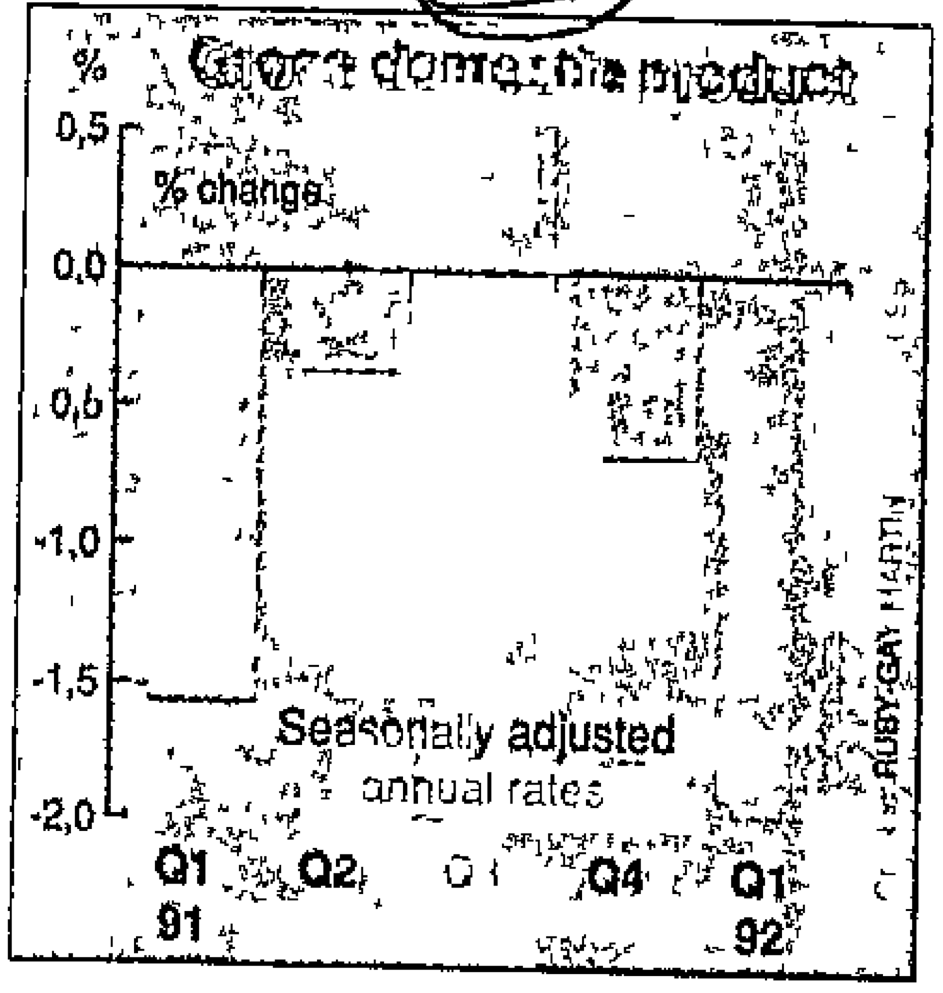
A considerable fall in agricultural production was the main force behind the March quarter decline, preliminary GDP estimates released yesterday showed

Central Statistical Service (CSS) figures showed national output, as measured by the inflation-adjusted change in GDP, declined 1,9% in the three months to March in seasonally adjusted terms from a decline of 0,6% in the fourth quarter of 1991, and growth of 0,5% in the third quarter

The CSS said the fall in GDP in the first quarter of this year was the largest quarterly decline recorded since the three-month period to December 1989 when GDP fell 2,0%

The negative growth rate in the first quarter was attributed to a 15,8% drop in agricultural production, which had increased 4.9% in the previous quarter

Real GDP declined for the fifth successive quarter, decreasing at a seasonally



adjusted rate of 0,9% in the latest quarter Negative real growth rates were recorded due to decreases in the seasonally adjusted production levels of manufacturing, construction and trade.

In real terms, manufacturing production declined 3,2%, construction was 8,2% lower, and trade dropped 3,2% Mining production showed a 1,9% increase

☐ To Page 2

Output drop

BDay 15/5/92

From Page 1

Except for the positive growth rate of 0,5% recorded in the third quarter of last year, the economy has been contracting for the past nine quarters in nominal terms The generally accepted formal definition of recession is two consecutive quarters of economic contraction

Nedbank chief economist Edward Osborn said growth prospects had been dominated by the negative effects of agricultural production The sector's poor performance reflected the severity of the drought and also the collapse of maize production

The maize harvest had declined substantially and prospects for a good wheat crop were bleak Some agricultural sectors, such as deciduous fruit production, had, however, recorded relatively good production levels

Osborn said lower growth in most sectors of the economy showed the recession was "still very much with us" A small degree of recovery with regard to the volume of gold production had contributed to some growth in the mining sector.

The positive rate of economic growth recorded in the third quarter of last year was, ironically, attributed to a good agricultural crop, Osborn said Implications for economic growth for the remainder of this year had been affected by the drought, and the overall growth rate for 1992 should be zero or even show a decline

Osborn said the only chance for economic growth this year was in SA's export potential, but improvement would be limited by recovery rates in the international economy Any benefits from a recovery in the world economy would be felt only in the fourth quarter of this year

Higher levels of government spending would be inadequate in boosting domestic demand and would not encourage any positive movement in fixed capital formation

A return to a "normal" agricultural harvest would make some positive contribution to economic growth.

● Comment: Page 10

Drought pushes up producer price inflation

By Sven Lünsche (244) STAR 15/5/92

Producer price inflation moved up in March as the drought put pressure on agricultural food prices.

The Central Statistical Service reported yesterday that producer inflation — the year-on-year increase in the Production Price Index — rose to eight percent in March from its record low of 6,7 percent in February.

However, economists said yesterday that the underlying trends indicated that producer price rises would be maintained at recent levels in the months to come.

This was confirmed by the mere 0,5 percent rise in the PPI from February to March this year. This low increase was mainly due to the low cost of imported commodities

In March the rise in the cost of imported producer goods was 0,1 percent higher than in February and 4,1 percent up on March 1991.

The index for locally-produced commodities, however, increased by 0,8 percent over February and 8,9 percent over March last year

A breakdown of monthly commodity price rises is led by agricultural items (7,3 percent), fishery products (10 percent), textiles (2,1 percent) and clothing (2,9 percent)

As the drought forced farmers to kill more stock and thus raise their supplies to the abbatoir the price of fresh meat fell by 1,9 percent during the month So far this has not been reflected in the meat prices paid by consumers

Food price conundrum

STAR 15/5/92 (244)

Deductions that the steep and escalating increase in food prices is due to lack of competition between "cartels" in the food industry have been repudiated by Peter Wrighton of the Premier Group, who spoke to PATRICK LAURENCE on a topic that deeply affects consumers' pockets.

ALLEGATIONS of price fixing and exploitation by "cartels" in the food industry have been sharply denied by Peter Wrighton, executive chairman of Premier Group

Mr Wrighton's riposte comes in response to assertions that the rocketing increase in official food prices is due to lack of competition between the huge food producers which control the industry.

The Central Statistical Service (CSS) calculates the annual inflation rate for food at just less than 29 percent, or nearly double the general inflation rate One economist declares that the position borders on "economic sabotage."

Labelling the situation "iniquitous," Robin McGregor, of McGregor Online, says, "Three groups produce over 75 percent of the South Africa's main food products — Premier Milling, Tiger Oats and, to a lesser degree, Fedfood "

Mr McGregor adds "It is naive or irresponsible to believe that cartels do not exist in South Africa when two, three or even four producers control over 75 percent of the market "

Mr Wrighton's response, made in an interview with The Star, consists broadly of two parts he challenges Mr McGregor's premise that three groups control 75 percent of the food market and he questions the accuracy of CCS statistics

He says six producers control 75 percent of the bakery industry Premier, Tiger, Sasko, Fedbake, Bokomo and Bakers The three biggest producers control half of the market Besides the "big six" there are "hundreds of individual bakers".

The market share of the biggest six major producers is 21 percent The smallest's share is 5 percent, Mr Wrighton says

The same position pertains in the maize industry Six, not three, producers control 75 percent of the market Premier, Tiger, Tongaat, Fedfood, Maizecor and Natal Co-op.

The market share of the "big six" ranges between 23 and 4,6 percent. There are, however, more than 240 maize millers in the food industry

Mr McGregor calculates that over 12 years the price of bread rose by 553 percent and that of mealie meal by 490 percent

Premier's calculations from March 1980 to March 1992 give lower figures. 315 percent for bread and between 404 and 448 percent for mealie meal, depending on whether the calculation is for the miller's retail price or the gross price

Mr Wrighton contends that Mr McGregor has not taken account of three factors in his computations for the rise in the price of bread the withdrawal of the bread subsidy in March 1991, the removal of retail price control at the same time and the imposition of tax on bread with the introduction of VAT in September last year.

Mr Wrighton questions the accuracy of CSS figures, noting what he sees as a major anomaly a decline in the amount of food sold — down 17 percent in December last year — but a simultaneous rise in volume of sales of audio-visual items, including TVs

The first set of figures points to a situation of major economic distress, the second signifies boom conditions

Another discrepancy relates to the wide — and apparently widening — difference between the producer price index (PPI) and the consumer price index (CPI) 6,7 percent against 15,7 percent

Mr Wrighton remarks that the PPI can be quoted to defend major food producers against allegations of responsibility for the huge increase in the official inflation rate for food.

But, he reckons, they are both probably inaccurate. the PPI is too low and the CPI too high.

Taking a closer look at the basket of food items on which the CPI is calculated, Mr Wrighton notes that meat, fruit, nuts and vegetables account for nearly 70 percent of the inflation rate for food and that these foods are not sold to retailers by the food-producing giants

Premier's own calculations on a basket of its own food products points to an inflation rate of 15,8 percent for the 10 months ending January 1992 — one which is on a par with the average inflation rate and not nearly twice as high

Mr Wrighton challenges Mr McGregor's view that cartels and price-fixing occur or tend to occur when the number of producers diminishes, he argues that the reverse tends to happen as the remaining producers fight even harder to improve or retain their market share

"There is terribly fierce competition between the major food producers in South Africa," he says "There are some very big companies in the food business They market their products by cutting their prices I can guarantee that there is no arrangement between them " □

PPI up 8% on technical factors

(244)

CT 15/5/92

By ARI JACOBSON

THE producer price index (PPI), which measures a basket of prices at producer level, was up 8% for the year to March having risen 1,3% from the figure recorded in February

But economists described this as a good figure — given the technical factors that would prevent the PPI from attaining the 6,7% increase reported in February

Old Mutual's economist Johann Els pointed out that the PPI actually declined by 0,7% between the previous February and March 1991, as oil prices moderated to acceptable levels after the Gulf war

"The month-on-month figure for March 1992 in actual fact only rose by 0,5% but incorporating the 0,7% decline from the previous year — it adds up roughly to the reported year-on-year increase for this March"

This influence was clearly indicated in the index for imported commodities which dipped by 0,9% for the year to February but rose by 4,1% in March. But this was still below the index for locally-produced commodities which increased by 8,5% year-on-year in February and 8,9% for the year to March.

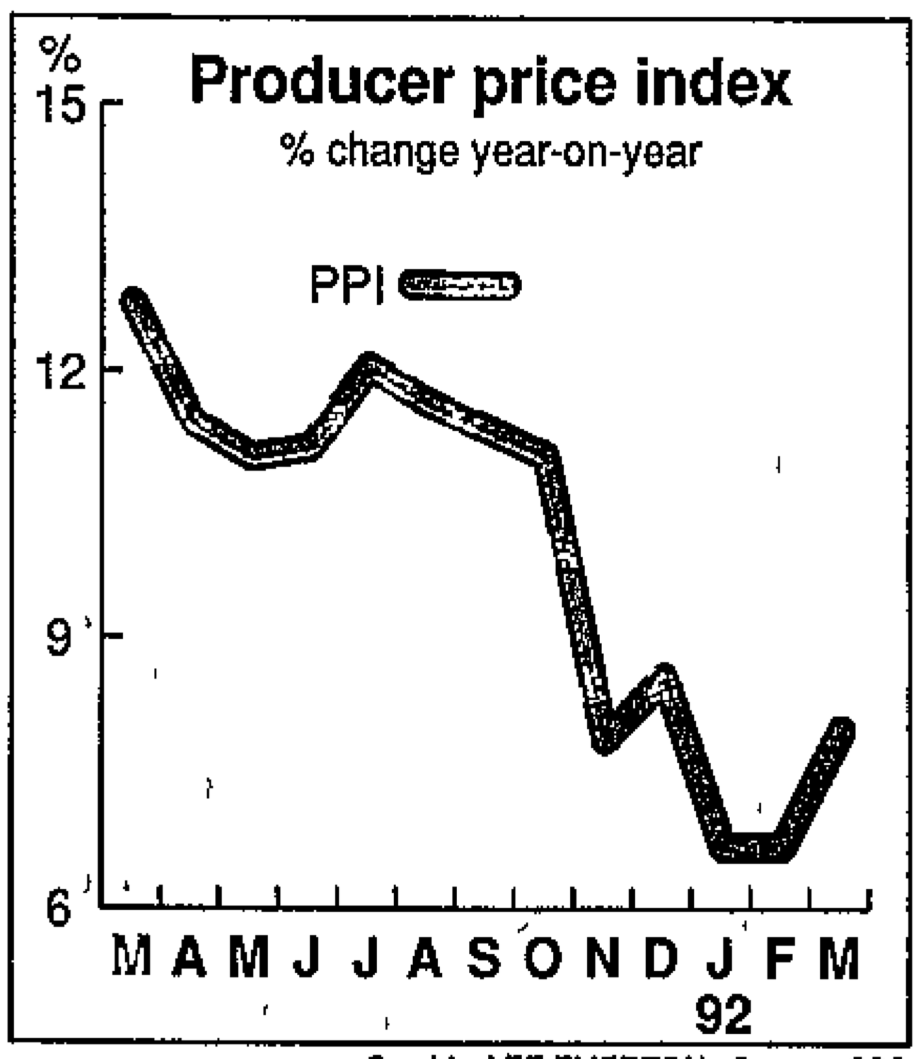
Els said that the lower worldwide inflation, less volatile oil prices and a stable rand coupled with the on-going recession locally all added up to help the satisfactory rise in the PPI.

"We are anticipating an average PPI for 1992 — below a 10% increase," he added.

Sanlam's economist Johan Louw said that the PPI's performance in March was in line with the assurer's expectations

The March indices showed increases from February — in agricultural items of 7,3%, fishery products 10%, textiles and made-up goods 2,1% and clothing 2,9%. Decreases were recorded for electricity, gas and water 0,9% and fresh meat 1,9%

March price indices for the total output of South African industry were up 0,6% for February (when seasonally adjusted) and 7,8% for the year to March



Graphic LEE EMERTON Source CSS

PPI edges up to reach 8% (244)

SHERIDAN CONNOLLY

PRODUCER price inflation edged up to 8,0% in the year to March from the 6,7% posted in February, Central Statistical Service (CSS) figures showed yesterday.

In seasonally adjusted month-on-month terms, the producer price index (PPI) increased by 1,0% in March compared with a 0,1% monthly rise in February The CSS said the price index for locally produced commodities rose by 8,9% in the year to March, against the 8,5% increase recorded in February. The annual rate of increase in prices of imported commodities rose by 4,1% in March, against the corresponding 0,9% in February. BDay 15/5/92

Monthly increases of note occurred in the price indices for "other" agricultural products (7,3%), fishery products (10%) and clothing (2,9%).

The CSS said the price increase for the total output of SA industries increased by 7,8% in the year to March. The monthly increase in seasonally adjusted terms was 0,6% in March

Sanlam chief economist Johan Louw said the increase in the rate of producer inflation was in line with expectations.

He said the main reason for the 4,1% annual increase in the price index for imported commodities in March was the low base rate in March 1991 Although the price index of local commodities rose 8,9% in the year to March, in month-on-month terms, the increase was relatively small, he said.

The PPI should remain static around the 8,0% level in April, and for the year it should average around 8,5%, Louw said.

FM 15/5/92

INTEREST RATES

244

Facing reality

The recent easing of interest rates by some of SA's major trading partners can be interpreted as a breathing space for the monetary authorities, allowing them to lower domestic rates But there are good reasons why SA cannot follow suit

Firstly, SA's real interest rate, currently at 3,55%, based on the most recent CPI of 15,7% and a prime overdraft rate of 19,25%, remains lower than the rates of our major trading partners, apart from the US (see graph)

Secondly, developed countries with free

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ECONOMY & FINANCE

capital flows are better able to respond to interest changes in other developed countries Thus, says Absa chief economist Hans Falkena, countries such as France and Britain have been able to respond to the recent weakness in the German mark He adds that most developed countries have managed to curb inflation for some time, giving them room to stimulate their economies now "France, for instance, has the lowest inflation, at 3,2%, in the European community"

Another restraint in SA, says Falkena, is expansionary fiscal policy According to Absa's *Economic Spotlight* for May, key problem areas such as government dissaving — borrowing to fund consumption spending — and State expenditure will be inflationary

The deceleration of the money supply growth, the improvement in the reserves and the low level of PPI — at 6,7% creating a real interest rate for producers of 12,55% — may be cited as reasons for easing rates But Econometrix's Tony Twine says the Reserve Bank looks at consumer inflation when determining inflation control

"Our studies show that a PPI significantly lower than CPI is not unusual in many economies," says Twine

Nedbank chief economist Edward Osborn argues that "high real interest rates may not be relevant at this juncture High real interest rates are usually used as a tool to reduce

cont →

ECONOMY & FINANCE

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private consumption In SA, however, consumer and investment demand are low as a result of a combination of recession, retrenchment, high interest rates and low investor confidence Therefore, a low or even negative real interest rate can, it may be argued, be necessary for recovery"

But, Osborn says, the monetary authorities are restricted by the need to retain the surplus on the balance of payments "to deal with foreign debt obligations The Bank doesn't want to spur growth in imports, particularly while we have to import large amounts of maize

"Therefore, a drop in interest rates is only possible once there is a prospect of a certain underpinning of the balance of payments position through international recovery While inflation is high, the Reserve Bank Governor has reasons to keep rates high This will naturally fall away as inflation drops in the last quarter of the year, by which time the balance of payments position should look healthier" ■

DOWN AND OUT AND DESPERATE

THE PLIGHT OF POOR WHITES 1

241

S Times 17/5/92.

Reports: CLAIRE ROBERTSON ■ Pictures: ROB HADLEY

DESTITUTION has reduced more than 100 families to living in an empty Vereeniging school.

"These people are broken They don't believe in themselves We have to help them pick themselves up and start again," said Marius Muller who runs the Place of Refuge in Peacehaven

The families living there are among the estimated 5,4-million people in South Africa without formal employment

The school centre has been open since November last year Families, single mothers and single men have come from all over the Reef to set up humble homes in classrooms, the tuckshop, behind the school hall stage and in a staff lounge

They include people who have always struggled financially as well as those who until recently could call themselves middle class

Ria and Nicholas Els had a four-bedroom home with a swimming pool in Randfontein before Mr Els was retrenched two years ago Unable to find another job, he moved his family to smaller and smaller homes until his pension ran out

Now the couple live in a primary school classroom with their three children and grandmother. The family's furniture is arranged in an open-plan bedroom and lounge, with a religious mural chalked on the blackboard

LOAN

Mr Els, a fitter, has hitch-hiked across the country searching for work He will take any job to support his family

Down the corridor his sister Veronica Roodt shares another classroom with her husband, Andre, and their small son

The school is on loan from the province and financed by contributions from the community.

Peacehaven helps families who have nowhere else to go, no matter what their race However, only white families have applied so far

The school is the first of 20 centres the Place of Refuge organisation hopes to establish It already receives twice as many applications as it can meet

With no social security net to catch the jobless in South Africa, accurate unemployment figures are impossible to come by — but all economists agree the position has deteriorated to a frightening extent

The National Manpower Commission this week put the number of people without formal jobs at more than five million

The Unemployment Insurance Fund is receiving 74 000 new applications each month

Between 1988 and 1991 registered unemployment more than doubled, and non-agricultural employment in the private sector has declined steadily since 1990

Private disposable income has shrunk over the past nine months, according to Reserve Bank figures

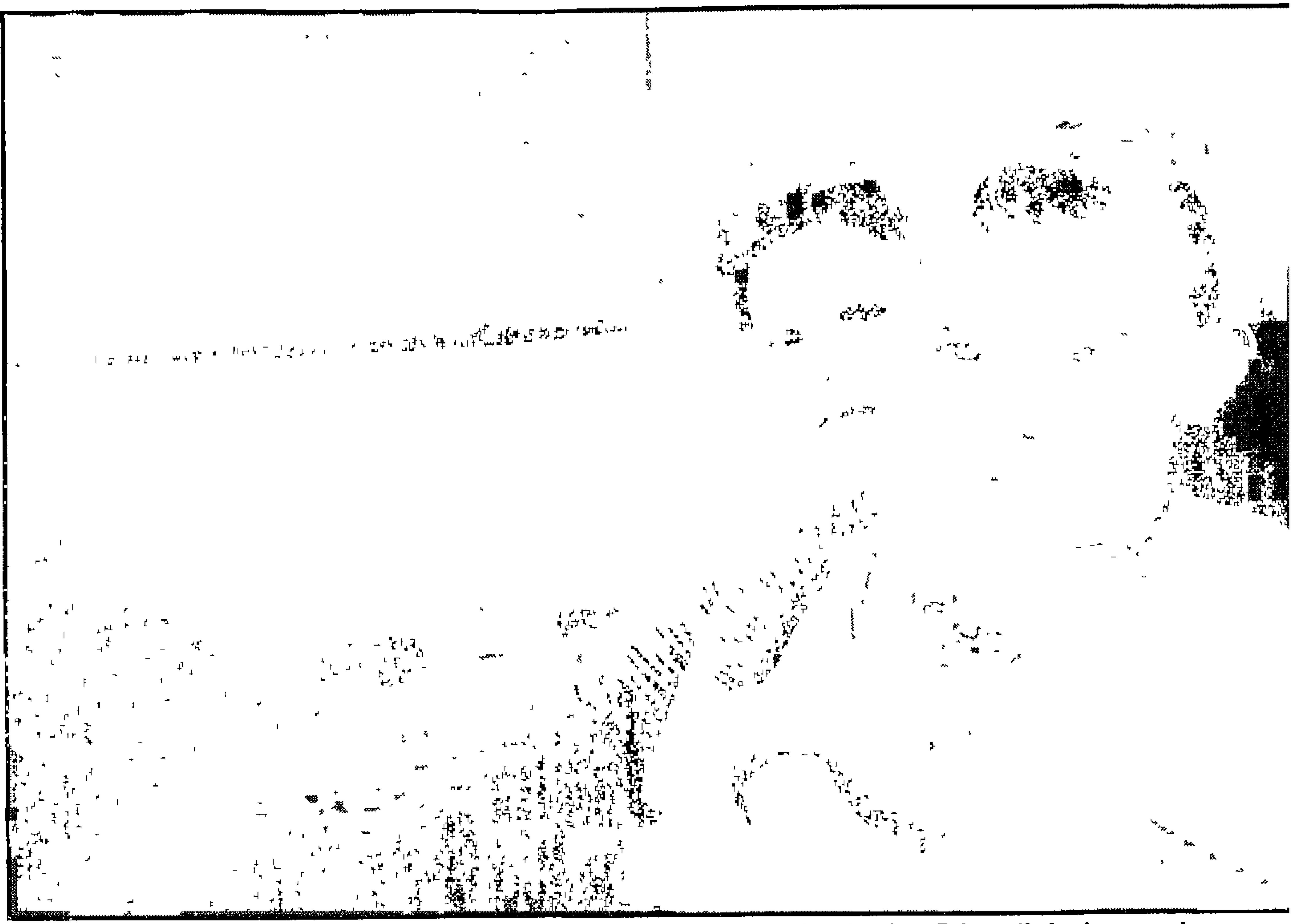
Mr Keith Lockwood, an economist with the SA Chamber of Business, said the position was getting "significantly worse"

DEPRESSION

A leading economist said he thought unemployment and poverty was worse now than during the depression years

Mrs Kleintjie Pereira, director of the Werk en Oorleef (work and survive) welfare body in Pretoria, said poverty was "very serious and worsens by the day"

"We are feeding more than 5 000 families a month We thought this would be a temporary situation, but the need just grows"



HARD TIMES .. Ria Els, who used to own a four-bedroomed house, with her daughter Babs in their classroom home

Assurance on food report

(244)

GERALD REILLY

PRETORIA — The Board of Trade and Industry's report on food prices would not "be swept under the carpet" and could be published before being submitted to the responsible Ministers — of trade and industry and agriculture — a BTI spokesman said yesterday. B|Day 19/3/92

He said the report should be ready by the month-end.

DP trade and industry spokesman Brian Goodall said claims of a possible cover-up of the report were disturbing. It was vital that consumers be told why food prices had soared in the past 18 months and which links in the food chain were responsible for unwarranted price rises.

Housewives' League president Lyn Morris said: "If government is attempting to kill the report, we must be told why. If vested interests are involved, this must be made public."

The investigation started in July last year.

Seeff in Masterbond bid

LINDA ENSOR

CAPE TOWN — Seeff Trust is bidding for the management contract for the 11 property participation companies in the Masterbond group. A rival contender is the Johannesburg financing company, Citygate Corporate Finance.

Rumours that Realty Durr had also made a formal bid were denied yesterday by chairman Storm Durr, though he expressed interest in finding ways to assist investors who had only a few days left to send in their proxy votes before next Monday's meeting. B/Day 19/5/92

In a letter to about 1 200 investors in the companies owning properties valued at more than R60m, Seeff Trust MD Michael Flax said concerned investors had approached Seeff to take over the management of the companies.

Flax said if chosen as manager, Seeff Trust would manage the properties professionally and economically, maximise returns, and assist investors in trading their units on the secondary market. A property management fee of 5% and secretarial fees of 2% of the buildings' monthly rentals would be charged.

Flax said the properties had not been managed properly. The properties were burdened with a lot of bad debts and needed new tenants.

The letter recommended that investors vote onto the board of directors of the participation companies Flax, Seeff Organisation chairman Lawrence Seeff, Seeff Trust director Ryan Broomberg, Seeff Commercial Properties MD Theodore Yach, Seeff Trust national marketing manager Robert Knight and Seeff Residential Properties MD Samuel Seeff.

Citygate director Michael Addison said in terms of the Citygate offer J H Isaacs would be retained as property administrators and the possible amalgamation of the companies would be investigated with a view to a JSE listing to enhance the tradeability of the units.

Medicine price rises 'outstrip CPI'

B/Day 19/5/92

KATHRYN STRACHAN

MEDICINE prices had risen 10 times during the past 15 years compared with a rise in the consumer price index of eight times, Medical Association of SA (Masa) director Reg Magennis told the Pharmaceutical Society's national conference in Somerset West yesterday.

Magennis said medical aid schemes were facing a crisis precipitated by the increase in the cost of medicines.

The average annual increase in payouts for medicines since 1975 was 26%, while payouts for general benefits rose 25%. (244)

The volume of medicine consumed per person rose 16% between 1975 and 1982, but had dropped back to below 1975 levels by 1991, which indicated a growing resistance to price increases, Magennis said.

the Sphinx a body-lift "So much is missing, we don't even know what kind of tail it had"

Mabrouk circled the Sphinx's haunches, com- craftsmen shaped the Sphinx 4 600 years ago

"I think the tail starts here," he said "But I only *think* it's here massive limestone lion's right rear paw, then curves upwards, towards the rib cage Then it abruptly ends

Mabrouk said the tail tail

Mabrouk believes the tail originally curved upwards, then flipped backwards across the back — Sapa-AP

Under-recovery in petrol price increases

STAR 22/5/92

(244)

The under-recovery in the petrol price increased to 2,535c a litre last month from 0,778c a litre in March following a 4c-a-litre increase in the Multilateral Motor Vehicle Accidents Fund levy (third-party insurance) at the beginning of April

The Department of Mineral and Energy Affairs said in a statement in Pretoria yesterday that the increases had been taken into account in the under-recovery for April

But a lower landed cost of 46,777c a litre for 93 octane petrol had helped to limit the under-recovery

The accident levy on diesel fuel was increased by 2,2c a litre to 3,8c which, along with an increased landed cost of 48,174c a litre (46,473c), had resulted in a lower over-recovery of 2,276c a litre (5,577c)

The landed cost of 93 octane petrol had, since the beginning of this year, declined from 48,381c a litre to 46,777c last month — Sapa

Motorists warned of fuel price rise

GERALD REILLY

PRETORIA — National Energy Council sources yesterday warned motorists to expect a fuel price increase in the next six or seven weeks

(244)

They said a number of factors were putting pressure on the council's equalisation fund These included December's 1,5c/l increase in the retail petrol margin to 13c/l and a two-phase hike of 4c/l in the wholesale margin, also late last year

Last month the fund's underrecovery soared to 2,535c/l for 93 octane from an overrecovery between March 1 and 20 of 3,2c/l

BDay 22/5/92

The sources — who asked not to be named — pointed out that rail tariffs were raised from the beginning of the year and the Motor Vehicle Accident Fund levy on petrol was raised last month by 2c/l to 6c/l and on diesel by 1,6c/l to 3,8c/l.

All these costs had been soaked up by the equalisation fund, but the sources predicted that within two months increases would become inevitable

They also pointed out that according to market patterns in previous years, fuel consumption rose sharply in the northern hemisphere summer, putting pressure on international prices According to the council the international market price of petrol decreased in April by 0,243c/l in the landed costs to 46,777c/l

PPI FM 22/5/92

Well oiled

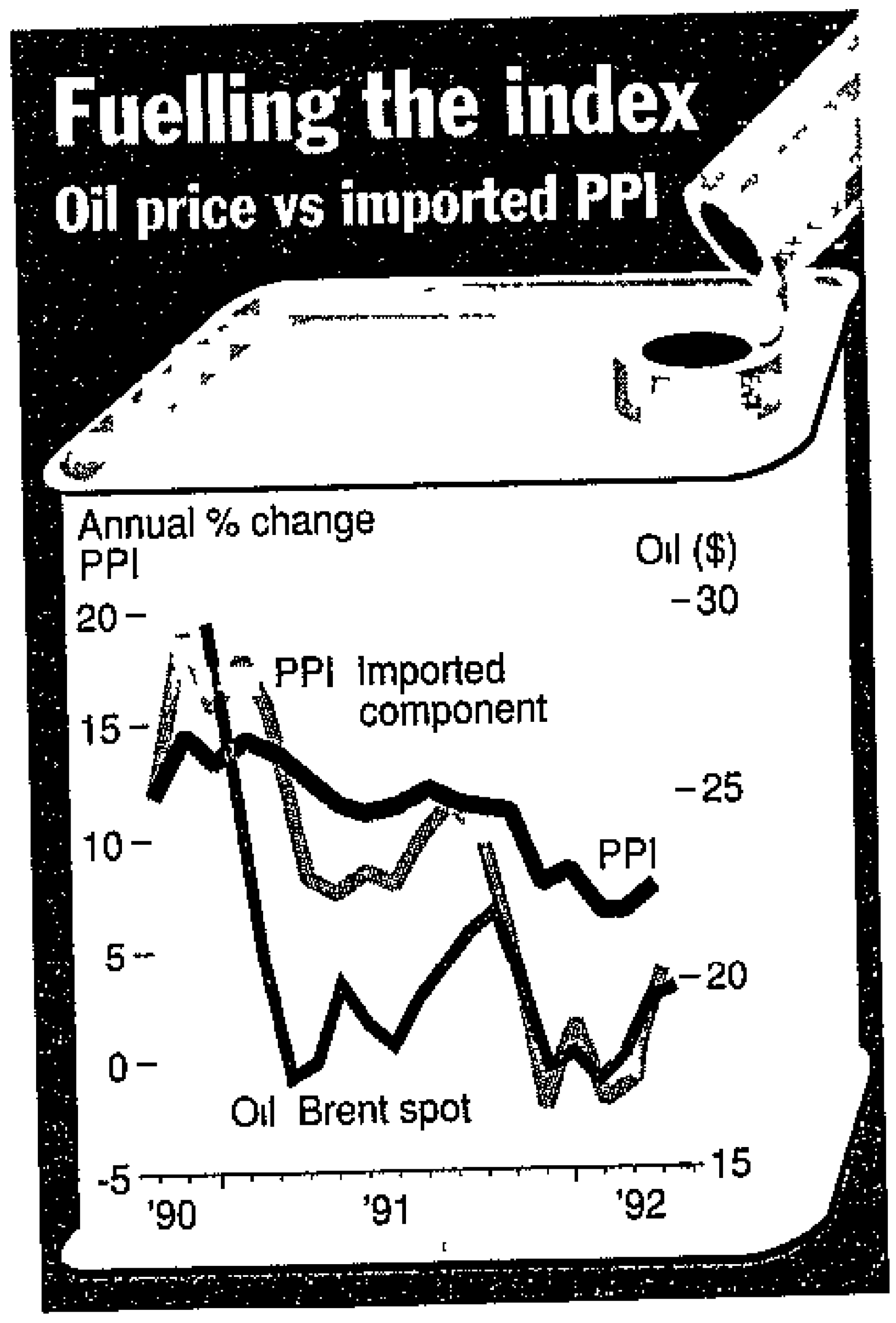
(244)

Producer price increases, which slowed in recent months, accelerated in March with a 12-month rise in the producer price index of 8% (after a 6,7% rise in February) The figure comes from the Central Statistical Service (CSS)

The imported component rose 4,1% in the 12 months to March, or 0,1% in the month

Cont →

FM 22/5/92 (244)



(after a February year-on-year decline of 0,9% and a monthly drop of 0,2%).

This acceleration from the low levels in previous months was partly technical In late 1990 and early 1991, oil prices were boosted by events related to the Gulf War, so for a number of months, the 12-month rate of increase was measured off an unusually high base This effect fell away in January, but because of lags between time of purchase and settlement, late January 1992 crude prices were only reflected in March's statistics.

So March's PPI is the first which is not measured against a base boosted by war pressures.

The index of locally produced commodities for SA consumption rose 8,9% in the 12 months to March and 0,6% in the month (February 8,5% and 0,5% respectively)

Large monthly increases were recorded in·

- ☐ Other agricultural products, 7,3%;
- ☐ Fishery products, 10%,
- ☐ Textiles and made-up goods, 2,1%, and
- ☐ Clothing, 2,9%

Decreases occurred in.

- ☐ Electricity, gas & water, -0,9%; and
- ☐ Fresh meat (manufacturing), -1,9%

Econometrix's Azar Jammine says he expects the gap between PPI and CPI to continue to narrow from now on, as oil prices continue at higher levels and as CPI rises flatten ■

Milk price goes up on Monday

(244)

Staff Reporter

THE price of milk is to increase by 4c for one litre and 16c for two litres at some supermarkets on Monday, but at least one distribution company will hold back on price hikes for the moment.

The price hikes were confirmed yesterday by Cape Dairy Co-operative (Bonnita) and Dairybelle

But the independent Homestead Dairy's managing director, Mr John Jacobs, said his company would hold off the price rise

Mr Jacobs declined to say how long Homestead would keep its present price

A Shoprite spokeswoman said that on Monday one litre would increase by 4c to R1,75, two litres would increase by 16c to R4,29, and a half-litre would increase by 11c to R1,25 The prices would be the same at Checkers, she said

Mr John Barry, general manager of Pick'n Pay Western Cape, which is supplied mainly by Homestead, said the current milk prices would remain in effect on Monday Pick 'n Pay prices are A half litre of milk costs R1,14, one litre costs R2,03 and two litres costs R3,99

While Homestead's wholesale prices will remain the same, a Dairybelle spokesman said the wholesale cost of a half-litre of milk would increase from R1,06 to R1,17 One litre would increase from R1,94 to R2,01 and two litres would increase from R4,04 to R4,45

Bonnita's chief of fresh milk products, Mr Phillip du Plessis, declined to comment on wholesale-price increases by Bonnita, but said he attributed the increases to the ripple effect of the fuel price hikes and increased labour costs

He said increases had been "imminent for quite a long time", but with the advent of VAT it had been held off

At cafés milk prices are also expected to soar as they are not subjected to the concessionary milk prices given to supermarkets by distributors

Meanwhile, the Housewives' League has warned that egg prices could rise within a few weeks by more than 45c a dozen

The warning follows an announcement that egg prices in Natal are to rise by 50c a dozen on Monday and that another increase is in the pipeline

Fuel price rise expected

CT 22/5/92 (244)

Own Correspondent

PRETORIA — National Energy Council sources warned motorists yesterday to expect a fuel price increase in the next six or seven weeks

They said a number of factors were putting pressure on the council's equalisation fund

These included December's 1 5c/ℓ increase in the retail petrol margin to 13c/ℓ and a two-phase hike of 4c/ℓ in the wholesale margin, also late last year

Last month the fund's under-recovery soared to 2 535c/ℓ for 93 octane from an over-recovery between March 1 and 20 of 3,2c/ℓ

The sources — who asked not to be named — pointed out that rail tariffs were raised from the beginning of the year and the Motor Vehicle Accident Fund levy on petrol was raised last month by 2c/ℓ to 6c/ℓ and on diesel by 1,6c/ℓ to 3,8c/ℓ

These costs had been soaked up by the equalisation fund, but the sources predicted that increases would become inevitable

They also pointed out that according to market patterns in previous years, fuel consumption rose sharply in the northern hemisphere summer, putting pressure on international prices

According to the council, the international market price of petrol decreased in April by 0,243c/ℓ in the landed costs to 46,777c/ℓ

THE WEEK AHEAD by Simon Willson

Slim expectations of lower inflation

BDay 25/5/92. (244)

GROWING unease about the officially measured rate of food inflation will greet the release, scheduled for early this morning, of the April inflation rate The overall rate is likely to be seen as almost incidental compared to the increasingly volatile behaviour of some of the components of the consumer price index (CPI).

Expectations of an appreciable dip from the 15,7% inflation rate posted for March are small, since April bore the brunt of the hike in one of the administered prices whose adjustments have such rapid and far-reaching ripple effects through the rest of the economy the fuel price.

The increase, of 8c/l on petrol and 6c/l on diesel, was announced in the March Budget and was effective from March 21. It will show up mainly in the transport section of the CPI breakdown in today's data for April.

The Board of Trade and Industry's officially commissioned report on food prices is due out any day now but, pending its release, some extremely high-powered institutions have been doing a bit of homework of their own on food prices One in particular is more than a little concerned about what it thinks it may have found

This institution has assembled a figure that aggregates consumers' total nominal cash spending on food over a given period, and has deflated it by Central Statistical Service's official food price index The result is a putative figure for consumers' real spending on food

But it shows real spending on food to be falling For a swiftly growing population that is, moreover, also urbanising and therefore buying a rising proportion of its food in the formal sector, falling real food sales are not realistic

While the error could be in the nominal food spending aggregate, the institution concerned is less inclined to query the spending aggregate than it is to blame an over-zealous deflator In other words, if a more modest rise in the food price index was applied to the nominal aggregate of food spending, real spending on food would not be shown heading down

Another CPI component to watch in the April release is education As the chart shows, the measured rise in education costs has been steady for months but suddenly took off in March as parents coughed up their Model C fees Higher tuition costs elsewhere in the education sector probably mean that the upsurge in this CPI component is not over yet and could even leave food in the shade.

April's money supply figures are due out later today The year-on-year rate of growth in the broad M3 aggregate, which stood at a preliminary 10,5% in March, is of less consequence than the fixed-base increase relative to the Reserve Bank's M3 growth guideline range for 1992

At 7%-10% the range is the lowest and narrowest yet set by the Bank, but fixed-base M3 growth entered the range for the first time in March at 9,8% The dismal 1,9% fall in overall economic output during the first quarter should have ensured a quiescent April for the monetary aggregates

Internationally, the pay awards straddling the 5,5% level which followed the recent strikes in Germany will be exposed as inflationary when Germany's May inflation rate is published this week Inflation stood at 4,5% in April and is set to average nearly 4% this year, which would be a 10-year high if achieved

Release of the Japanese inflation rate for April is timetabled for Friday, and could tick up from the 2% posted for March Inflation in the Tokyo area alone bounded unexpectedly from 2,1% in March to 2,9% in April, and the prices trend in the capital often leads that of the rest of the country Japanese services costs are rising rapidly, aggravated by sectoral labour shortages

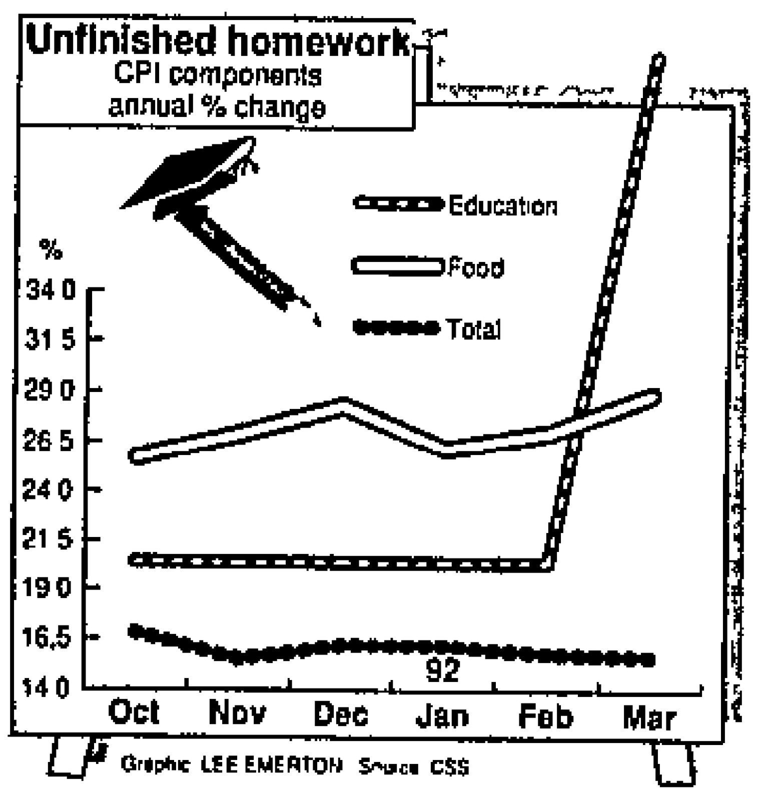
Japan's manufacturing sector, by contrast, is in a deep slump — as seen in the 5,3% drop in industrial production measured in March The April figure comes out on Wednesday and looks headed for another drop as the economy continues to slow Indeed, industrial output is toying with a third consecutive quarterly decline for the first time since 1986, when the Japanese economy grew by a meagre 2,5% — its lowest growth rate since 1974 Weak industrial performance is a leading reason for expectations of only 1% growth in Japan this year.

The US economy is in need of greater momentum after last week's biggest fall in housing starts in eight years US consumer confidence for May is scheduled for release tomorrow (even though the calendar month still has a week to run) and should rise for the third successive month following its collapse to a 17-year low of 46,3 in February

Consumer confidence in April rose to 64,8 — its best level since last September but still a historically low reading for this variable It continues to signal a slow and hesitant recovery

US durable goods orders for April emerge on Wednesday, and follow a 1,6% rise in March This indicator has been proving highly susceptible to revision this year, and its potency as a market-mover has been eroded accordingly

Results of the first revision to first-quarter US GDP are released on Friday, but are unlikely to deviate much from the 2% growth shown in the preliminary figure which came out a month ago If the US economy is still seen to have grown by about 2% — the fastest rate in two years — after the revision, it should be enough to consolidate confidence about the recovery



'Profiteering' in high price of potatoes

ARG 26/5/92 (244)

The Argus Correspondent

JOHANNESBURG — Drought profiteering has raised its ugly head as hard-pressed consumers struggle to pay already high food prices.

While there have been genuine cost increases as a result of drought-related market shortages, consumer groups are worried that the farmers' dilemma could be used by unscrupulous businessmen.

Potato prices — in spite of a surplus at markets — have increased steadily amid consumer fears of imminent shortages.

Prices in at least one instance have risen by more than 100 percent from the produce market to store shelves

Potato Board general manager Mr Jerry van Vuuren said retail price surveys had shown the highest retail price for potatoes — on Friday last week — was R37,90 for 10kg, whereas the highest National Fresh Produce Market price was R17,61 for a 10kg pocket of average Class 1 medium sized potatoes

The average market price for Class 1, medium potatoes in 10kg bags on that day was R17,61 in Johannesburg, R16,67 in Pretoria, R15,95 in Durban, R15,49 in Cape Town, R14,05 in Port Elizabeth and R13,28 in Bloemfontein.

According to the Potato Board there is still a surplus of potatoes on the market. On Friday last week 108 000 pockets were put up for sale in Johannesburg — of which only 43 000 were sold

Consumer Union chairman Ms Lillibeth Moolman said the prices were already high at market level in spite of sufficient demand for the product

Sellers climb aboard drought bandwagon

STAR 27/5/92

By Paula Fray 244
Consumer Reporter

Drought profiteering is the latest blow for hard-pressed consumers already facing high food prices

While there have been genuine cost increases as a result of drought-related market shortages, consumer groups are concerned that the farmers' dilemma could be used by unscrupulous businessmen

They point to potato prices as a case in point Despite a surplus at local markets, there has been a steady price increase in recent months.

Inquiries by The Star revealed that, in at least one instance, the price rose by more than 100 percent from the produce market to the store shelves

Potato Board general manager Jerry van Vuuren said a survey had shown a retail price high for potatoes last Friday of R37,90 for 10 kg. This compared with a high of R17,61 for a 10 kg pocket of average class-1 medium-sized potatoes at the National Fresh Produce Market.

Potatoes, explained Mr van Vuuren, were mostly grown under irrigation. The only dryland potato-growing areas were in the Free State, but the effect of the smaller crop would be offset by other areas coming into production

Therefore, the lack of rain should not have a big effect on supplies and the price.

Last Friday, the average market price for class-1, medium potatoes in 10 kg bags was R17,61 in Johannesburg, R16,67 in Pretoria, R15,95 in Durban, R15,49 in Cape Town, R14,05 in Port Elizabeth and R13,28 in Bloemfontein

The board checks retail prices but has no powers to act on unreasonable increases

A survey last week revealed potato prices in the stores ranged from an exorbitant R3,79/kg (R37,90 for 10 kg) to a reasonable R1,86/kg (R18,60 for 10 kg)

According to the Potato Board, there is still a surplus of potatoes On Friday last week, 108 000 pockets of potatoes were put up for sale in Johannesburg — of which only 43 000 were sold

Consumer Union chairman Lillibeth Moolman said prices were already high at market level despite sufficient demand for the product.

Mrs Moolman said it was worthwhile buying potatoes in bulk during winter.

The Potato Board agreed. "If we can give any advice to consumers, then it would be to buy a full pocket of potatoes. The consumer can also buy at the National Fresh Produce Markets and pay the normal price of the day"

At least one Johannesburg consumer, angry at high retail cost for potatoes, intends starting a petition against exorbitant food prices.

Ada Mandelstam said that while Middelburg farmers were being paid about R7 for a 10 kg bag of potatoes, some retailers were charging between R22 and R25 a pocket in Johannesburg "I've had enough

Recession impacts on regional basis

By Derek Tommey STAR 29/5/92 (244)

The recession has been described as mild by monetary authorities, and at first sight this would seem to be a reasonably accurate assessment

Figures produced by the Central Statistical Services show that retail sales in January and February amounted to R12,7 billion — an increase of 13,6 percent on a year ago

If one accepts inflation of 15 percent, sales in real terms were down a modest 1,4 percent, which business should be able to live with

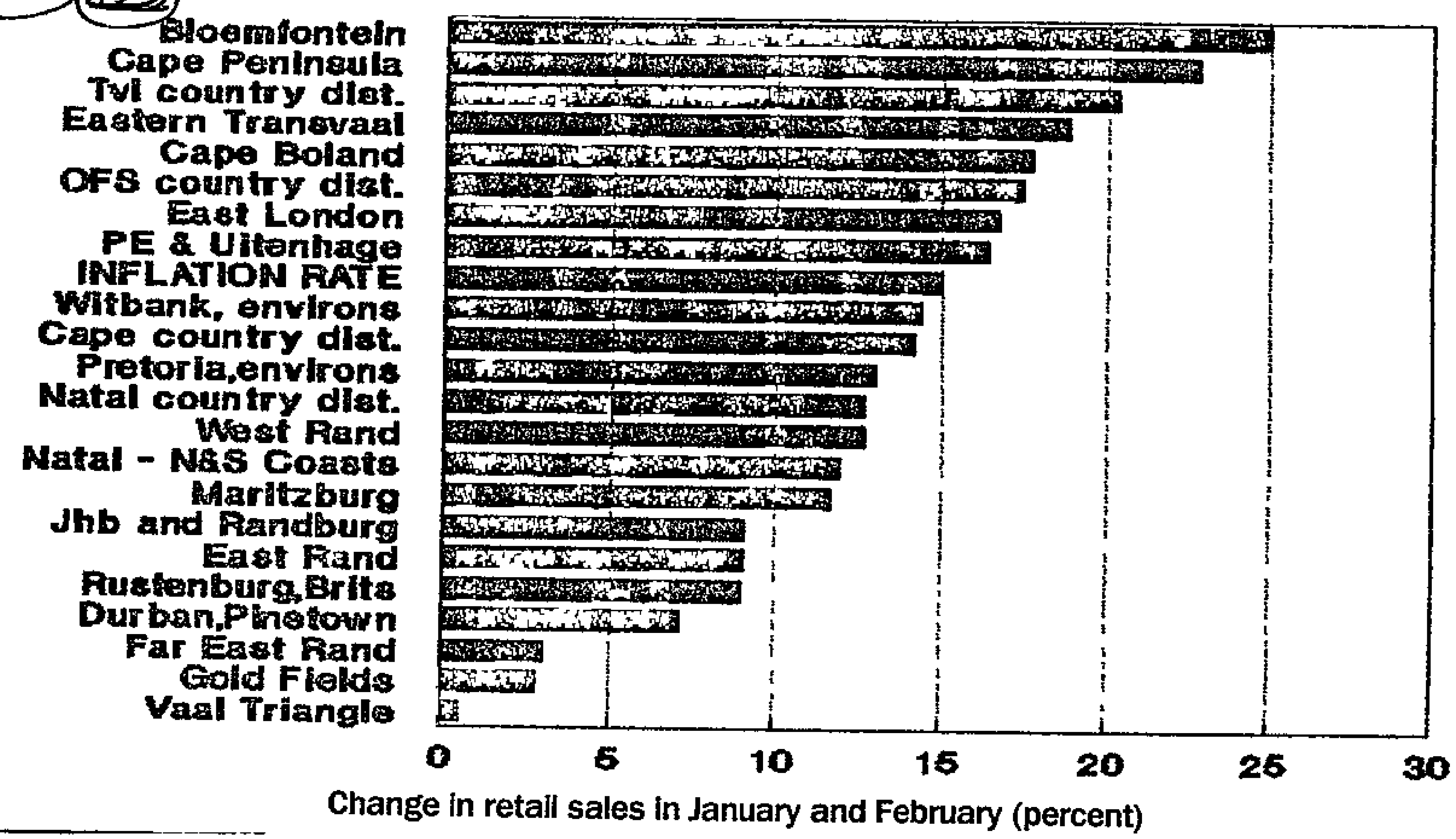
But a closer examination of the figures shows major variations in sales, with some areas experiencing real growth, and others facing serious recession

Greatest increase in retail sales growth was achieved in Bloemfontein This seems a little surprising, but probably reflects increased spending on the Lesotho Water Scheme

Next best performance was put up by the Cape Peninsula with a 22,8 percent gain This reflects growth in tourism, in export industries and a rise in harbour traffic

Increased food production for the export markets and increased timber production probably account for the 20,3 percent growth in retail sales in the Transvaal country districts (mainly the northern Transvaal), and in the Eastern Transvaal (18,8) Higher food production probably accounts for the 17,7 percent rise in sales in the Boland

The 17,4 percent growth in sales in the OFS country districts would seem also to be linked to the Lesotho Water Scheme, while the 16,7 percent increase at East London and the 16,4 perent increase at Port Elizabeth and Uitenhage could reflect greater export activity



Bread price to rise

THE price of bread is expected to increase by 5c a loaf for brown and 6c for white (excluding VAT) from next week

"The increase is partly due to the higher cost of flour - announced on May 1 - and takes effect on June 1," said Mr Mike Secker, general manager of finance for Sunbake Bakeries.

Sowetan 29/5/92 (244)

Secker said the 4,1 percent increase in brown bread - from R1,22 to R1,27 - and 4,5 percent increase in white bread (from R1,32 to R1,38) related to wholesale prices and these were subject to change by retailers

Prices spiral goes on

244

ARG 30/5/92

MARC HASENFUSS
Business Staff

CONSUMERS are still losing the battle against spiralling food prices The latest Consumer Price Index figures show April food prices were a hefty 28,4 percent more expensive than in the corresponding month last year

Unchecked food price hikes, exacerbated by recent increases in telephone tariffs and a jump in the price of alcoholic and non-alcoholic beverages, kept April's inflation level high

In spite of recent optimism from economists, the year-on-year inflation figure dipped marginally to 15,6 percent from 15,7 percent.

The percentage increase in the actual CPI from march to April was 1,3 percent (February to March 0,9 percent).

Once again the food CPI was the main culprit, especially large hikes in the prices of fish (3,1 percent), milk, cheese and eggs (7,8 percent) and vegetables (11,3 percent)

Increases in the food CPI were partly offset slightly by the 3,7 percent decrease in meat prices

With the food CPI still high, lower and middle income groups suffered an effective inflation rate of 15,8 and 16,2 percent respectively The higher income group's enjoyed a 15,2 percent inflation rate in April

Other significant increases in the CPI occurred in luxury items such as non-alcoholic beverages (7,2 percent), alcoholic beverages (7,8 percent) and cigarettes and cigars (3 percent)

● Good news for locals is that Pietermaritzburg has officially overtaken Cape Town as the most expensive city in South Africa

The Cape Peninsula's inflation rate of moved up from 16,9 percent in March to 17 percent while Pietermaritzburg's rate soared from 17,3 percent to 18 percent in April

● The CPI for pensioners increased by 1,3 percent in April (0,9 percent March) The year on year figure now stands at 16,2 percent

Reserve Bank gets blame on inflation

STimes 13455 31/5/92

By CIARAN RYAN

THE consumer price index dropped a mere 0,1 percentage point in April, leading economists to question whether the Reserve Bank is capable of bringing the figure to under 10% after two decades of double-digit inflation

The April figure — released on Friday by Central Statistical Services — shows the index standing at 15,6%

This is considerably lower than some forecasts, which put it at at more than 16%, but far short of Reserve Bank targets

The CPI drop nevertheless increases pressure on Reserve Bank Governor Chris Stals to lower bank rate and ease the economy out of one of its most prolonged recessions

Supply

Dr Stals, however, remains unimpressed by the marginal decline in inflation. "We are taking a medium- to long-term view of the economy"

The bank was criticised for its handling of the economy after failing to follow through on last week's drop in mortgage rates.

Money-supply growth remains a relatively high 10% at a time when the economy is contracting This points to money creation in the commercial banking sector as a major cause of inflation

Several economists call for more radical action to kick-start the economy after years of sluggish growth. The compound annual growth in the economy in the 1970s was 3,5%, falling to 1,5% in the 1980s

In Barend du Plessis' tenure as finance minister from 1984 to 1992, annual growth slowed to 0,8%

Reserve Bank policies are being challenged on several counts that positive real interest rates are justified in deep recession, that the link between inflation and money-supply growth is as close as some people believe and that the official CPI figures are correct or appropriate as a measure of inflation

Board of Executors senior portfolio manager Rob Lee disputes the official inflation figures "There is some evidence that the CPI is not the appropriate measure of inflation

"The producer price index, which is just as valid a measure of inflation, is only 8%."

If the CPI is wrong, Dr Stals may be delaying economic recovery based on false information. Taking October 1991 — when VAT was introduced — as a base, inflation is running at 12%, says Mr Lee The CPI figures are weighted in favour of pre-October 1991 trends

Dr Stals counters that other estimates of inflation place the figure well above 15,6%.

Nedbank chief economist Edward Osborn says negative real interest rates are justified in recession

"We need to get capital formation going to stimulate economic growth The Reserve Bank could reduce its interest rates without fuelling inflation."

Mr Osborn questions the traditional monetarist argument that an increase in money supply produces an automatic rise in prices

Tony Twine of Econometrix says expansionary government spending is largely responsible for the stubborn inflation rate.

Boards

"High spending increases the Government's claim on the tax base. But the spending is even more than the Government takes in taxes, so it has to borrow.

"Another cause of inflation is the high degree of regulation in the economy, such as control boards and import tariffs, and the concentration of control in the 60% of the economy the State does not own."

PRICES – GENERAL

1992

JUNE — DEC.

SALDRU

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CPI dents rate cut expectations

(244)

SHARON WOOD

HOPES of an interest rate cut were dashed at the weekend when the April consumer price inflation remained virtually stagnant at 15,6% under the weight of drought conditions and budgetary excise tax increases

BDay 1/6/92

The Consumer Price Index rose 1,3% month-on-month to 128,9 from 127,3 in March, when the inflation rate was 15,7%

Runaway food price rises continued, with a large monthly increase of 1,8% causing a 28,4% annual increase Vegetable prices surged 11,3%.

The higher food prices could be attributed to food shortages created by the drought, Checkers marketing manager Brian Weyers said.

Meat prices fell 3,7% month-on-month as farmers flooded the market by slaughtering their stocks But Weyers expected meat prices to soar towards the end of the year due to shortages

The higher fuel levy and excise duties announced in the Budget were visible in a 3,5% monthly increase in transport costs and a 7,5% jump in alcohol prices.

Housing costs eased by 0,2% month-on-month, despite the reduction in mortgage rates on April 1. Nedbank chief economist Edward Osborn said the rise in rentals and rates had offset the advantage of lower mortgage rates.

Osborn said there was no cause for optimism until July when economists expected inflation to fall into the 15% territory

Hopes of rate cut take nosedive

STAR 1/6/92

By Sven Lünsche (244)

The continued high level of inflation in April has probably ruled out any imminent cut in interest rates by the Reserve Bank.

The Central Statistical Service reported on Friday that inflation, as measured by year-on-year increases in the Consumer Price Index (CPI), was running at 15,6 percent in April, compared with 15,7 percent in March.

From March to April the CPI also showed a relatively large monthly rise of 1,3 percent

More and more economists have been calling for a cut in interest rates to stimulate the economy, but a cut in the Bank rate is unlikely given the Reserve Bank's tough monetary stance

Reserve Bank Governor Dr Chris Stals has stated that rates will not be lowered unless there is meaningful progress in reducing the rate of increase in consumer prices

He was provided with further ammunition last week when the money supply figures showed an unexpected increase, well ahead of the Bank's guidelines for 1992

The broad money supply measure, M3, accelerated by 11,05 percent in April, compared with 9,5 percent in March, and was also well outside the seven-to-10 percent guideline range for the year

M3 rose by an annualised 12,5 percent from the mid-November 1991 base for money supply guidelines

The CPI figures for April were virtually a repeat of the trend evidenced in previous months

Food prices, which increased by an annual 28 percent in April, again held up the overall rate at a time when all other indicators are pointing to a deceleration in consumer prices

The cost of housing, in particular, which has a weighting of 20 percent in the make-up of the CPI, is falling as a result of the recent cut in bond rates

Rob Lee, economist at the Board of Executors, thus estimates that the real underlying rate of inflation is more in the region of 12 percent

However, food prices continue to surge and this trend has been exacerbated by the severe drought

The monthly food index — the increase in the CPI from March to April this year — jumped by 1,8 percent, driven by large rises in the cost of products hardest hit by the drought

Vegetable prices surged by 11,3 percent, dairy products by 7,8 percent and fruit by 5,5 percent

Fish and seafood products rose by 3,1 percent, but these increases were slightly dampened by a decrease of 3,7 percent in the price of meat, as farmers slaughtered stock that can no longer be fed

Despite the high level of inflation, economists are generally expecting the Reserve Bank to cut interest rates in the third quarter this year to provide the economy with a needed stimulus as it tentatively emerges from its longest post-war slump

It is unlikely that commercial banks will unilaterally lower their prime rate as they have done on the bond rate front in recent days

While rates on the money and capital markets have generally fallen over the past few weeks, the Reserve Bank could tighten liquidity on the market almost immediately, thus putting pressure on the margins of commercial banks

B/Day 2/6/92

Food report demanded

INKATHA yesterday reiterated a call for the speedy release of the Board of Trade and Industry's report on food price inflation, and called on other concerned groups to support its demand.

REPORTS Business Day Reporters
Own Correspondent, Sapa

244

Collusion on bread price?

CT 2/6/92 (244)

Staff Reporter

THE Competition Board is investigating price collusion among bakeries after across-the-board bread price increases were announced last week.

Consumer Council executive director Mr Jan Cronje said bakeries and distributors had in most cases increased the price of brown bread by 5c a loaf and white bread by 6c

Bread price controls were abolished last year

"An announcement of this nature reeks of price collusion — how else can hundreds of bakeries which are supposedly in competition with each other make a collective announcement of this nature?" he asked

Mr Cronje said the hike was evidently nationwide as irate consumers throughout the country had contacted them

He said he would recommend that the Competition Board "seriously look into the increases", and added that the price of bread could not be fixed and was negotiable He appealed to consumers to shop around

However, board chairman Mr Pierre Brooks said an investigation had already been launched before the Consumer Council approached them

"Price control was phased out last year, but it seems that nothing has changed "

Mr Brooks said that after controls were lifted, the bakeries and distributors were expected to operate on a free-market basis

Should evidence of price collusion be found, it would be forwarded to the attorney-general

The maximum penalty for price collusion was five years' imprisonment and/or a R100 000 fine

Sapa reports Association of SA Bakeries managing director Mr Tony Davies said his company was forced to increase prices after the flour price increase on May 1 and the recent fuel hikes

"This was an individual decision by my company but I presume other bakeries took similar decision for the same reasons "

Mr Davies said the price hike would be implemented "somewhat later" with his company's larger customers, such as supermarket chains

Staple food prices 'could rise by up to 45%'

CT 3/6/92

(244)

JOHANNESBURG. — The prices of some staple foods, including bread, maize meal, sorghum and edible oils, could increase by another 20% to 45% this year, says Foodcorp chief executive Mr Dirk Jacobs.

Mr Jacobs said further price rises for staple foods this year could lead to a national disaster.

He said the increases would be caused mainly by an expected increase of between 30% and 40% in the price of raw materials that would have to be imported on a large scale because of the continuing drought.

As a result, the price of maize meal could increase by another 20%, sorghum by just over 45% and oil seed by about 30%

Another bread price hike was also expected, Mr Jacobs said.

It was also feared that this year's wheat yield would not come up to expectations The Wheat Board had already said that a million tons of wheat would have to be imported.

Mr Jacobs said the problem was intensified by urbanisation, as people who had been able to provide their food needs in the rural areas were unable to do so in urban areas.

He warned that large numbers of people would be unable to afford basic foodstuffs and that this could have a negative political affect.

Foodcorp Limited is the new food giant created by the merger of Fedfood and Kanhym. The chairman of the company is Mr Grant Thomas

● In Geneva, a two-day conference to raise $856 million (about R2,4 billion) in aid to avert starvation in Southern Africa brought immediate promises of $526m (R1,47bn) yesterday.

The meeting was held under the joint auspices of the United Nations and the Southern African Development Co-ordination Conference.

Although an estimated 80% of food aid passes through South African ports, the South African government was not invited to take part in the conference.

Baroness Linda Chalker, the British Overseas Development Minister, voiced regret at this omission but stressed that logistical co-operation with the South Africans was good.

Baroness Chalker repeated Britain's pledge, made earlier this year, of $34m (R95m) in drought relief for the worst-hit areas. The United States announced a pledge of $382m (R1bn) in food and dollar resources — Sapa, Daily Telegraph

Store cuts milk price by 57c/ℓ

(244) CT 3/6/92

Staff Reporters

A LOCAL supermarket cuts its milk price by 57c a litre after the Cape Times began investigating large price discrepancies at outlets around the Peninsula yesterday.

A snap survey in the morning showed that the standard price for a full-cream litre sachet of milk at Checkers-Shoprite was R1,55, at Pick 'n Pay it was R1,65 — while the Hyperette Spar was charging R2,26

Mr Mike Fowler, general manager of the Hyperette group, said he was making only 25c profit as his cost price for the full-cream sachet of milk was R2,01

But a few hours later Mr Fowler rang the Cape Times to say his group had negotiated a "deep-cut deal" with dairy suppliers this week — but nobody had informed him

From yesterday afternoon Mr Fowler slashed the price of a full-cream sachet of milk at local Hyperette-Spars to R1,69

Litres of milk in the box are always more expensive than the sachet and prices varied from R1,79 to R1,99 at the different stores

Milk prices will continue to rocket unless consumers take action to prevent themselves from being ripped off, the Consumer Council has warned

Mr Paul Roos, assistant manager of the council, advises consumers not to pay some of the sky-high prices in certain stores but to shop around

Mr Roos said consumers have a right to be heard and should question the management at stores where they find the prices to be unacceptable

The high prices of milk are a result of the recent dairy product price increases and the fact that there is no central body to govern the price of dairy products, he said

Optimistic note at earth talks

ARG 3/6/92

EARTH SUMMIT '92

Delegates make show of unity at opening

JOHN YELD in Rio de Janeiro

THE official UN Conference on Environment and Development (Unced) starts in the vast Rio Centre today with Unced's secretary-general, Mr Maurice Strong, sounding a more optimistic note about the summit's possible outcome than had many of the non-government organisations during the past few days.

Mr Strong said 78 heads of state or government would be attending next week. Consensus had ben achieved on about 98 percent of the "most complex and substantive agenda ever"

Mr Strong predicted "This will be a very historic step forward in establishing the principles for sustainable behaviour in the future"

He refused to be drawn into publicly criticising the United States, which has been roundly attacked for its alleged spoiling role during the preparations for the summit

"This conference will look as though it's going to collapse before it comes together . I think you're going to see lots of these controversies right up until the last"

He emphasised that much of the summit's success would depend on whether governments actually implemented programmes and policies approved at the conference.

● Not all Brazilians are keen on the summit taking place in their country "Ecologists go home!" reads a huge billboard — appropriately in green — on the route to the conference centre 35km south of Rio

● Youth delegates delivered a stinging attack on the Unced process, alleging it had been paid for and delivered into the hands of big business.

The youth leaders said some of the world's worst environmental offenders — including the giant British chemical company ICI and the Brazilian company Petrobras which polluted Rio's Guanabara Bay — had paid for research done by the summit's staff during the preparation for the conference and had also helped fund the Global Forum.

● Malaysia's ambassador to Italy, and the UN Food and Agriculture Organisation, Mr Ting Wen Lian, delivered a blistering attack on the developed nations of the north during a briefing to explain why a forest convention had not been achieved for signature at the earth summit.

Malaysia is accused of being one of the worst culprits of indiscriminate and unsustainable logging of tropical forests, with most of the felling being done by giant Japanese trans-national companies such as Mitsubishi

● The World Wide Fund for Nature — probably the biggest non-government conservation body in the world and represented in South Africa by the SA Nature Foundation — has challenged world leaders to take radical and concerted action to ensure the future health and stability of the planet.

Food prices could jump 45%

(244) ARG 3/6/92

The Argus Correspondent and Sapa

JOHANNESBURG. — The prices of some staple foods including bread, maize meal, sorghum and edible oils could increase by an additional 19 to 45 percent this year, says Foodcorp chief executive Mr Dirk Jacobs

Further price rises this year for staple foods could lead to a national disaster, he said yesterday

He said the increases would be mainly the result of an expected rise of between 30 and 40 per cent, since many basic foodstuffs would have to be imported this year because of the drought

This meant the price of maize meal could increase by a further 20 percent, sorghum by just over 45 percent and oil seed by about 30 percent

A further bread price rise was also expected, Mr Jacobs said

It was also feared this year's wheat yield would not meet expectations and the Wheat Board had already intimated that a million tons of wheat would have to be imported.

Consumer Union Chairman Ms Lilibeth Moolman said the government should subsidise some costs, particularly the transporting of imported grains inland from the coast

Mrs Sheila Lord, a Housewive's League vice president, said while the drought inevitably resulted in price increases, she suspected collusion in some of the increases

"Why do bakeries all charge the same price? Why are they not vying with other companies in an attempt to sell more?" she asked "All bread is the same price, but you don't find that with something like a can of beans

"Obviously we are going to see some increases from the drought, but I just hope people don't jump on the bandwagon and increase prices unless its absolutely necessary," said Mrs Lord

Some rent defaulters pay up

Municipal Reporter

ABOUT 42 percent of housing rent defaulters handed over by the city council to debt collectors had paid up by April, a housing committee report said.

In Mitchell's Plain, Manenberg, Valhalla Park and Retreat arrears totalled R3 149 817 by March 31

Of these, 704 tenants — owing a total R815 975 — were handed over to debt collectors, and by April 296 had paid

This earned the city council R24 942, the report said

FOAM

Increases of up to 45 pc feared

Warning of food price 'disaster'

(244) STAR 3/6/92

Staff Reporters

A "national disaster" is looming as food prices continue to soar, a prominent figure in the food manufacturing industry warned last night.

Foodcorp chief executive Dirk Jacobs predicted that the prices of some staple foods, including bread, maize meal, sorghum and edible oils, could increase by an additional 19 to 45 percent this year.

In a telephone interview from Cape Town, he said: "The price of some basic foodstuffs will escalate to the point where the average person will not be able to buy them. This could lead to a national disaster."

Foodcorp is a holding company which controls Simba-Quix, Enterprise Foods, Table Top frozen foods, Ruto Mills and bakeries throughout the Transvaal. It was formed on Monday by the merger of Malbak food subsidiaries Fedfood and Kanhym.

Mr Jacobs said the increases would be mainly the result of an expected increase in the cost of raw materials of between 30 and 40 percent, since many basic foodstuffs would have to be imported this year because of the drought.

As a result, the price of maize meal could increase by a further 20 percent, sorghum by just over 45 percent and oil seed by about 30 percent.

Dirk Jacobs ... increase in the price of bread is also expected.

A further bread price rise was also expected, Mr Jacobs said. It was feared that this year's wheat crop would not meet expectations, and the Wheat Board had already intimated that a million tons would have to be imported.

Those people who had previously been self-sufficient in agriculture, but had been forced off the land by the drought, would be particularly vulnerable.

"People living in squatter camps now have to get their food from shops. But how do you do that without money?" Mr Jacobs asked.

"People with empty stomachs and hungry children get desperate and may turn to violence and crime in an effort to survive," he said. "This could lead to an explosive political situation."

Consumer Union chairman Lillibeth Moolman said the real problem lay with the drought, which was beyond everyone's control. It meant that prices were increasing and inflation remained high, while wages were not increasing at a similar rate.

But she said the Government should subsidise some costs, particularly of transporting imported grains inland from the coast.

"The transportation costs can increase the costs of grains by about one-third," Mrs Moolman said. "This is where the Government can step in and subsidise the price."

Sheila Lord, a Housewives League vice-president, said while drought inevitably increased prices, she suspected collusion in some cases.

"Why do bakeries all charge the same price? Why are they not vying with other companies in an attempt to sell more? All bread is the same price, but you never find that with something like a can of beans."

"Obviously we are going to see some increases from the drought, but I hope people don't jump on the bandwagon and increase prices unless absolutely necessary."

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... of the club, an association of diamond dealers. Picture ROBERT BOTHA

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Move to get water to parched areas

DURBAN — The water shortage in some areas of southern Natal is so severe people are digging for water in dry river beds and drinking polluted water treated with bleach, says Southern Natal Joint Services Board chairman Prof Khabi Mngoma

Mngoma said most of the main supply rivers for rural southern Natal had dried up. Many springs had also run dry, and boreholes were delivering mostly sandy water.

Acute water shortages were being experienced from about 10km from the coast into the hinterland

Mngoma said it had been decided, at an emergency meeting on Tuesday to discuss the drought in the region, that joint services boards would tackle the problem of the water shortage there This would involve urgent measures to transport water to critical areas B Day 4/6/92

A statement after the meeting said it had been accepted that although dams in the area were on average about 70% full, rural areas were totally parched and a concerted effort was needed to obtain funds and resources to get water to the areas.

In the Vulamehlo district near Scottburgh, for instance, women stood for hours at night waiting to draw water from a spring — Sapa

Business cycle 'not at lowest point yet'

B Day 4/6/92

244

Business Day Reporter

THE lower turning point of the SA economy's business cycle has not yet been reached and no upturn is expected before the last quarter of the year, says First National Bank's personal asset management arm

In its latest investment review, First National Trust says the upturn in the economy is expected to be slow and hesitant in the early stages and primarily based on higher government spending, increases in export earnings and a slowdown in the destocking cycle.

"Fixed investment will remain depressed this year against the background of high interest rates, shrinking profits and political uncertainty Improving financial and political conditions are required before this ... will improve"

The prime overdraft rate could average about 19% in 1992 and about 17% in 1993, the review predicted A further cut in the Bank rate was not expected until the third quarter

The review says the main reason for the diverging rates of consumer and producer inflation is very high food prices and the fact that VAT is reflected in the consumer price index (CPI) but not in the producer price index (PPI)

"What is encouraging, however, is that the increasing CPI cannot be attributed to excess monetary demand In addition, the prices of imported goods are making no contribution to inflation at present.

"The favourable trend of the PPI, the absence of excess monetary demand, together with factors such as lower increases in wages should start to impact positively on the CPI. The CPI inflation rate is expected to fall below 13% by year end."

The contraction of investment expenditure is disturbing because a reasonable rate of investment is the basis for long term growth.

"The challenge which lies ahead for the authorities is to implement policies which allow and encourage domestic savings and foreign investment. The finance necessary for a rate of investment expenditure which will sustain long term growth will then be in place."

Rises of up to 45 percent forecast as drought takes toll

Food prices soar in Cape

(244) ARG 4/6/92

TOM HOOD, HENRIETTE GELDENHUYS and SHARON SOROUR
Staff Reporters

FOOD prices are rising faster than ever in the Peninsula as the drought makes products scarcer.

Prices jumped 34 percent in the 12 months to May, according to consumer price index figures supplied by the Central Statistical Services

This is more than the average of 28 percent for the year for the country's 12 major urban areas

Worse, prices rose 3,9 percent in April alone, which indicates that food will cost about 50 percent more by next April if the trend continues

A 45 percent increase in some prices by December is forecast by the chief executive of Foodcorp, Mr Dirk Jacobs

He said many basic foods would have to be imported because of the drought and he estimated prices of some staples, including bread, maize meal, sorghum and edible oils, could increase by between 19 and 45 percent this year

"Further price rises this year for staple foods could lead to a national disaster," he said

Since 1970, food prices in Cape Town have risen 16-fold (1 500 percent) — so that it now takes R610 to buy a trolley of food that R40 bought in 1970.

'Insensitive'

Newly elected Housewives' League president Ms Jean Tatham said the league had considered asking the State for a direct subsidy on mealiemeal and bread

"We also want to know where all the State money set aside for relief of the poor is going and how it is spent"

She said the introduction of value added tax in October "distorted prices and really messed up everything"

Boland Bank group economist Mr Louis Fourie criticised consumers for being insensitive to price increases

"Consumers don't care They buy at any place They are totally insensitive to increases and should be much more organised to force producers to lower their prices"

Strong foreign demand allowed producers to export food at a good price, which led them to charge export prices on the local market

The lack of competition was also conducive to increases

Pick 'n Pay managing director Mr Hugh Herman said everybody involved in the distribution of food would have to fight to keep prices down

The giant trade union federations, Cosatu and Nactu, have called on members to "mobilise" against food price increases

Cosatu believed the government had the capacity and resources to intervene decisively to avert the crisis, but lacked the political will.

Customers may soon pay 50c a potato!

MYRNA ROBINS

THE 50c potato may not be far off.

Some shops in Cape Town are charging R3,60 a kg which means consumers are already paying about 45c each.

But Mr Deon de Goede, deputy director of Epping market, feels there will be strong consumer resistance before the cry "two for a rand" is heard on city streets.

"Who will pay R40 for a 10kg pocket of potatoes?" he asked.

He maintains there is a limit to what people will pay and "after that they will change to pasta, or beans, or rice".

Yesterday at Epping market class one medium potatoes sold for between R17 and R22 a 10kg pocket, excluding VAT.

At a city supermarket they were selling for R21,99 a pocket — but loose potatoes were R3,59 a kg

Mr De Goede said the ı crease was drought-relat rather than inflationary.

The potato crop from the C res region was finished and t Sandveld crop was just stai ing, creating a gap in supplie

Mr De Goede believes pric are likely to be maintained u til the end of this month.

On the market yesterda pumpkin sold for 45c to 60c kg, sweet potatoes for 40c 60c a kg and carrots for 40c 80c a bunch.

Food price hikes 'a scandal'

COSATU yesterday described as a "national scandal" the warning by Foodcorp that prices of basic foodstuffs could rocket by up to 45% this year

"This comes on top of 28% food inflation over the last year. The suggestion that this can all be attributed to the drought is indefensible," the union federation said in a statement

Government, food producers, boards, and the wholesale and retail sectors were all to blame for the "totally unacceptable burden" consumers had to shoulder BDay 4/6/92

Cosatu believed that government had the capacity and the resources to intervene decisively to arrest the crisis, but lacked the political will.

Government intervention should see

- A zero VAT rating on basic foodstuffs,
- Reduction and regulation of food prices, and 244
- Renegotiation of drought relief to ensure that it went to the most needy

Cosatu said the VAT co-ordinating committee, at a meeting with government last week, had secured an undertaking that high food prices and VAT would be negotiated

However, lengthy negotiations could delay meaningful action — Sapa.

Peninsula food prices lead SA

(244) CT 5/6/92

ALTHOUGH the Western Cape is the only area in the country not hit by drought, food prices are rising faster in the Peninsula than anywhere else

According to the latest available Consumer Price Index (CPI) figures from the Central Statistical Services (CSS), food prices in the Peninsula rose by 33,9% in the year up to the end of April

The average food price rise for 12 urban areas was 28,3% The figures for Pretoria, Bloemfontein and East London were 33%, 31,4% and 28,9%

Mr Dirk Jacobs, group chief executive of the food giant Foodcor, said he could speculate only that Cape Town's food prices had been hit by the high cost of fuel, vehicle expenditure and railage rates, because much of the Western Cape's food came from the rest of the country

Mr Gert Bosch, general manager of the Western Province Agricultural Union, said potato prices in Cape Town had increased partly because some of the crop came from up north and partly because the West Coast potato crop had failed because of a disease

Yesterday the ANC warned that 18 million South Africans could starve to death because of the drought if aid was not mobilised soon.

Mr Trevor Manuel of the ANC's economics department said in Johannesburg that more than R100 million of the R220m budgeted for drought relief in the last fiscal year had been carried over to this year because the government did not have the required infrastructure to organise relief effectively

Social assistance

Minister for State Expenditure Mr Amie Venter asked Parliament yesterday to approve the 1992/93 supplementary budget of R2 288bn, of which R700m would be for drought relief

The government had been broadening its social assistance programme in an effort to help people suffering from food price increases as a result of the drought, National Health Minister Dr Rina Venter revealed yesterday

A spokesman for Dr Venter's office said the department had been "busy extending" the programme since March and this would help those struggling to make ends meet as food prices spiralled

But the spokesman said he could not provide figures at this stage or say when a more detailed announcement would be made

It was revealed in Parliament this week that little more than one-sixth of the money allocated to its Nutritional Development Programme since the 1990/91 financial year had been distributed

Dr Venter said that R124,7m of the R660m freed from the sale of strategic stockpiles since 1990/91 and earmarked for the programme had been distributed to date

Meanwhile the Co-ordinating Committee on Vat (VCC) demanded yesterday that the government use a R110m profit on wheat imports last year to alleviate poverty

BUSINESS BAROMETER

Weekly Mail 5/6-11/6/92 (244)

Food prices into orbit...

FOOD prices will rocket by 45 percent this year, according to the chief executive of newly formed food company Foodcorp, Dirk Jacobs.

Jacobs attributed anticipated rises to the increase in the prices of raw materials due to the drought. Warning of a national disaster should basic foodstuffs get beyond the average man's reach, Jacobs called on government to subsidise transportation costs in the food industry.

CPI FM 5/6/92

Up she goes

(244)

Year-on-year rises in CPI fell for the third successive month to 15,6% in April But the index climbed 1,3% in the month — the sharpest monthly rise this year.

Once again the drought affected the food index which rose 1,8% in the month and accounted for 0,3 percentage points of the overall 1,3% rise The following categories showed significant increases

- ☐ Fish and other seafood (3,1%),
- ☐ Milk, cheese and eggs (7,8%),
- ☐ Fruit and nuts (5,5%), and
- ☐ Vegetables (11,3%)

The introduction of VAT on rice and milk in April helped push up the categories milk, cheese & eggs and vegetables

However, there was an absolute decline in the meat index for the month of 3,7%, the result of destocking by farmers Year-on-year figures for meat (up 27,4%) remain high though, because of large increases in the latter half of 1991 This, together with large year-on-year increases in fruit & nuts (50,9%) and vegetables (64,8%), kept year-on-year food inflation for April at 28,4%

The increased petrol levy caused a 1,2% monthly rise in the transport index, while the communication index rose 13,9% because of telephone tariff increases These hikes each accounted for 0,2 percentage points of

FM 5/6/92

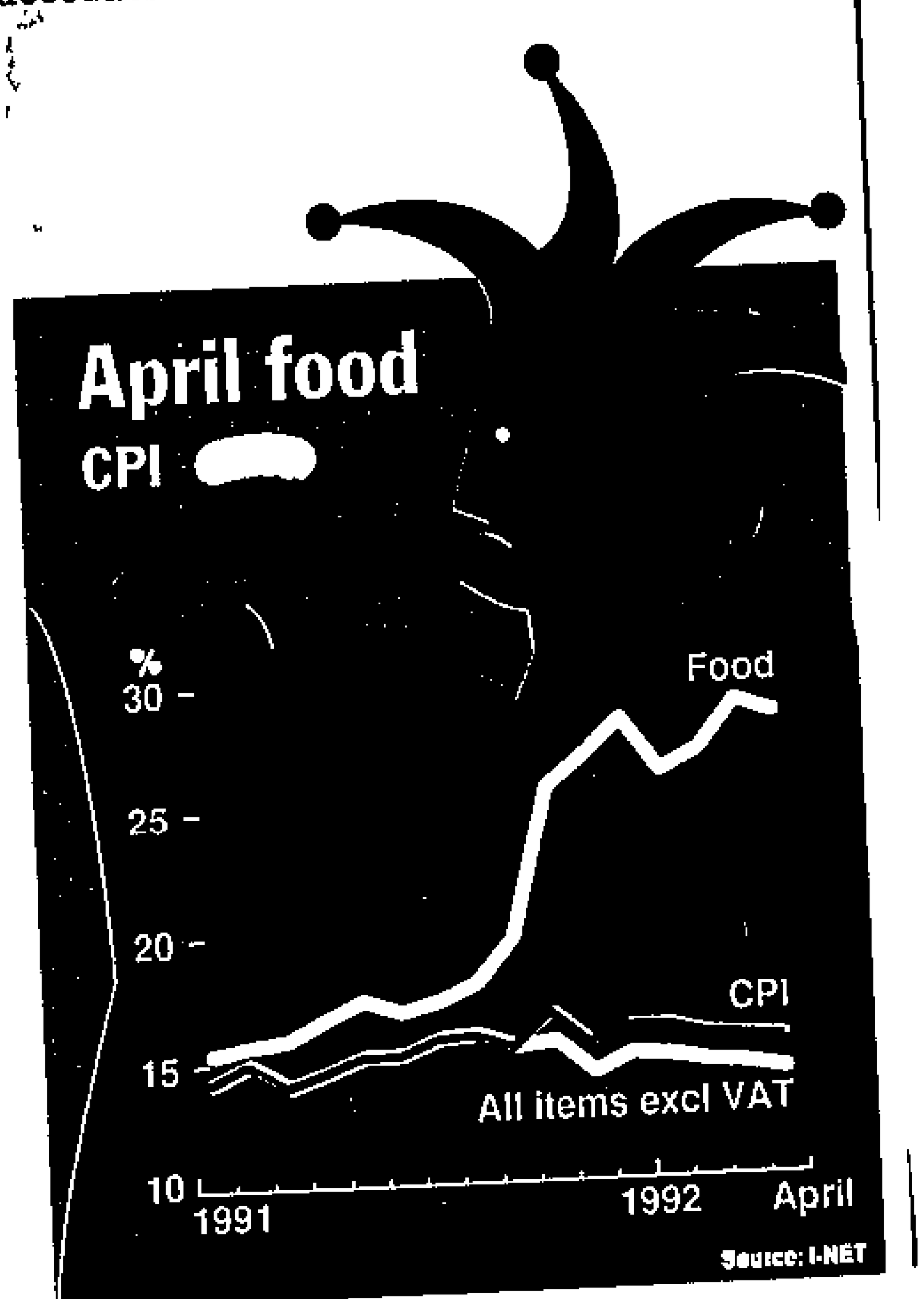
(244)

the overall 1,3% rise

Other major increases for the month were in.

- ☐ Non-alcoholic beverages (7,2%),
- ☐ Alcoholic beverages (7,5%),
- ☐ Cigarettes, cigars and tobacco (3%);
- ☐ Reading matter (4,3%)

Rand Merchant Bank economist Rudolf Gouws says, while the monthly figure is disappointing, the trend in CPI is downward "We are still looking at inflation below 15% in the second half of the year And if one annualises the increase since December, one gets a figure of 12,9%" ■



nections — Sapa

Exports push up SA food prices

(244)

CT 8/6/92

Finance Editor

DEMAND for South African processed food on overseas markets — particularly canned fruit and vegetables — is causing shortages in this country and pushing up prices, say supermarket chiefs

Pick'n Pay general manager (food supermarkets) Mr Alan Baxter and Mr Serge Martinengo, general manager of Shoprite-Checkers northern division, claimed last week that food manufacturers were charging South African retailers prices related to those they could get on the export market.

Import barriers

And, at the same time, protective tariffs and anti-dumping duties were making it difficult for retailers to import sufficient cheap food from Eastern Europe, they said

Mr Baxter said the weakness of the rand made it possible for South African food producers to make big foreign exchange profits on exports. "They use export prices as a yardstick to set prices in this country."

● Exports pushing up food prices — Page 9

Exports are 'pushing up food prices'

CT 8/6/92 (244)

By AUDREY D'ANGELO
Finance Editor

INCREASING overseas demand for SA processed food — particularly canned fruit and vegetables — is causing shortages in this country and pushing up prices, say supermarket chiefs

Pick'n Pay general manager (food supermarkets) Alan Baxter, and Serge Martinengo, GM of Shoprite/Checkers northern division, said that they realised it was necessary to earn foreign exchange through increased exports.

But, they claimed, food manufacturers were charging SA retailers prices related to those they could get on the export market

And, at the same time, protective tariffs and anti-dumping duties were making it difficult for retailers to import sufficient cheap food from Eastern Europe

Baxter said "The situation will get worse because, with the ending of sanctions, the Scandinavian countries are starting to buy our high quality food

"About 80% of canned asparagus is exported to Germany, leaving only 20% of production for local consumers, and we are having to pay the same price for it"

He said the weakness of the rand made it possible for SA food producers to make big foreign exchange profits on exports. "They use export prices as a yardstick to set prices in this country.

"We are currently importing canned peas from an Eastern European country which we can sell below the cost we would have to pay for SA peas.

"We could sell them even more cheaply if it were not for the import duties we have to pay to protect SA manufacturers.

"I have nothing against our manufacturers making money on export markets It is good business for them and this country needs to export manufactured goods.

"But I think it is unfair on SA consumers — who are paying through the neck — that we still have protective tariffs and anti-dumping duties against cheap food from East European countries desperate for foreign exchange"

Martinengo said: "My experience is exactly the same. I don't want to point fingers by naming specific manufacturers, but they are tending to push prices up towards the levels they can get on the export market"

He said retailers had import quotas "and when we go over them the duties rise We have not exceeded our quotas yet because we have just started our financial year But Pick'n Pay are now well on in their financial year and must have started to pay higher duties."

Ray Brown, MD of Langeberg, which has the largest share of the canned foods market, is overseas and other executives were not available to comment

In a statement issued this week Brown said Langeberg brands such as Koo and All Gold had "good potential in export markets"

Butchers post biggest drop

Sales plunge as recession hits retailers

BIDay 9/6/92 (244)

HILARY GUSH

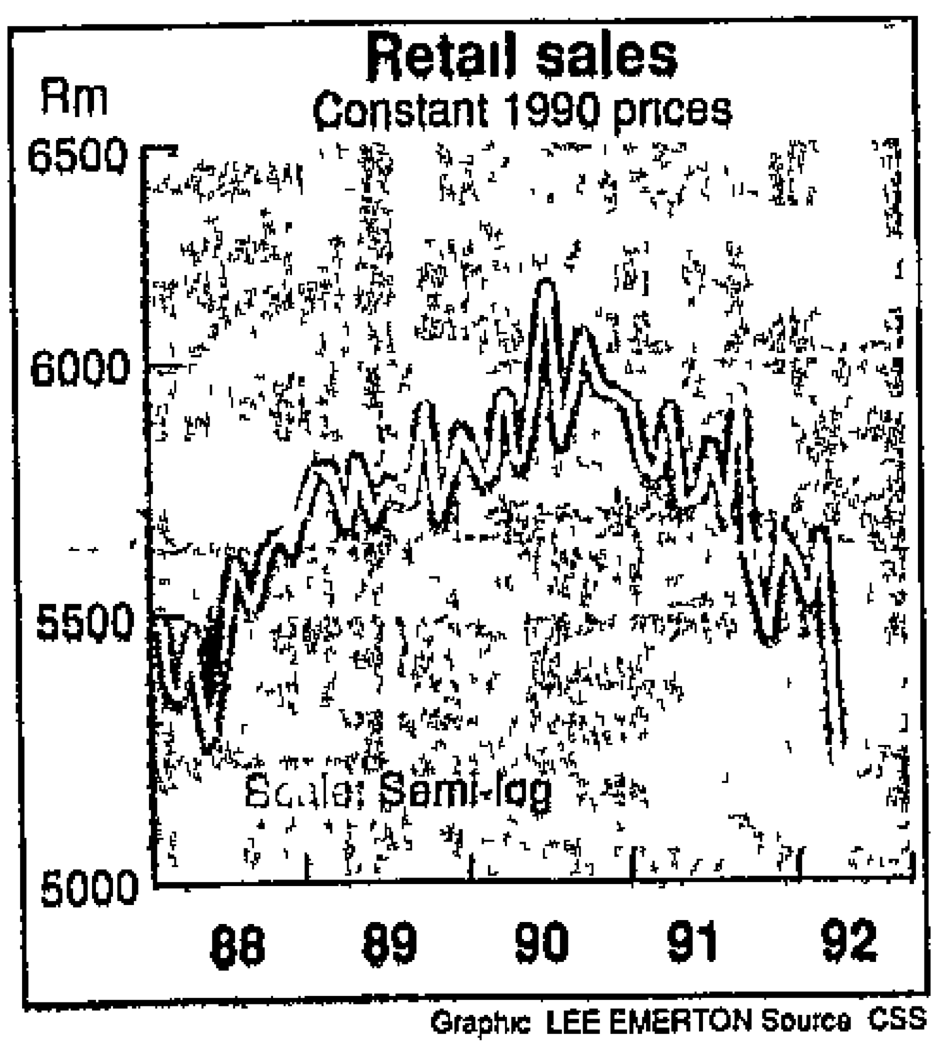
RETAIL sales adjusted for inflation fell in March to the lowest levels yet seen in the current recession, according to official data released yesterday.

Figures published by the Central Statistical Service (CSS) indicated that retail sales in March, measured at constant 1990 prices, had dropped to mid-1988 levels.

Sales declined in real terms by 11,4% in the year to March and by 6% from February's level Responding to a CSS survey three months ago, the retail sector expected March's year-on-year drop in real sales to be 8,2%.

The largest decrease in sales was posted at butchers, where sales were chopped 28,8%. Other leading falls were a 22,8% decline at general department stores and a 15,2% drop at other food retailers

Rand Merchant Bank chief economist Rudolf Gouws said the figures confirmed that a massive decline in consumer spending lay behind the fall of almost 2% in GDP in the first quarter. "This also reflects existing job uncertainty as consumers are unwilling to enter into purchases of durable and even semi-durable goods," Gouws added.



Graphic LEE EMERTON Source CSS

According to Nedcor Bank chief economist Edward Osborn the marked drop in retail sales illustrated the large number of retrenchments occurring and the resultant loss of buying power and large accumulation of debt by the consumer.

Osborn added that the retail data were tied to government revenue figures These showed VAT collections for April 1992, which reflect turnover in March, to be only R1bn compared with GST collections for the same month last year of R1,6bn.

Assistant economist at JCI, Peter Perkins, was disappointed by the figures. "It suggests that the economy is still in the depths of recession and that if we're going to see economic recovery at all this year, it will occur towards the very end of 1992"

Economists blame depressed consumer spending on rising unemployment, moderate increases in salaries and wages and an increasing personal tax burden. Analysts expect consumer spending, which makes up more than half of total GDP, to show hardly any increase this year.

The apparent concentration of sales weakness in non-durable goods shown in the CSS data is likely to aggravate recent bewilderment among analysts about static food sales.

Last month the Bureau for Economic

☐ To Page 2

Sales plunge

BIDay 9/6/92 (244)

☐ From Page 1

Research (BER) at the University of Stellenbosch said official figures on non-durable goods sales were puzzling The BER noted that latest official estimates put non-durable goods sales growth last year at "a mere 0,2%"

"As food, beverages and tobacco collectively have a weight of 74% in total it is difficult to rationalise this small growth it is difficult to understand how expenditure on foodstuffs can show virtually no growth at all when the population expands at a rate well above 2% per year"

One explanation advanced by analysts for falling food sales among a growing population is increased sales volumes in the informal sector — which is not accounted for in CSS data

Milk up 25 percent in a year

STAR 9/6/92 (244)

Consumer Reporter

The price of milk, cheese and eggs increased by 25 percent between April 30 last year and this year, reports the Consumer Council

At the beginning of April, 10 percent VAT was imposed on fresh milk.

"But the imposition of VAT on fresh milk cannot be blamed for this increase," said Consumer Council executive director Jan Cronje.

The council said it had received complaints that certain retailers were disregarding the zero-rating on basic foodstuffs

It called on consumers to ensure they were not being overcharged when buying brown bread, maize meal, samp, maize rice, dried maize (excluding popcorn), lentils, dried beans, sardines, milk powder (full dairy, not blends) and dairy powder mixture

—LETTERS—

Food price hysteria is biased

Bloday 11/6/92. (244)

PETER WRIGHTON

THE Central Statistical Service (CSS) has published figures during the year which indicate that food inflation is running well ahead of the CPI For example, in March 1992 the food price inflation rate was claimed to be 28,9% with the overall CPI increase being 15,7%

These high food inflation statistics have led to near hysteria in the media, with articles alleging that this state of affairs is mainly due to monopolistic conditions in the food manufacturing industry It is important to put the record straight on this issue because Premier has always endeavoured to act responsibly and sensitively to consumer needs

Premier, which operates mainly in the manufacturing sector of the food industry, falls within the ambit of the PPI where the manufacturing food inflation rate for March 1992 was only 9,1%, which was well below the 15,7% recorded by the CPI

While the published PPI rate may be too low, judging by Premier's own basket of food products whose price increased by 14,3% over the same period, the food CPI rate certainly appears to be too high This is borne out by an extensive study undertaken by Metro Cash and Carry across all major categories and which, comparing cost and selling prices in March 1991 and March 1992, revealed no change in gross profit margins and an average escalation of only about 11% in both cost and selling prices

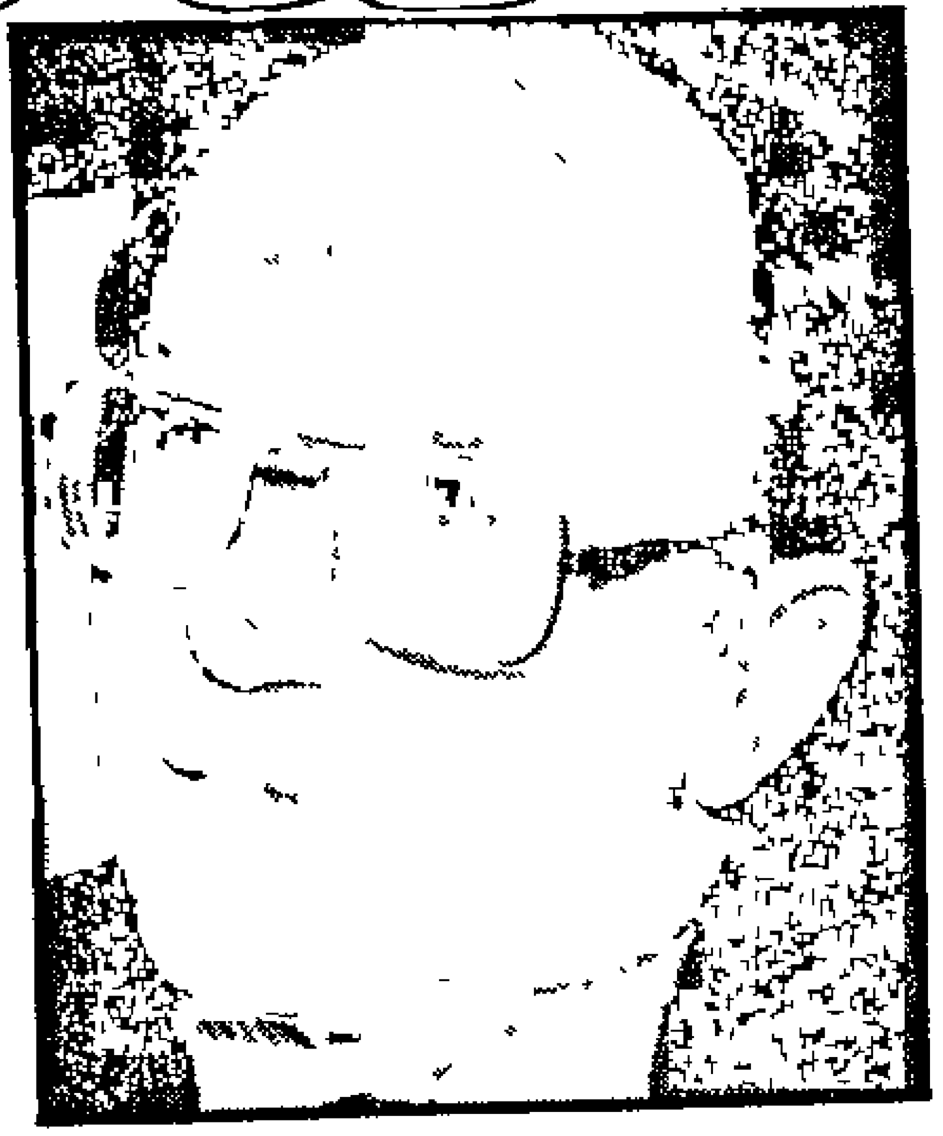
A more detailed analysis of the CPI figures for March 1992 shows that food prices at retail level increased by 28,9% overall, but that the meat, vegetables, fruit and nuts components — which comprise nearly 50% of the weighting — increased by 41,5%, while the balance of food products increased by 17,4%

Put a different way, 70% of the food inflation came from meat, fruit and nuts and vegetables and only 30% from the balance The Premier Group falls almost entirely into the latter category and has, therefore, if anything, contributed to containing inflationary increases

The statistical methodology used by the authorities in a country like SA where a large percentage of the population exists at, or under, the bread line, is somewhat suspect if it is meant to give an indication of the inflation in the goods and services actually purchased by the consumer over time

It is fairly certain that substantial increases in the price of one category such as meat, fruit or vegetables, will result in substitution by other products which have not increased in price, so altering the weighting of the overall basket

Turning to the claims in the media that monopolistic conditions exist in the food industry because, it is alleged, three companies control over 75% of the staple maize milling and bakery industries — this is just not true In both industries there are at least six major companies which comprise about 75% of the market



□ WRIGHTON

There are hundreds of others competing for the balance

In addition, the food industry in SA includes in its ranks certain giant multinational companies as well as powerful large co-operatives whose figures are not publicly reported

It should also not be overlooked that during the past 12 years, enormous changes have taken place in government fiscal policy which have contributed to the substantial increases in the inflation rate of basic food staples

During this period subsidies were withdrawn, then GST was imposed on about 50% of food products, followed by the introduction of VAT where only brown bread and maize meal were exempt If a calculation is made excluding these changes, the wholesale selling price of maize meal has increased by 402% over this period and brown bread by 315%, which is well below the inflation rate of 424% for the period

We look forward to the release of the Board of Trade and Industry investigation which was ordered as a matter of urgency by the Finance Minister more than a year ago and which might throw some unbiased light on the matter

□ **This statement by Premier Group chairman Wrighton accompanied the release of the group's annual results yesterday.**

Action over prices urged

B/Day 11/6/92

KATHRYN STRACHAN

PROTEST action was planned at yesterday's summit of the co-ordinating committee on VAT to highlight the effects of the tax and rocketing food prices 244

Organisations associated with the committee had planned a programme of marches and demonstrations, but a date was still to be decided

Convenor Bernie Fanaroff said summit delegates endorsed demands to be put to government and to food manufacturers and retailers The committee expected to meet Finance Minister Derek Keys later in the month and would discuss the zero rating of basic foods and basic services, and the reduction and stabilisation of food prices

The starvation facing many was not caused only by the drought, but also by escalating food prices and distribution problems Businesses were taking advantage of the drought to raise their prices, the summit accused.

It attacked government's nutrition development programme and put forward proposals to be presented to government

Fanaroff also claimed the National Health Department lacked the managerial expertise to run the programme effectively, and accused it of using poverty relief for political ends by providing money to SADF front organisations

VAT, mass action link mooted

244 STAR 11/6/92

By Mike Siluma

The Co-ordinating Committee on VAT (VCC) yesterday warned it would link its struggle against VAT and poverty to the proposed mass action next month, unless it made progress in its talks with the Government on the issue.

The warning was made after a summit of VCC constituent organisations in Johannesburg, which included the National Council of Trade Unions, the ANC, the Congress of SA Trade Unions, and business, church and consumer groups.

The summit endorsed the following demands, in preparation for forthcoming talks with both the Government and the food industry:

- The exemption from VAT of basic foodstuffs (including meat, bread, maize meal, milk and vegetables), electricity, water and medicines.
- That the Government should reduce and stabilise the price of staple foods until an adequate "safety net" was established for the poor.
- That manufacturers and retailers drive down the price of staple foods.
- That the existing control boards be restructured and all deregulation and tariff changes in the food industry be carried out only in consultation with "representative organisations".

The summit decided to convene again in mid-July to assess progress in talks with retailers and the Government. A VCC delegation is due to meet Finance Minister Derek Keys on June 25 to discuss its demands. The VCC has already met representatives of Foodcor and Premier Foods, and is scheduled to meet those of Tiger Oats and Pick 'n Pay shortly.

VCC co-ordinator Bernie Fanaroff said the summit had decided to meet other organisations to draw up a plan of action to back its demands. This might include boycotts and demonstrations — linked with the proposed mass action — against sections of the food industry.

Also yesterday, the VCC criticised the Government's poverty and drought relief programme, saying there was a need for short-term emergency aid incorporating all Government-funded schemes.

Various organisations, including the ANC and Cosatu, have already indicated they would include demands on food prices and VAT in their mass action campaign, which is mainly over the Codesa deadlock.

Premier hits back

(244)

'Steep rise in food prices not our fault'

By Derek Tommey STAR 11/6/92

Peter Wrighton, head of the Premier group, has hit back at critics who have accused his company and the other major food manufacturers of being responsible for the recent reported steep increase in food prices.

He says that an analysis of factors behind the increase in food prices shows that criticism of Premier is unfounded and calls for the Board of Trade and Industry to release the results of its investigation into food prices

"This was ordered as a matter of urgency by the Minister of Finance more than a year ago and might throw some unbiased light on the matter," he says

He refutes allegations that there is a monopoly in the food industry.

Claims that three companies control over 75 percent of the maize-milling and bakery industries are just not true, he says

In both industries at least six major companies are operating and these comprise about 75 percent of the market. There are hundreds of other companies competing for the balance.

However, because those companies on the JSE have high profiles they tend to draw criticism But the industry includes multinational companies as well as large co—ops whose figures are not publicly reported

He says Premier had little to do with the reported 28,9 percent food price inflation in March

Premier is mainly a manufacturer and its price increases are measured by the producer price index (PPI) This showed an increase of 9,1 percent in the year to March, which compares with a 15,7 percent rise in the consumer price index (CPI)

Mr Wrighton believes the PPI under-recorded the increase in the price of processed foodstuffs, as Premier's own food price index rose 14,3 percent

But at the same time he believes that the reported increase in the CPI food index was much too high.

Food prices at Premier's associate company, the wholesaler Metro Cash 'n Carry, showed an average increase of 11 percent on both cost and selling prices between March 1991 and March 1992, he says

The main reason for the jump in the CPI food price index in March was a 41,5 percent increase in the average price of meat, vegetables, fruit and nuts

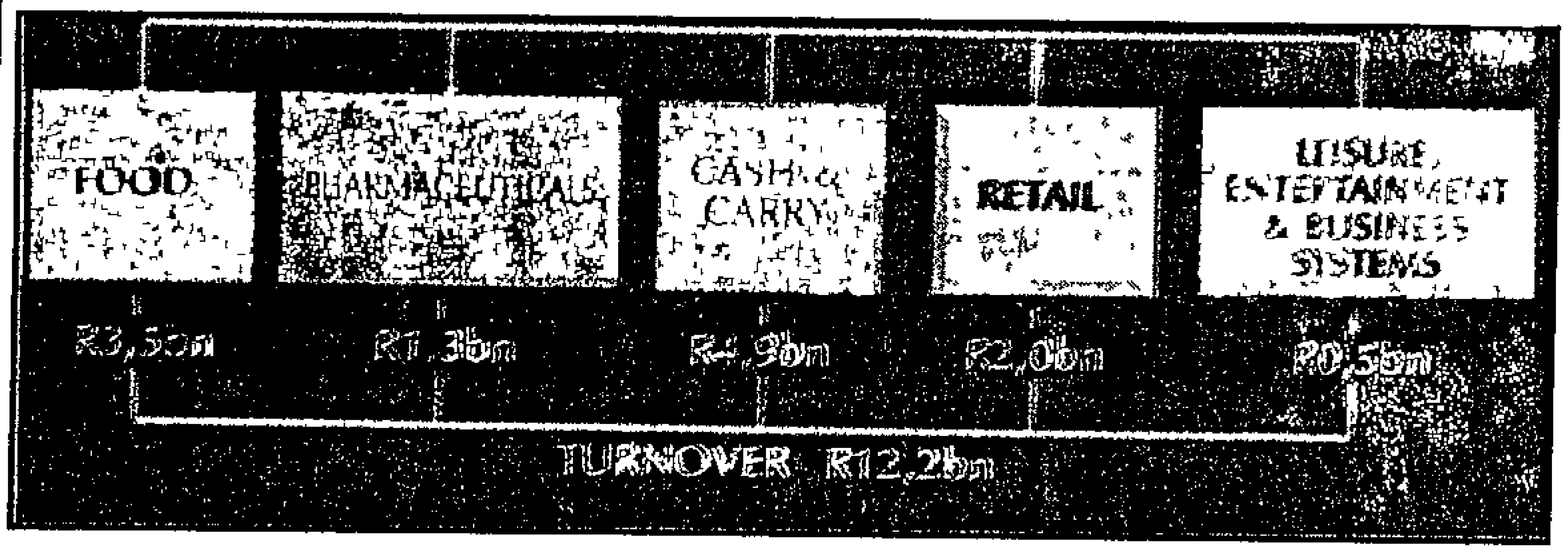
If the various weights of products used in the index are taken into account, this means that 20,2 percent of the 28,9 percent food price inflation came from meat, fruit, nuts and vegetables and only 9,1 percent from all other food items.

Mr Wrighton says the enormous changes in the Government's fiscal policies in the past 12 years, which have contributed to the substantial increases in the inflation rate of basic food staples, should not be overlooked

First subsidies were withdrawn, then GST was imposed on about 50 percent of food products

This was followed by VAT, from which only bread and maize meal are exempt.

If these changes are excluded, the wholesale selling price of maize meal increased by 402 percent over this period and that of brown bread by 315 percent — well below the overall CPI rate of 424 percent, he says



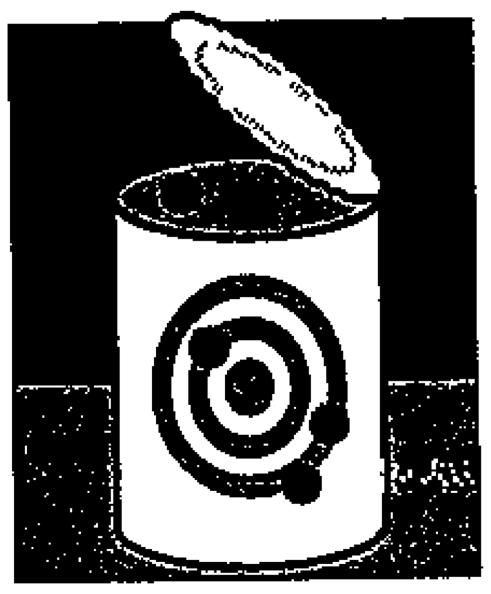
Group turnover in 1992 was R12,2 billion.

FOOD PRICES

The harvest of protection

(244) FM 12/6/92.

Drought is certainly a factor in food price rises — but not the root problem



The six-month-long drought — and fears of more to come — has introduced a new dimension to the food price debate Accusations of who is to blame began last year when consumer food prices became a disturbing influence on the inflation rate Now reduced supplies are threatening to push up prices — and the emotional temperature — even further

By April this year, vegetables and the category of milk, cheese and eggs were significantly up the former 64,8% year-on-year from December's 38,1%, the latter 25,1% from 17,3%

Against this background, Dirk Jacobs, CE of Foodcorp — the entity created out of the merger of Kanhym and Fedfood — made some well-publicised warnings last week Because of the drop in local farm output, SA will have to supplement with imports — and Jacobs suggested that hikes in imported raw material prices could raise prices of maize meal 20%, sorghum 45% and oil seed 30%

Since Foodcorp is one of three companies frequently accused of manipulating meat prices, it is hardly surprising that Jacobs should seek to direct attention elsewhere

But he may have overstated the case Pick & Pay's Sean Summers says the estimates create the wrong impression "People will think the increases are still to come The fact is that most of them have already happened " And he warns that speculation about sharp increases could be self-fulfilling "We have seen the effect of fears of shortages in forcing produce prices up "

Grain sorghum board industry manager Piet Skinner says Jacobs' sorghum estimate is reasonable, given world prices But he points out that the crop is not a major staple food "About 80% of sorghum in SA is used in malt production for commercial and home brewing of sorghum beer, with the rest used for meal, rice and grits and some for mixed poultry and animal feed So sorghum prices should have little effect on overall staple food prices "

Jacobs subsequently clarified his statement He told the *FM* he was referring to "cost constraints which the industry would have to face That doesn't necessarily mean prices will increase that much — but rather that margins will be squeezed "

And he defended his estimates of cost increases "If one looks at maize meal, for example, over and above the increases announced by the Maize Board, railage costs, which were not there before, will add about another R50/t to the maize price And the imported maize has a yield 2,5%-5% lower than the local type On top of that, we now have to order maize in bulk, which puts a strain on our working capital and (its) financing "

Jacobs does indeed see drought as the basic problem — compounded by the rapid urbanisation of people who used to be self-sufficient in food "This puts extra pressure on supplies of food at retail level," he argues

He is not altogether correct

The drought does not account for the steep rises in food prices which started early last year SA Agricultural Union economist Koos du Toit says "If one looks at last year, when the drought was far less severe, retail prices for produce went up 19,1%, but, at producer level, prices rose a mere 5,8% over the 12 months "

Many of the consumer prices which have been causing concern in recent months were already surging by late 1991 As far back as last September — before the October introduction of VAT — disproportionate food price inflation was marked Grain price rises were higher over the period than in the 12 months to April

Meat prices have been falling in recent months — though for the worst reason The disappearance of grazing and the expense of providing feed have forced many farmers to slaughter breeding stock, causing an oversupply of meat on the market In April, the month-on-month price index for meat declined 3,7%, while the yearly index rose 27,4% — below overall food inflation of 28,4% Meat — with its weighting of about one-third in the food index — was a prime mover in CPI increases in 1991

Pretoria University agricultural economist Jan Groenewald says the drought has interrupted an eight-year cycle in meat prices "We normally see six years of steadying or declining meat prices, followed by two years of sharply rising prices We were in the rising stage, but this has been suspended until after the drought — it will be accentuated as farmers restock "

At that stage, meat prices will surge Meanwhile, structural obstacles prevent meat prices dropping much further Because of its weighting in the CPI (about one-third of the food component), meat's role remains critical in future price index moves Imperial Cold Storage fresh meat MD Roy Smither says "Because of the auction system in SA, whereby a floor price is set at which the Meat Board purchases carcasses in cases of oversupply, as we have now, meat prices are not as low as they should be "

This shows that many of the problems now coming to light in

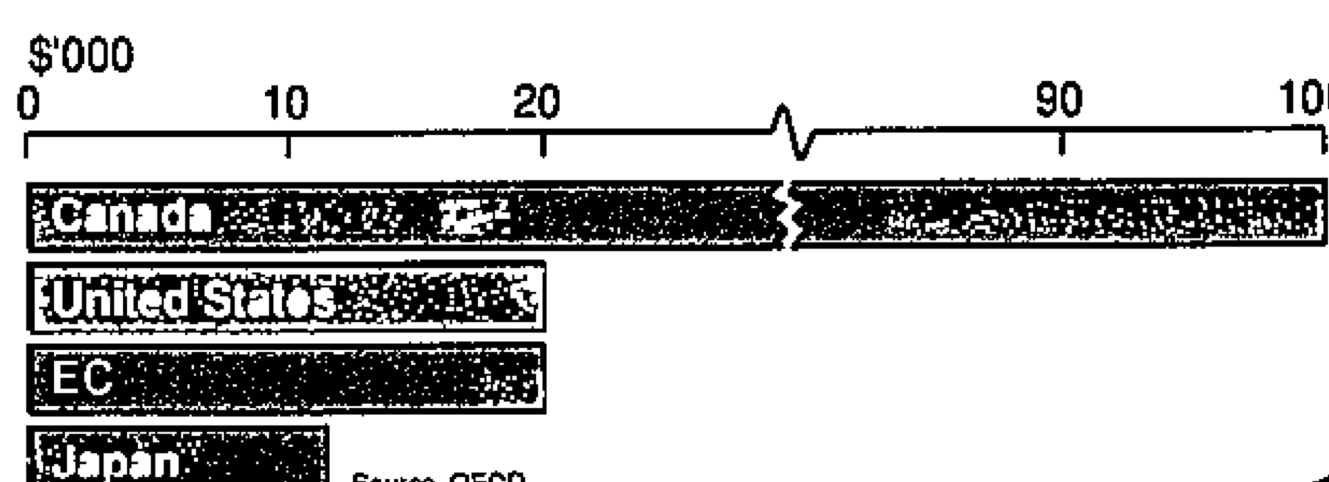
Cost benefit

Effects of eliminating 1986-88 levels of agricultural support

% difference	Household real income	Terms of trade	Farm output	Non-farm output*
Australia	0,8	4,1	4,4	-0,7
Canada	1,3	-0,7	-16,7	0,9
EC	1,4	-3,0	-18,7	2,1
Japan	1,1	-3,6	-24,2	1,2
New Zealand	2,7	10,6	7,9	-2,4
United States	0,3	-0,2	-7,0	0,4
OECD	0,9	-0,8	-13,6	1,1

*Non-food industries and private services

Costs of farm support per job "saved" in agriculture and food processing, 1988 prices



FM 12/6/92 THINKING OF FEDERALISM

A midwinter of malcontents

The national mood has shifted into an uneasy combination of foreboding and apathy The euphoria after the March referendum has waned as the twin realities of violence and the recession have re-emerged in all their starkness

Where before we were waiting for Codesa to deliver political reassurances and serious inflows of investment, there is now a mid-Eighties-style lack of certainty While our leaders travel abroad or bicker, we tend to the everyday necessities of survival

It is obvious that the heavy penalties of past misbehaviour are being visited upon us — the formidable antipathies of what underlay apartheid, and the structural mechanisms which were put in place to defend sectoral privilege So it now looks less likely than it did at the beginning of the year that the lion will lie down with the lamb, hatred and incomprehension stir in various communities So, too, the economy lurches towards further contraction

In this climate of discontent, dramatic gestures seem plausible — rushing out and joining the ANC, for example — but quite soon expose themselves as frivolous

Elsewhere in this issue we record the contribution of the Nationalist-inspired agricultural control boards to the disproportionately savage food price inflation rate In the related field of political imagination, old, diehard attitudes also exert a stifling effect.

This is nowhere truer than over the issue of federalism — where debate is coloured by antagonistic beliefs about what federal structures are meant to do

The government expresses abhorrence at simple majoritarianism — which it nonetheless employed to oust Jan van Eck from parliament A federal structure — implicit in the degrees of autonomy and cultural preference of the provinces and homelands — would seem to guard against the terrors of outright, retributive majority rule

The ANC — whose suspicion is fuelled by gross evidence of corruption and the inability of the State to end violence — believes federalism à la Pretoria will enshrine a minority veto in the constitution and halter forthright black progress It seeks to reclaim the initiative of mass action, though its degree of control over events of this nature is questionable

The failure of one committee at Codesa to agree on certain technical aspects of how the constitution is to be drawn up could thus lead to the abortion of negotiations — though we are as yet far from that This is because the main parties to the negotiations remain locked in past attitudes

Given the geographically dispersed and disparate constituents of SA, federalism in one or another form is a likely constitutional outcome What needs to be asked now is what *kind* of federalism? Some point to the fission of the USSR and the hideous ethnic conflict in ex-Yugoslavia as evidence that a strong centralist State should be our future — the problem arising only when competing nationalisms are allowed free sway And the ANC declaims against ethnicity as such, certainly in constructing a constitution

Surely the point here is that the formerly socialist republics of the East would long since have entered the 20th Century and reached accommodations similar to those of their Western neighbours — were it not for the iron brutality of the communist inspiration itself, a residue from the last century

Serbia, Croatia, Slovenia, Bosnia, Macedonia and so on did not go to war against each other under Tito, true, but the frozen status quo imposed by totalitarianism did not allow them to reconcile their differences through growing economic wellbeing, either The ex-socialist world was retrograde in all spheres political, economic, scientific, moral

God forbid that we should have to endure a federalism like that, culminating in a civil war after decades of stagnation It is, of course, to the US that we should be looking as the premier model of the kind of society into which we must evolve — where individual liberties and a free economic system reinforce each other ■

FM 12/6/92 THE ANC

Let the people vote

o listen to many ANC stalwarts, one would think the Scandinavians are not only a race of moral giants who subsist in perfect welfare states — but that they also dispense ambrosia to every benighted cause in Christendom and beyond.

Of course, that is not true Nevertheless, it gives us the opportunity to draw the ANC's attention to the Danish referendum, which is likely to undermine the Maastricht treaty that seeks to curb its national sovereignty The Danes did not take to the streets to show their dismay, they took to voting instead

Would that not be a more democratic manner for the ANC to demonstrate its dismay at the Codesa setback? By organising a referendum among all those who do not have a parliamentary vote, it could show the world — let alone the Nats — the depth of its support

It would also be able, demonstrably, to serve the cause of black unity

It would draw such a heroic response that differences within its own ranks and beyond would — even if only momentarily — be forgotten It would save life and limb and demonstrate that the ANC is capable of more than mindless remarks such as "Our economy has been so mismanaged that it can hardly be further hit by mass action" ■

the food pricing system were present long before the drought compounded them The cycle of recurring droughts diverts attention from these underlying flaws

Agricultural control boards have a stranglehold on farm production Their negative role has been illustrated by a number of recent rows

One relates to maize The R445/t landed price for yellow maize coming into the country to bolster local supplies is officially boosted by R30 This brings it to the local price of R475/t — 24% up on last year's contract price The markup is to go into subsidising under-used silos A similar row is raging over soya oil cake, imported to supplement the poor local sunflower seed crop but subject to high government tariffs Given imports of 4,6 Mt of maize and 400 000 t of soya oil cake, this means a windfall of about R200m for government and the agricultural boards — at the consumer's expense (*Business & Technology* May 8)

Last week, a new storm erupted — over wheat imports Wheat board GM Ivan Hemingway says that if no rains fall in the wheat growing regions of the Free State before July, up to 1 Mt will have to be imported Pick & Pay's Summers argues that this should — but won't — lead to lower prices "Millers tell us they could import wheat at lower prices if they didn't have to work through the Wheat Board"

World wheat prices are now lower than local ones — but the imports are sold at the local price and the profits go to the board

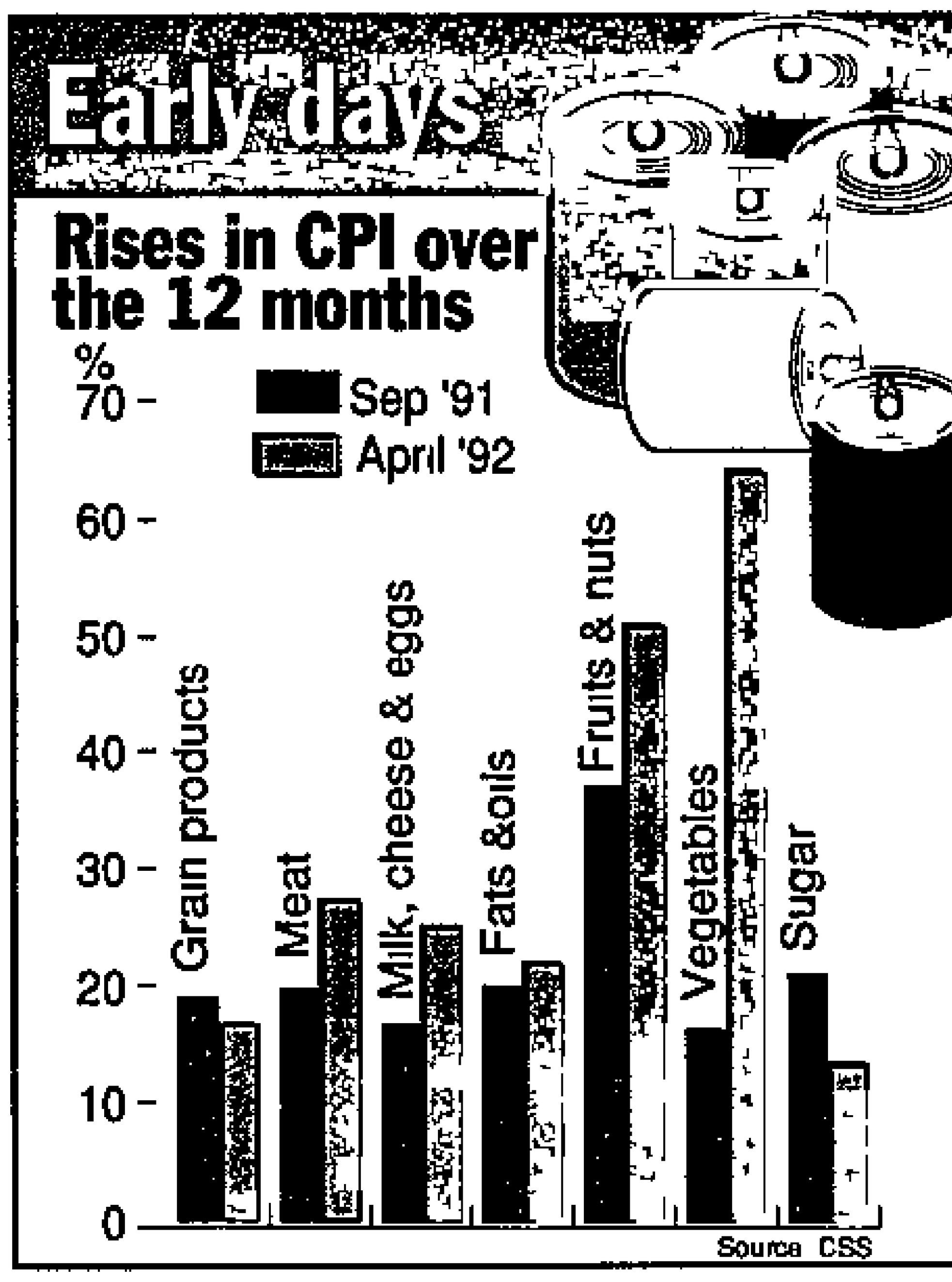
Hemingway does not try to defend the practice but argues that there may be no profit He says the board will meet only in October to fix the price for the next season "and world prices could change by then"

According to Groenewald, the wheat picture is complicated by the current round of Gatt negotiations which could see the lowering of subsidies on European wheat and a firming of international prices Meanwhile, fears of shortages have pushed up potato prices by as much as 400%, despite surpluses of up to 100% in some areas, such as Johannesburg and Cape Town (*Business & Technology* May 8)

All of these problems are symptoms of the flawed control board system Though some restrictions have been abolished, its legacy remains Groenewald comments "Over time, the larger players bought out the smaller ones and made it difficult for new entrants to gain licences This is the case in the wheat industry In the maize industry, a statutory monopoly was created as in the dairy industry with butter and cheese"

What of the culpability of the processors and wholesalers? The recent increase in the bread price, for instance, brought protests from the Consumer Council which accused bakeries of collusion in adjusting prices simultaneously

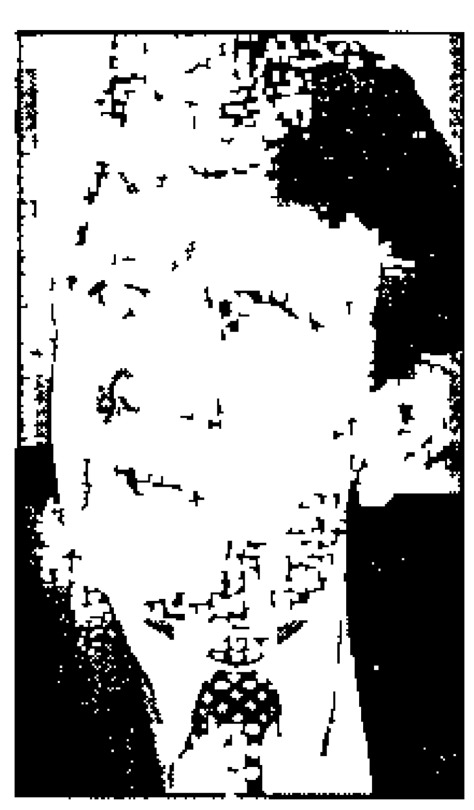
But the prime target for attack is the meat industry, since three giant companies — Imperial Cold Storage, Vleissentraal and Foodcorp — control a big chunk of the distribu-

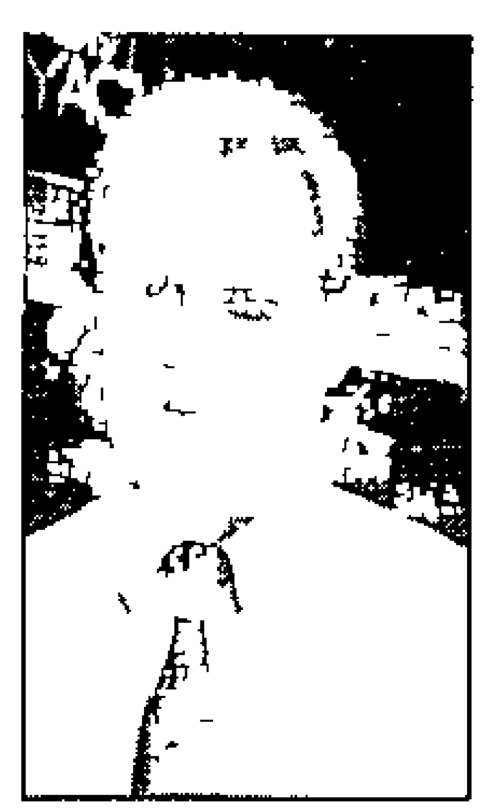


tion chain Estimates range from 30% to 90% In addition, Vleissentraal and Foodcorp are heavily involved in the feedlot and agency business

Charges of price manipulation are difficult to either substantiate or refute A study by Frederik Fourie, of the University of the OFS, "indicated more or less equally sized increases in prices, over time, in relatively concentrated and unconcentrated manufacturing sectors respectively" However, Fourie concluded that, in times of falling demand, concentrated industries showed greater price rigidities

Foodcorp's Jacobs says his group's involvement in meat wholesaling is not as great as it once was "Since 1987, we have moved into branded, value-added products"


Jacobs


Summers

If concentration of control is a direct source of food price inflation, there is a simple remedy the abolition or relaxation of exchange control, which prevents local businessmen from investing offshore Attractive options abroad would soon reduce some local concentration and whatever adverse consequences might flow from it

Whether or not such a step is taken, the outlook for prices is certain to remain poor because of another potent source of inflation inflationary expectations These were unleashed last year by fears of the effects of VAT on consumer prices Though VAT should have worked its way through the system by October, damaging expectations will linger

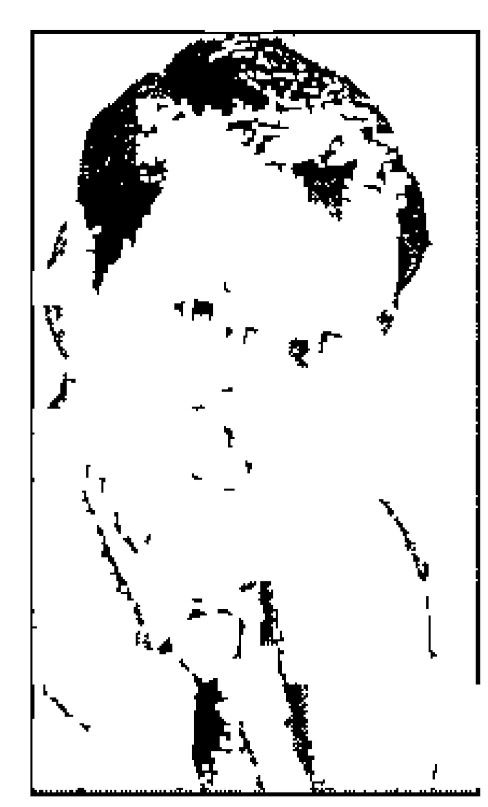
This has implications for retailers' pricing decisions and labour unions' wage demands Both have overreacted to the imposition of VAT — and this alone will continue to put pressure on prices, as will all the remaining distortions along the distribution chain

Government created the present climate Its spending policies have put liquidity into the financial markets, making it possible for consumers to accommodate price increases And it is ultimately responsible for interventionist weaknesses in the production and distribution chain

Groenewald makes the point "One should not merely blame the control boards or the concentration of power in the food processing and wholesale industries but the laws that allowed both to develop as they have" He says government intervention usually leads to power concentration in any industry

Ironically, the situation was created by government's misguided attempts to improve food distribution It was not alone aware of the political dangers created by food shortages, most governments create protectionist structures to keep farmers on the land in bad times This may ensure a steady flow of food, but the structures place food out of the reach of ordinary consumers, who, as taxpayers, foot the bill for the whole operation

It is time to allow the special interest groups to fend for themselves A study of agricultural policies in OECD countries concluded that, if 1986-1988 levels of farm support polices had been abolished, farmers' losses would have been more than offset by gains in the rest of the economy It was suggested that the elimination of farm supports would have increased household incomes in all OECD countries by an average of 1% a year


Du Toit

Using figures from the study, *The Economist* calculated that each farm job saved as the result of the support policies actually cost US$100 000 a year in Canada and between $13 000 and $20 000 in the US, Japan and the EC (see graph) It pointed out that these jobs were saved only at the expense of jobs in other sectors

The only way to ensure an efficient distribution chain and a productive agricultural industry is to abolish the boards — exposing the farmers to competition They will learn quickly enough to manage economic and drought cycles when they have to pick up the bill for their own mismanagement

Government has floundered around this issue for too long Unless the root problem of escalating food prices is tackled now, the consequences will manifest themselves in hunger and unrest ■

FM 12/6/92.

THATCHER ON EUROPEAN UNITY

A treaty too far

Margaret Thatcher endorses the Danish repudiation of Maastricht

It is often said that we British lack a European idealism But this is not so How could a country, twice within a century drawn into war to defend the liberties of continental Europe, feel untouched by Europe's future? And who would not admire the determination of democrats in France and Germany to avoid the rivalries and conflicts of the past?

We are just as idealistic about Europe as the federalists, we are just less federal Experience has taught us that the best system under which to live is democracy — where members of parliament are seen to be accountable to their electorate Support this by worldwide trade and you get the prosperity which we all seek

In many of these things, we British have led the way In the Eighties, we and our other colleagues in Europe passed the Single European Act to try to create a genuine single market in which free movement of goods, people, service and capital were ensured But that movement was not to be unfettered I remember saying that, if we just left the words as vague as that, we should be encouraging immigration and enabling terrorists, criminals and drug dealers to escape detention as they crossed borders

We, therefore, hammered out a General Declaration attached to the Act It said "Nothing in these provisions shall affect the right of member-states to take such measures as they consider necessary for the purpose of controlling immigration from third countries and to combat terrorism, crime and the traffic in drugs"

I would never have agreed to the Act without that declaration I am, therefore, amazed when I hear it suggested that it does not have the force of law and can be ignored

Further, we made it clear in the Act that certain directives brought forward by the European Commission could only be passed by a unanimous vote They included taxation, the free movement of persons and provisions relating to the rights and interests of employed persons

I was quite happy that we had covered the most important things To my amazement, the commission, realising that we in Britain were opposed to a draft-directive which sought to limit the working week to 48 hours, attempted to bring it forward under the Health and Safety provisions which require only majority voting This is just not right

But there is another point The effort and efficiency of workers on the continent of Europe, especially in Germany, were held out as an example to us in Britain It's quite a turn that other countries want to cut down the maximum work hours to 48 hours a week Can it be that Britain is now the country to emulate — having the work ethic, having dealt with trade union law and having low taxation and low public expenditure?

Not to mention political stability The Act has not come fully into effect and yet already we have the Maastricht Treaty It is a long, detailed document and should be studied extremely carefully Moreover, because the language is often opaque, governments should be asked precisely what certain clauses mean

I suggest that those who have to decide whether to include its provisions in their own laws should ask four questions

☐ Will it ensure and enhance democratic government? The answer must be no It involves enormous transfers of powers from national governments to a centralised bureaucracy It speaks of a common foreign and security policy It extends EC authority in a host of fields and provides for majority voting in many of them

Thatcher

For most States, other than Britain, it introduces a social chapter which was first mooted at the Madrid summit and which has already given rise to more than 43 initiatives, of which 17 are new draft directives

Moreover, with the exception of Britain, which is keeping its options open (thanks to PM John Major), it is committed to the creation of a single currency no later than 1999 A single currency means a single interest rate, a single monetary policy, a single economic policy and eventually a single Minister But control over economic policy and the supply of money to the executive is at the heart of parliamentary democracy

The treaty passes colossal powers from parliamentary governments to a central bureaucracy A dispassionate observer could perhaps be forgiven for wondering whether it is we in the West who are trying to convert the East to democracy, or they who are converting us to bureaucracy,

☐ Will the treaty and its associated provisions on a common foreign and security policy continue to assure the defence of the West?

It was the steadfastness of the Nato alliance which brought a bloodless victory over communism This is in stark contrast to the enormous sacrifices of life that were made to defeat fascism in the first half of the century Indeed, no alliance has been more successful in keeping the peace with freedom and justice than Nato

The lesson we learn from history is that an American presence in Europe is vital to our security We know that there is pressure from isolationist opinion in the US to withdraw from Europe Some of us are very concerned that the Western European union, by taking a larger part in defence arrangements, could send the wrong signals to American opinion While the agreement itself is careful to say that the obligations of certain member states under Nato shall be respected, it is the general impression that often matters when decisions are taken about the future disposition of American forces in Europe,

☐ Does the treaty and the general stance of the EC on trading matters improve the prospects for world trade?

The fact is that the protectionist policies of the Common Agricultural Policy are holding up the present Gatt round Added to that, the social chapter which — again, thanks to Major, does not apply to Britain — will enormously increase industrial costs in Europe This of itself can lead to increased protection just at a time when the world needs freer trade in goods and services

Surely the EC should act as an example in upholding the post-war international structures which together were called the "new world order" and of which the Gatt is one,

☐ Are the provisions of the treaty, together with those of the EC as a whole, in tune with the instincts of the people? They have been deeply concerned at the scenes of destruction and killing, of families fleeing day after day not in some remote country, but in Yugoslavia, a part of our European continent They have heard, day after day, of ceasefire after broken ceasefire They have seen or heard of European monitors pulling out of Bosnia just when their presence seemed most critically needed

Would it not have been better for Foreign Ministers to follow the advice of Germany right from the beginning to recognise Croatia and Slovenia? Then we could have given those countries, and later Bosnia, the requisite weapons with which to defend themselves

Has not this experience and that in the Gulf shown that, when it comes to action, there is no substitute for the nation-state?

Real progress comes not from more bureaucracy, but from the values and institutions of government by consent — through Ministers seen to be accountable to their electorate

These things are in tune with the instincts of the people They are part of the heritage we have built up over the centuries

Margaret Thatcher

'Price rigging': Food giant hits back at critics

ARG 12/6/92 244

DEREK TOMMEY
The Argus Correspondent

JOHANNESBURG — Food giant Premier Group has hit back at critics who have accused it of being responsible for the steep rise in food prices

Premier boss Mr Peter Wrighton said criticism of the company was unfounded He wanted the Board of Trade and Industry to release the results of its investigation into food prices

"This was ordered as a matter of urgency by the Minister of Finance more than a year ago and might throw some unbiased light on the matter," he said

He refuted allegations that there is a monopoly in the food industry

Claims that three companies control over 75 percent of the maize-milling and bakery industries were untrue, he said

At least six major companies operate in both industries and these comprise about 75 percent of the market Hundreds of other companies compete for the balance

The industry included multi-national companies as well as large co-ops whose figures were not publicly reported

Mr Wrighton said Premier had little to do with the reported 28,9 percent food price inflation in March

Premier was mainly a manufacturer and its price increases were measured by the producer price index (PPI) This showed an increase of 9,1 percent in the year to March, compared with a 15,7 percent rise in the consumer price index (CPI)

Mr Wrighton said he believed the PPI under-recorded the increase in the price of processed foodstuffs, as Premier's own food price index rose 14,3 percent

But at the same time he believed that the reported increase in the CPI food index was much too high

Food prices at Premier's associate company, the wholesaler Metro Cash 'n Carry, showed an average increase of 11 percent on prices between March 1991 and March 1992

The main reason for the jump in the CPI food price index in March was a 41,5 percent increase in the average price of meat, vegetables, fruit and nuts

If the various weights of products used in the index were taken into account, this meant 20,2 percent of the 28,9 percent food price inflation came from meat, fruit, nuts and vegetables and only 9,1 percent from all other food items

Mr Wrighton said the enormous changes in the government's fiscal policies in the past 12 years, which had contributed to the substantial increases in the inflation rate of basic food staples, should not be overlooked

First subsidies were withdrawn, then GST was imposed on about 50 percent of food products

This was followed by VAT, from which only bread and maize meal are exempt

Free farmers from controls, says report

The Argus Correspondent

JOHANNESBURG — The ending of statutory control boards' powers is recommended in a Board of Tariffs and Trade (BTT) preliminary report into the food price spiral

The BTT said terminating the statutory powers of control boards and other bodies would enable farmers to freely market produce elsewhere

Where it might currently not be appropriate to remove the statutory powers, control boards should be reconstituted to ensure members did not represent a particular interest

Members should serve with delegated authority from the government and look after the national interest

The report said an exception could be made in regard to boards or bodies serving the export market, but only in respect of their functions

To ensure deregulation at government and local authority level was applied, the report said the competition board should be able to investigate all cases brought to its attention of any regulatory or statutory measure that inhibited competition and market entry

"Recommendations should be made to the authority involved, but in those cases where no corrective action is taken the matter should be followed up by the government"

In an attempt to foster greater overseas competition it recommended that the BTT should, within the framework of GATT and, taking into account the Uruguay round of discussions, receive a directive to review all controls pertaining to food products to ensure adequate competition prevailed.

New move to fight food price rises

CT 12/6/92

Own Correspondent 244

JOHANNESBURG — The Board on Tariffs and Trade has recommended that agricultural control boards be deprived of their statutory powers to set prices and to compel producers to use their marketing mechanisms

The long-awaited preliminary report by the board — formerly the Board of Trade and Industry — on its investigation into food prices has recommended several sweeping changes to combat food prices which have consistently risen faster than the overall CPI

The board's report recommends deregulation of agriculture from government and municipal levels

Consumers, it recommends, should be allowed to buy food directly from producers It found stringent health and hygiene standards were inappropriate for an essentially Third World country such as SA

Consumers should be able to buy unpasteurised milk or lower grade fruit and vegetables at lower prices, it says

The report notes that control boards add about 1,5% to food prices

Board spokesman Mr Nic Swart said the report recommended the boards be stripped of their statutory powers, but did not spell out what specific powers they should enjoy

Another recommendation was that there should also be greater scope for imported food

Sapa reports the board has also decided to establish a committee on which the VAT co-ordinating committee and other consumer groups will investigate food prices

It is believed such a committee was recommended by the VAT committee

The committee will investigate the influence of VAT on food prices in the course of the board's investigation

The board was continuing the probe — requested by the Ministers of Finance, Trade and Industry, and Agriculture

The board was asked to investigate the gap between producer and consumer prices, the nature and influence of structures in the production, processing, marketing and distribution of food products, and the possible influence of vertical integration in the production, processing, marketing and distribution of food products

SA National Consumer Union spokesman Ms Lillibeth Moolman described the suggested changes as "revolutionary"

Exports 'not pushing up tinned prices'

(244) CT 12/6/92

By PETER DENNEHY

THE marketing director of South Africa's biggest canned food producer, Langeberg, yesterday denied that the export of canned fruit, vegetables and preserves was pushing up local prices.

Mr André Naudé was reacting to comments made last week by Pick 'n Pay general manager (food, supermarkets) Mr Alan Baxter and Mr Serge Martinengo, general manager of Shoprite/Checkers northern division.

They said that increasing overseas demand for South African processed food, particularly canned fruit and vegetables, was causing local shortages and pushing up prices.

Yet Mr Naudé, whose company has a massive slice of the local tinned foods market, said this week that the local market got preference over the export sector, even if it was more profitable to sell overseas. "You look after your local market first, because this market is forever, and it is your base. The export markets fluctuate

"We have it in black and white as a policy that the South African market gets what it wants first. I have told this to most of the key buyers, including Mr Baxter, but it does not seem to be getting through."

Mr Martinengo declined to name specific products as examples when he was approached for further details.

But sources in his group provided a list of products which, their buying department had been told, would no longer be continually available. The list included: guavas, pineapple rings and pieces, peas, whole apricot jam, melon and ginger jam, melon preserve, mixed fruit jam, strawberry jam, Seville orange marmalade, giant asparagus and whole beet salad.

Call to scale down control boards

New plan to tackle high food prices

244

B/Day 12/6/92.

Business Day Reporter

THE Board on Tariffs and Trade has recommended that agricultural control boards be deprived of their statutory powers to set prices and to compel producers to use their marketing mechanisms.

The long-awaited preliminary report by the board — formerly the Board of Trade and Industry — on its investigation into food prices has recommended several sweeping changes to combat food prices which have consistently risen faster than the overall CPI

The board's report recommends deregulation of agriculture from government and municipal levels.

Consumers, it recommends, should be allowed to buy food directly from producers It found stringent health and hygiene standards were inappropriate for an essentially Third World country such as SA

Consumers should be able to buy unpasteurised milk or lower grade fruit and vegetables at lower prices, it says

The report notes that control boards add about 15% to food prices

Board spokesman Nic Swart said the report recommended the boards be stripped of their statutory powers, but did not spell out what specific powers they should enjoy.

Another recommendation was that there should also be greater scope for imported food.

Sapa reports the board has also decided to establish a committee on which the VAT co-ordinating committee and other consumer groups will investigate food prices

It is believed such a committee was recommended by the VAT committee.

The committee will investigate the influence of VAT on food prices in the course of the board's investigation.

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The board was asked to investigate the gap between producer and consumer prices, the nature and influence of structures in the production, processing, marketing and distribution of food products, and the possible influence of vertical integration in the production, processing, marketing and distribution of food products

SA National Consumer Union spokesman Lillibeth Moolman described the suggested changes as "revolutionary".

On Wednesday the VAT committee threatened protest action to highlight the effects of the tax on soaring food prices

According to the Central Statistical Service, the March food price inflation rate was 28,9%, compared to an overall CPI increase of 15,7%.

A Sacob spokesman said last night the chamber welcomed the report as a positive contribution to the on-going debate on food prices "The study has created the necessary perspective within which further policy decisions can be evaluated by both government and the private sector

"It is already apparent that adequate competition in food production, food processing and food distribution remains the most important single safeguard of consumers' interests"

Food price probe

ST 24/6/92

PRETORIA — The Board on Tariffs and Trade said it would form a board on which the Co-ordinating Committee on VAT and consumer groups would probe food prices. — Sapa (244)

Wholesale trade figures reflect decrease in food sales

STAR 12/6/92

Finance Staff 244

Wholesale trade sales for March this year marginally exceeded original estimates by 0,9 percent, amounting to R11,393 billion, Central Statistical Service figures issued yesterday show

The figures exlude the wholesale trade in diamonds

The CSS says wholesale trade sales for April this year rose by 1,7 percent to R11,131 billion compared with March's seasonally adjusted figures

The monthly increase is described by economists as encouraging and as an early indication of a slight upturn in consumer spending, particularly on durable goods.

The largest increases in sales were in office and shop equipment, books and stationery of 12,6 percent and in livestock and produce of 5,1 percent

Foods, beverages and tobacco sales decreased by 2,9 percent, while machinery and equipment dropped 2,2 percent.

The total wholesale trade sales for the first quarter of this year reflect an increase of 12,1 percent compared with the same quarter last year, or an increase of 1,2 percent in real terms

Seasonally adjusted values for the first three months of this year show a 4,9 percent increase at current prices and three percent increase at constant 1990 prices compared with the last quarter of 1991

17

Food price probe criticised

244

STAR 12/6/92

By Carina le Grange
and Own Correspondent

A Government-initiated investigation into the causes of the food price spiral in South Africa has largely failed to pinpoint any culprits — drawing sharp criticism from consumer groups

A preliminary report by the Board of Tariffs and Trade (BTT), released in Pretoria yesterday, recommended that the statutory powers of control boards and other bodies should be terminated

The BTT said it would continue to investigate rising food prices and would establish a committee on which the Co-ordinating Committee on VAT (CCV) amd other consumer groups would serve

The report said rising food prices were part of the inflation process and could not be seen as a primary cause of inflation

"Rising food prices are therefore a symptom and not a cause There is continual interaction between food prices and other prices"

Housewives' League president Jean Tatham said it had taken too long for a mere preliminary report to be issued which contained little more than the appointment of a committee to "carry out the investigation that we thought they had been carrying out for the past six months The Government cannot wash its hands of its responsibilities".

Black Housewives' League president Sally Motlana criticised the report, saying prices kept rising, creating further hardship for disadvantaged people

1

Call to terminate control boards' power

Pretoria Correspondent

The statutory powers of control boards should be terminated, according to the preliminary report of the Board of Tariffs and Trade (BTT) into the food price spiral in South Africa

This was one of several recommendations contained in the BTT report released yesterday

It said terminating the statutory powers of control boards and other bodies with statutory powers would enable farmers to freely market their produce through control boards or other organisations

The report added that where it might currently not be appropriate to remove the statutory powers of a particular control board, that control board should be reconstituted to ensure it became a non-representative board with members not representing any particular interest

The report also recommended

- A review of health and hygiene regulations with a view to eliminating all regulations that limited competition and served as a barrier to entry.
- The issue of regulations to ensure the consumer was at all times aware of what he was buying

'Boards add to cost of foods'

(244) CT 13/6/92

Staff Reporter

CONTROL board schemes contribute significantly towards the cost of food, according to the Board on Tariffs and Trade (BTT).

In its preliminary report into food prices, the board put most of the blame for high food prices on "the absence of freedom of firms to compete with each other"

In some cases, this was the result of the powers of various control boards The BTT, which was asked in the middle of last year to investigate the gap between producer and consumer food prices, has recommended that the control boards be stripped of their statutory powers but allowed to continue to exist

Farmers could then choose to market their produce through the boards or through any other organisation

Food marketing chains that were investigated included those of red meat, poultry, maize, dairy, vegetables and wheat

The report notes that the farmer price of these products rose 10,5% a year on average between 1980 and 1991, while the retail prices rose 15,6% — a divergence of 5,1%

Poultry, which was marketed through a short unregulated chain, rose more slowly in price than other food components and experienced no price divergence

Industries with single-channel marketing systems and a great deal of intervention had experienced greater divergence

Health and hygiene regulations could serve as a barrier to the market, specially for small entrepreneurs

Regulations controlling the quality of the product should be eliminated, the BTT said, and replaced with voluntary "regulations" determining the marking of the product As long as the consumer was aware of what he or she was buying, there was no need to outlaw "Third World standard" produce

The Minister of Finance, Mr Derek Keys, is still reading the BTT report, a spokesman from his office said yesterday

Dairy Board to appeal?

PRETORIA. — Dairy Board chairman Mr Lucas van Vuuren said yesterday the board's decision regarding an appeal against a damaging Cape Supreme Court ruling would be discussed with the Minister of Agriculture and the National Marketing Board next week

A final decision would then be taken and a statement would be issued.

The Cape Supreme Court ruled that the board had no right to levy charges on dairy farmers.

The board may have to repay hundreds of millions of rands to dairy industry members following the ruling, while the legal costs it faces reportedly amount to R750 000. — Sapa

Control Boards may go soon – report

REVOLUTIONARY changes should be made to the agricultural and food industries in SA to break the spiral of food price increases, according to the Board of Trade and Tariffs.

The BTT this week presented a potentially far-reaching report on food prices which took 10 months to compile.

A primary proposal is that the statutory powers of control boards should be removed as they are major obstacles to efficient production in the food and agricultural sectors. (244)

Powers removed

Dr Nic Swart of the BTT said on SABC-TV on Thursday night that the BTT's recommendation could mean the end of control boards.

"We recommended that the compulsory powers of control boards be removed." C/Press

A four-pronged plan of action was proposed by the report: 14/6/92.

■ The first step was a broad deregulation of agriculture, from governmental through to municipal level.

The BTT believed anything that obstructed competition or an entry to a food market should be done away with. Consumers should be allowed to buy any product they liked direct from farmers

Adjusting tariffs

■ The report also called for a greater role to be played in the price equation by food brought in from abroad.

This meant adjusting customs tariffs to ensure that healthy competition between local producers and importers was encouraged.

■ The country's health and hygiene regulations were also too high for a developing country the report said.

For instance, if consumers were prepared to buy fifth grade vegetables or non-pasteurised milk they should be able to.

■ The last step was the review of the control boards. – Sapa

Political comment and newsbills by K Sibiya, headlines and sub-editing by S James, both of 2 Herb St, New Doornfontein, Jhb.

THE WEEK AHEAD by Simon Willson

Now PPI dragged into the dock

B/Day 15/6/92 (244)

AMID whirls of fresh controversy about official measurement of the inflation rate, the April producer price index (PPI) is due out early this week

Statements from prominent sectors of the food industry last week have effectively cast the producer inflation rate into the dock with the consumer inflation rate and judgment is, for the moment, reserved

After last year's radical overhaul to the PPI by the Central Statistical Service, when the rate of producer inflation was revised downward by three percentage points at a stroke, the critical spotlight moved to CSS's compilation of consumer inflation.

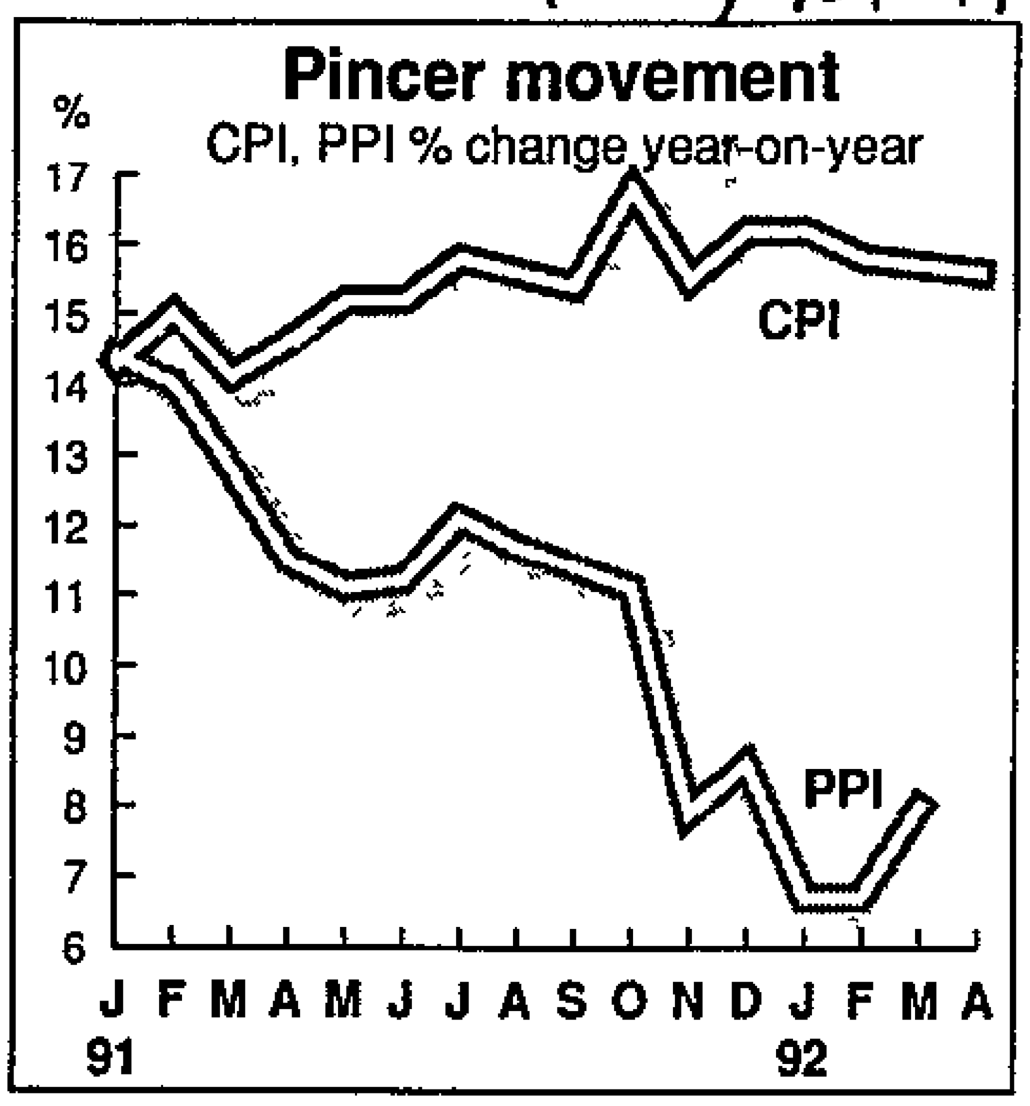
The commissioning of the Board on Tariffs and Trade's (BTT) report on food prices ensured the CPI stayed in the unwelcome limelight, while the PPI was left alone The fact that producer inflation as currently calculated was falling steeply helped to stay the hands of the PPI's critics and would-be reformers

Last week's release of the BTT report has — for the moment — relieved the pressure on the measurement of the CPI, but comments from the Premier Group about the rate of producer price inflation as presented by CSS may have disturbed another hornets' nest Whereas critics of the CPI maintain it overstates the rate of food price inflation — a judgment the BTT report neither supported nor opposed — the Premier Group and its ilk aver that the PPI is under-reading actual price rises in wholesale food products.

According to Premier, the 9,1% increase in food prices posted in the March PPI was too low, prices in the company's own basket of food products had risen 14,3% over the same period The company did, however, concur with critics of the CPI's near-30% food inflation rate in feeling it was too high.

This week's April PPI release will simply, therefore, be the latest instalment in what promises to be a long-running dispute about the accuracy of the CSS's baskets and weights A less contentious point about the two indices is that, as the chart shows, they appear to have passed their divergence apogee — the point at which they branch apart most widely in this cycle.

April's PPI is likely to continue the process of slowly closing the pincers that the two indices currently represent After that, the onus on completion of the pincer movement reverts to the May CPI, which will probably not be relased until next week



Graphic: RUBY-GAY MARTIN Source CSS

It is possible that the Customs and Excise Directorate could come up with the May trade balance this week In April, the trade surplus made one of its rare excursions below the R1bn level as exports fell R700m As agricultural exports — especially those from the western Cape — are holding up despite the drought, a return by May exports to around R6bn should push the surplus back above R1bn from April's R984m Imports should continue to be fairly dormant given the stream of deteriorating indicators from the domestic economy

Internationally, the US statistic principally responsible for the dollar's loss of contact with the DM1,60 level comes up again tomorrow May's housing starts are scheduled for release, and follow the calamitous April figure which knocked the dollar on the head a month ago The 17% fall in April was partly a correction as starts, which have galloped ahead by 20% in the first quarter, adjusted to the more modest rate of growth in housing permits

Permits, naturally enough, necessarily lead starts in the housing sector's permits-starts-completions-sales continuum, and April's fall in starts restored balance to the front end of that progression Tomorrow's figure may take the starts total back to only around the January level of 1,18-million but at least, from the dollar's point of view, it will be an increase on the previous month's grisly 1,12-million

This is a big week for economic data in the UK the first important release comes on Wednesday when Britain's May retail sales figures are published April's 1,2% rise reflected a recovery in consumer confidence after the government's re-election on April 9, and the question on Wednesday is whether there is any momentum behind this confidence Surveys of the UK's distributive trade have suggested that higher levels of consumer confidence may have been sustained, and expectations are that May sales will extend April's gains

April's UK manufacturing output level is also due on Wednesday, and should help to confirm that the British economy is moving towards recovery Manufacturing output rose 0,2% in March, completing the first quarterly rise in output since the UK recession began at the end of 1990 The British Treasury said the March output data suggested that the variable had stopped falling and that growth would become firmly established this year The confidence of that official projection has left the market feeling good about Wednesday's figure

Growth in UK average earnings for the year to April is scheduled for publication on Thursday and is expected to fall from the March level of 7,5% It seems March earnings were artificially boosted by pre-election salary enlargements designed to maximise pay levels in the event of an election win by the Labour Party, which was committed to raising taxes on upper-income groups

Japanese money supply data for May are timetabled for release towards the end of the week, and are expected to raise again the possibility of another cut in discount rate by showing that the slide in Japanese monetary growth has not yet bottomed out Growth in Japanese M2 in the year to May looks like dipping below even April's depressed 1,6% and, together with other depressing recent results from the country's major consumer electronics manufacturers and carmakers, and statistics showing rising bankruptcies, may send fresh distress signals to the monetary authorities in Tokyo should play a responsible role in the Development Advisory Committee That is the forum where everything in this regard needs to be articulated, and the forum from which a co-ordinated approach could develop [Time expired]

The DEPUTY MINISTER ~~Mr Chairman~~, I am sorry that we are limited to such a short debate on this I want to stress that I think this is one of the most important debates one can possibly have about developing that particular area

I think the hon member Mr M F Cassim proved my point Mr Saunders of Tongaat-Hulett has millions of rand of capital that could be invested in order to create jobs We in the Government can only create a climate conducive to development The private sector, of which the Tongaat-Hulett Group forms part, should put their money where their mouth is, by putting money into South Africa to create the necessary jobs I want to commend the hon member on making that point

As far as the water resource is concerned, I do not want to instigate anything here, but I think some hon member should submit an interpellation to the hon the Minister of Water Affairs and Forestry in regard to the amount of water running to the sea If one talks to anybody in Natal, one is asked why a dam has not been built in the Tugela Basin As far as the Department of Regional Development is concerned I will act as a facilitator if it is possible for us to assist in doing something in this regard

I cannot pass up the opportunity to make one last remark I think the hon member Mr M F Cassim was a bit naughty to say that we were penalising KwaZulu My job is to do regional development on the one hand, and urbanisation on the other If we do not do regional development, as in KwaZulu, we pick up the tab when people urbanise There is no reason, therefore, for us to penalise anybody In fact, the figures I have given—these are available, I shall send hon members each a copy—are evidence of what has been achieved in that particular area

Debate concluded

QUESTIONS

†Indicates translated version

For oral reply

General Affairs

Emergency food supplies: Lebowa

*1 Mr M RAJAB asked the Minister of National Health

(1) Whether any emergency food supplies have been distributed in Lebowa in terms of the Government's food relief programme, if not, why not, if so, what are the relevant details,

(2) whether she will make a statement on the matter?

D181E

The MINISTER OF NATIONAL HEALTH

(1) Yes, an amount of R5,3 million, in terms of the Goverment's Nutrition Development Programme was made available to the Department of Health and Welfare of Lebowa in the first quarter of 1992 for the 1991/1992 financial year This amount was allocated with the proviso that the Lebowa Government assumes full financial accountability for the allocation and judicious spending of funds, as well as full responsibility for implementing, co-ordinating and monitoring programmes Quarterly reports of how the programmes are progressing, as well as financial statements must be submitted to the Head Office of the Department of National Health and Population Development (NHPD), furnishing information on the progress of programmes and how funds have been spent As a result of certain allegations made in the media, the matter was dicussed on departmental level The situation is now being monitored continuously,

(2) no

Mr M RAJAB Mr Chairman, arising out of the hon the Minister's reply, given the fact that Lebowa at the present time is experiencing its worst drought in seven years, would she like to comment on the news report that tons of food relief have been lying unattended in four storerooms at that hospital in Lebowa and the fact

that something needs to be done about that urgently?

The MINISTER Mr Chairman, I cannot attest to the truth of that story, because the Lebowa Government is fully responsible for the allocation and distribution of funds and food As I have said, the programme is continuously being monitored by the Department of National Health and Population Development We find that unacceptable and we do not approve of food being left in a storeroom

Mr M RAJAB Mr Chairman, further arising out the hon the Minister's reply, I thank her for that answer, but I would like to ask her whether in fact the correctness of those reports was investigated?

The MINISTER Mr Chairman, as I said the Department has had discussions with the relevant departments I have not received a report on those discussions as yet, but the situation is being monitored We will not allow food to be stored in a storeroom

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Report on food prices

*2 Mr M RAJAB ~~asked~~ the Minister of Trade and Industry (244)

(1) Whether the Board of Trade and Industry initiated a report on food prices in or about July 1991, is so,

(2) whether this report has been completed, if not, (a) why not and (b) when is it anticipated that the report will be completed, if so, what are its main findings,

(3) whether he will make a statement on the matter?

D182E

The DEPUTY MINISTER OF TRADE AND INDUSTRY

(1) The former Minister of Trade and Industry and Tourism, Dr G Marais and Dr A I van Niekerk, Minister of Agriculture requested the Board of Trade and Industry (now the Board on Tariffs and Trade) to investigate food prices A press release in this regard was issued on 5 July 1991

(2) The Board has decided to issue a preliminary report in order to stimulate further discussion on the subject This report should be available before 17 June 1992 I have given permission to the Board for the establishment of a committee, in terms of the Board on Tariffs and Trade Act (Act 60 of 1992), on which representatives of the Co-ordinating Committee on VAT and other consumer bodies will serve This committee will take the matter further (244)

(3) I will await a final report from the Board and do not intend issuing a statement at this stage

Mr M RAJAB Mr Chairman, arising out of the hon the Deputy Minister's reply, I thank him for his reply, but I would like to ask him whether that report will in fact be made public and made available to hon members of this House?

The DEPUTY MINISTER Mr Chairman, the report will be made public

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INTERPELLATION

The sign * indicates a translation The sign †, used subsequently in the same interpellation, indicates the original language

Own Affairs

Shallcross link road: repayment

1 The LEADER OF THE OFFICIAL OPPOSITION asked the Minister of Housing and Agriculture

(1) Whether, subsequent to the reply by the Minister of Housing on 4 February 1992 to an interpellation on the Shallcross link road, he or his Department has made any arrangements for the Development and Services Board and the Durban Municipality to repay the total amount that is being spent on this link road, if not, why not, if so, what are the relevant details,

(2) whether he will make a statement on the matter?

D203E INT

The MINISTER OF HOUSING AND AGRICULTURE Mr Chairman, ongoing negotiations are taking place between the Administration House of Delegates and the local authorities involved Officials of the Durban City Council are currently preparing a submission on this issue for consideration by the city

Hout Bay is entitled to keep and retain what it has This Government does nothing It sits back and allows things to slide, also in Hout Bay For that reason the CP will get up every time and fight for the people of Hout Bay, because except for the CP they do not have people who fight for them

*The MINISTER OF LOCAL GOVERNMENT AND NATIONAL HOUSING Mr Speaker, the hon member for Overvaal s credibility has grown immeasurably here The CP sent in their HNP advance guard here and we had to deal with a CP-HNP mentality that has no answers to the problems of South Africa [Interjections]

When one talks to them about squatting their policy is not intellectually justifiable, and it does not even stimulate one intellectually [Interjections]

That hon member says one should keep what one has I paid a few visits in that area yesterday and I discovered exactly what is happening there

In brief our policy in respect of urbanization is the following Unlike in the past, we will not locate Black people as far as possible from their place of work I spoke to everyone in the Hout Bay squatter camp that I could get hold of yesterday [Interjections] They had work there [Interjections] They were working at various places Those people need places to work and live Therefore we try to ensure people's stability in smaller packages near their places of work [Interjections]

Secondly local communities must make provision for the informal housing needs in their country as well

Thirdly, I should like to give hon members the assurance that it is unreasonable and not the standpoint of this House to locate people as far as possible from their places of work [Interjections]

There is no way that we can wish these people away and we shall continue to hold talks with the people with established rights as well as those that work in the area but simply do not have accommodation there, as I suggested when I originally put my standpoint

Debate concluded

*Mr SPEAKER Order! Before I put the next interpellation, I should like to appeal to hon members not all to take part so boisterously in these short debates Only the hon members whose names are on my list of speakers should participate, and the other hon members should give them a proper opportunity to state their case in the short time at their disposal

Escalation in food prices: steps

2 Mr D H M GIBSON asked the Minister of Trade and Industry

(1) Whether he intends taking any steps to halt the alarming escalation in food prices, if not, why not, if so, what steps,

(2) whether he will make a statement on the matter?

B828E INT

The DEPUTY MINISTER OF TRADE AND INDUSTRY Mr Speaker, the Government is very aware of the seriousness and sensitivity of rising food prices For this reason continuous consultation takes place with the hon the Minister of Agriculture Proof of this is the request by the two hon Ministers to the Board on Tariffs and Trade to investigate this escalation The preliminary report on this investigation was made public on 11 June As soon as the board completes this assignment and submits its final report and recommendations to the Government, the Government will be in a position to make decisions

Other steps taken by the Government are the following The systematic removal of import control on agricultural products and food and the institution of tariff measures instead, a complex process that has international complications through Gatt, the financing of the Consumer Council by the Department of Trade and Industry, which investigates complaints of consumers the establishment of the Competition Board, which acts on either complaints received, or investigates cases of restriction of competition such as collusion or monopolistic situations on its own initiative, the establishment of Vatwatch, financed by the Department of Finance, which serves as a watchdog to prevent consumer exploitation due to the commencement of VAT, the support of research and development at the CSIR on problems in the food industry, and investigation into ways and means of increasing the competition in, and the competitiveness of,

industry in general The reform of tariff policy is an example of that

The Government wants to give the assurance that it regards the question of food prices as serious and very sensitive and that it will be treated with vigour and responsibility

With regard to the second question, after studying the final report of the Board on Tariffs and Trade when it comes to hand, together with other reports which may have a bearing on the subject, the hon the Minister will make a statement on the whole matter The recently released report is a provisional one made available for comment and as a discussion document

We are aware of the tremendous difference in escalation of prices between the farm gate and the shop shelf It is the divergence between the rates of increase of these two different prices—in other words, the divergence between PPI and CPI—which was the subject of this investigation [Time expired]

Mr D H M GIBSON Mr Speaker, the hon the Deputy Minister's boss has made himself notorious in the eyes of South African taxpayers by telling them that they are not particularly highly taxed I expected the hon the Minister to come today and perhaps tell consumers that they are wrong and that food prices are not too high Instead of that, the hon the Minister has chosen to sit quiet and send the hon the Deputy Minister into the firing line Instead of savaging the hon the Minister, I have to be a little kinder to the man who is only half responsible for the situation

I did not hear anything from the hon the Deputy Minister which makes me believe that food prices will come down soon One day after I gave notice of this interpellation, the long-awaited report of the Board on Tariffs and Trade was suddenly released There is now a flurry of activity and announcements because the Government has at last realised that the consumers have had enough

The long-suffering consumers want to know when they can expect action They are tired of inquiries, reports, ministerial musings and complications They are even more tired of the never-ending inflation and the inexorable rise in food prices Consumers believe that they are being ripped off when they hear that food prices may increase by as much as 45% this year Most of them believe that it is not the farmers and the primary producers who are the culprits The real exploiters are further up the food chain and these include the control boards, the packaging companies and the supermarkets which always claim to be the consumer's friend

While they are making that claim, they manage to mark up meat by 103% at Woolworths, 105% at Pick 'n Pay and 108% at OK Hyperama I am indebted to the *Sunday Star* of 16 February for those figures Right now one can go and buy potatoes at the market for R21 to R24 a pocket, and go to the supermarket and pay between R35 and R37 for those same potatoes

Those are not the friends of the consumers The excuse is always that inflation is causing the increase in the prices, instead of the other way around This Government has dedicated itself to stopping inflation, and this must be one of the longest-running shows in town, because nothing ever happens

The economic restructuring that South Africa needs to place it on a satisfactory growth path cannot happen while double-digit inflation flourishes It requires the best efforts of both Government and business working together to take decisive action to ensure that inflation is slowed or stopped When this happens, the food price escalation will also stop

*Mr D G H NOLTE Mr Speaker, the CP is especially concerned about the increasing gap between the price of the farmers' product and the price of food to the consumer Statistics at the end of March 1992 confirmed the fact that at 28,9%, food prices increased far more rapidly than the general inflation rate of 15,7% and the farmers' product price of 11,9%

Furthermore, it is also known that the farmer s share in the final consumer price of food is low, approximately 39,4% and that it is continuously decreasing The question is therefore, if the farmers do not receive the money, where does it go?

Hence the investigation by the Board of Trade and Industry, the first draft report and recommendations of which were made public last Friday The report s basic recommendation that the statutory powers of agricultural marketing boards should be taken away to promote competition, still does not answer the basic question of where does the money of the increasing gap is going and what the solutions are

According to the report only approximately 29% of the increasing gap can be attributed to the fact that some boards restrict competition What about the other factors to which approximately 71% of the blame can be attributed but in respect of which no recommendations were made? 244

The following are examples from the report itself Firstly one of the most important causes is general inflation pressure which comprises approximately 40% of the cause which according to the report, can *inter alia* be attributed to overspending by the State Secondly, wages and trade union action are not in line with productivity Thirdly, industries are being overprotected in the name of self-sufficiency In the fourth instance six large food companies provide more than 60% of the processed food products They are part of the big conglomerates in the country and their share prices increased more rapidly than those of the other industries In the fifth instance the gap increased especially after the introduction of VAT in 1991, especially also as a result of the taxability of food which can therefore be linked directly to State policy [Time expired]

The DEPUTY MINISTER OF TRADE AND INDUSTRY Mr Chairman, the hon member for Yeoville said he would let me off lightly with his savage attack Of course, the classic comment on being attacked savagely is that it feels like being savaged by a sheep [Interjections] I thank him for his gentleness [Interjections]

The hon member for Delmas referred to the report of the Board of Trade and Tariffs in which there is an attempt to make an analysis of the divergence between the producer-price index and the consumer-price index It is interesting to note that the media have run away with this report and interpreted this divergence as being solely the result of control boards

They correctly pointed out, however, that food inflation is a part of inflation in general I do not intend to become involved in an argument on macro-economic policy at this stage It also points out that 2% of that divergence was due to an increase in wages, and also due to an increase in so-called shrinkage in the retail chain Shrinkage means theft, mainly on the part of the employees of those retail chains

It goes further and says that 0,2% is due to the fact that price subsidies on food have been removed It says that 0,3% is due to the fact that certain controls have been removed It goes further and says that 1% is unidentifiable

The popular notion, however, is that control boards are the great evil I have to state that it was in the [Time expired]

Mr E K MOORCROFT Mr Speaker, five years ago, here in Cape Town, I was shocked to see, for the first time in my life, a person scrounging for food in a garbage can That sort of thing, I thought, only took place in Ethiopia or Bangladesh Today, however, the sight of hungry people scrounging in garbage cans has become commonplace One can see it during any lunchtime on a walk up Government Avenue

It is but one of the many symptoms which indicate the cruel poverty in which increasing numbers of underprivileged people in this country are beginning to live As my colleague the hon member for Yeoville has pointed out, we do not have to look very far for at least one of the causes of poverty, and that is the ever-increasing spiral in the cost of basic foodstuffs

The hon Deputy Minister has a knowledge of France and will be aware of the political consequences of shortages of affordable food He will know what happened to Marie Antoinette when, on being informed that there was a shortage of bread, advised her subjects to eat cake instead

The first thing the hon the Minister should do, as my hon colleague has suggested, is to study carefully the recently tabled report of the Department of Trade and Industry He should seek ways of decreasing the ever-increasing gap between producer and consumer prices highlighted in that report One of the best ways of doing that is to improve the climate for free choice Both producer and consumer must have free access to markets of their choice The State should make it possible for this choice to be exercised [Time expired]

Mr D H M GIBSON Mr Speaker, the hon the Deputy Minister's reference to sheep was enough to make the consumer's mouth water, because there are many of them who have not been close to that expensive meat for a long time

I was talking about the hon the Minister himself, and I believe he has enormous clout in Government, as well as in business because of his background I also believe that he should be using the influence he has with the business community to start turning South Africa around I believe that the hon the Minister is uniquely placed to persuade both the Government and big business to co-operate One suggestion is that they refuse to grant wage increases larger than 10% for this year Then they must start limiting price increases, whether administered by the Government or decided upon by business, to no more than 10%

This would be a contribution to breaking the back of inflation, and would give the consumer hope of a fair deal in the future

The DEPUTY MINISTER OF TRADE AND INDUSTRY Mr Speaker, I think the hon member for Yeoville came very close to proposing a wages-and-prices policy [Interjections] I believe that this is an experiment that has been tried elsewhere, especially in the United Kingdom, and it has failed miserably [Interjections] I believe that the one option that is not open to us in solving this problem is price control This is something which only serves to distort the economy, to create a situation in which people are producing products for which there is no demand

However, we are looking at ways and means of breaking this inflation spiral in food prices We believe that there must be increased competition We believe we must go further down the road of deregulation, especially with regard to health and hygiene standards I believe we must look at all measures that inhibit trading

I believe that the new Businesses Act goes a long way towards enabling the informal sector also to play its part in the distribution of food

We are looking very carefully at the renewal and reform of the whole issue of customs tariffs and import control The hon the Minister of Agriculture and our Department will also be looking very carefully at the possibility of increasing imports on basic foodstuffs in order to prevent this spiral, but under the very strict proviso that it does not serve to disrupt the agricultural community and the rural economy of South Africa

As hon members may have seen in the newspapers, the hon the Minister has appointed a special committee under the chairmanship of prof Kassier to investigate the role of marketing control boards in South Africa [Time expired]

Debate concluded

244

QUESTIONS

†Indicates translated version

For oral reply

General Affairs

State President

Total cost of overseas visits

*1 Mr D P DU PLESSIS asked the State President †

What was the total cost of the overseas visits undertaken by him and his entourage (a) in 1991 and (b) during the period 1 January 1992 up to the latest specified date for which information is available?

B780E

The STATE PRESIDENT

(a) R2 790 357

(b) R2 614 724

These amounts are based on the latest available information and reflect the expenditure for all components which were involved in the overseas visits, namely

(1) The State President's Office

(2) The Department of Foreign Affairs

(3) The security component as provided by the National Intelligence Service

Second Interim Report: Goldstone Commission

*2 Mr L FUCHS asked the State President

(1) When was the Second Interim Report of the Commission of Inquiry Regarding the Prevention of Public Violence and Intimidation (the Goldstone Commission) received by him,

(2) whether this report was released immediately after being so received, of not, (a) why not and (b) on what date was it released?

B801E

Cont →

Hout Bay is entitled to keep and retain what it has This Government does nothing It sits back and allows things to slide, also in Hout Bay For that reason the CP will get up every time and fight for the people of Hout Bay, because except for the CP, they do not have people who fight for them

*The MINISTER OF LOCAL GOVERNMENT AND NATIONAL HOUSING Mr Speaker, the hon member for Overvaal's credibility has grown immeasurably here The CP sent in their HNP advance guard here and we had to deal with a CP-HNP mentality that has no answers to the problems of South Africa [Interjections]

When one talks to them about squatting their policy is not intellectually justifiable and it does not even stimulate one intellectually [Interjections]

That hon member says one should keep what one has I paid a few visits in that area yesterday and I discovered exactly what is happening there

In brief our policy in respect of urbanization is the following Unlike in the past, we will not locate Black people as far as possible from their place of work I spoke to everyone in the Hout Bay squatter camp that I could get hold of yesterday [Interjections] They had work there [Interjections] They were working at various places Those people need places to work and live Therefore we try to ensure people's stability in smaller packages near their places of work [Interjections]

Secondly, local communities must make provision for the informal housing needs in their country as well

Thirdly, I should like to give hon members the assurance that it is unreasonable and not the standpoint of this House to locate people as far as possible from their places of work [Interjections]

There is no way that we can wish these people away and we shall continue to hold talks with the people with established rights as well as those that work in the area but simply do not have accommodation there, as I suggested when I originally put my standpoint

Debate concluded

*Mr SPEAKER Order! Before I put the next interpellation, I should like to appeal to hon members not all to take part so boisterously in these short debates Only the hon members whose names are on my list of speakers should participate, and the other hon members should give them a proper opportunity to state their case in the short time at their disposal

Escalation in food prices: steps

2 Mr D H M GIBSON asked the Minister of Trade and Industry

(1) Whether he intends taking any steps to halt the alarming escalation in food prices, if not, why not, if so, what steps

(2) whether he will make a statement on the matter?

244 B828E INT

The DEPUTY MINISTER OF TRADE AND INDUSTRY Mr Speaker, the Government is very aware of the seriousness and sensitivity of rising food prices For this reason continuous consultation takes place with the hon the Minister of Agriculture Proof of this is the request by the two hon Ministers to the Board on Tariffs and Trade to investigate this escalation The preliminary report on this investigation was made public on 11 June As soon as the board completes this assignment and submits its final report and recommendations to the Government, the Government will be in a position to make decisions

Other steps taken by the Government are the following The systematic removal of import control on agricultural products and food and the institution of tariff measures instead, a complex process that has international complications through Gatt, the financing of the Consumer Council by the Department of Trade and Industry, which investigates complaints of consumers, the establishment of the Competition Board, which acts on either complaints received, or investigates cases of restriction of competition such as collusion or monopolistic situations on its own initiative, the establishment of Vatwatch, financed by the Department of Finance, which serves as a watchdog to prevent consumer exploitation due to the commencement of VAT, the support of research and development at the CSIR on problems in the food industry, and investigation into ways and means of increasing the competition in, and the competitiveness of,

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While they are making that claim, they manage to mark up meat by 103% at Woolworths, 105% at Pick 'n Pay and 108% at OK Hyperama I am indebted to the *Sunday Star* of 16 February for those figures Right now one can go and buy potatoes at the market for R21 to R24 a pocket, and go to the supermarket and pay between R35 and R37 for those same potatoes

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Furthermore, it is also known that the farmer s share in the final consumer price of food is low, approximately 39,4% and that it is continuously decreasing The question is therefore, if the farmers do not receive the money, where does it go?

Hence the investigation by the Board of Trade and Industry, the first draft report and recommendations of which were made public last Friday The report's basic recommendation that the statutory powers of agricultural marketing boards should be taken away to promote competition, still does not answer the basic question of where does the money of the increasing gap is going and what the solutions are

According to the report only approximately 29% of the increasing gap can be attributed to the fact that some boards restrict competition What about the other factors to which approximately 71% of the blame can be attributed but in respect of which no recommendations were made? 244

The following are examples from the report itself Firstly one of the most important causes is general inflation pressure which comprises approximately 40% of the cause which, according to the report, can *inter alia* be attributed to overspending by the State Secondly, wages and trade union action are not in line with productivity Thirdly, industries are being overprotected in the name of self-sufficiency In the fourth instance six large food companies provide more than 60% of the processed food products They are part of the big conglomerates in the country and their share prices increased more rapidly than those of the other industries In the fifth instance the gap increased especially after the introduction of VAT in 1991, especially also as a result of the taxability of food which can therefore be linked directly to State policy [Time expired]

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However, we are looking at ways and means of breaking this inflation spiral in food prices We believe that there must be increased competition We believe we must go further down the road of deregulation, especially with regard to health and hygiene standards I believe we must look at all measures that inhibit trading

I believe that the new Businesses Act goes a long way towards enabling the informal sector also to play its part in the distribution of food

We are looking very carefully at the renewal and reform of the whole issue of customs tariffs and import control The hon the Minister of Agriculture and our Department will also be looking very carefully at the possibility of increasing imports on basic foodstuffs in order to prevent this spiral, but under the very strict proviso that it does not serve to disrupt the agricultural community and the rural economy of South Africa

As hon members may have seen in the newspapers, the hon the Minister has appointed a special committee under the chairmanship of prof Kassier to investigate the role of marketing control boards in South Africa [Time expired]

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These amounts are based on the latest available information and reflect the expenditure for all components which were involved in the overseas visits, namely

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Second Interim Report: Goldstone Commission

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(1) When was the Second Interim Report of the Commission of Inquiry Regarding the Prevention of Public Violence and Intimidation (the Goldstone Commission) received by him,

(2) whether this report was released immediately after being so received, of not, (a) why not and (b) on what date was it released?

B801E

Cont →

Food sector tackles inflation

244 LINDA ENSOR

CAPE TOWN — A major conference involving key players in the food industry is being planned to thrash out a strategy to combat food price inflation

The intention is to present a comprehensive plan of action to Trade and Industry Minister Derek Keys

Pick 'n Pay chairman Raymond Ackerman said representatives from agricultural control boards, food retailers, food manufacturers and government statisticians would be invited to the conference which would take place within the next six weeks

BDay 17/6/92

Premier Group chairman Peter Wrighton, who is also involved in organising the conference, said there was a general feeling in the industry that something should be done about food price inflation. The conference would aim to be as broadly representative of food producers, manufacturers and distributors as possible

Wrighton stressed that it was in the interests of all parties to keep food prices down to increase consumption. But there was a need to establish the factual position about food prices as he suspected that the methodology used by government statisticians did not reflect the purchasing patterns of the population

Ackerman believed the issue of high tariff barriers against cheap food imports in a situation of national shortage should also be addressed

He said the agricultural boards, instead of applying the fixed local price to import-

☐ To Page 2

Food sector

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☐ From Page 1

ed goods, should allow retailers to import food, such as meat and maize, at the lowest possible price when there were shortages

While there were too many agricultural boards, some inefficient, Ackerman did not think that they were solely responsible for high food prices He felt some boards were necessary to keep farmers on the land

The meeting would also examine the impact of food exports on local prices and the real level of food price inflation

Ackerman said the official food price inflation rate of about 28% was "totally incorrect" Pick 'n Pay's figure was about 14%

The government figure was fuelling wage inflation as trade unions justified their wage demands by pointing to official figures

PPI continues on rising trend

(244) CT 17/6/92

By AUDREY D'ANGELO
Business Editor

RISING food prices and higher excise duties pushed the producer price index (PPI) up to 8,8% year on year in April compared with 8% in March and 6,7% in February

As the effect of the drought showed in higher food prices at producer level, Board of Executors economist and senior portfolio manager Rob Lee suggested that import tariffs on food should be removed

"We could import it more cheaply than we can grow it," he said

Efficient farmers would survive "Marginal producers would go out of business — but that is happening anyway Those with the most land are not necessarily putting it to the best use "

Lee pointed out that increasing urbanisation meant increased demand for food while the drought meant reduced supplies

Amalgamated Banks of SA (Absa) economist Adam Jacobs suggested that import tariffs on fertiliser and farm machinery should be removed or reduced SA farmers were struggling with unfavourable terms of trade

Jacobs said the rising population meant that SA could be faced with a longterm shortage of food, unrelated to the drought

Figures released by the Central Statistical Services yesterday showed that after seasonal adjustment the month on month PPI increase for all commodities between March and April was 0,9%

The PPI for locally produced commodities rose by 9,5% year on year compared with 8,9% in March The month on month rise was 0,6% but seasonally adjusted it rose by 1,1%

The PPI for imported commodities rose by 5,4% and by 1,3% month on month Seasonally adjusted the month on month increase was 1,4%

Price indices of commodities for SA consumption showed relatively large increases over March Alcoholic and non-alcoholic beverages rose by 7,3%, forestry products by 6,3%, tobacco products by 5,3% and agricultural food products by 2,2%

Increases in the price indices for selected materials included coal 7,2%, natural crude rubber 10,2%, ball and roller bearings 10,4% 93-octane petrol at the coast 6,6% and 93-octane petrol on the Reef 6,9%

The price of synthetic rubber fell by 2,3%, of bitumern by 2,8% and of tar by 1,8%

Economists pointed out that there was still a large unexplained gap between the rise in the PPI food index and the consumer price index (CPI) food index, for which the control boards alone could not be blamed

Southern Life chief economist Mike Daly said the CPI food price index was rising at nearly twice the level of the PPI, and this could not be explained by attacking the control boards

He thought there could well be problems with the basket of products by which CPI food price inflation was measured

Louis Fourie, chief economist at Boland Bank, said he expected the drought to push the PPI up towards 10% or more year on year But he thought most of the CPI food price inflation was "definitely in the distribution channel "

He thought SA consumers could do more to bring it down by shopping around for the lowest prices "Prices can vary tremendously between shops within a few blocks of each other "

Graphic LEE EMERTON Source CSS

PPI races ahead of predictions

244

B/Day 17/6/92

HILARY GUSH

PRODUCER price inflation climbed to 8,8% in the year to April from the 8% posted in March, Central Statistical Service (CSS) figures showed yesterday

In seasonally-adjusted month-on-month terms, the producer price index (PPI) increased by 0,8% in April compared with the 1,0% rise in March.

Absa senior economist Adam Jacobs considered PPI inflation "too high.

"It would seem that higher food prices are filtering through," he said

He calculated the rate of PPI inflation, excluding food, at 8,1% year-on-year and added "the underlying trend is still downward"

Sanlam chief economist Johan Louw said he had expected the rate to be 8,4%

"Indications are that we might have passed the lowest point on the PPI curve, and the trend is going to be upward".

The price index for locally produced commodities rose 9,5% in the year to April, against 8,9% in the 12 months to March.

The annual rate of increase in prices of imported commodities was 5,4% in April, against the corresponding 4,1% in March

The manufacturing food price increase quickened from a 9,2% annual rise in March to 10,7% in April. This reflected a 12,4% advance in the price of fresh meat in the year to April, compared with the 7,7% rise posted over the same period to March

Alcoholic and non-alcoholic beverages showed a 7,3% month-on-month increase on March's figures

Ackerman vows to probe food inflation

(244) CT 17/6/92

Business Editor

EVERYONE in the food industry, including producers, manufacturers, retailers — and statisticians — will take part in a meeting to be held within six weeks to determine the cause and extent of food price inflation, Pick'n Pay chairman Raymond Ackerman announced yesterday

He told shareholders at the agm that he did not believe the consumer price index (CPI) statistics showing that food price inflation was at 28%

He was convinced that the basket of products used by the statisticians was wrong

Ackerman was answering a question from Issy Goldberg, chairman of the Shareholders' Association of SA, who said there was no hope of violence abating unless food price inflation slowed

Discussing the state of the economy, Ackerman said that Pick'n Pay had lifted turnover by 18% or 19% in March

"We had a very good April May and June were average, not great We are averaging 14,3% growth for the year to date

'We have a strong cash flow and no overdraft"

He said Pick'n Pay, which for the first time had reported a drop in earnings in the year to February, could have avoided this if it had not paid a bonus to staff It could have kept its unbroken record of rising earnings instead of a drop of 2,5%

It had "slimmed down" its operation, reducing the total number of employees by 600 in spite of new stores opening But it had never retrenched anyone Numbers had been reduced by not replacing people who left

"We are not a retrenching company"

Issy Goldberg pointed out that the amalgamation of Checkers and Shoprite meant that Pick'n Pay now had a formidable competitor with past losses which meant that "they can make R200m profit without tax"

Ackerman said his chain had always had formidable competition "We have spent 25 years at war"

It was, in many ways, easier to compete against a well-run company Shoprite was a very well-run company and Checkers, in the past, had not been

Drought pushing up food prices

Finance Staff (244) STAR 17/6/92

Producer prices are accelerating as the drought pushes up agricultural food costs.

The Central Statistical Service reported yesterday that the Producer Price Index (PPI) increased by an annual 8,8 percent from April 1991 to April 1992, compared with a rise of eight percent in March.

The PPI also showed a higher monthly increase, rising by a seasonally adjusted 0,9 percent from March to April.

The PPI for locally produced commodities increased by 9,5 percent from April last year to the same month this year, while it firmed by 0,6 percent on a monthly basis.

The cost of imported commodities, which have been showing modest rises over the past few months, picked up slightly in April, showing an annual rate of increase of 5,4 percent in April compared with 4,1 percent in March.

The monthly rate of increase was 1,4 percent.

Price indices of commodities for South African consumption in April showed relatively large increases over March, headed by alcoholic and non-alcoholic beverages with 7,3 percent, forestry up 6,3 percent, tobacco products up 5,3 percent and, most important, agricultural food up by 2,2 percent.

Increases in the price indices for selected materials were recorded for natural crude rubber (10,2 percent), 93-octane petrol at the coast (6,6 percent) and 93-octane petrol on the Witwatersrand (6,9 percent), following the recent petrol price increases.

Marketing boards defended

Food prices: Minister raps private sector

(244)

BDay 18/6/92

LINDA ENSOR

CAPE TOWN — The private sector must accept part of the blame for escalating food prices, Agriculture Minister Kraai van Niekerk said yesterday

Reacting strongly to the Board on Tariffs and Trade's (BTT) preliminary report on the causes of food price inflation, Van Niekerk described the report as inadequate He took issue with its emphasis on the marketing boards' contribution to rising food prices

Van Niekerk said concentration in the food processing and distribution sectors were partly responsible for fuelling food price inflation and this concentration had to be countered if the marketing of agricultural products was to be deregulated

He said the BTT had been instructed to continue its investigation and to work with the Competition Board to look into the concentration in these sectors

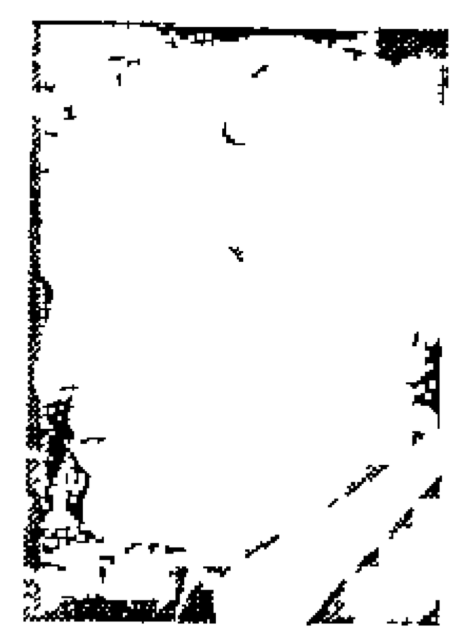
Van Niekerk expressed surprise that while he and a former Trade and Industry Minister had commissioned the report, he had not been given a chance to examine it before it was released

He said the report left many questions unanswered and did not fully take into account the negative effects of the drought and VAT on food prices

Proper credit was not given to the measure of deregulation and change achieved in the marketing of agricultural products

Van Niekerk said the share of the producer (including the direct influence of the marketing boards) in the consumer rand was a mere 45%, and the declining internal terms of trade for agriculture justified part of the increased producer price

"The influence of the marketing boards can, however, not be held responsible for the remaining 55% portion which is added to the price of agricultural products by the private sector. On the contrary, the facts point to a softening influence by marketing boards on consumer prices with the increases in the prices of bread and cheese a good example of what happened when price control under the Marketing Act was lifted"



☐ VAN NIEKERK

Van Niekerk said the suggestion that the boards' statutory powers be abolished to achieve cheaper food prices — as recommended in the report — was an oversimplification of the matter He added that a reliance on food imports would negatively

☐ To Page 2

Food prices

BDay 18/6/92.

(244)

☐ From Page 1

effect the balance of payments, food security and employment opportunities

Van Niekerk said a policy committee under his jurisdiction, and representing a broad spectrum of interested parties, is to be formed to devise a marketing strategy for agricultural products and to examine the future role of marketing boards

This committee would evaluate the input from the committee chaired by Stellenbosch University professor Eckart Kassier which would examine the value of the Marketing Act for the agricultural industry and its vertical and horizontal effect on food prices

Sapa reports Agricultural Board coordinating committee chairman S J J van Rensburg said yesterday the BTT had been guilty of gross generalisations in its proposals that virtually all statutory powers for marketing boards be abolished

Many of the findings and recommendations had been formulated with a preconceived and biased view of doing away with any form of statutory control, Van Rensburg said

He found it regrettable that an official report was party to casting a reflection on all forms of statutory marketing, which in the past had stood the producer and consumer in good stead Boards accepted the need for greater market orientation, and current and past action proved their commitment in this regard

New probe on food prices

(244)

CT 18/6/92

THE government has announced a new investigation into food price increases

The announcement last night, by Minister of Agriculture Dr Kraai van Niekerk, follows last week's report by the Board of Trade and Tariffs (BTT), which blamed government-appointed boards of control for contributing to high food prices

Dr Van Niekerk has ordered the BTT to conduct the new investigation, which he said would be "more penetrating"

"For this purpose a policy committee on which a broad spectrum on interest groups will serve under the jurisdiction of the Minister of Agriculture will be established," he said

It would conduct an all-encompassing investigation into marketing regulations for agricultural products and the future role of agricultural marketing boards

Dr Van Niekerk also criticised the BTT report, which he said did not take into account the negative effects of the drought and VAT on food prices

"The board was asked to establish reasons for the enormous differences between producer and consumer prices and to identify the causes of the price increase in the food chain," he said

Deputy Minister of Trade and Industry Mr David Graaff said "The government wants to give the assurance that it regards the question of food prices as a serious and very sensitive matter which will be treated with vigour and responsibility"

The Democratic Party last night criticised the decision to appoint the committee

"We go round in circles with commissions succeeding committees succeeding inquiries — nothing ever happens," said DP MP for Yeoville Mr Douglas Gibson in a staement — Sapa, Political Staff

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ARG 19/6/92

The Incredible 20-year-old Trolley

You and your shopping today . . . and where the money goes two decades later

Cont-d

And the rising price of the humble potato

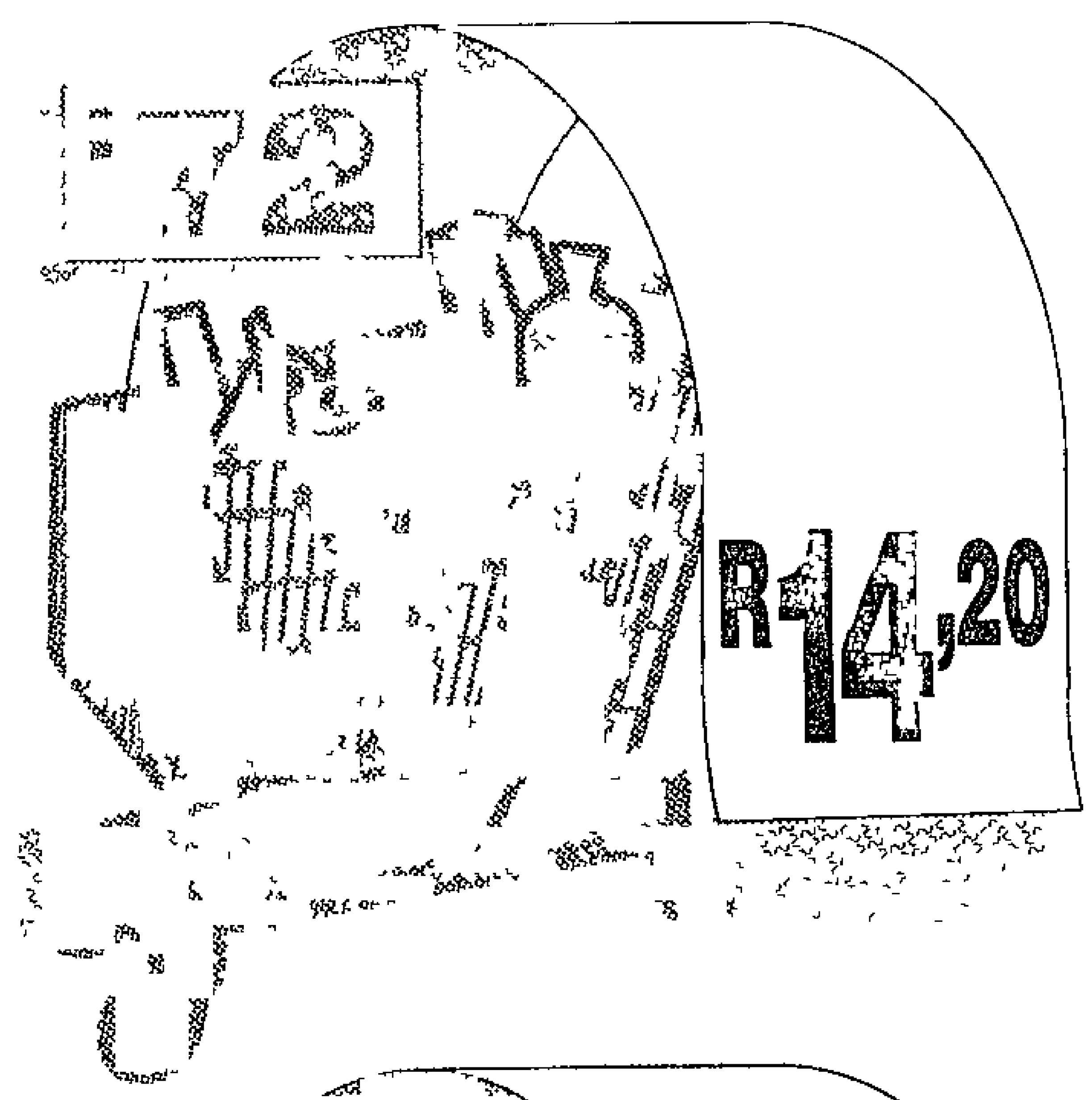
POTATOES have rocketed in price Who or what is responsible?

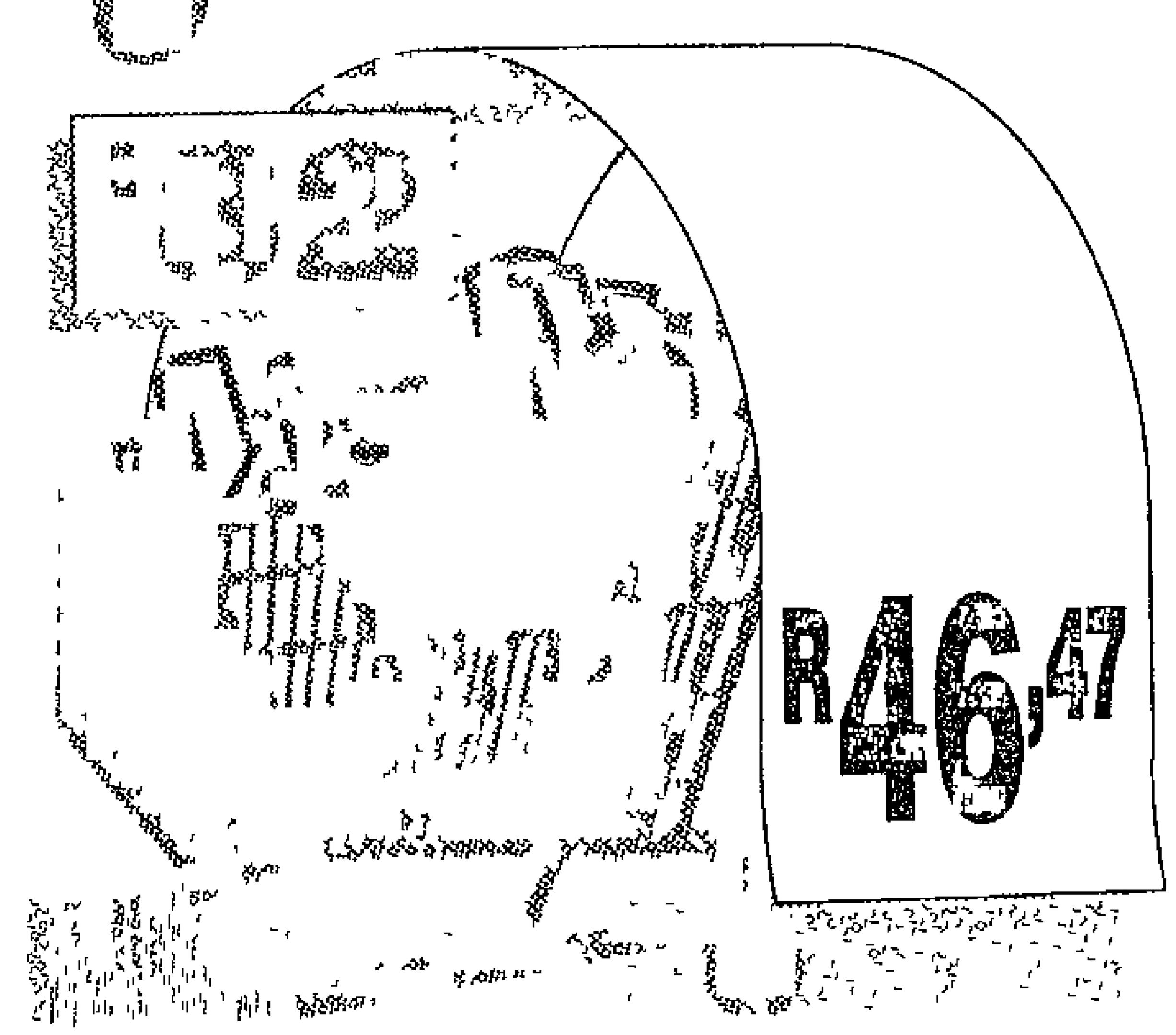
Following a report in The Argus on June 2 that a potato may soon cost 50c, readers have drawn attention to an article in the *Financial Mail* of May 29 which quoted spokesmen for the Potato Board

One was reported to have said the price had increased from R5 to R20 a pocket " driven by a psychosis that the drought will cause shortages"

They maintained there was more than enough stock to meet demand

While the board's commodity manager suggested that fresh produce agents " . are thought to be speculatively [illegible] up prices", the 'ener-





Special report:
MYRNA ROBINS
and ESANN
VAN RENSBURG

REPORTS that food prices jumped 34 percent in the 12 months to May and rose by nearly four percent in April alone confirm what consumers well know — R200 spent on groceries no longer means pushing a groaning trolley to the car park

If you restrict your purchases to food, the list on the right indicates what you could take home for R200 — and the prices you would paid for the same items 20 years ago and 10 years ago

Of course, no one took R200 to the supermarket in 1972 You drew that kind of money to make a major purchase a good camera cost R195 and a top-class sewing machine R219.

An automatic washing machine went for R219 and a four-plate stove for R205.

In November and December 1972, advertisers in The Argus offered a de luxe refrigerator for R185 and a similar model freezer for R215.

FOOD PRICE INCREASES 1972-1992

ITEM	1972	1982	1992
1kg beef mince	70c	R2,78	R10,48
1kg chicken portions	45c	R1,80	R7,85
Bottle vinegar	17c	40c	R1,35
Large mayonnaise	54c	R1,79	R6,99
750ml tomato sauce	40c	89c	R4,49
Bottle meat extract	30c	R1,69	R6,25
Can condensed milk	15c	63c	R2,29
250g tea	40½c	R1,09	R6,65
750g coffee	95c	R2,99	R9,49
Can corned beef	23½c	97c	R4,10
Can pilchards	15c	59c	R2,65
Can vegetables	9½c	35c	R1,89
Can fruit	20c	39c	R4,02
FRUIT			
Apples	about 18c kg	49c kg	R2,50 kg
Bananas	10 for 10c	45c kg	R1,69 kg
Oranges 10kg pkt	R1,09	R3	R10
VEGETABLES			
1kg onions	18c	24c	R2,29
Bunch carrots	6c	12c	R1,39
Potatoes	R2,29 (15kg pkt)	R2,40c (10kg)	R25 (10kg pkt)
Cabbage	18c	22c	R1,69
White bread	9½c	36c	99c
1ℓ fresh milk	7c	49c	R2,12
500g butter	35½c		R5,89
500g margarine	15c	79c	R2,59
500g cheese	60c	R1,80	R7,50
6 large eggs	14c	84c	R1,85
Bottle fruit squash	18c	R1,06	R3,59
1kg oats	22½c	85c	R2,55
500g cereal	17c	R1,80	R3,59 (450g)
2kg rice	11c	R2,70	R6,06
2,5kg cake flour	34½c	R1,60	R5,29
Bottle sunflower oil	36½c	R1,00	R2,79
Packet soup	10c	29c	79c
Large golden syrup	35c	99c	R4,79
Can jam	8c	59c	R3,09
2kg white sugar	41c	R1,10	R5,49
Large pkt peanuts	19c	99c	R6,79
Pkt biscuits	24c	55c	R2,69
10kg dog food	R1,20	R5,39	R18,59
TOTALS	**R14,20**	**R46,47**	**R200,10**

NOTE one basic item, dried pasta, not included because of unavailability of 1982 price Past prices obtained from adverts in The Argus, survey done by Fair Lady, figures from the Housewives League and from Epping Market

ARGUS 19/6/92 244

al manager asked whether excessive profits were being made at retail level.

Roy Fine of Fine Bros market agents strongly repudiates the suggestion

"We are governed by supply and demand and our commission — five percent on potatoes — is also fixed by law We don't have the power to force prices up and we would far rather move big volumes at lower prices"

First class medium potatoes sold at Epping market this month for an average price of R16,11 a 10kg pocket, excluding VAT

The same day potatoes retailed at R3,69 a kg at Pick 'n Pay's Rondebosch branch, while 10kg pockets sold for R26,99 including VAT

Philip Anders, Pick'n Pay's fruit and vegetable buyer, made the following points

"The drought *has* affected supplies and prices, not only of potatoes but of other vegetables."

He maintained farmers had also cut back on their growing programme after getting low prices when there was a potato glut

He said the pockets retailing at R26,99 were from Christiana and cost the supermarket R25 each, making no profit at all

These were brought in because their usual supplier, a farmer in the Clanwilliam area, had not been able to deliver

Profit was made on loose potatoes which are washed and sorted

At Checkers/Shoprite loose potatoes (washed and sorted) sold at R2,99 a kg. Pockets of unwashed potatoes cost R19,99 while pockets of washed potatoes were R29,19.

The group's marketing manager said there was a market shortage in the Western Cape Potatoes were bought through market agents all over the country

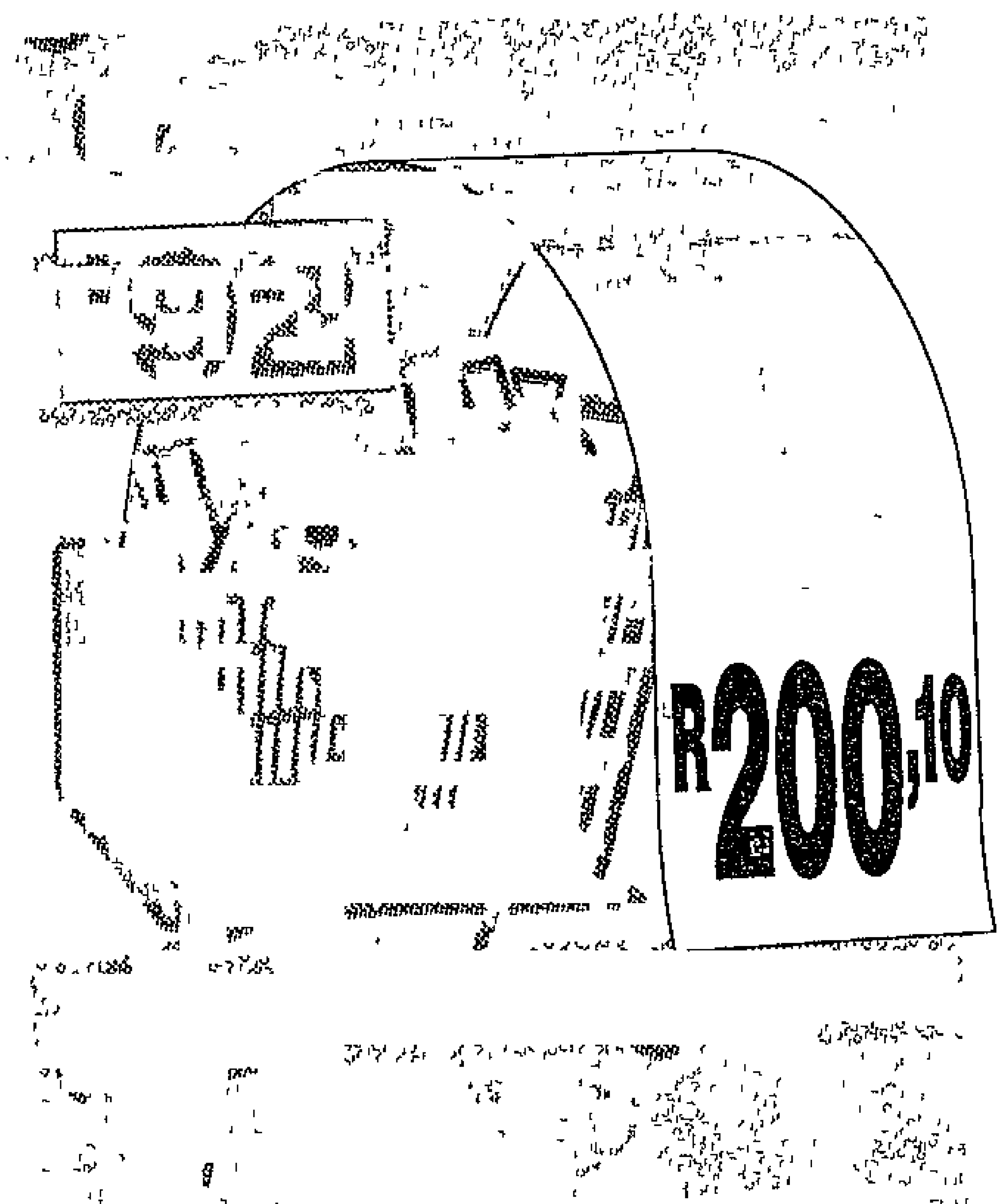
With transport costs to be added, retailers are not profiteering, he said

Margins were made on washed potatoes — which were also sorted and selected — providing a service to the consumer

Figures for potato sales at Epping market for the first week in June do not indicate a shortage. On some days the number of pockets unsold totalled more than those sold

On June 4, 29 930 pockets were sold, leaving 51 920 pockets unsold

Deon de Goede, deputy director at Epping market, said buyers held back when prices are high, hoping for a drop in price the next day



Graphic BOB GRIERSON, The Argus

Final report on food prices will be delayed

(244)

BDay 19/6/92

THE final Board on Tariffs and Trade (BTT) report on its probe into food price rises is unlikely to be issued before late September, board chairman Helgard Muller said yesterday.

Reuter reports that he said the final document would be published as soon as possible but there were likely to be discussions with interest groups following last week's release of the preliminary report.

Muller declined to comment on Agriculture Minister Kraai van Niekerk's statement that the BTT report was inadequate.

The report put much of the blame for high food prices on state marketing boards, recommending the broad deregulation of agriculture to stimulate competition and combat rising food prices.

Van Niekerk said the report had not fully taken into account the effect of drought and VAT on food prices. Proper credit had not been given to deregulation in the marketing of agricultural products.

He also announced two more probes into food prices, one investigating the Marketing Act's effect on prices. The other, headed by himself, would seek a long-term strategy for marketing agricultural products and probe the role of control boards

LINDA ENSOR and GERALD REILLY report that the Deciduous Fruit Board and the SA Agricultural Union yesterday welcomed the steps announced by Van Niekerk to address food price inflation.

Deciduous Fruit Board chairman Stephanus Roussouw said some of the BTT's recommendations were "dubious".

He and SAAU director Piet Swart welcomed Van Niekerk's decision to refer the report back to the board for further investigation as well as the appointment of a committee of experts to evaluate the various marketing schemes on the basis of "realistic criteria".

Roussouw said there was no control over the marketing of deciduous fruit in SA and producer prices were determined solely by market forces.

"Prices are fairly high due to an exceptional demand for our products by all sectors. On the other hand, the price of apricots and peaches earlier this year was lower than in the same period last year due to record crops."

Swart said emasculating the marketing boards by stripping them of their statutory powers would lead to chaos in the collection and distribution of basic foods.

Swart supported Van Niekerk's view that the marketing boards played a vital role. To claim that the boards were responsible for soaring food prices was inaccurate and unsupported by facts.

The SAAU welcomed the investigation into the Marketing Act.

FOOD INDUSTRY REPORT

Between the cup and the lip

244

The control boards have finally been targeted for some official censure

FM 19/6/92

About time, too The Board of Tariffs & Trade (BTT)'s long-awaited report on food pricing has prompted powerful calls for the abolition of the 22 control boards which administer various schemes in terms of the Marketing Act The boards are responsible for a huge quantum of food price inflation — despite having been created to smooth out wrinkles in the market (*Leaders* June 12)

Questions have also been raised about the need for a Marketing Act at all Freer imports of food products are mooted — and unnecessarily high health and hygiene standards have been pinpointed as another factor that pushes up costs

Reform won't happen easily

Firstly, this is a "preliminary" report, which the BTT calls a "discussion document " It will not be implemented immediately Food committee co-ordinator (and board deputy chairman) Helgaard Muller says the final report should surface only by September "at the earliest "

Meanwhile, deputy director-general of Agriculture Chris Blignaut is appointing a

Jacobs

Summers

committee of academics (mostly agricultural economists) to investigate the Act "We want them to start work by August 1 at the latest and to report within three months," he says So prices will go up for a while yet

The committee's brief will be to look at the "practical" side of changes to marketing schemes and regulations It will talk to the various boards and investigate the huge differences in the various marketing schemes administered under the Act These vary from

- ☐ Restrictive single-channel, fixed-price systems such as the wheat and maize schemes,
- ☐ Surplus removal floor-price schemes backed by producer levies, such as the heavily over-regulated meat scheme, to
- ☐ Fairly "liberal" operations such as the surplus removal sorghum scheme and the market-driven, highly successful export schemes administered by semi-privatised bodies like Unifruco (deciduous fruit) and the Citrus Exchange marketing co-operative

If this latter "practical" report is completed by November 1 and *if* it recommends amendments to the Marketing Act, earliest implementation would be during the 1993 parliamentary session Until then, another, yet-to-be-appointed board committee, heav-

cont →

THIS WEEK'S *FM*

This week's issue of the *FM* has been delayed because of political events coinciding with our printing deadline

P.T.O

 FM 19/6/92. 244

ily loaded with consumer representatives, will also investigate the food report's recommendations and suggest its own solutions

Perhaps the good will be squeezed out of the report by bureaucrats

There is another problem The report has come up with the estimate that the control boards contribute only 1,5 percentage points to the average 5% a year differential — from 1981 to 1991 — between the consumer and producer price indices for food The main culprit is given as sharply rising input costs (which added 2 points) followed by the abolition of State food subsidies and price controls over food products Food subsidies totalled almost R240m in 1980 but disappeared last year

The report offers no scientific explanation for this analysis — and interpretation of official statistics seems to have weighed heavily in its findings

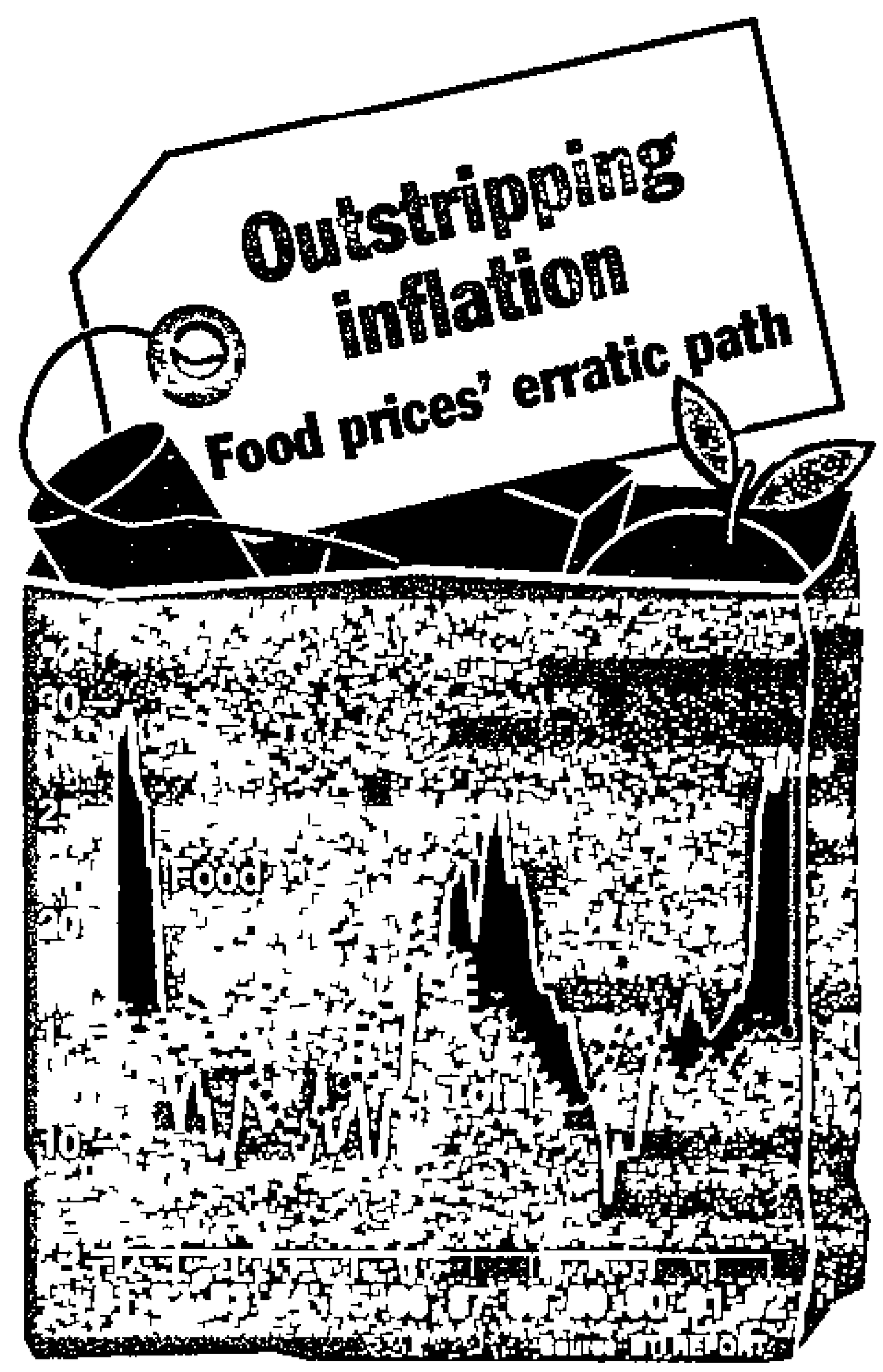
Bernard Fanaroff, chairman of the Co-ordinating Committee on VAT, has some comments on this procedure "According to our own assessments, food prices really started taking off last July and are now still galloping ahead The March CPI for food stood at 28,9% (against a total CPI rate of 15,7%), while the report ends with a 1991 CPI for food of 19,6% and an average CPI for food of only 15,7% over the last 11 years Clearly, food prices started racing ahead at a much faster rate over recent months and the report did not study this development "

Muller admits this, but, he says, that is why the report was called a "discussion document " He wants the debate to continue

Fanaroff's views are borne out by recent official food PPI statistics In March, Central Statistical Service (CSS) reported that the monthly producer price index for "other agricultural products" (admittedly including products such as wool, cotton and hides) rose by 7,3% "This boils down to an annualised increase of almost 133%," says CSS head Dawid van den Heever

And, he adds, the monthly food PPI grew by 2,2% (30,2% annualised) in March and by 1,9% in April (25,6% annualised) These percentages are also way above the report's average food PPI of only 10,5% over the last 11 years

Fanaroff says the impact of VAT from



September 30 1991 has also been ignored in the report — a fact fully admitted by Muller and the board But Fanaroff adds that this means the report's "model" cannot be used because it does not remotely "fit" food price movements

Pick 'n Pay main board director Sean Summers agrees with Fanaroff on VAT "This needs to be properly analysed According to our calculations, about 69% of the CSS's food basket was previously exempt from the 13% general sales tax, while 96% of the basket now attracts 10% VAT This means that a 5%-6% impact has been added to food inflation at retail level "

The board admits in its report that VAT issues could distort the divergence between food PPI and food CPI It says that "the imposition of VAT could have added about two percentage points to the CPI," but adds that VAT credits claimed on inputs could also have moderated PPI rises Fanaroff disagrees and says in the current business climate these credits would be used to pad corporate bottom lines "VAT has been used as a 'cover' for price increases "

If this is so, price escalations coincident with VAT are not due to the tax *per se*, but to inflationary expectations and opportunism The issue is complex and the report is less than satisfactory in addressing it Muller says the final report will look at VAT

Other points of criticism

☐ The report's findings are riddled with generalisations rather than practical suggestions — which is why yet another report is needed on effective measures to be taken,

☐ Limited competition in the food processing and distribution chains may well allow players to pass on costs with impunity — but this might simply be the result of over-regulation, and

☐ The report reveals only the "tip of the iceberg," according to McGregor Online Information chairman Robin McGregor "While I'm thrilled with the report's findings, one now needs to properly analyse the chain between farmer and consumer Vertical integration between processors, distributors, wholesalers and retailers (who often operate under the same umbrella) now need to be analysed And statistical information from bodies such as the Grocery Manufacturers' Association need to become public, while the Competition Board should be given more teeth "

As for the Competition Board itself, chairman Pierre Brooks says that if government wants it to act directly against any perceived transgressions, it would have to amend existing legislation The body is dependent on the "political will" of government to implement the report's findings Some sectors of agriculture are specifically excluded from its scope

Despite misconceptions, the report does not call for the abolition of the boards, only for scrapping their regulatory powers Farmers, producers, processors and consumers would then be freer to negotiate for produce without intervention from the boards

But their abolition is a logical outcome of such a recommendation Foodcorp chairman Dirk Jacobs says "every participant in the food chain should sweep before its own door to see if they add value or add costs to the chain Those who add costs need to be addressed, while those who add value should be commended "


McGregor

State President's Economic Advisory Council member Naudé Bremer comments sharply "The control board system in SA is a product of Fabian socialism, which has now proven to be as unsuccessful in producing proper economic results as the communist system of the old Soviet Union For the same reason, it needs to be done away with — allowing farmers to freely negotiate in the market-place, possibly through the formation of voluntary co-operatives that will give them the clout they are looking for "

The debate is far from over Nonetheless, the BTT must on the whole be commended for its wide-ranging, incisive approach to a problem that has moved to the centre of the economic debate All parties will have a better view of an issue that has, up to now, been clouded with emotionalism and one-sided perspectives

In the end, consumers, producers, workers, bureaucrats and politicians share one common need to maximise growth and rid the economy of inflationary cost factors that inhibit its potential in a competitive, free-market environment By highlighting the enormous restrictions placed on the food market by government intervention, the board has done us all a great service ■

PS: Don't forget Sunday

Minister's claims over food prices 'naive, misleading'

(244)

The Argus Correspondent

ARG 19/6/92

JOHANNESBURG. — The private sector has labelled as "naive and misleading" claims by the Minister of Agriculture that concentration in the food processing and distribution sectors has been partly to blame for soaring food prices

Defending the marketing boards, Dr Kraai van Niekerk said on Wednesday that the private sector must take some of the blame for spiralling food costs

According to Housewives League president Mrs Jean Tatham, government figures showed an increase of nearly 30 percent in food prices between April 1991 and April this year

Econometrix spokesman Mr Tony Twine said the entire supply chain carried the blame for increasing costs — and logically all were trying to secure the greatest margin possible

"If the food sector was completely de-controlled this situation would continue, with each one trying to optimise his position

"My worry about the piecemeal deregulation of certain areas of the economy is that the area not deregulated would begin to enjoy huge leverage in negotiating prices

"While everyone tries to get the most out of the economic system, the presence of additional middlemen — such as control boards — means there are more players than necessary trying to optimise their positions"

He said this must add to the cost chain

"The ultimate answer is to deregulate on a broad front"

Fireworks at pensions payout: Official fired

COLESBERG. — An official has been fired by the Cape Provincial Administration after firecrackers were set off at a payout point for black pensioners here.

Complaints were laid after officials let off the firecrackers, made a joke of the collapse of an old man who died soon afterwards, and generally displayed insulting behaviour.

ARG 19/6/92

The official's dismissal was confirmed by the director-general of the CPA's pensions department in a letter to Ms Nomthandazo Gaqa, a Black Sash field worker based in Coleberg.

She said yesterday a table used by the officials on March 24 was "full of firecrackers used to frighten our people. When people reacted by running and screaming it was seen as a big joke by the officials."

A pensioner in poor health, Mr A Stuurman, collapsed. "He was lying on the ground and having fits".

An official whom she named, "shoved people aside to see what was going on, and when he saw the man lying on the floor he made a joke of it". It is this official who has been fired.

Mr Stuurman was taken to hospital where he died soon afterwards. — Ecna.

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Final report on food prices in September?

(244) CT 19/6/92

JOHANNESBURG — The final Board of Tariffs and Trade (BTT) report on its probe into food price rises is unlikely to be issued before late September, BTT chairman Mr Helgard Muller said

He said there were likely to be lengthy discussions with various interest groups following the release of the BTT's preliminary report last week

Mr Muller declined to comment on Agriculture Minister Dr Kraai van Niekerk's statement that the BTT report was inadequate

The report put much of the blame for high food prices on state marketing boards

Dr Van Niekerk said that the report had not fully taken into account the effect of drought and VAT on food prices — Sapa-Reuter

Study of 'high' restaurant wine costs soon

244 CT 19/6/92

By TONY JACKMAN

AN investigation into the cost of wine in restaurants is to start soon following criticism of the mark-up on wine sales

Diners Club and the Fedhasa South African Restaurant Guild have agreed to commission the independent audit into restaurant wine costs and profit margins after a recent Diners Club members' survey

At the annual 1992 Winelist-of-the-Year competition held earlier this month, Mr Hugh Peatling, managing director of Diners Club South Africa, said that 90% of respondents to the survey considered restaurant wines to be overpriced.

Mr Peatling said that he was "somewhat disturbed about the disregard with which most restaurants run their wine marketing".

He added at the time, when referring to the cost of wine in restaurants, that "most establishments are not getting it right".

Restaurateurs reacted angrily to Mr Peatling's statements and, at a meeting with Diners Club, a joint decision was made to investigate "winelist costs and profit margins in various categories of restaurants across South Africa".

The study will be conducted by an "internationally respected" group of auditors it was announced yesterday, although the name of the group was not given.

Diners Club has also offered to assist the Fedhasa South African Restaurant Guild by providing research into "customer perceptions" of the restaurant industry as well as into other aspects of the business

Mr Peatling, said that because of the investigation Diners Club had agreed to retract all comments made by himself of the winners of the winelist awards.

Mr Peatling added that it was "a pity" that reports on the club's recent research "mostly quoted only the response on winelist prices"

Minister 'naive' about food prices

STAR 19/6/92 (244)

By Shirley Woodgate

The private sector has labelled as "naive and misleading" claims by the Minister of Agriculture that concentration in the food processing and distribution sectors are partly to blame for soaring food prices

Defending the marketing boards, Dr Kraai van Niekerk said on Wednesday that the private sector had to take some of the blame for spiralling food costs.

According to Housewives League president Jean Tatham, government figures showed an increase of nearly 30 percent in food prices between April 1991 and April this year.

Econometrix spokesman Tony Teine said all players in the entire supply chain carried the blame for increasing costs and, logically, all were trying to secure the greatest margin possible

"If the food sector were completely decontrolled, this situation would continue with each one trying to optimise his position.

"My worry about the piecemeal deregulation of certain areas of the economy is that the areas not deregulated would begin to enjoy huge leverage in negotiating prices because of the protection that regulation implies," Mr Teine said

"While everyone tries to get the maximum out of the economic system, the presence of additional middlemen such as control boards means there are more players than necessary trying to optimise their positions This must add to the cost chain

"The ultimate answer is to deregulate on a broad front," he said

Pick 'n Pay food director Sean Summers regretted that the minister had resorted to "finger-pointing without getting to the root of the problem"

Calling for the removal of current restrictive tariffs, he said in-house monitoring had proved that the highest levels of price increases occurred in the cost of agricultural-type products.

"As a broad principle, it is essential to keep the farmers on the land But with the present drought, there is no logic in protecting non-existent crops by selling imported foodstuffs like maize and wheat at artificially high prices set by the control boards.

"The major task facing the nation is to feed the people. Therefore the need is to import these foodstuffs at the lowest possible levels, without protecting structures and status quos as currently happens," he said

Pick 'n Pay had initiated talks which would include leaders of the various sectors of the industry, the Government and the control boards

OK Bazaars food marketing director Mervyn Kraitzick said the minister should distinguish between manufacturing and production, and retailing

There was no question that monopolies and oligopolies which dictated prices existed in the manufacturing and production sector

BUSINESS BAROMETER

WMail 19/6-25/6/92

(244)

Food pushes PPI up

HIGH food prices were roundly blamed for the increased April Producer Price Index released this week The year on year increase in the inflation figure was 8,8 percent compared to eight percent in March

Locally manufactured commodities increased by 9,5 percent in April as compared to the 8,9 percent in March while manufactured foods increased 10,7 percent compared to 9,2 percent in March. A large component of this surge in food inflation is 12,4 percent rise in red meat prices These increased by 7,7 percent in March

BTT probes CPI food price figures

S1 Times 21/6/92 (244)

By ZILLA EFRAT (3455)

THE Board on Tariffs and Trade is engaged in an intensive investigation into how the Consumer Price Index is calculated.

This follows much private sector criticism of CPI food figures and forms part of the BTT's study into soaring food prices

A preliminary report on this study, released last week, is not being taken lying down Major players in the food industry and the Minister of Agriculture announced further investigations this week In addition, Trade and Industry and Finance Minister Derek Keys will meet prominent members of the food industry on Tuesday to discuss inflation

On the investigation into CPI calculations, BTT member Ruel Heyns says information submitted by Central Statistical Services (CSS) and major retail chains will be examined, with further discussions to follow

The investigation could be completed "fairly soon" — but the results may only be published with the BTT's full report on food prices, not expected before September

Critics have questioned the large weighting given to meat (33%) in the food CPI, giving meat a 6% weight in the total CPI

According to Pick 'n Pay's calculations, its customers spend an average of 8% of their food bill on meat, poultry and processed meat.

The combined weighting of meat, vegetables, fruits and nuts of nearly 50% of the food index is also in question

Premier Group chairman Peter Wrighton says methodology used in SA is based on First World principles and assumes people have the money to buy what they want

He says the food CPI figures do not take into account substitution To take account of changing consumer trends the CSS food basket should be adjusted more often — perhaps every quarter, rather than every five years

Econometrix director Tony Twine says the entire performance of the SA economy can be affected by the accuracy of the CPI figures

The Reserve Bank places emphasis on the CPI for fine-tuning its inflation and foreign exchange rate policies "The CPI has a profound influence on people's inflation expectations and wage negotiations," the BTT says in its preliminary report.

Pick 'n Pay chairman Raymond Ackerman adds "If the figures are wrong, they are creating uncertainty, fear and anger in the public"

Mr Heyns says the BTT's investigation has been extended to examine the effects of VAT, which had not been introduced when the BTT received its original brief

This week, Minister of Agriculture Kraai van Niekerk announced further investigations in response to the BTT's preliminary report.

A major conference is also being organised early in August by private sector players to formulate a 10-point programme of how food inflation can be brought under control.

Mr Ackerman says all parties in the food chain, including the agricultural boards, government statisticians, manufacturers and retailers will be invited

THE WEEK AHEAD by Simon Willson

VAT a tantalising clue in inflation riddle

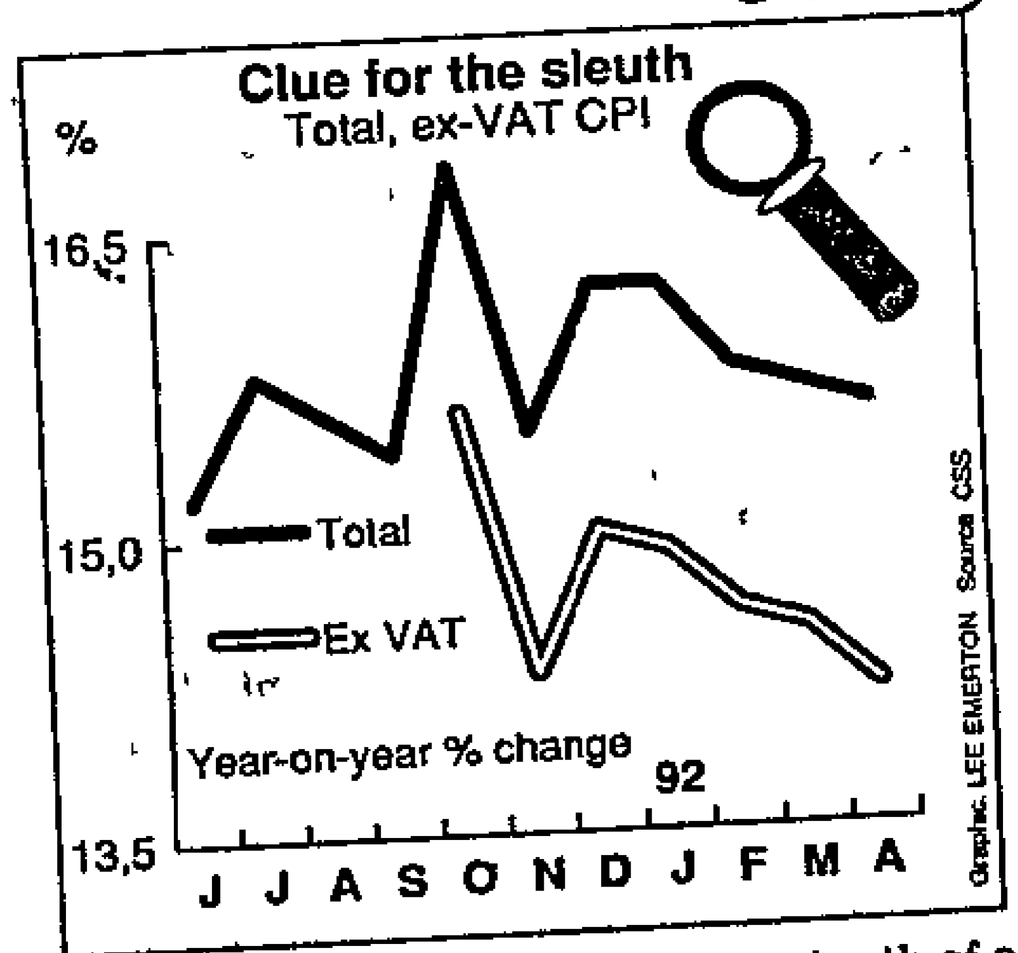
B/Day 22/6/92. (244)

LIKE the plot of a Christie whodunnit, the next teasing clues in the increasingly intractable inflation riddle are due to unravel a little further later this week when the May consumer price index (CPI) is released. But the identity of the inflation-fuelling offender in this mystery is likely to be as obscure by Friday as it is today

In April the inflation rate edged down to 15,6% from March's 15,7% — its third consecutive monthly dip from the 16,2% posted for January But there was still a smoking gun in the April CPI data the seventh successive month in which food inflation as measured by the Central Statistical Service (CSS) topped 25%

The participants in the high inflation mystery were, to extend the Christie metaphor, assembled in the country house library last week to hear the verdict of the ace detective But the sleuth, in the form of the Board on Tariffs and Trade (BTT) report on food inflation, did little more than say there were a number of identifiable fingerprints on the murder weapon Each of those whose prints were identified had an alibi, so no arrests were made

But the longer this particular crime remains unsolved, the more the clues left by its perpetrators proliferate The chart shows one a pert little trend developing in one of the many inflation rates now published by the CSS The direction in the CPI excluding VAT has now been downward for four straight months, and has been



sliding by more than just the one-tenth of a percentage point increments by which the total inflation rate has been dipping since February

As such, it indicates that VAT is beginning to play an increasingly prominent role in inflation's stubborn clinging to levels above 15%. Without VAT, underlying inflation has slowed by one and a half percentage points from October (the first full month in which VAT was levied).

VAT did not feature as an inflationary offender in the preliminary BTT report released last week but, on the showing of the chart — and especially if ex-VAT inflation falls again in May — it must rate a mention in the BTT's final report

As for the prospective rate of inflation in May, the outlook is none too encouraging Postage costs, including stamps, money orders and box rentals, rose by an average 33% effective May 1 while the ripple effect of the excise duty hikes in the Budget could still be influencing the price indices The Budget's 8c/l on petrol and 6c/l on diesel, for example, have just showed up in a 7% rise in monthly fuel costs in the April producer price index (PPI)

Also due this week are May's trade balance and money supply figures The trade data should come first, earlier in the week, and the main point of concern is that exports recover their R700m fall in April and hit something like R6bn for the month Given the recession-hit domestic economy, imports should be restrained enough to push the surplus back over the R1bn mark.

Growth in M3 — the targeted, broad money measure — jumped out of its 7%-10% guideline range in April, and the Reserve Bank last week let slip a certain lack of confidence that M3 would stay in the range this year Deputy Governor Jaap Meijer told a London audience that M3's chances of hitting 7%-10% looked better in 1993 than this year The depressed state of the domestic economy and the liquidity-boosting fall in credit extension may yet bring it into line

Internationally, US durable goods orders for May are due on Wednesday and follow strong rises of 2,3% in March and 1,4% in April The non-defence component of April's orders rose for a fourth consecutive month, and that has not happened since July 1987, so markets are generally confident that this indicator will continue positive even if its increases slow slightly

US first-quarter GDP has its final revision on Thursday, but the significant change to this figure came at its first revision a month ago, when it was amended to 2,4% from a preliminary 2% The final figure is unlikely to shift much from the first revision

The UK trade figures for May are due out later this morning, and will be causing some apprehension in London The UK's April trade deficit jumped to a 19-month high of £1,36bn and the April current account deficit widened to a 15-month peak of £1,06bn The UK trade gap widened after a surge in imports to a new monthly record of £10,2bn, and some analysts said this cast doubt on the sustainability of any UK economic recovery

Imminent British economic recovery is itself in enough doubt already after the release a month ago of preliminary UK first-quarter GDP, which was down by 0,6% The first revision to UK GDP in the March quarter comes up on Wednesday, but is unlikely to show much change from -0,6% Like SA, Britain is experiencing its longest postwar recession and, like SA, the fall in first-quarter output means some downward revisions to 1992 growth projections Both the SA and UK economies face a close-run contest to register any growth at all this year as the start of their respective upswings are repeatedly deferred

Drought: Only prices grow

CT 22/6/92

(244)

By ARI JACOBSON

THE affect of the drought has already started to creep into the prices of foodstuffs, writes economist Johan Louw in Sanlam's latest review.

Louw points out that the prices of milk, cheese, eggs, vegetables, fruit and nuts rose sharply in April

Between March and April, vegetables had shot up by 11,3%, milk, cheese and eggs by 7,8% and fruit and nuts by 5,5%.

He says "it is disturbing that the recent strong rise in food prices has put a number of basic products, particularly vegetables and fruit, beyond the reach of many South Africans".

Louw adds further that while food prices are pushing up the inflation rate — the cost of housing is "counteracting this tendency" — a 0,4% reduction in the inflation figure is anticipated, when the bond rate declines by 1% in July.

As an aside he mentions that the positive effect, from lower bond costs, could be wiped-out by higher fuel prices later this year.

"However for a preponderance of positive factors the inflation figure will decline to about 12,5% by December (15,6% was the last measure for April)."

Keys calls top-level meeting on food prices

B/Day 23/6/92

244

SHARON WOOD

FINANCE Minister Derek Keys has called a top-level meeting in Pretoria this morning with leading food retailers and manufacturers to investigate soaring food prices

Private sector delegates attending the meeting include Pick 'n Pay food director Sean Summers, Premier CE Peter Wrighton, Tiger Oats executive director Hamish McBain and Shoprite/Checkers MD Whitey Basson. Department of Trade and Industry director-general Stef Naude and Board on Tariffs and Trade (BTT) CEO Ruel Heyns will represent the public sector. Central Statistical Service head Treurnicht du Toit is also expected to attend

The Finance Department and private sector representatives would not comment yesterday on the aim of the meeting

Sources said the meeting reflected Keys's serious attitude to inflation.

The meeting would probably be used to discuss and decide on an agenda to combat spiralling food prices. Summers said the Minister had called the meeting in reaction to the calls by Pick 'n Pay and Premier for a food price summit in August.

That meeting is scheduled to take place before the release of the full BTT food price investigation, expected in September.

Meanwhile, Sapa reports that the SA Agricultural Union (SAAU) yesterday informed the BTT chairman in writing of its objection to the board's recently released discussion document on food prices

GERALD REILLY reports that SAAU president Boet Fourie said the report would be discussed urgently with the SAAU's affiliates at a commodity conference in Pretoria on Saturday.

The SAAU has told the BTT that the discussion document's findings and recommendations either contradicated the information available or used it selectively Many important findings were ignored in the recommendations, it claims.

The document was also strongly biased against statutory marketing arrangements and marketing boards.

Food meeting 'a good start'

BI Day 24/6/92. (244)

GERALD REILLY
and SHARON WOOD

PRETORIA — Leading food retailers and manufacturers met Finance Minister Derek Keys yesterday as part of an effort to get to the root of the dispute over food price inflation.

The meeting is seen as a preliminary to a conference on the issue to be held in August

Tiger Oats executive director Hamish McBain said yesterday's meeting was a sucessful start to a series of meetings seen by the industry and Keys as essential if the dispute over government's food price inflation figure was to be resolved

It was encouraging that the minister had no political axe to grind, McBain said

"Because of the initiative in calling yesterday's meeting, the logjam on interpreting food inflation figures is beginning to move Things are beginning to happen," he said

Pick 'n Pay food director Sean Summers said Keys had intimated the food price issue was a matter for the private sector.

Keys was concerned with inflation, but did not expect to give a direct input

The Finance Department would not comment on the meeting.

Pick 'n Pay chairman Raymond Ackerman said of the food summit "It will not be a talk shop, but will come up with a 10-point plan to bring down food prices."

One of the issues that would be addressed would be research into bringing in food imports at a cheaper price "At the moment they are coming in at a cheaper price, but we are paying a higher price," he said

Tariffs on farmers' fertilisers and equipment and the commodity boards would also be discussed "The intention is to try and get goods to flow more easily with the employment of free market mechanisms," Ackerman said

The summit would also look VAT and at inflation statistics, which were believed to be incorrect, he said.

"Central Statistical Service head Treurnicht du Toit attended the meeting and was receptive to discussing changes with us," Ackerman said

However, Du Toit said he was not aware of any plans to investigate the validity of the consumer price index

"We are using standard, internationally accepted procedures and there are no problems with these," Du Toit said. "You cannot compare apples and pears and that is what some private sector organisations are doing," he said

Board on Tariffs and Trade deputy-director Helgard Muller said the two major issues being looked at now by the BTT were the gap between the food price inflation estimate of Pick 'n Pay and other private sector organisations (14% to 15%) and the CSS's 28%

The other major issue was the impact of VAT on food price levels.

STEPHANE BOTHMA reports that the Vat Coordinating Committee (VCC) would meet with Keys tomorrow to urgently ask for the zero rating of foods and the reduction and stabilisation of bread and maize prices, VCC chairman Bernie Fanaroff said yesterday

The VCC would also discuss the zero rating electricity and water, medicines and medical services, Fanaroff said in a statement

BUSINESS

Free the markets, urges BTT

w/mail 19/6 - 25/6/92.

[redacted]

[redacted] 241

Agricultural control boards are not the only villains of the food price spiral. Deregulation and breaking down of concentrations are needed, the recent government report found. By **REG RUMNEY**

THE long-awaited government study of food prices comes down heavily in favour of deregulation Its stance is strongly against intervention, such as control boards represent, and in favour of free market solutions

The Board on Tariffs and Trade (BTT), which undertook the study, issued a preliminary report last week

As reasons for persistent food price inflation above the rate of general inflation the board rounded up some of the usual suspects

It mentions wage increases which outpaced productivity improvements, hijackings, removal of subsidies, indirect taxes like Value-Added Tax on food, regulation and marketing board-administered schemes to drain off excess food production

The board found it impossible to identify specific culprits abusing special privileges But it did find concentration at agricultural board and processing levels

"The fact that cost increases can be readily passed on to the consumer seems to indicate a lack of effective competition in certain areas "

The report clears farmers themselves, and it does not make any arguments for breaking up as being at the root of the concentration "It is at the intermediate levels of crop purchase and storage, primary processing and wholesale distribution that concentration tends to be greatest.

"Significantly, it is also at this level that intervention is most common In the BTT's opinion this intervention increases concentration more often that it disperses it "

The BTT goes on to say that *concentration stemming from control boards contributed to further upstream concentration.*

In the course of its investigation the board has taken a close look at profit margins and returns in various parts of the food chain But it urges circumspection about this statistical evidence, arguing that conclusions on efficiency, exploitation, or fairness cannot be arrived at by studying statistics alone

This could be aimed at among others arguments put forward by the big retailers that their low margins showed they were not exploiting the consumer.

The board notes elsewhere the declining productivity of workers in food retailing, compared to wage rises It also notes "The co-operatives do virtually all the wheat storage. Only two companies distribute refined sugar Seventy percent of maize milling is done by six major companies About 85 percent of all dairy processing is done by seven major players Approximately 63 percent of all fresh vegetables are sold on the 15 national markets "

The report does not single out the retail chains or the processors It merely advocates removing barriers to competition,and identifies a wide variety of such barriers for consideration

The board believes import tariffs should replace quotas to allow competition from food imports, and that eventually tariffs should only be used against dumping

It recommends replacing minimum standards with a clear marking of quality and grade

It urges that the scope of the Competition Board be broadened to that of an "ombudsman" to which anyone could appeal to remove competition-inhibiting laws, including health regulations

Several issues are not fully dealt with, such as the effect of VAT and whether the official food price inflation figure correctly reflects what is happening to food prices, but the board promises to look at these as well

●See PAGE 18

Beauty and the champ. Former World Boxing Organisation lightweight champion DINGAAN THOBELA and Miss South Africa 1989, MICHELLE BRUCE, added some colour at the launch of the 1992 Bread Week in Johannesburg.

Sales of good old bread slipping

Sowetan 25/6/92 244

By PEARL MAJOLA

WHEN fresh it is crusty yet spongy, its smell says eat me and indeed, as you spread butter it is irresistible and is very nutritious.

Sadly, good old bread is losing its appeal.

The probable reasons vary from the price hike since deregulation to misconceptions about its nutritional value.

One thing sure is sales are dropping.

However, the Wheat Board is prepared to stick it out with the traditional breakfast food.

Yesterday the second annual Bread Week began after a launch of the awareness campaign by the Board in Johannesburg last week.

"Whatever the reason, South Africans are simply not eating enough bread," said the Board's chief liaison officer, Mr Johan Erasmus.

"It is imperative, therefore, to reinforce the goodness perception of bread and to restore it to its rightful place as one of the important staple foods in the daily diet," he said.

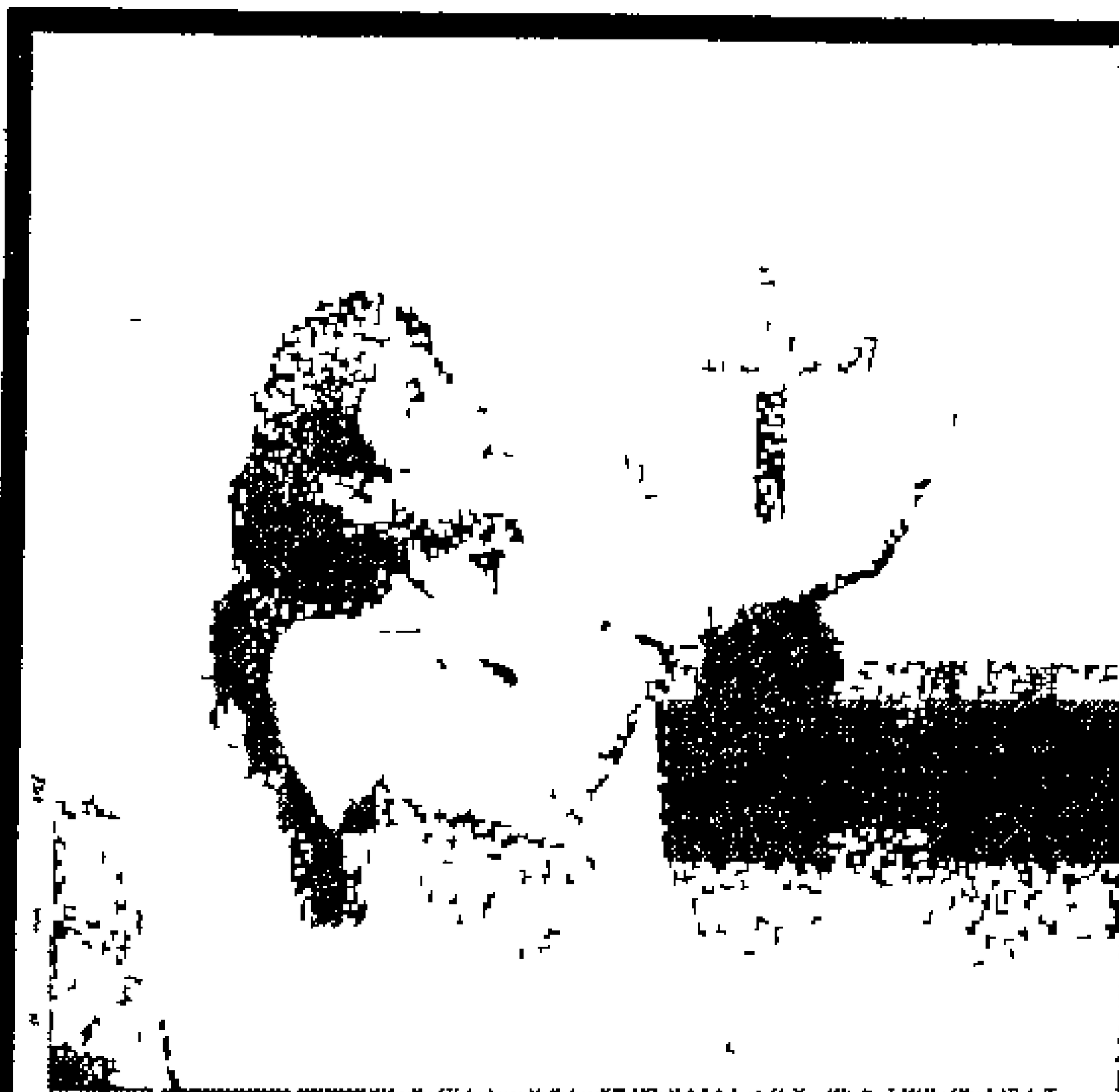
Any of the following reasons, Erasmus said, could be the cause for the drop in sales:

- The unfavourable economic conditions.
- The fact that the bread price has risen between 35 and 45 percent since the introduction of deregulation in 1991.
- Or people are simply eating less bread because of the general decline in disposable income.

A consumer competition with prizes worth R60 000 is just one of the innovative events developed by the Board as part of the awareness campaign.

"A publicity campaign offers a platform from which bakers and millers can launch intensified campaigns in an effort to boost bread sales," Erasmus explained.

"There is no doubt that an ongoing promotional campaign, coupled with an increase in bread consumption, will enhance future wheat production. This in turn will place the industry on a much stronger footing, able to compete favourably with other products in the staple food market, particularly on price," he added.



Karla Faya Tucker, scheduled for execution at the Texas State Prison on Tuesday, uses sign language to perform a song at the prison recently. Tucker was convicted in the 1984 murder of a 26-year-old Houston man. If executed, she will be the first woman to be

Inflation analysis spots the difference

B/Day 26/6/97

Business Day Reporter

ACCELERATING increases in the price of services had contributed to the recent tendency of consumer inflation consistently outpacing producer inflation, the Reserve Bank quarterly bulletin said (249)

Explaining the divergence between increases in the consumer price index (CPI) and producer price index (PPI) over the last 12 months, the Bank said services costs were a significant factor There had been a sharp acceleration in the prices of services, which were included in the CPI but were not part of the PPI.

Another explanation for the divergence was faster increases in the labour costs of retailing than in manufacturing. The direct effect of lower price rises on imported goods was also more pronounced on producer prices than on consumer prices.

BUSINESS BAROMETER

WMail 26/6-2/7/92

Keys meets food mandarins

IN the wake of last week's Board of Tariffs and Trade (BTT) report into food price inflation, Finance Minister Derek Keys met food manufacturers, retailers and the Vat Co-ordinating Committee

The retailers spoke of a 10-point plan to bring down food prices Paramount in this plan would be re-adjustment to the import tariffs on food, fertilisers and farming equipment 244

In line with the BTT recommendations, the abolition of food boards would also be looked at.

SA seeks R700m

FINANCE director general Gerhard Croeser told an international financiers conference in London that South Africa would shortly be borrowing about R700-million on international markets

The tapping of new foreign markets, Croeser said, would help boost investment in socio-economic development in South Africa via institutions such as the Independent Development Trust and Development Bank of Southern Africa. WMail 26/6-2/7/92

Both these institutions have recently tried to raise loans on foreign markets — much to the annoyance of the African National Congress, which threatened not to repay the loans once in power

Getting foreign loans would also be important to protect the country's foreign reserves, Croeser stressed

Plate Glass cracks

SOUTH African Breweries' newest acquisition, Plate Glass Shatterproof Industries, fell victim to the worldwide recession with attributable earnings falling by R50-million in the past year. The group, which has, since early this year, been 67 percent owned by SAB, suffered losses both in South Africa and in the United States as a result of poor conditions in the automotive, building and furniture industries which the company services WMail 26/6-2/7/92

Local content scam probed

A R600-million fraud which used the government's complex Phase 6 local content scheme is being investigated by the Office for Serious Economic Offences At the centre of the investigation is Randburg exporter CET Trading, provisionally wound up in March. The scam was to get export incentive rebates from the Department of Trade and Industry by submitting inflated invoices on goods, supposedly locally produced motor vehicle components, exported from South Africa

WMail 26/6-2/7/92

FM 26/6/92 (244)

FOOD PRICES

FM 26/6/92

A sharper spotlight

(244)

Finance Minister Derek Keys's call for a top-level meeting of food processors and retailers in Pretoria underlines the seriousness with which government now views the escalation of food prices

Keys's action follows last week's announcement by Agriculture Minister Kraai van Niekerk that a departmental "policy committee" would look into the future of the marketing boards Van Niekerk's committee will study, among other things, the findings of a committee chaired by Stellenbosch University professor Eckard Kassier which is investigating the future of the enabling Marketing Act Kassier says he is still awaiting his "written appointment" and, therefore, cannot comment

But the recent Board on Tariffs & Trade report on the food chain price mechanism (*Leaders* June 19) leaves little doubt that State interventionism has much to do with the problem

The Sunnyside Group deregulation lobby maintains that "there are over a thousand regulations governing the red meat industry The effect has been to severely curtail competition, add unnecessary links to the marketing process, increase consumer prices and reduce the availability and the per capita consumption of red meat "

Even attempts to deregulate the red meat industry have been criticised as disguised attempts at reregulation which would entrench producer control of the industry (*Business & Technology* June 12)

Sunnyside co-ordinator Gwynne Main maintains the statutory powers of control boards should be replaced with "contractual" powers and the boards should become "open, voluntary bodies "

McGregor's Online Information chairman Robin McGregor says the BTT food report falls far short of expectations "The report commences with the identification of the six main (food) chains chosen for special investigation — red meat, maize, dairy, vegetable, broiler and wheat But, instead of then tackling these chains individually and in detail, the report becomes vaguely academic and merely scratches the surface of potential problem areas "

McGregor says a proper investigation would include a look at

- ☐ Whether there is sufficient competition among the suppliers of farmers' inputs, whether farmers are competent, and whether inefficient farmers are being protected,
- ☐ The standard of distribution, storage and marketing of agricultural products and whether there are alternative channels which would provide a better price for farmers or a lower price for buyers,
- ☐ Whether there is vertical integration between processors, distributors, wholesalers and retailers which would allow prices "to be shuffled up or down the line,"
- ☐ What the packaging industry contributes to the price structure, and
- ☐ The efficiency of retailing

The BTT report provided a fairly comprehensive list of State interventions in agriculture which lead to a distorted food price chain

These include

- ☐ Low-interest funds channelled to fulltime *bona fide* farmers by the Land Bank which may have influenced "over-investment and over-production, resulting in suppressed farm commodity prices and farmers relying too heavily on debt while farm prices increased " This may also have "prevented farmers from diversifying into downstream processing and other value-added activities,"
- ☐ Land Bank and control board policies that stimulated the development of co-operatives, "some of which now enjoy virtual monopolies in the primary handling and distribution of selected farm commodities " And, where members are heavily reliant on seasonal credit from the Land Bank advanced through their co-operatives, "the freedom of individual farmers to buy from or sell to other parties may be inhibited,"
- ☐ The establishment of 22 agricultural control boards (in terms of the Marketing Act) "to intervene in one way or another in markets downstream of the farmer and to stabilise prices " They try to "mould the markets in which each commodity is traded by channelling it through appointed agents and/or by intervening with fixed prices, price supports or price pooling arrangements,"
- ☐ Giving statutory marketing powers to the SA Sugar Association and the KWV (wine) in terms of the Marketing Act or through separate Acts of parliament which allow them to restrict competition,
- ☐ Siting most multi-species abattoirs of the nationalised Abattoir Corp in consumption rather than production areas which could result in them "finding it difficult to compete in a completely free market,"
- ☐ Allowing SA's municipally-serviced fresh produce markets to operate under rules circumscribed by the Commission for Fresh Produce Agents, and
- ☐ Endorsing minimum health and hygiene standards imposed by the Department of Health and other statutory bodies which "may discriminate against smaller companies and individuals and effectively act as barriers to entry " ■

Perhaps a way to starve the inflation curve?

CLAIRE GEBHARDT
Weekend Argus Reporter

(244)
ARG 27/6/92

IS there investment potential in groceries? With inflation rampoant, many people are beginning to think of food as an "alternative investment".

Interest rates on saving are currently lower than inflation while price increases on food are definitely higher.

So stocking up on a three-to-four month's supply of food, either for your own consumption or for subsequent resale at a higher price, is not a bad option — provided you don't eat more and there are no losses.

The bald statistics tell you that food prices are soaring at 28 percent a year while if you deposit your money in a Standard Bank Plusplan savings account you'll earn only 13,25 percent a year.

But given the high food prices prevailing you'd probably also need a sizeable bank loan merely to buy a year's supply at a time when most people can hardly afford their weekly food bill.

Recent Standard Bank figures on the margins between the top rate of a bank savings account and price increases of cleaning materials, household appliances and food show that increases in the average price of food have exceeded returns on savings by about 14 percent.

On the surface, at least, it would seem to make sense to invest in food. However this ignores the risk element. Standard Bank points out that bank savings are the most secure and risk-free form of investment available.

CT 29/6/92

VAT meeting: 'No progress'

JOHANNESBURG. — The Vat Co-ordinating Committee said at the weekend it had made no progress in talks with Finance Minister Mr Derek Keys over Value Added Tax ~~and~~ rising food prices.

The VCC, ~~in~~ a statement, called on the minister "to take more seriously the immediate needs of the majority of South Africans" and to accept that his policies needed to be more "multi-dimensional"

"The VCC delegation felt the minister had not really applied his mind in preparing for the meeting." (244)

Finance spokesmen could not be reached for comment. After the meeting a spokesman said it was unlikely the minister would issue a statement. — Sapa

THE WEEK AHEAD by Simon Willson

Inflation breakdown to offer most illumination

B/Day 29/6/92

(244)

RELEASE of the May inflation rate early this week is almost certain to coincide with the near-total solar eclipse visible on these shores Searchers for omens from this rare coincidence may have a field day, but headline May inflation is unlikely to be radically changed from April's 15,6%

As in previous months, the breakdown will offer the most illumination about inflation's probable short-term direction Analysts will be looking most closely at the rate of food inflation — 28,4% in April — and the rate of inflation excluding VAT, which was 14,2% in April after its fourth consecutive monthly fall

Publication of the May consumer price index (CPI) is going to be pushed to beat the end of the month Among the many other trends in the CPI data, one that stands out is the growing delay in its release

In the first half of last year, CPI figures never emerged later than the 25th of the following month The May data due this week will be the third successive CPI release to be published on or after the 27th of the following month

Last year's average release date — which includes a very late August figure due to rebasing of the index, which only happens every five years — was the 24th This year, assuming the May CPI makes it before the end of June, the average is already the 27th

Omen seekers and bone throwers waiting for the eclipse of the sun and the May CPI (what if they arrive simultaneously?) could read much into that

Internationally, last week's dollar slump on more gloomy economic tidings from the US has pinned even more importance on this week's releases of US economic fundamentals Periods of unremitting bad news for one economy, as last week was for the US and its currency, are quite rare

Adverse fundamentals

In quick succession May durable goods, weekly jobless claims and weekly money supply all came out negative for US economic recovery and growth

Just for good measure, statements on firm monetary policy came out of several European centres just as US interest rates looked set to ease The surprise upward revision of first-quarter US GDP to 2,7%, as the second quarter was ending, referred to a period too long gone to be of help

The dollar's immediate slide on these adverse fundamentals has effectively raised the profile of this week's US data releases Is there any respite in prospect for the downcast dollar?

A look at the figures timetabled for release suggests that this week's US numbers will look a great deal better than last week's But whether and how far any improved fundamentals feed through to exchange rates ~~is a~~ different question Recently the dollar has reacted with greater alacrity to worse US figures than to better ones

This week's US releases are concertinaed into the front end of the week by Friday's Independence Day holiday The June employment report, usually out on a Friday, is timetabled for Thursday instead and is probably the week's most important US release There are reasons for expecting an improvement in these jobs figures

As the chart shows, the key non-farm payrolls component of the monthly US employment report has responded quite sympathetically recently to movements in the purchasing managers' index. Non-farm payrolls measure additions to or subtractions from total recruitment outside the US agricultural sector

The National Association of Purchasing Management (NAPM) publishes a monthly index which measures activity in the US manufacturing sector

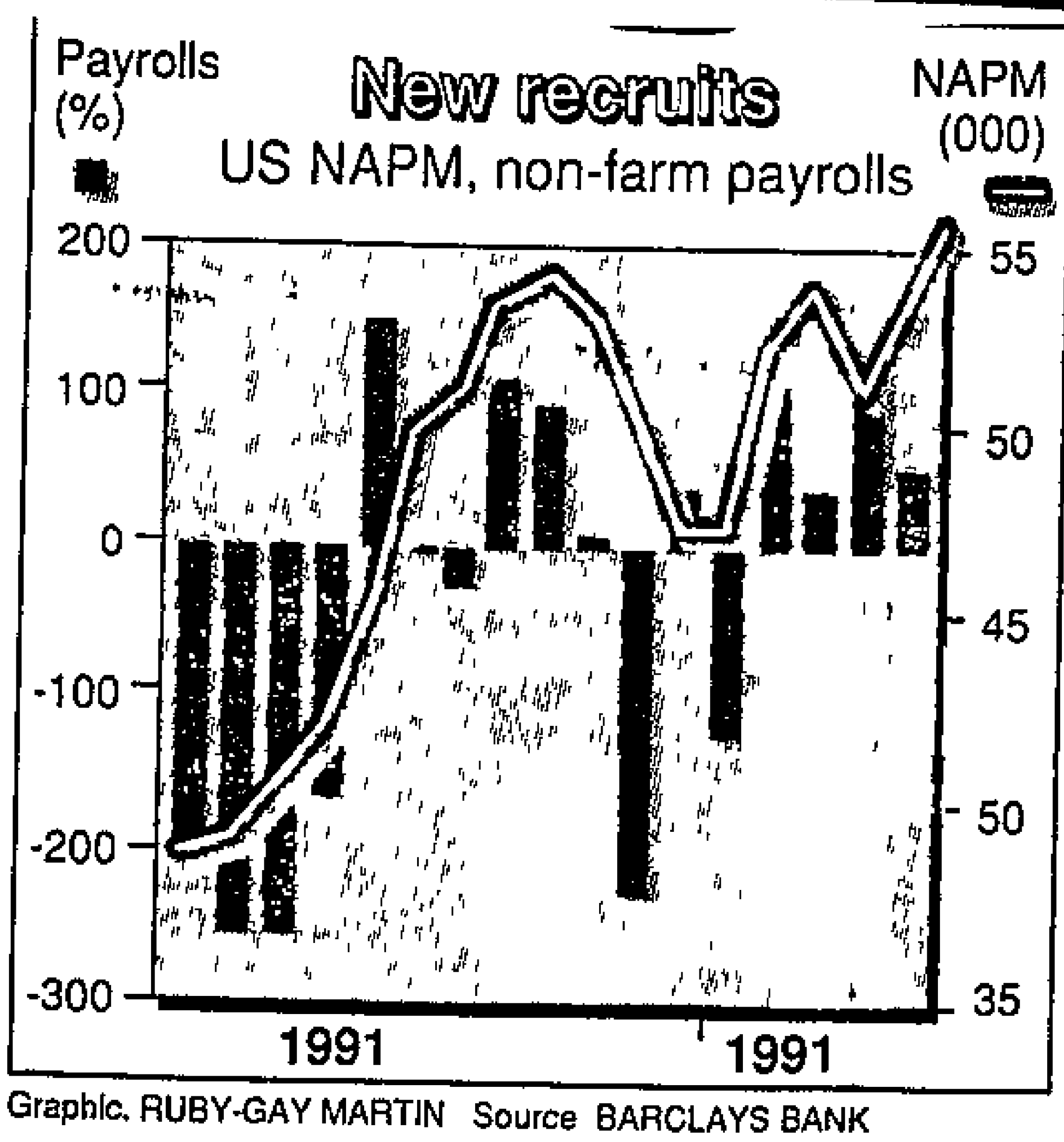
The May NAPM outturn was the strongest upward movement in the index for three years, rising to 56,3% from April's 51,3%, and it implied recovery across a wide front of the economy and a busy rebuilding of inventories Payrolls growth for the same month was a modest 68 000, and the chart suggests that payrolls still have to reflect fully May's NAPM surge

There is another reason to expect good June US employment figures on Thursday

Headline May unemployment jumped to an eight-year high of 7,5%, but the breakdown showed the average manufacturing workweek soaring in May to 41,3 hours — its highest level in 26 years

This, together with US workers posting in May the highest amount of overtime in 19 years, indicates that factories have been in serious need of extra workers Their existing work forces have simply had no more time to do the shifts required to meet output commitments

A June NAPM that stays above 55% when it is released on Wednesday should increase the chances of a six-digit, positive payrolls readout the next day



Graphic. RUBY-GAY MARTIN Source BARCLAYS BANK

That may not help the dollar over the long weekend, but it should help to sweeten sentiment towards the beleaguered US currency

Elsewhere, the policymaking council of the Bundesbank, Germany's central bank, meets on Thursday to assess its credit stance Because the German authorities were among those in Europe pronouncing last week on the need for tight monetary policy, there will be little solace for the dollar from the meeting

Neither will the Japanese current account figures for May, due at the end of the week, be of any consolation to dollar holders

The April surplus, at $10bn, was 22% up on a year earlier and extended the trend of rising Japanese external surpluses which is so concerning trading partners The G-7's preferred solution to the problem, a stronger yen, is naturally not exactly dollar-positive

Lower inflation rate 'promising'

(244)

B/Day 1/7/92

HILARY GUSH

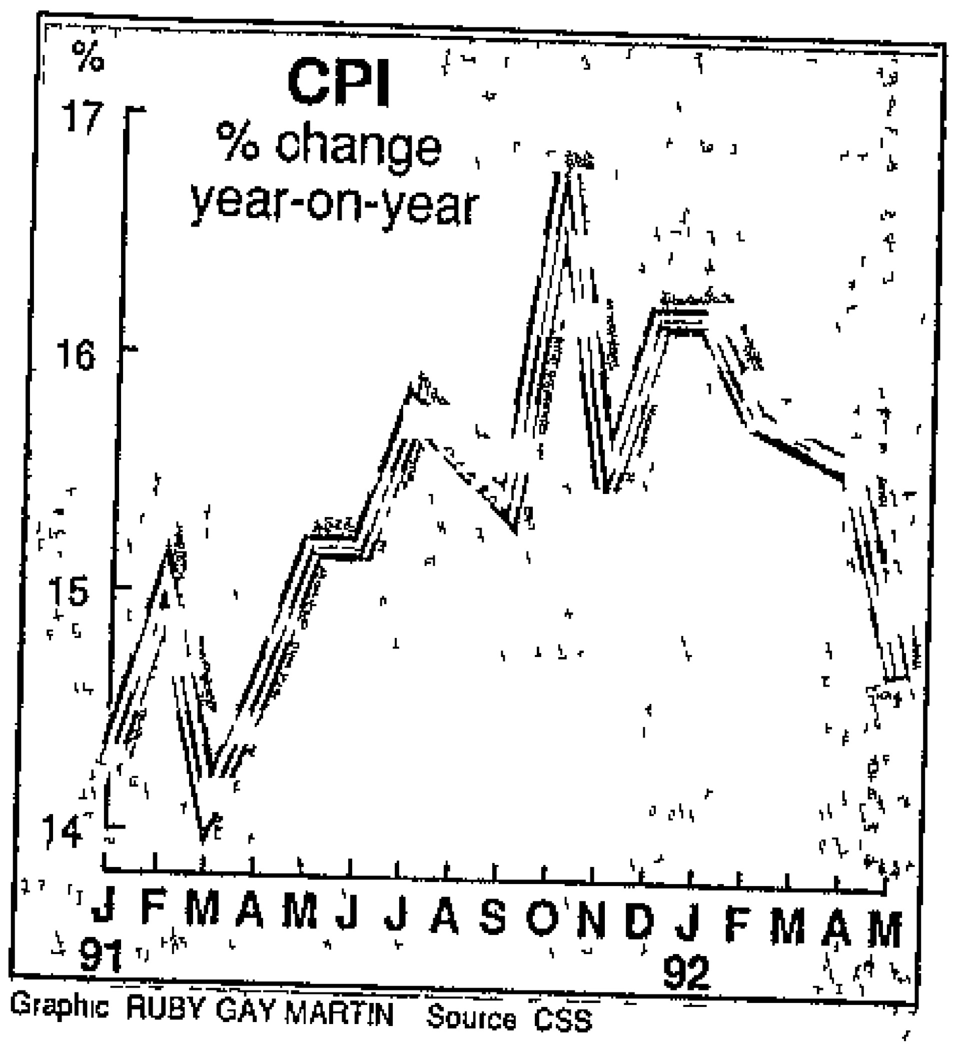
SMALLER increases in transport costs and clothing and footwear prices contributed to inflation hitting a 13-month low of 14,8% in the year to May from 15,6% in April, Central Statistical Service (CSS) figures released yesterday showed.

The May increase in the consumer price index (CPI) is the lowest since April last year, when inflation was 14,6%

Food price inflation continued near record levels at 27,8% in May, marginally lower than the 28,4% posted the previous month. Excluding food, the rate of consumer inflation eased to 11,5% compared with 12,4% in April.

Increases in the transport sector slid to an annual 14,3% in May after reaching 16,1% in April Clothing and footwear price inflation slowed to 7,2% in May from 10,8% in April,

Amalgamated Banks of SA (Absa) chief economist Adam Jacobs said the overall inflation rate was "promising" although it was still being distorted by food prices and the influence of VAT



Graphic RUBY GAY MARTIN Source CSS

By taking the CPI rate over a three-month period and annualising it, and then making adjustments for seasonal fluctuations, it could be shown that the underlying trend was "clearly downward"

Jacobs said the June to August 1991

☐ To Page 2

Inflation

B/Day 1/7/92

(244)

☐ From Page 1

underlying inflation rate was 13,5%, and the comparable March to May 1992 rate fell to 7,5%

The recession, the absence of excess monetary demand and an overall wage bill which was increasing at a lower rate indicated SA was living within its means

"Food prices are the only thing that may upset the applecart, as they are so unpredictable," he said While monthly fluctuations might occur through the year, the overall inflation trend was down

Excluding VAT, inflation ran at 13,4% in May Economists expected food inflation to decrease significantly in October when the effect of the October 1991 introduction of VAT would drop out of the CPI

Economists believed the Reserve Bank's decision on Monday to cut Bank rate by one percentage point to 15% was triggered by advance knowledge of May's lower inflation rate

Old Mutual chief economist David Mohr said the fall in the CPI was encouraging and in line with the widely held view that inflation was likely to continue to fall throughout the year and into 1993

Analysts expected at least one more Bank rate cut this year and believed there was a good chance that the gap between producer price inflation — 8,8% in April — and consumer inflation would narrow

Fuel margins up but prices unchanged

Star 1/7/92

Finance Staff

244

The wholesale margin on fuel will be increased by 4c a litre and the retail margin by 2,1c a litre with immediate effect, the Department of Mineral and Energy Affairs announced yesterday.

The increased wholesale margin for 93 Octane fuel in the PWV area now stands at 13,558c/l (8,92 percent of the total price) and the retail margin at 15,1c/l (9,934 percent).

Product prices

These increases will be financed by the Equalisation Fund and will thus not result in any fuel price increase to consumers at present.

"The benefits of reasonably low international product prices during the first half this year contributed to the strengthening of the Equalisation Fund to allow financing of the announced margin increases."

Other cost factors that are being financed by the Fund are 2c/l to the Multilateral Motor Vehicles Accidents Fund and 1,6c/l on diesel sales.

Cabinet increases petrol profit margins

GERALD REILLY (244)

PRETORIA — Cabinet has approved an increase of 4c/l in the wholesale profit margin on fuel and 2,1c/l in the profit margin of retailers from today.

While the increases are being borne by the Equalisation Fund, experts predicted yesterday that they would add to pressure on the retail fuel price.

A Mineral and Energy Affairs Department spokesman said there would be no need to raise fuel prices "at this point in time".

He said the fund was strengthened by reasonably low international product prices during the first half of the year.

Other costs being financed by the fund were the 2c/l increase in the Multilateral Motor Vehicle Accident Fund levy and the 1,6c/l on diesel sales which came into operation on April 1.

Industry sources pointed out that when the May underrecovery of 4c/l was added to the latest wholesale and retail margin increases, "it cannot be long" before the fund's resources would have to be protected by a fuel price increase.

The spokesman said the fund would probably be able to contain costs in the fuel price structures "for the time being". 8/Day 1/7/92

The increased margins give wholesalers 13,558c/l on 93-octane fuel sold in the PWV region, and retailers 15,1c/l.

The Cabinet was aware the service station industry was functioning under extreme pressure to remain viable, the spokesman said.

The Motor Industries' Federation said that while the increase in retail margins would go some way towards offsetting spiralling costs, smaller filling stations would still under-recover slightly on gross margin.

'No collusion on bread'

244

PRETORIA — The Competition Board said yesterday it could not find any indication of price collusion between bakeries when bread prices rose early in June

230 1948

The board had decided to investigate the issue after reports of possible price collusion

B'Day 1/7/92

Referring to "misleading advertising", the board said that soon after the bread price rise was announced, advertisements in the daily press indicated a certain 'chain' store would absorb the increase itself for as long as possible

The increase was in fact borne not by the chain but by the bakeries, the board said

Prior to deregulation of the baking industry, the profit margin on a loaf was fixed at 4c.

"Retailers have now increased this margin, and margins of 20% to 25% are believed to be commonplace," the board said in a statement.

It was alleged that bread distributed in distant areas, including townships — particularly at weekends — sold for up to R2,50 a loaf. — Sapa.

Car manufacturers increase prices

EDWARD WEST

244

MOTOR manufacturers, except Toyota and Mercedes-Benz SA, yesterday increased vehicle prices between 1%-3% as part of a quarterly inflation adjustment

Volkswagen's average price increase was 2,29%. Golf and Jetta prices increased the most at 3,1% while Audi prices remained unchanged BDay 2/7/92

Nissan's price increases varied between 3% for the Maxima and 1,1% for the Uno with the weighted average at 2,4%.

The price of the recently launched Sentra would increase by 3% only on August 1 because of a long waiting list for the vehicles which would bring the weighted average up to 2,6% MD Stefanus Loubser said Nissan would attempt to keep price increases at about 12% for the year

Opel and Isuzu prices increased 2,7% and 1,9% respectively, while BMW's 3-series increased 3,3%, its 5-series by 2,8%, its 7-series by 2% and its 8-series by 1%.

Samcor's increases varied between 1,2% for the Mazda 323 1,6*l* sedan and 3,13% for the 2*l* GLE Ford Meteor.

National Association of Automobile Manufacturers' of SA (Naamsa) recently said the pricing of new vehicles would be especially keen this year in an attempt to make cars more affordable

Last year price increases averaged between 15% and 23%. Industry spokesmen said manufacturers were showing "great restraint" in pricing in an effort to bring price escalations below inflation

Most of the major manufacturers have revised total new car sales Naamsa has revised its original 200 000 down to 190 000 while Toyota revised its projection from 205 000 to 185 00 while Nissan lowered its forecast to between 187 000 and 189 000

FM 3/7/92 (244)

CPI FM 3/7/92

VAT aside

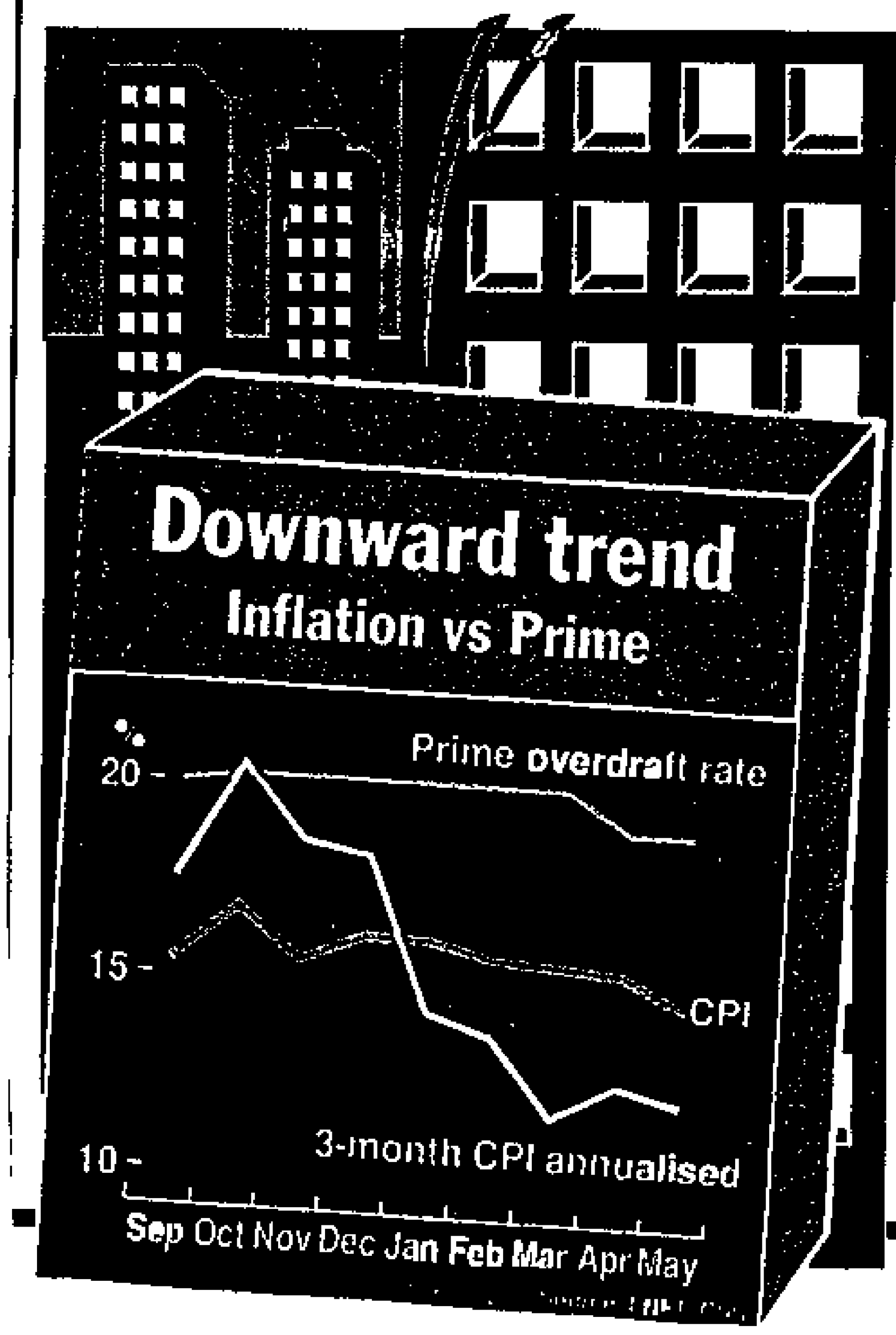
(244)

Figures released by the Central Statistical Service (CSS) show the consumer price index (CPI) for the 12 months to May, grew at 14,8%, which is 0,8 percentage points lower than the 12-month rate in April In the month, the index rose 0,8%

The major contributors to the 0,8% rise were food (0,2 of a percentage point), medical care and health expenses (0,1 of a percentage point) and transport (0,2 of a percentage point)

The lower year-on-year rate is technical to some extent, given the relatively large increase in the index in May 1991 But the lower monthly increase can be attributed to lower than expected increases in the food and transport components

Food, with a weighting of 18,64% in the index, rose 1,2% in the month compared with 1,8% in April and 2,2% in March This was



the result of declines in the price levels for fats & oils (-1,8%) and fruit & nuts (-1,3%) and a static meat index (which accounts for about a third of the food index) These offset the effects of relatively high monthly increases in grain products (1,6%), fish & other seafood (3,5%), milk, cheese & eggs (1,7%) and vegetables (6%)

The CSS release contained a note explaining the influence of VAT on food inflation The imposition of VAT at 10% at the end of September 1991 made 86,4% of foodstuffs taxable under the system as opposed to 41,2% under GST With the extension of VAT to fresh milk and rice in April, the proportion of foodstuffs taxable was increased to 93%

CSS says, if these items had not been taxed in April, the monthly increase in the food index would have been 1,2% and not 1,8%

Excluding the effects of VAT/GST, other changes are as follows

☐ In the 12 months to October 1991, the food index would have been 20,2%, compared with 25,7% included,

☐ In the 12 months to April, 21,6% compared with 28,4%, and

☐ In October 1991, the increase in the month would have been 0,9% compared with 5,6%

Excluding VAT, May CPI is 13,4% over 12 months and 0,9% month-on-month ■

Another rate fall... (33)

BUSINESSMEN smiled a little this week as interest rates fell by one percentage point.

The Reserve Bank's cut in the Bank rate — the rate at which it lends to commercial banks — from 16 percent to 15 percent was followed the next day by commercial banks' reduction of the prime lending rate to 18,25 percent. This is the second fall in interest rates this year, the last one having occurred in March.

Although the cuts will make credit cheaper, it is unlikely to have any major stimulatory effect on the economy. W/Mail 3/7-9/7/92

More good news

THERE was more good on the economy Central Statistical Services' May figures reported the lowest inflation figure in 13 months (244)

At 14,6 percent the year-on-year increase in the Consumer Price Index is the lowest since April last year Small increases in transport costs (14,3 percent), footwear (7,2 percent) and clothing prices were the main contributors to this low increase Food, however, remained untamed at 27,8 percent.

W/Mail 3/7-9/7/92

Nampo criticises food price report

BDay 6/7/92 (244)

GERALD REILLY

PRETORIA — The Board on Tariffs and Trade (BTT) had misused the opportunities presented by its food price investigation to undermine the marketing control of agricultural products, Nampo economist Kit le Clus claimed at the weekend.

Nampo submitted its report to the BTT a week ago. In it, Le Clus said the fact that the report was made available to the media before it went to the Minister of Agriculture placed the board's motives in doubt.

The report failed to take into account the relevant price structures of the last year or two.

An attempt was made, Le Clus said, to smother key issues "under a blanket of averages". It had neglected to analyse the non-agricultural sector's part in food price movement.

"We reject, therefore, the board's working methods as well as its recommendations. If the BTT agreed with the criticism it owed an apology to the agricultural industry, the Cabinet and the public, especially because of the witch hunt triggered in agricultural marketing boards

Nampo had expected the investigation would concentrate on the short term, particularly on the growing gap between the general and food consumer price indexes. The BTT had only worked with average long-term increase trends which ignored short-term price movements.

Le Clus said the grain products weighting in the food CPI was 15,7% — against 33,1% for meat, 12% for milk, cheese and eggs, and 16,4% for fruit, nuts and vegetables.

He said the retail price of grain products in the year to April rose by 16,9% — against 27,4% for meat, 25,1% for milk, cheese and eggs, 50,9% for fruit and nuts, 64,8% for vegetables and 15,6% for "all items".

To group all foods together, as in the report, made the recommendations unscientific and deficient.

Le Clus said in spite of the fact that the investigation had not been completed, the board had recommended without qualification that the statutory powers of the marketing boards be terminated.

He said the one-channel maize marketing system stabilised domestic prices. If the Maize Board was stripped of its statutory powers the price of maize would fluctuate violently, just like fruit and vegetables.

BUSINESS BAROMETER

Small change in PPI

(244)

PRESAGING a fall in consumer prices, the rate of increase in producer prices in May remained in single figures, and even dipped marginally in May compared with a year ago. Central Statistical Services' producer price index for May stands at 8,7 percent, 0,1 percentage point lower than May 1991, and 0,8 percentage points higher than April. WMail 15/7-23/7/92

The year-on-year price increase for locally made goods was by 9,4 percent, 0,1 percentage points lower than in April.

The year-on-year increase for imported goods was by 5,9 percent, 0,5 percent up on the April figure.

Slight fall in rate of producer inflation

BDAY 16/7/92

(244)

HILARY GUSH

SINGLE-digit producer inflation continued in the year to May with a slight fall in the rate to 8,7% from the 8,8% posted in April, Central Statistical Service figures released yesterday showed

The price index for locally produced commodities was up 9,4% in the 12 months to May against the 9,5% rise in the year to April, despite a marked acceleration in food inflation at wholesale level

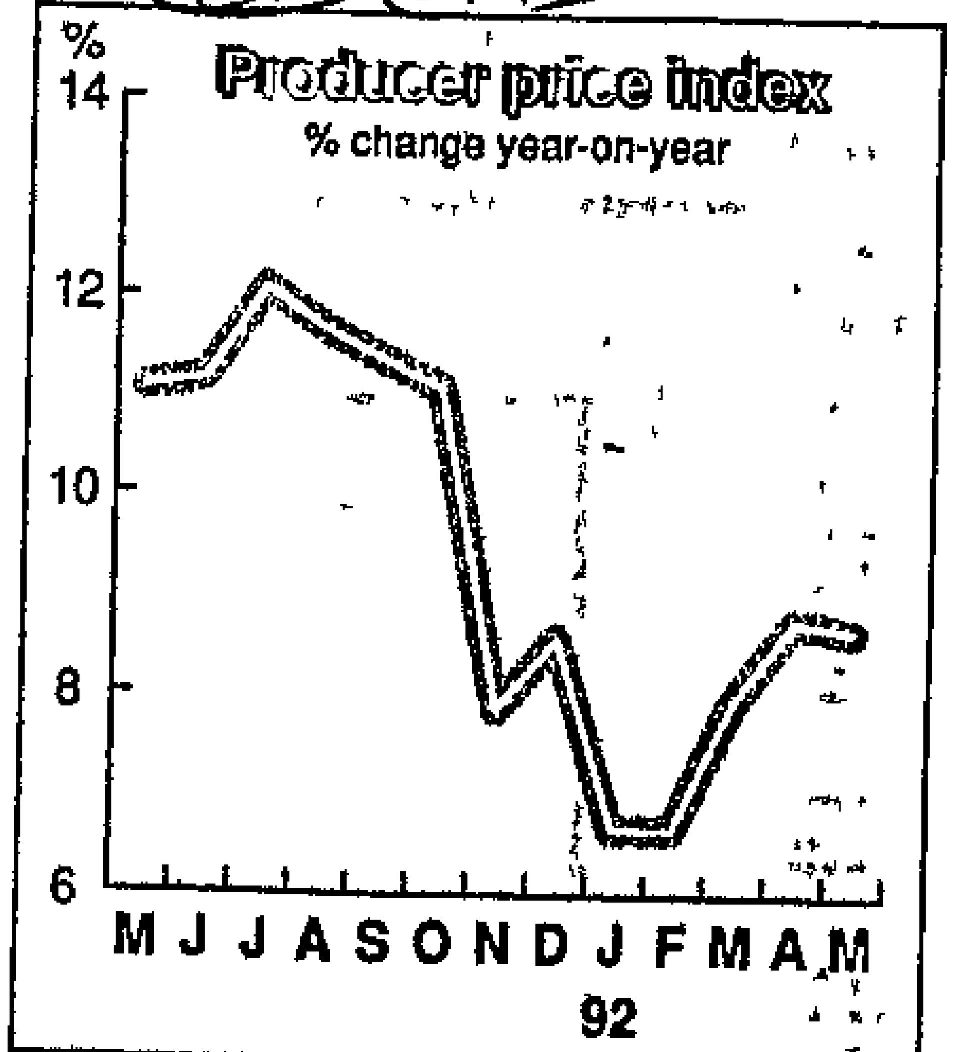
The annual rate of increase in prices of imported commodities was 5,9% in May, against the corresponding 5,4% in April, although the index showed a 0,3% monthly decrease from April

Old Mutual chief economist David Mohr said the figure was encouraging in the light of wide expectations that producer inflation would reach about 10% in May He attributed the lower figure to a fall in import prices in recent months

The manufacturing food price increase eased from an annual 10% in April to 9% in May This reflected a slowing in the price increase of fresh meat to 10,4% in the year to May, compared with 12,5% for April

Price increases for agricultural food products, however, reached 19,9% in the year to May from 13,6% in April

Southern Life chief economist Mike Daly said May food price rises had been dramatic "The extremely large gap between consumer and producer food inflation is narrowing, due unfortunately to rising producer food inflation and not to a falling consumer inflation figure"



Graphic LEE EMERTON Source CSS

He said the lagged effects of lower producer inflation, together with the downward trend in underlying consumer inflation, would help bring consumer inflation down by the last quarter of this year

FM 24/7/92 244

PRODUCER INFLATION

FM 24/7/92 244

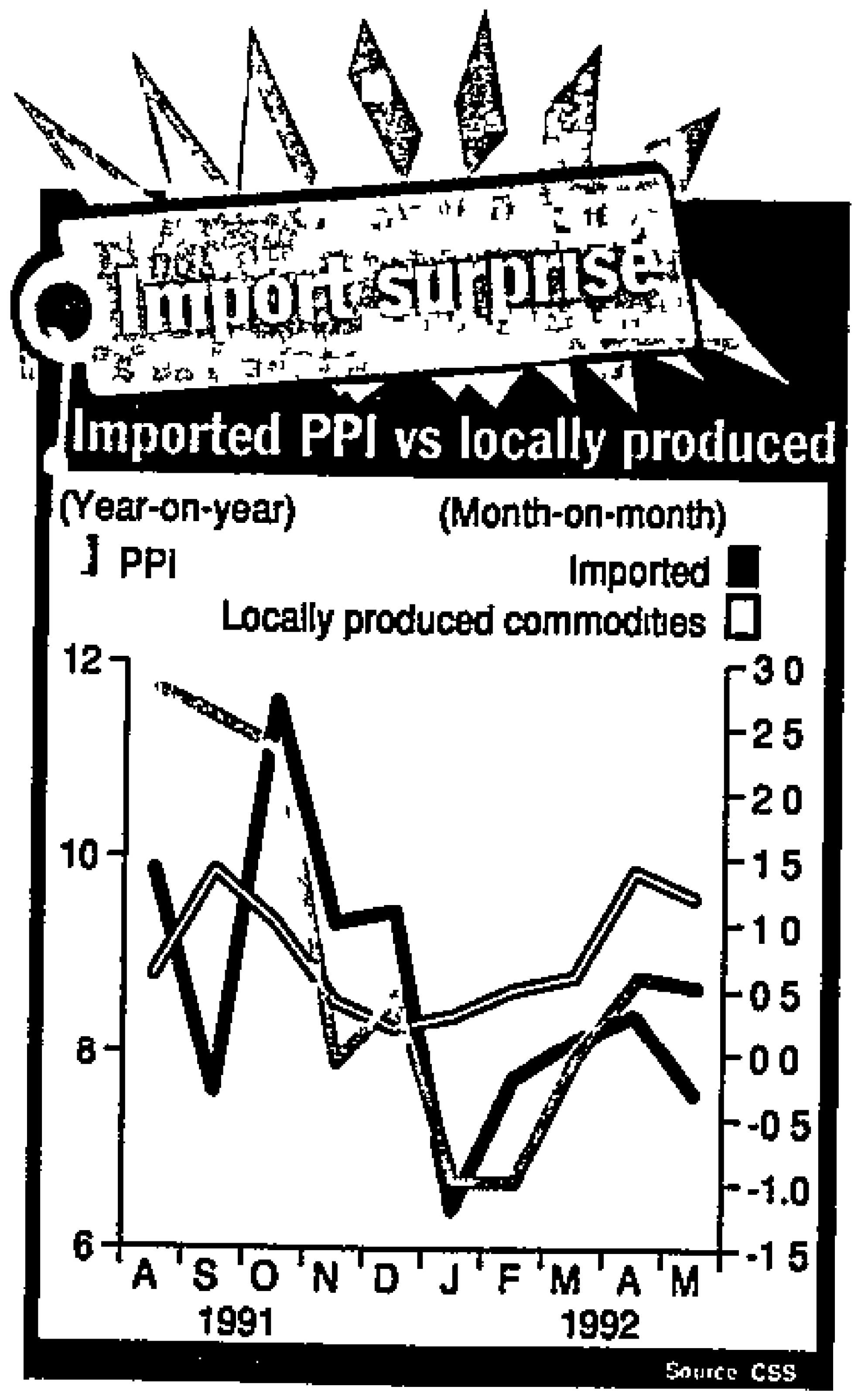
Incremental gains

May's producer price index (PPI) increased less than expected to a 12-month 8,7%, compared with 8,8% in April. The month-on-month May rise was 0,8% (1,3% in April)

Expectations had been that with international oil prices firming, the imported component — which had kept prices down in previous months — would begin to rise, pushing up PPI North Sea Brent Crude spot prices, the international benchmark, have risen steadily from US$17,30 in early March to $19,82 in early May.

But the index for imported commodities, with a weighting of 19,5% in the overall index, fell 0,3% in May. And the fall occurred in the category "other" mining and quarrying — it includes oil — which declined 1,4% in the month

However, lags do occur in the purchase of oil from international markets, so May's index could reflect previous price movements Overall, the imported component rose 5,9% year-on-year compared with 5,4% in April



Downward pressure came from food (manufacturing) with its weighting of 12,91% in the index, which fell 0,3% This was thanks to a decline of 1,3% in the producer price of fresh meat in the month Electricity, gas and water fell 2,1%

Inflationary tendencies are still strong in the economy, as seen in the 1,2% rise in locally produced commodities (9,4% year-on-year). The monthly rise is below April's 1,4% but still above any other month since September Sharp rises occurred in agricultural food products (7,9%), nonferrous metals (5,4%), metal products (3,6%) and motor vehicles, parts and accessories (2,3%) ■

Deregulation of industries 'to continue'

244

GERALD REILLY

PRETORIA — A shift on direct state involvement in non-strategic industries was already in progress and would continue, Deputy Agriculture Minister Tobie Meyer said in Bloemfontein this week

BDay

Speaking at the Orange Free State Milk Producers' conference, he said there was justification for the criticism that SA was over-regulated.

24/7/92

Referring to the sharp increase in retail food prices, Meyer said during the past 11 years the CPI had risen by 352% against a 397% increase for food This translated on an annual basis as 14,7% against 15,7% for food prices

On the Board of Tariffs and Trade investigation into food price inflation, he said an unfair share of the blame for food price rises was attributed to the control boards

The report claimed 29% of the difference between producer and consumer prices was caused by control board schemes

Meyer said this was an oversimplification The mere stripping of boards' statutory powers would not result in less expensive food for consumers The recent removal of statutory control over consumer prices on certain agricultural products had resulted in sharp price increases and not the other way around

He said the food price problem was part of the entire economic process The BTT investigation is continuing with a deeper probe into the reasons forprice increases in the food chain after products leave the farm gate

Referring to the Dairy Board, he said a new dairy industry stabilisation scheme was under consideration

Fuel price hike looming as underrecoveries continue

(244)

GERALD REILLY

PRETORIA — The price of fuel would have to be increased, industry sources said yesterday.

This was against the background of the latest Mineral and Energy Affairs Department announcement that in June underrecovery on 93-octane petrol in the PWV area was 9,459c/l.

It was the largest underrecovery for months.

The landed cost rose to 53,300c/l. This followed underrecoveries in March of 0,778c/l, 2,535c/l in April and 4,635c/l in May.

The Stabilisation Fund, the sources said, must be taking a battering.

The amount in the fund is never disclosed.

A department spokesman said a sharp increase in international prices for refined petroleum products had again resulted in an increase in the average landed cost of petrol and diesel during June, despite a slight improvement in the rand/dollar rate.

The big June underrecovery comes from the increase in delivery cost of 0,4c/l from 2,9c/l to 3,3c/l, retroactive to January.

Landed cost of diesel also increased from 50,860c/l in May to 53,936c/l, resulting in an underrecovery of 3,886c/l in June.

Food lifts inflation rate again

2444

STAR 28/7/92

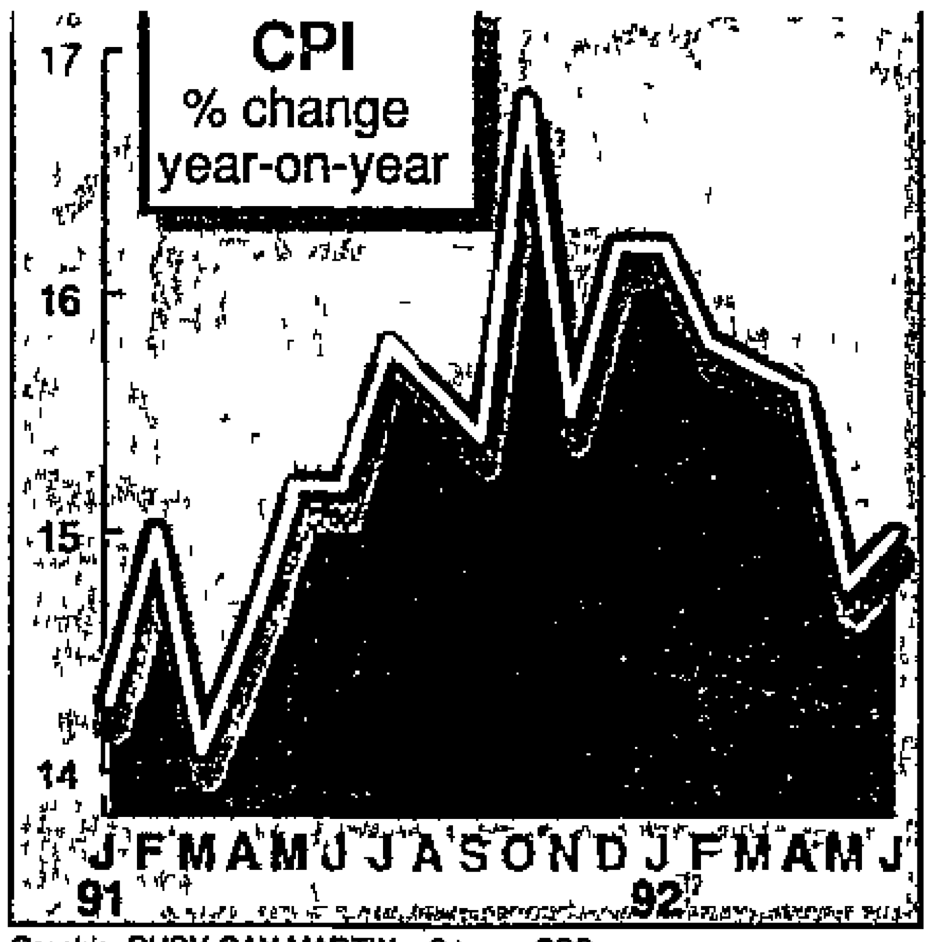
By Sven Lunsche

Surging food prices once again pushed the inflation rate to 15,1 percent in June from 14,8 percent in May, the Central Statistical Service reported today.

The food index of the Consumer Price Index soared 29,3 percent between June 1991 and June this year as prices of most agricultural food items were forced higher by the drought.

Between May and June this year the cost of grain products rose by 2,4 percent, vegetables by 4,3 percent and sugar by 4,7 percent. Fruit prices, however, fell by 3,7 percent after good rains in the Western Cape.

The overall food index rose by 2,4 percent on a monthly basis Excluding food, the inflation rate for June would have risen only 11,5 percent.



Graphic RUBY-GAY MARTIN Source CSS

Food prices give CPI a bad taste

8/0A1 29/7/92

HILARY GUSH (244)

FOOD inflation, climbing to an 11-year high in June, continued to lead increases in consumer prices and overall inflation edged up to 15,1% from May's 14,8%, Central Statistical Service (CSS) figures released yesterday showed.

CSS data indicated a 29,3% increase in food prices in the year to June from 27,8% in May. The rise was attributed to large increases in the price of vegetables and fruit — a result of the protracted drought

Excluding food, consumer inflation remained unchanged at May's 11,5%

Vegetable prices soared 83,2% in the 12 months to June after rising at an annual 74,1% in May. Fruit and nuts prices surged 42,3% in the year, but fell 3,7% in the month to June. Meat prices were up 27,2%

Metropolitan Life chief economist Chris Visser said the figure was "more or less what the market had expected — food inflation was still the major problem".

He expected the overall inflation rate to fall next month when lower bond rates came into effect. Bond repayments account for half of the housing price index.

PAUL RICHARDSON reports that a Bank rate cut of at least 1% is expected before October. But Reserve Bank Gover-

To Page 2

CPI

8/0A1 29/7/92 (244)

From Page 1

nor Chris Stals says a cut will only be considered "once the effects of VAT on inflation had been calculated in October"

The latest consumer inflation figure indicated that the Bank's approach to inflation was correct and no change in the Bank's current monetary policy was foreseen, Stals said yesterday

Visser said weakness of the domestic economy and spare capacity in industry meant there was virtually no demand-pull inflation

He added that the "tax bump" would be smoothed out by October when the effect of the October 1991 introduction of VAT would drop out of the CPI Excluding VAT, inflation ran at 13,7% in the year to June which was up on May's 13,4%.

The fuel price, which had already increased by 9c a litre this year, was concerning Government had put up wholesale and retail margins three times in the last year, but under-recovery of the National Energy Council's equalisation fund signalled a looming fuel price hike

This would have a multiplier effect on other prices, he said

Absa chief economist Adam Jacobs said despite the disappointing monthly increase in consumer inflation, the underlying trend was still downward Although unpredictable food prices made forecasting difficult, he expected a sharp decline in inflation by the fourth quarter

The absence of excess monetary demand meant the country was living within its means and the rand, on balance, was stable and interest rates were coming down.

GERALD REILLY reports that Consumer Council director Jan Cronjé stressed yesterday the urgency of identifying the causes of food price inflation

A Board of Tariffs and Trade (BTT) spokesman said the second phase of the probe into food price escalation would start as soon as comment on the first phase report had been evaluated

The second stage would involve a deeper and more detailed look at all links in the food price chain The BTT was aware of the urgency of completing the probe

FOOD STOCKPILE

'9 000 tons of meat in storage by end of month'

(244) ARG 29/7/92

ROGER FRIEDMAN Staff Reporter

FOOD is being stockpiled because consumers cannot afford to buy it.

About 9 000 tons of red meat will be in storage by the end of this month, according to the Meat Board.

The chicken industry had huge stock build-ups between January and June which a large producer attributes to the flagging economy.

'Consumer demand usually exceeds supply in the fishing industry but this is not the case at the moment

This was largely because of slower sales owing to the state of the economy, a spokesman for a major fish wholesaler said

General manager of the Dairy Board Mr Edu Roux said that the poor economy had also affected the dairy industry

"Although there is still a shortage, the trend is towards a surplus in about a year's time," Mr Roux said

"The state of the economy has a direct effect on the private disposable income of consumers which effects buying power," a Meat Board spokesman said.

Consumption

"We therefore find that as disposable income increases so does per capita consumption of meat"

In addition the drought had resulted in increased slaughtering in the first half of the year, he said

The Meat Board predicts a six percent producer price increase for 1992

But the spokesman calculated that the consumer price would have increased about 26 percent by the end of this year, compared with the last six months of 1991

Retailers and VAT were responsible for this alarming figure, the spokesman said.

According to the latest consumer price index, the price of meat has risen 27 percent over the past year This figure includes 10 percent VAT.

A spokesman for a major retail chain disputed the CPI figure He said his chain had reduced prices in accordance with the meat surplus. The average price in October was R16,38 compared with R14,98 this month

Stockpiles of chicken had largely disappeared because sales had picked up owing to the cost of chicken relative to red meat, said County Fair group marketing manager Mr Jeremy Owen

Just where should hard pressed consumers turn for essential protein?

Mrs Sally Motlana, President of the Black Housewives League, feels the situation is a disgrace

"Unemployment is very high which directly affects the eating habits of poor pepole They try to run away from red meat to fish, but the price of fish goes up They look to dairy products and see them pouring milk down the drain because of surpluses."

The Meat Board pointed out that meat was 50 to 60 percent cheaper if bought in bulk

Mrs Motlana said bulk sales were directed at high income earners and were not affordable in poorer, black communities

ANC publicity officer Mr Mziwonke Jacobs laid the blame at the door of the government

"Food surpluses should be a factor in looking at the poor relief programme the government is supposed to be addressing," Mr Jacobs said

"It is extremely distressing that there should be artificial price boosting in a supposedly freemarket economy"

NEWS

Consumers furious over food prices

STAR 29/7/92 (244)

Outraged consumer bodies are calling for an urgent probe into the food industry in the wake of figures revealing the overall food price increased by a staggering 29,3 percent over the last year.

Central Statistics Services (CSS) figures, which were released yesterday, show that vegetable prices have surged by 83,2 percent between June 1991 and June this year because of the drought.

A pocket of potatoes (10kg), for instance, cost upwards of R19 in some supermarkets last month, compared to a price of about R7 in June last year. In some Johannesburg supermarkets, last month's price for a pocket of potatoes was as much as R29,99.

According to Consumer Council director Jan Cronje, the food price index for June is nearly double that of all consumer index prices — "a clear indication that food prices must be probed urgently".

Mr Cronje predicted that unstoppable food price hikes would soon cause further socio-economical problems for millions of jobless people and consumers whose expendable income had shrunk considerably.

Housewives's League president Lynn Morris said the spiralling food prices, sourced at the struggling farmers, were a result of the drought.

The CSS figures differ from those tabulated by the Housewives League, which puts food inflation at 13 percent as opposed to the CSS's 29,3 percent.

The Consumer Union has called on managers in the food trade to have a "serious look at what is going on in the food industry".

Union chairman Lilibeth Moolman said consumers were distressed by frequent hikes in food prices — "and the unfortunate thing was that people's salaries don't rise in proportion".

Rising food prices pushed the inflation rate, as measured by the annual increase in the overall Consumer Price Index, to 15,1 percent in June from 14,8 percent in May, the CSS report said.

Marius Hugo of the Stellenbosch Bureau for Economic Research said: "There's no reason to panic. The trend is still downwards.

"At the moment the drought is still playing a major role, but we expect food prices to stabilise towards the end of the year."

Food stored as poor starve

Sowetan 30/7/92

244

■ STOCKPILE SHOCK Tons of red meat is being hoarded in cold storage because of the flagging economy:

Sowetan Correspondent

FOOD IS BEING stockpiled because consumers cannot afford to buy it

About 9 000 tons of red meat will be in storage by the end of July, according to the Meat Board.

The chicken industry had huge stock build-ups between January and June which a large producer attributes to the flagging economy

Consumer demand usually exceeds supply in the fishing industry but this is not the case at the moment

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Dairy Board general manager Mr Edu Roux said that the poor economy had also affected the dairy industry

"Although there is still a shortage, the trend is towards a surplus in about a year's time," Roux said

The Meat Board predicts a six percent producer price increase for 1992

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A spokesman for a major retail chain disputed the CPI figure He said his chain had reduced prices in accordance with the meat surplus The average price in October was R16,38 compared with R14,98 this month.

Hard-pressed consumer

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"They look to dairy products and see them pouring milk down the drain because of surpluses "

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Motlana said bulk sales were directed at high income earners and were not affordable in poorer, black communities

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"Food surpluses should be a factor in looking at the poor relief programme the Government is supposed to be addressing," Jacobs said

"It is extremely distressing that there should be artificial price boosting in a supposedly free market economy "

Enraged consumer bodies have called for an urgent probe into the food industry following the release yesterday of CPI figures which showed an overall food price increase of 29,3 percent in the past year

Vegetable prices alone rocketed 83,2 percent between June 1991 and June this year because of the drought

According to Consumer Council director Mr Jan Cronje, the food price index for June was nearly double that of all consumer index prices - "a clear indication that food prices must be probed urgently"

The Meat Board denies that stockpiling translates into price boosting

The Housewives' League of South Africa disputes a Meat Board statement that meat can be frozen for up to five years without a reduction in quality

NATIONAL/WORLD

Food price outrage

Pressure for quick action to help poor, jobless, low-paid

244 ARG 30/7/92

MICHAEL MORRIS, Political Correspondent

GROWING outrage over soaring food prices is placing the government under increasing pressure to act more quickly and more effectively to ease the lot of the poor, unemployed and low-paid.

Government sources insisted the food price crisis was being taken seriously, but opposition spokesmen accused it of dragging its feet

The outcry arose over Central Statistical Services (CSS) figures which showed that food prices in general had risen by 29,3 over the past year, and vegetable prices by 83,2 percent

Drought has been a major factor in the vegetable price increase

The CSS pegged the inflation rate at 15,1 percent for the 12 months to June, from 14,8 percent in May

Minister of Trade and Industry Mr Derek Keys is awaiting a fresh report from the Board of Tariffs and Trade ordered after shortcomings were identified in its first report a month ago

Ministry spokesman Ms Leslie Lambert said yesterday "Mr Keys has been involved in top level discussions with various parties, including the major food retailers and wholesalers"

She added "Mr Keys is very serious about getting food prices down, particularly given the influence they have on the rate of inflation"

But Democratic Party spokesman on trade and industry Mr Douglas Gibson blamed the government for the spiralling food costs.

He said in a statement the Board of Tariff and Trade report on food prices — which had made some useful recommendations, including the scrapping of control boards — had been presented to the government "months ago", but had been referred back for further investigation

Mr Gibson said. "Many weeks have passsed since then and I get the impression they are fast asleep Do they care about food prices or don't they? Perhaps the Minister (of Trade and Industry, Mr Derek Keys) and his Deputy (Mr David Graaff) are out of touch with the hardships of ordinary people"

He said the response to demands from consumers for a halt to rapid food price increases had been "grossly inadequate" and was "a typical NP response to a problem — appoint a commission or a series of commissions and hope that the problem will disappear"

DP spokesman on consumer affairs Mr Jasper Walsh said the food price crisis reflected the failure of government and business to address meaningfully the issue and failure by political parties to adopt strategies which did not damage the economy

In an earlier statement, DP MP Mr Mahmoud Rajab warned that South Africa could face food riots if prices were not kept down.

Sapa reports that Consumer Council spokesman Mr Daan Kruger would not be drawn into who should carry the blame for high food prices

While he was disappointed that the report on food prices had been referred back for further investigation, he admitted that there was a need for a thorough probe "to bring to light any instances of outright profiteering"

Mixed blame for food hikes

CT 30/7/92 (244)

Own Correspondent

DURBAN. — A tangled web of factors — including government "bungling", drought and economic sabotage — have been blamed for the food price hikes crippling South African consumers

Reacting to official statistics showing a food inflation rate of 29,3%, the Consumer Council and political parties also hinted yesterday at the possibility of food riots, soup kitchens and widespread malnutrition unless something was done to stop roller-coaster inflation.

Mr Jan Cronje, head of the Consumer Council, said the "apparently unstoppable" increases would cause enormous socio-economic problems

He called for an urgent government probe into food prices

'Fast asleep?'

The Democratic Party echoed his call, and asked whether cabinet ministers had fallen "fast asleep". Mr Douglas Gibson, the party's spokesman on trade and industry said the government's response to the crisis had been "grossly inadequate".

Mr Richard Cohen, a director of Pick 'n Pay in Johannesburg, slammed the government for continuing to levy surcharges and import duties on the majority of imported foodstuffs.

Mr Cohen emphasized he disputed claims that the food price index was anywhere near the 29% figure suggested

● Nearly 80% of 2 000 people surveyed by the Human Sciences Research Council believe that inflation is outstripping their incomes

Yet another reason to bite on the bullet

By Des Parker (244)

STAR 30/7/92

DURBAN — If you think the 29 percent a year rise in food prices is unpalatable, the trend in the cost of a closely related commodity — routine dentistry — should set your teeth grinding.

According to the latest retail price release of Central Statistical Service, the price of routine extractions and fillings all but doubled between December 1990 and October last year

Having a molar pulled went up from R21 to R39,42, or by 87,7 percent, in the 10 months, while the bill for a filling increased to R42,66 from R22,60 (88,8 percent)

It seems just about anything to do with keeping body and soul together comes at an ever-rising price

CSS notes, perhaps unwittingly, a "sharp increase" in the price of a common-or-garden table knife, from an average of R4,74 in 1990 to R9,72 last year

Forks and teaspoons aren't getting any cheaper; the former averaged R2,32 in 1990 and R5,36 the following year, while buying something to stir your cuppa went from R1,52 to R3,26 a year later

Prices of crockery and cooking goods, however, bucked the trend

Average-sized saucepans, R27,41 in February last year, were selling for R26,12 nine months later, while prices of dinner services, glassware and tea-services were similarly stable

Trends in women's clothes show shopkeepers are spoiling their efforts to keep costs low Putting off buying a coat in 1990 had a cost — the price rose from R133,74 to R308,55 continue

(244)

DROUGHT DAMAGE

FM 31/7/92,

Inflation accelerated in June. The consumer price index rose 15,1% over 12 months compared with 14,8% in May and a month-on-month 1% (0,8%)

But the uptick was partly technical Food, with its weighting of 18,64%, showed a sharp increase, as measured over 12 months, to 29,3% (compared with 27,8% in the 12 months to May). But the 1,2% month-on-month increase was no higher than for May. The year-on-year acceleration was due to the comparatively low base in June last year when the food index did not rise from the preceding May

Technicalities aside, food continues to put pressure on the index If it is excluded from CPI, the inflation rate over 12 months is only 11,5%

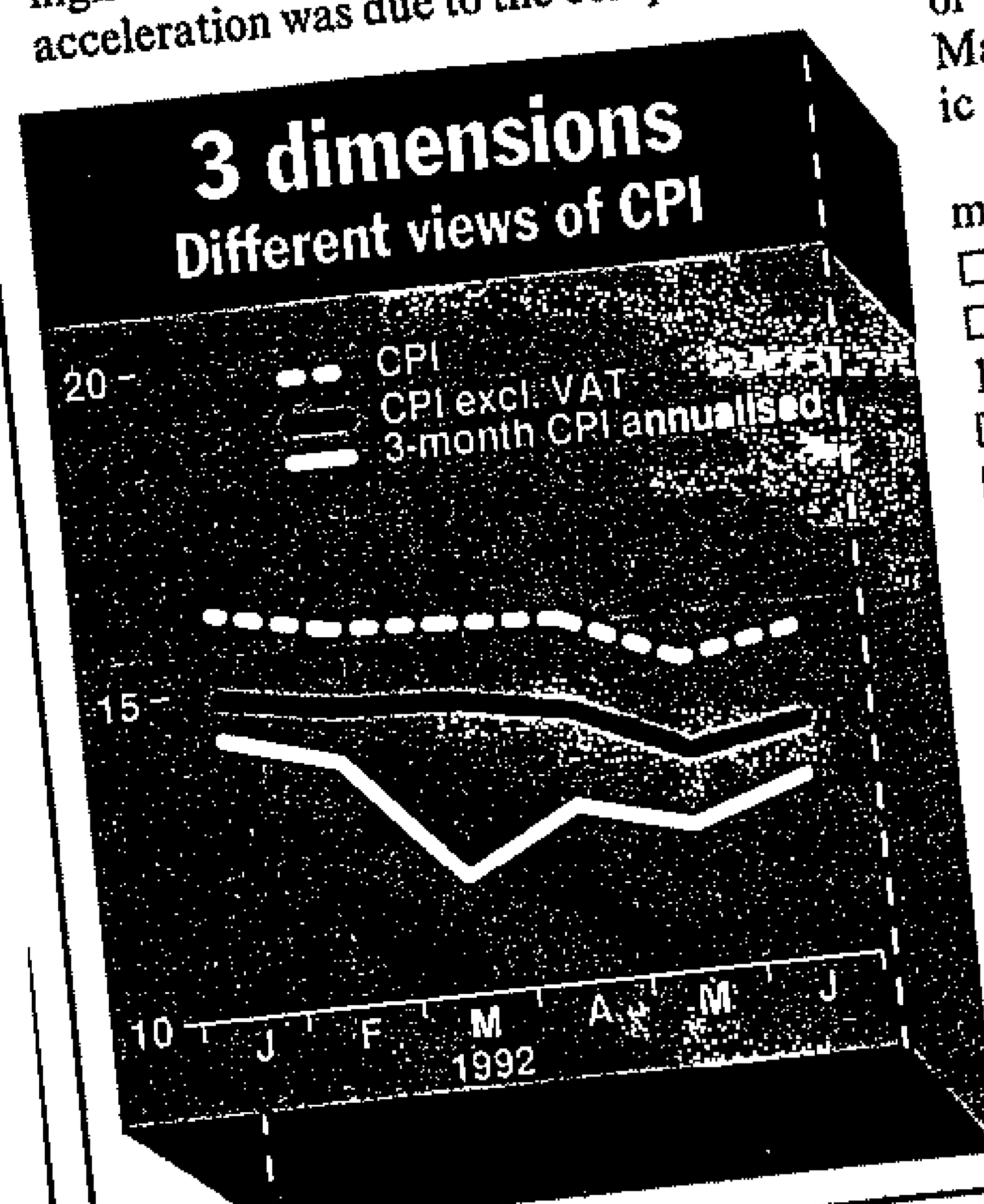
Much of the damage in June was inflicted by products vulnerable to drought. vegetables rose 4,3% and grain products 2,4% What is disturbing is that meat seems to have ended its downward trend of previous months After falling 1,2% in March, 3,7% in April and remaining static in May, prices rose 0,4% in June.

Other categories which showed big monthly increases were

- ☐ Furniture & equipment 1,9%,
- ☐ Medical care and health expenses 1,8%;
- ☐ Transport 0,8%; and
- ☐ Recreation and entertainment 2,9%

But, overall, inflationary pressures continue to subside This is demonstrated by annualising the three-month moving rate since December (see graph) The annualised increase in the index over the three months to June was at 12,8%, higher than the May figure of 12,3% but well below official CPI and the VAT-exclusive rate

The VAT-exclusive CPI for June is 13,7%, up on May's 13,4% but still well below overall CPI.



No change seen for consumers

244

AUG 1/8/92

■ Consumers are having a tough time right now. It was tough for them in the past and it seems as if things are not going to change much in the near future.

ALIDE DASNOIS, Business Staff

LONG-SUFFERING consumers are being increasingly squeezed between higher taxes and rising prices — and there's not much relief in store in the next few months.

Most economists are predicting that inflation — currently at 15,1 percent — will drop to around 10 percent sometime next year. But by then many more people will be out of jobs.

And the recovery, when it comes, is likely to be sluggish, economists warn

Last year, says Old Mutual economist Mr David Mohr, employment in the private sector dropped by 2,9 percent By the end of the year more than 203 000 employees had been retrenched. one in every 20 in the private sector. The trend has probably accelerated this year and is not likely to be reversed in the near future, he says.

Higher taxes have eaten away at consumers' disposable income and so has inflation, fuelled by rocketing food prices. Consumers have been caught in a pincer, says Mr Mohr, with the result that real spending is declining

In its latest survey of black consumer attitudes, the Stellenbosch Bureau for Economic Research confirms that consumer confidence is dropping, particularly among the lowest income groups. Only 55 percent of consumers surveyed in the second quarter of the year expect South Africa's general economic position to improve in the next year. Confidence is dropping even among young men from 16-24 years, who were the most optimistic during the last survey.

Concerning their own financial position, only 35 percent of black consumers expect an improvement in the next year. Very few (15 percent) plan to buy household appliances and the Bureau expects spending on durable consumer goods to remain negative throughout the year

Consumer confidence will probably drop further in the third quarter, it says. Continuing layoffs, labour market instability and mass action will further shrink consumer spending already under pressure from falling disposable income This is likely to delay an economic upswing, says the Bureau, as private consumer spending contributes about 56 percent of gross domestic product

Any improvement in the financial position of consumers next year is likely to be very mild, confirms Mr Mohr Salary increases are unlikely to be much higher than this year and no increase in employment can be expected until the recovery has gathered momentum, he says Furthermore, upward pressure on government spending will probably leave no scope for tax relief to individuals "Consequently, any increase in private consumption expenditure will initially be largely dependent on declining inflation and interest rates"

Real private consumer spending dropped by 3,5 percent between the beginning of 1991 and the end of the first quarter of 1992, says Mr Mohr

"Given a population growth rate of approximately 2,5 percent per annum, this implies a drop in living standards per capita of some 6 percent," he emphasises

Partly as a result of the drought, 1992 will probably turn out to be the worst of the four recession years, says Mr Mohr At the beginning of the year most economists were expecting 1992 to be a year of renewed growth it now looks as if real gross domestic product will drop by 1,5 percent this year, he says And though there are indications of an upswing in 1993, it will very likely be slow and could at any time be jeopardised by political factors

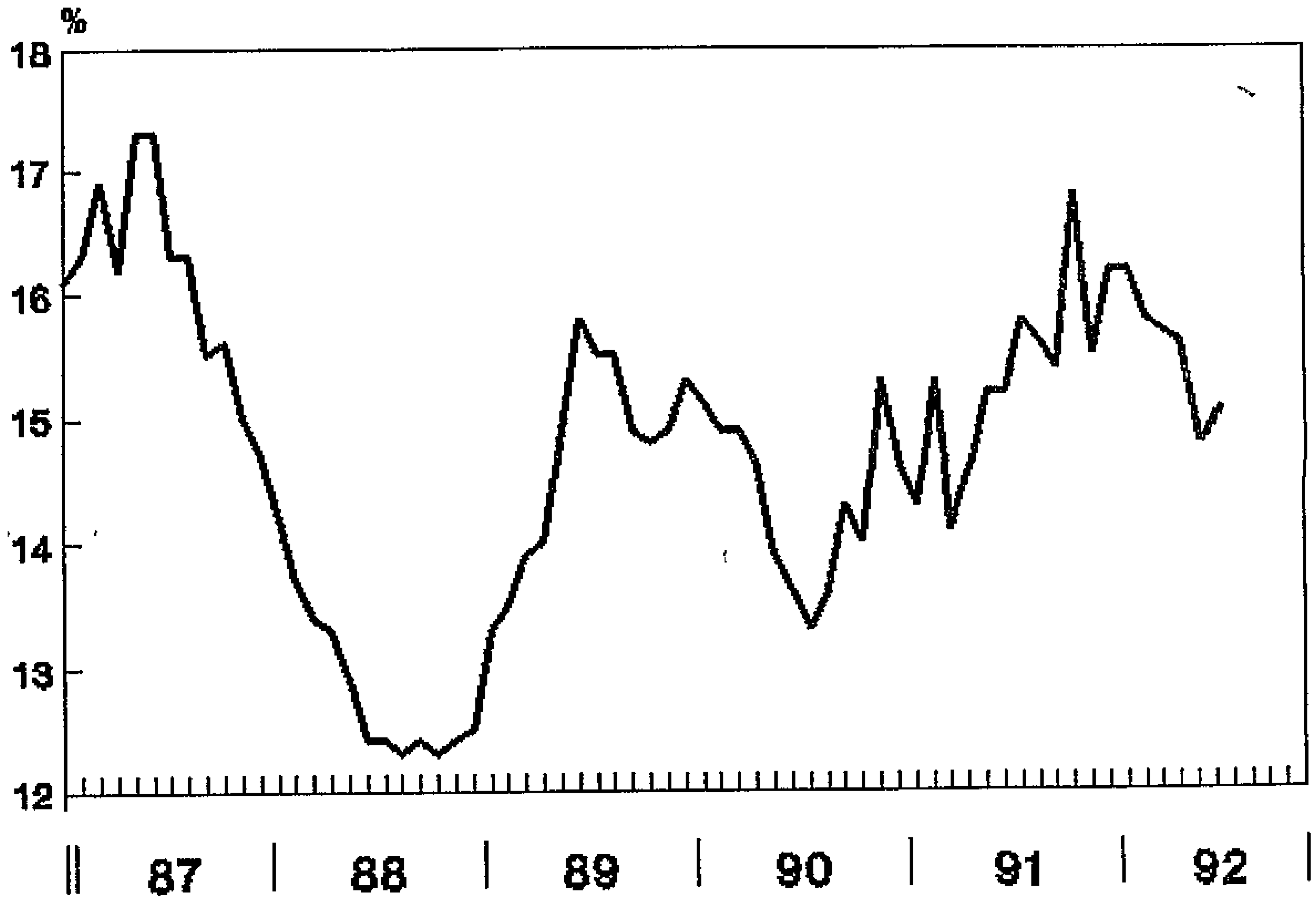
Board of Executors economist Mr Rob Lee also warns that the resumption of political negotiations and action to end violence are essential to sustained economic growth But, he says, if these conditions are met and if a Structural Adjustment Programme is adopted for the South African economy — possibly with the help of the International Monetary Fund and the World Bank — there are prospects for a "reasonable" recovery in 1993 and 1994.

The world economy is likely to pick up next year, says Mr Lee, rainfall patterns according to meterological data are likely to recover, foreign exchange reserves are rising and dropping inflation and interest rates will bring some relief to consumers and business

At the same time the rebuilding of inventories in companies will stimulate growth, fiscal policy will remain expansionary and even if general business confidence does not improve markedly, several big investment projects like Columbus and Alusaf will probably still go ahead All of these factors suggest that gross domestic product growth of 3 percent or more in 1993 is "feasible"

Essential aspects of a Structural Adjustment Programme, suggests Mr Lee, include cutting back on government spending, redirecting government investment towards key areas like housing and electrification, reducing taxes and tariff protection, lowering the value of the rand (and scrapping the financial rand), promoting manufactured exports and continuing to hold interest rates above the level of inflation

CPI INFLATION RATE



Threat of food price backlash

FURTHER food price rises would soon cause enormous socio-economic problems, SA Consumer Council executive director Mr Jan Cronje has warned

"Food prices have to be probed urgently," he said, pointing out that food prices were rising nearly twice as fast as the consumer price index as a whole Food prices rose 29,3 percent in the year to June

"South African consumers' real expendable income has shrunk considerably Moreover, millions of people are jobless Food, therefore, constitutes an every-increasing slice of consumer spending," Mr Cronje said

He urged the authorities and all those involved in the food industry to give the issue top priority Not only the economy but also the physical and spiritual wellbeing of the population were at risk, he said

The table below, taken from Central Statistical Office figures, shows price rises in major food categories over the year to June

Food prices changes June 1991 to June 1992	
Grain products	**up 19,0 percent**
Meat	**up 27,2 percent**
Fish and other seafood	**up 22,0 percent**
Milk, cheese and eggs	**up 25,7 percent**
Fats and oils	**up 23,9 percent**
Fruit and nuts	**up 42,3 percent**
Vegetables	**up 83,2 percent**
Sugar	**up 17,3 percent**
Coffee, tea and cocoa	**down 7,1 percent**
Other foods	**up 14,0 percent**
Non-alcoholic beverages	**up 20,5 percent**

Govt meat policy 'pushes up inflation'

ANDREW KRUMM

GOVERNMENT's tactic of stockpiling meat had contributed directly to inflation, Blue Ribbon CE and Pick 'n Pay director Gareth Ackerman said at the weekend

Addressing the Organisation of Livestock Producers' annual conference in Bloemfontein, Ackerman said Pick 'n Pay would be reluctant to buy these deep-frozen and lower quality meat stocks He said recent government allegations that the retail price of meat had contributed substantially to a 29,3% food price increase over the past year were damaging to the meat industry's already precarious reputation

"Rather than lash out at retailers, government should look to relax its own fiscal control, and remove excessive duties imposed on less expensive, quality imports"

Competitively priced meat imports would also keep prices under control should the drought continue to aggravate shortages, he said.

Government intervention in the red meat industry had bred dissatisfaction at all levels — from producer to consumer

☐ To Page 2

(244)

Meat

BIDAY 3/8/92

(244)

☐ From Page 1

"All agree the industry's objective should be to sell more red meat at competitive prices — and not less, more costly meat in the present stagnant market."

The red meat industry — worth more than R4,5bn in annual sales — was especially vulnerable to recession.

"Inflated prices have turned hard-pressed consumers away from red meat, compounding the already unstable situation of livestock farmers"

Meat price stability would be attained only by trading on a futures market and not through controlled and predetermined floor prices "Protectionism has failed everyone," Ackerman said

He added it was unlikely that a new administration would continue to protect an unprofitable farming sector, and those farmers dependent on protectionism should speedily reassess their opposition to the market system Productive and competitive farmers, however, had little to fear from a new government

A less constrained market system was likely to lead to a revival in the agricultural economy, which no government could tamper with, he said.

Speaking at the same conference, Deputy Agriculture Minister Tobie Meyer said the grazing situation was critical in many parts of the country and auction prices of beef had moved down to equal the floor price, or just above it, GERALD REILLY reports.

If the rains held off, producers would be compelled to market breeding stock. This would be a great loss to the industry. During 1990 and 1991, beef's share of the meat market was 43%, against 67,5% in 1960/61

This was due to the widening gap between producer and consumer prices. Producers received only 45% of the consumer's rand.

Meyer said average dam levels throughout the country had decreased by 20% over the past year. The number of districts partly or totally under the drought assistance scheme increased from 31 in July last year to 130.

Food price hikes 'may spark unrest'

(244)

BDAY 12/8/92.

STEPHANE BOTHMA

THE Consumer Council of Zimbabwe has warned that further increases in basic food prices could lead to unrest.

Bulawayo and Gweru residents told Business Day last week that starvation was not only caused by a shortage of maize and grain in the country, but by the unaffordability of commodities.

"Since the maize relief programme has come into operation, the shelves in the shops are well stocked, but because of the prolonged drought we have no money to buy food."

Consumer Council Matabeleland regional office spokesman Caroline Mlalazi told the Bulawayo Chronicle that the 50% increase on maize meal and the 65% and 67% increases on bread announced last week could lead desperate consumers to adopt "jungle law" to obtain food.

Economists say Zimbabwe's inflation has soared from about 15% to above 40% since price controls were lifted last year.

The Zimbabwe government will import 2,5-million tons of maize this year — the bulk being donated by countries such as the US, Argentina and Australia Japan and Vietnam are also supplying Zimbabwe, Malawi and Zambia with gifts of rice

The National Railways of Zimbabwe moves about 5 000 tons of relief maize into the country daily Although some maize is being dispatched to Malawi and Zambia, the bulk goes into silos at the Grain Marketing Board in Harare

It is then sent to the country's two major millers for processing before being sold.

Only a small number of Zimbabweans living in remote rural areas were receiving relief maize free of charge, said sources involved in the World Food Programme's distribution scheme

Inflation

Sapa-AP reports that President Robert Mugabe yesterday defended the increases, saying they were the result of the "worst drought in southern Africa this century"

Mugabe said his government had had no alternative but to raise food prices, as well as to divert substantial sums from Zimbabwe's state coffers to meet the compelling need for food and water.

He urged his countrymen to wage a new war of "economic liberation" in the face of mounting unemployment, runaway inflation and drought

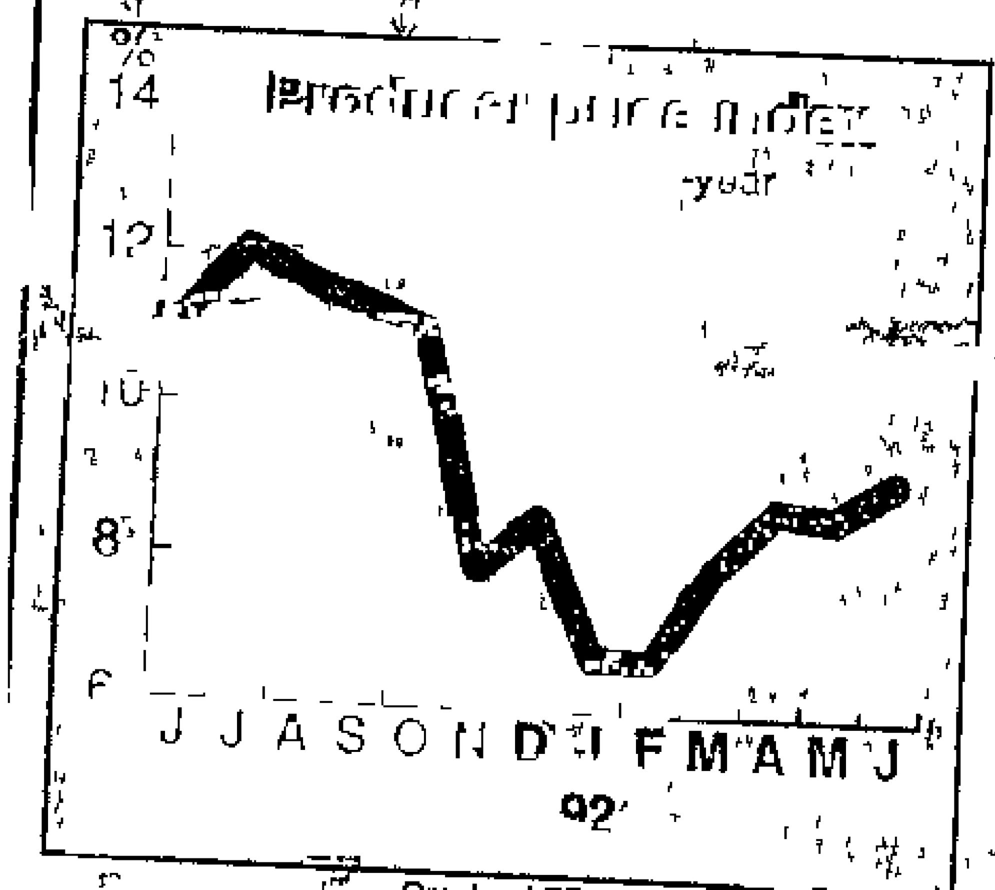
In recent months, the ruling party has been widely accused of corruption and economic mismanagement

Food prices help fuel rise in PPI

BDAY 12/8/92

HILARY GUSH (244)

FOOD price increases continued to lead producer inflation, which climbed to 9,2% in the year to June from the 8,7% posted in May, Central Statistical Service figures released yesterday showed



Graphic LEE EMERTON Source CSS

Monthly growth in the producer price index (PPI) jumped to 1,4% in June compared with May's 0,9% rise Prices for locally produced commodities were up 10,1% in the 12 months to June against the 9,4% rise recorded for May The annual rate of increase in prices of imported commodities remained unchanged at May's 5,9%, although the index showed a 0,5% monthly increase from May

The manufacturing food price increase climbed from an annual 9% in May to 11,5% in June This reflected a quickening in the price increase of fresh meat to 12,1% in the year to June, from 10,4% for May

Rand Merchant Bank chief economist Rudolf Gouws said the main culprit of rising producer inflation, as with consumer inflation, was food — a result of the

□ To Page 2

PPI

BDAY 12/8/92

(244) □ From Page 1

protracted drought

Processed food prices jumped 3,2% in June while the price of non-processed food rose 1,5% after a "staggering" 7,9% monthly increase in May

He said local producer inflation excluding food was 6,3% in the year to June compared with last year's 11,5% average This showed a major inflation slowdown in the non-food producing sectors.

Gouws was not concerned about June's rise in producer prices and did not expect it to spark off a renewed and sustained rise in producer inflation Consumer and producer inflation rates were converging, and he predicted that consumer inflation would come down steadily into 1993, falling to around 12,5% by year-end

Old Mutual chief economist Dave Mohr was encouraged as total producer inflation was still below 10% "It confirms the underlying consensus view that CPI inflation is going to fall to lower levels over the year," he said

Sanlam chief economist Johan Louw said the figure was in line with expectations and that agricultural products were the main offenders, showing an annual increase of 22,4%

Producer inflation had now passed its low and would fluctuate between 9% and 10% for the rest of the year Average producer inflation for 1992 would be about 9%, he said

Completion of BTT food report urged

CT 12/8/92

(2-44)

JOHANNESBURG — The South African Chamber of Business yesterday came out in strong support of the Board on Tariffs and Trade interim report on its investigation into price formation in the food chain.

Sacob said in a statement it supported the BTT's recommendations on deregulation and the assigning of a more positive role to the Competition Board.

The BTT's report, published yesterday, advocates that greater competition should be encouraged from abroad, provided this is fair competition and that statutory intervention should be terminated. But, it does not call for the abolition of the control board system

Sacob was of the opinion, despite the deregulatory measures taken in recent years, a range of controlling mechanisms impacts on the competitive process in the foood chain including the introduction of control measures and the direct or indirect participation of the State in economic activities

Sacob supported the proposal that statutory powers of the Control Boards be modified to allow a more market driven system to take effect

Sacob said there were inherent weaknesses in the single channel marketing system including a contrived pricing structure which could be remote from market needs, the assigning of considerable monopoly powers to a single agent or to selected agents and the necessity for complex and costly administrative structures.

The business organisation also approved the removal of quantitative import controls but expressed concern about the harmful effect of dumping

It agreed with the intention to clarify apparent discrepancies that existed in the calculation of the consumer price index and stressed this must be addressed urgently.

Sacob said it had submitted further comment to the BTT, and called for the finalisation of the BTT investigation as a matter of urgency

It said the apparent expansion of the informal sector's share in food retailing had important implications for the BTT probe. — Sapa-Reuter

Surging food prices bump up the PPI

(244)

CT 12/8/92

JOHANNESBURG. — Surging food prices that have long been affecting consumer prices surfaced too in June producer prices released yesterday by the Central Statistical Service

Economists say the different structure of the producer price index had until now saved it from the ravages of food inflation, which rose by a year on year 29,3% as measured in June's consumer price index (CPI)

Latest producer price data showed agricultural food and fresh meat prices rose by 1,5% in June from May. A year on year increase of 22,4% was recorded for agricultural food.

The all commodities increase in the producer price index was 9,2% in June after May's 8,7%

However, analysts said the increase was unlikely to affect hopes for a cut in official interest rates in the next few weeks providing consumer prices fall in line with expectations and money supply growth remains under control

Edward Osborn, chief economist at prominent banking group Nedcor, said agricultural food prices in the PPI were largely a reflection of organised agriculture such as marketing boards.

He said the PPI was now on an upward trend after hitting a low of 6,7% in January and February.

"There will be a tendancy for the PPI and CPI to converge towards about 11% to 12% at year end, possibly with the two crossing over in 1993," he said The year on year rate of increase in CPI in June was 15,1%

Standard Bank chief economist Nico Czypionka said it was encouraging that the rate of increase remained below 10% despite increases in food prices

"It shows there is great latitude for the CPI to fall," he said "Regrettably, it also shows inflation is not in free-fall in South Africa "

He said consumer price inflation figures for July were likely to show a year on year increase of 14,3%, and technical factors should see it fall to about 12% by year-end

"The question is whether it will carry on falling after that, and it probably will because of the weakness of the economy," he said — Reuter

BDAY 13/8/92

(244) (30)

Food price meeting

A TASK force comprising influential players in the food supply chain will hold a meeting to work out an action plan against food price inflation at the VW Conference Centre in Midrand today.

The Food Logistic Forum, chaired by Judge Cecil Margo, aims to bring about a sufficient reduction in the food price inflation rate to close the gap between the declining producer price index (PPI) and the still-rising consumer price index (CPI), Pick 'n Pay chairman Raymond Ackerman, a co-convener, says.

Pick 'n Pay chairman Raymond Ackerman in discussions at the Food Logistics Forum in Midrand last night Delegates resolved to approach government to consider zero rating VAT on basic foodstuffs

Picture ROBERT BOTHA

Forum to appeal for zero-rating on food

B DAY 14/8/92. 36 244

MARCIA KLEIN

MEMBERS of the Food Logistics Forum, which includes the major players in the food chain, said yesterday they would approach government to consider zero rating VAT on basic foodstuffs

The forum, which included 94 delegates representing farmers, marketing boards, agricultural co-operatives, manufacturers, wholesalers, retailers and consumer representatives, met yesterday under the chairmanship of Judge Cecil Margo to discuss "the constraints and costs which affect food inflation"

It outlined several key issues to be addressed in an attempt to bring food prices down, including

- Whether to put recommended prices on basic foodstuffs and whether to control some prices or let market forces reign,
- Whether the profits gained from import tariffs and duties should be used to lower prices on basic foodstuffs,
- To consider the status and function of marketing boards and how they could be restructured to protect the farmer and offer a more streamlined service to the manufacturer,
- To examine the cost issues with regard to retailer, manufacturer relations and the issue of economic concentration,
- To measure and improve productivity, strike action and shrinkage,
- To obtain clarity on the formulation of Central Statistical Services figures,
- To pinpoint the underlying causes of inflation, including electricity, water and interest rates, and
- To look at the gap between the price the farmer is paid and what the manufacturer pays

Pick 'n Pay chairman Raymond Ackerman said it was generally accepted that the marketing boards had a role and that farmers should stay on their land But the boards needed to be more marketing-orientated

Delegates said the sustainable importation of food was not viable Boards had a role to play but should be opened up to more competition

Ackerman said it was notable that the private sector was going ahead without waiting for government Ten task groups would be sent out to investigate the key issues, and the forum would meet again to examine their findings

Sapa reports that the task group on VAT will seek a meeting with Finance, Trade and Industry Minister Derek Keys shortly

Pick 'n Pay food director Sean Summers said there was no doubt VAT was having a severe effect on food price inflation He said the re-introduction of VAT exemption on basic foodstuffs could see the food price inflation rate fall by as much as 5% in the short term

Price of milk up by 18c a litre

STAR 14/8/92.

Milk 244

Staff Reporters

The price of milk supplied by two leading manufacturers — Dairybelle and Bliss/Nel — will rocket by 18c a litre from Monday when a litre of their full-cream milk will cost R2,40

Advising consumers to resist the increase by shopping around for the best price, a Dairy Board spokesman said the organisation was not empowered to intervene, since the milk industry was decontrolled in 1983.

Dairybelle general manager Jan Kotze justified the increase because farmers' costs had risen due to the drought and the unavailability of fodder

Challenged

But he was challenged by Northern Milk Producers' chairman Willie Fourie, who said he was unaware of any dairy farmer whose costs justified a 20 percent increase in the price of the milk they produced.

The Dairy Board spokesman said milk had been sold on a free-market system since deregulation

Effectively each buyer (in this case the manufacturer/processer of the product) put his own price on milk bought from the producer/farmer.

Manufacturers increased their prices on average twice a year

The latest increase follows claims by Dairy Board chairman Edu Roux, in an address to the Northern Milk Producers' congress this week, that the industry was heading for a milk surplus which could result in the producer price coming down.

By way of clarification, the board spokesman said that if the farmers oversupplied the manufacturers who were unable to handle the increased quantities, the farmers would be offered lower prices for their milk

100 meet to tackle food prices

(244) CT 14/8/92

JOHANNESBURG — More than 100 representatives of the food industry yesterday set up 10 task groups to tackle the surging food inflation rate — officially estimated at 30%

At a media briefing here following an all-day conference on the formation of prices in the food chain, Premier chairman Mr Peter Wrighton said two key areas had emerged

These were the impact of VAT on food, specifically the scrapping of zero-rating on basic products, and the official calculation of food price increases He said VAT had a 6% impact on food price inflation

The forum involved representatives from producers, marketing boards, agricultural co-operatives, manufacturers, retailers, wholesalers and consumers

Pick 'n Pay food director Mr Sean Summers said the task group on VAT would urgently seek a meeting with Finance Minister Mr Derek Keys

A fundamental change was required in the government's removal of tax exemptions on basic foodstuffs — Sapa

THE WEEK AHEAD by Simon Willson

Food prices isolated as inflation's last hurdle

BDAY 17/8/92

244

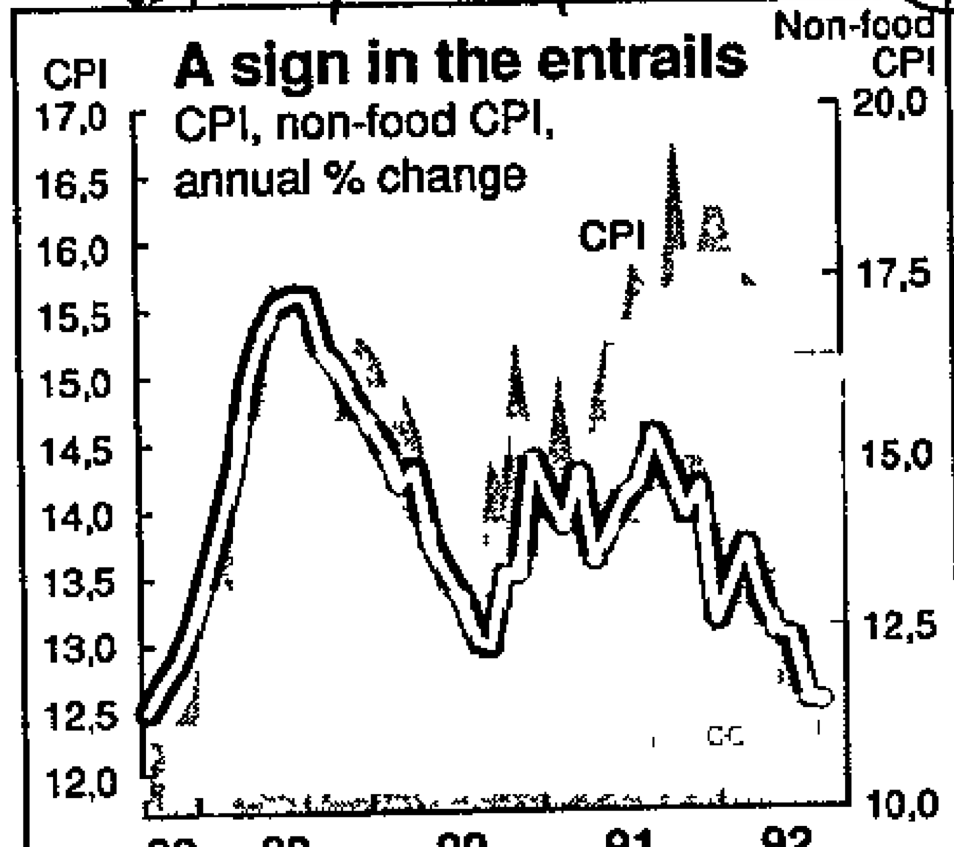
DISSECTION is a gruesome and painstaking process, but it offers probably the most enlightening way to preview the July inflation data which could be published at the end of the week

Inflation edged up in June to 15,1% from 14,8% in the year to May, but this apparently endless straddling of the 15% level need not yet cause a rending of garments in government or business circles

Although inflation stood at an almost identical 14,9% in the month, nearly three years ago, when interest rates were raised to their last cyclical peak (Bank rate to 18%, prime to 21%) specifically to bring inflation down, there are disinflationary forces at work now that were dormant then

The uptick in inflation in June was prompted by a fresh 11-year peak in food inflation Food prices surged 29,3% in the 12 months to June and are now, more than ever, the country's main inflationary problem But therein lies cause for hope Non-food inflation is slowing

It is only by dissecting the consumer price index (CPI) data that underlying trends such as the sustained dip in non-food inflation can be exposed The relevant parts of the CPI's entrails are revealed in full, gory detail in the chart, and the story they tell is quite encouraging



A sign in the entrails

Graphic RUBY GAY MARTIN Sources I NET SANLAM

Non-food inflation is at a four-year low It steadied at this low of 11,5% in June, and should ease again in the July data as the mortgage rate cuts effective from July 1 are reflected in the housing component of the CPI

Food is therefore left even more isolated in the CPI as the last inflationary obstacle. But food price increases are stubbornly high for cost-push reasons, not demand-pull ones Three years of deflation have successfully coshed nearly all the demand out of the nation's consumers, to the point at which food sales volumes themselves are falling — a sign of national distress if ever there was one

But no amount of credit squeezing will rein in food inflation Only a return of rain over the interior in the coming growing season, and the VAT effect falling out of the CPI in the fourth quarter, or giving food a VAT zero-rating as recommended last week by the Food Logistics Forum, will do that In the meantime, all the consumer can do is wait while inflation straddles 15% for a couple more months

Internationally, President George Bush could do with some favourable US economic statistics as he sits out the Republican Party's national convention, which starts in Houston today He can expect better housing starts tomorrow and a smaller trade deficit on Wednesday, but not much else

July housing starts are published tomorrow, and should rebound from a 3,2% fall to 1,2-million units in June Starts should by now be responding to the numerous mortgage rate cuts of the past year The US trade deficit jumped to a 18-month high of $7,38bn in May from April's $7,06bn, mainly on a fall in exports and a rise in the oil deficit Crude prices eased in the second half of June, which means the oil factor is probably neutral in the June trade balance Better agricultural exports should help to narrow the deficit

UK second-quarter GDP is due out on Wednesday, and looks unlikely to herald an end to Britain's longest postwar recession Earlier this year the Conservative election victory looked set to spark a recovery in confidence and, subsequently, growth too But UK private consumption is unlikely to have broken out of its seven-quarter falling trend in the three months to June, and another quarterly GDP drop looks in prospect — although a small one

UK July retail sales are also published on Wednesday, but Britain's high streets are barely ticking over Sales are basically flat, and have been for 18 months, while falling consumer credit shows a reluctance to change the trend June sales were down 0,2% and July's look static

In Japan the markets will be awaiting the latest instalment in a lengthening horror story the vanishing of the country's money supply growth The Japanese M2 aggregates for July are released on Friday and look poised to set another new record low at a growth rate even smaller than the 0,9% posted in June The June low marked the first time annual M2 growth had dipped below 1%, and was the third consecutive record low in as many months

As the Japanese economy slows, applications for credit to the major banks are more than a fifth down on a year ago The banks are less amenable to credit extension anyway, since the Tokyo stock market slide has eroded their capital bases Expectations for Friday's figure are centring on 0,5%, with many analysts resigned to seeing the rate go negative before the end of the year

Producer prices rise (244)

PRODUCER price inflation for June rose to 9,2 percent compared with June 1991.

This is slightly up from May's year-on-year rate of 8,7 percent. The increase was due to a rise in the price of imported commodities and big monthly increases in food.

14-8 - 20/8/92

Forum to lobby for variable VAT rates

B IDA 9 20/8/92. 244

LINDA ENSOR

CAPE TOWN — The Food Logistics Forum is to lobby for a differentiated scale of rates for VAT on different goods, Pick 'n Pay chairman Raymond Ackerman said yesterday

A forum delegation is to present its proposals to Finance Minister Derek Keys in about 10 days

Ackerman said the forum — which met last week — wanted all food to be zero rated, or alternatively wanted basic foodstuffs to be zero rated and other food rated at 5%

Basic items such as clothing should be rated at 10% and luxury goods at 20% He said this would reduce food price inflation to 10%

Calculations on the effect of these proposals on total VAT revenue were being undertaken However, Ackerman conceded that in the past government had opposed the idea of differentiated rates as this would make it easier to avoid paying VAT

He also disclosed that Central Statistical Service (CSS) head Treurnicht du Toit had agreed to publish two rates of food inflation in future — one for the chain stores and one for smaller retailers

He said independent consultant Louis Heyl had calculated that the food inflation rate at the chain stores, which sold about 55% of all food in SA, was 15,6% plus 6% for VAT which gave a rate of 21,6%

This compared with the CSS rate of 28,5% for food inflation which Ackerman said meant that the smaller outlets were charging excessive mark-ups of as high as 100%

He said a differentiation of food inflation rates would open the way for joint ventures between the chain stores and the smaller retailers with the aim of bringing down food prices Ackerman said the larger chains could take a minority stake in the smaller outlets

● Comment. Page 8

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FOOD PRICES

FM 21/8/92 (244)

How much is too much?

Hopes of an immediate solution to the mounting food price uproar faded quickly last week when delegates at the country's first forum to examine the issue took refuge behind VAT and the alleged inconsistencies of government's inflation statistics

Farmers, manufacturers, wholesalers, distributors, retailers, control boards, agricultural co-operatives and consumer bodies were represented at the Food Logistics Forum, at Midrand, which was the result of the outcry after the Central Statistical Service announced in May that annual food inflation had hit 28,4%.

At that point, Premier Group chairman Peter Wrighton spoke to Finance Minister Derek Keys, who suggested the industry's operators should get together and study the situation Wrighton spoke to other leaders in the industry and a working committee was formed to organise the conference, which drew 92 delegates from across the food chain The public and press were excluded "Some of the delegates were apprehensive about speaking openly and frankly in front of the press," Wrighton says

Both consumers and the food industry hoped that the problems would be isolated, analysed and cured in the glaring spotlight of free discussion, under the chairmanship of Mr Justice Cecil Margo, but the situation appears to be more complex than ever

The forum listed 22 key areas that need investigation Ten are to be "actioned immediately " Delegates agreed that VAT, introduced last September, is the chief culprit behind recent food inflation and that a task force would investigate the issue and approach government to negotiate the zero-rating of basic foodstuffs

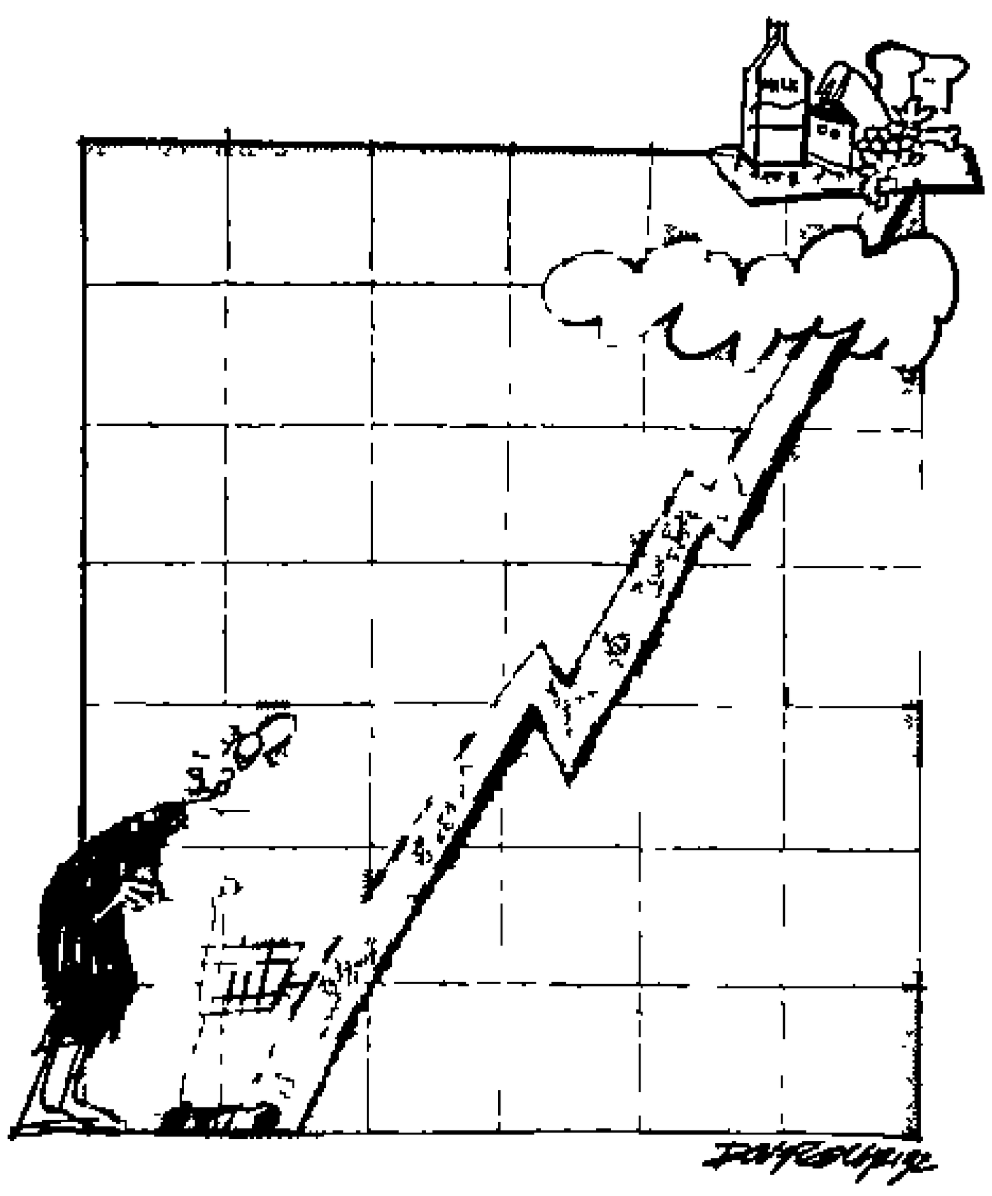
"Difficulties with CSS inflation statistics" is seen as the second-greatest problem Last year the service goofed more than once on its monthly statistics and its accuracy was once again questioned by delegates, who were sceptical of the terrifying 29,3% year-on-year figure released for June's food inflation

"We're not attacking them," Wrighton says, "but we think we will have to go into them more carefully "

The forum recently commissioned consultants Louis Heyl & Associates to do an independent study of three of the major food retailers The investigation found annual food inflation at these three supermarket-chains to be 15%, with VAT adding another six points, boosting their overall food inflation figure to 21%

"If the CSS figures are correct, it means that the rest of the market, which is made up of smaller retailers and the informal sector, must have inflated prices around 38%," Wrighton says As a result, the industry has to get to grips with the CPI figures and a second working group is being formed to deal with this

CSS head Treurnicht du Toit says changing the weighting of the CSS basket would not make much difference to the final figure



Break down CPI

Delegates agreed that the food CPI needs a subdivision which would separate the chain stores from the other retailers, but this would be a problem in the short term because of limited resources, Du Toit says, stressing that the industry does not have "any problem with CSS methodology "

Industry officials agree, but say what is needed is a more sensitive measurement mechanism

The industry also plans to look at using the revenue from import duties and profits from food imports to lower the cost of food "This revenue, which exceeds R600m a year, is going straight into government coffers at the moment," Wrighton says.

The forum debated whether there should be a recommended price on basic foodstuffs such as bread as a self-regulatory mechanism "We really want the smaller trader to take a smaller margin but a larger turnover," Wrighton says

Task forces are also being formed to investigate other problem areas, which include.

- ☐ The economic costs of transition, such as strikes, shrinkage and falling productivity,
- ☐ The status and function of the marketing boards and how they could be restructured to protect farmers but become more market-orientated,
- ☐ The issues of retailer/manufacturer relations and the thorny question of economic concentration,
- ☐ The gap between what farmers are paid for their produce and the price the manufacturer pays,
- ☐ What causes inflation and to what extent interest rates and electricity, water and effluent utilities are affecting food costs, and
- ☐ The efficiency of the food distribution chain

The task forces will comprise representatives from all sectors of the food industry, with a pool of talents and backgrounds in each group Media representatives could also be invited to join them, Wrighton says

Meanwhile, food prices remain high and consumers will have to tighten their belts a little more and wait for the task forces to report back to the steering committee Report-backs are due in three months ■

LIGHT BULBS

Dark days for consumers

The local light-bulb industry completed a two-year effort this month to keep imported bulbs out of the country The result has been predictable prices have jumped by up to 60% in the past year and consumers increasingly complain of poorer quality

In the past two years, the industry has helped to persuade government to hike import duties sharply, clamp down on import permits and implement stringent SA Bureau of Standards specifications Cheaper imported bulbs have been all but banned

This month, the bureau gazetted yet another regulation — the type of fuse used must now be shown on all bulbs It claims its requirements are aimed only at ensuring safety and says it's received a host of complaints in recent years about bulbs without fuses, which may explode at the end of their life spans

The rule, however, appears to be a clear case of a nontariff trade barrier Importers say the requirement is unheard of elsewhere in the world and that foreign manufacturers are unlikely to go to the trouble of stamping the fuse type only on bulbs shipped to SA The bureau won't even accept the information on the package So importers fear that the move is, in effect, a blanket prohibition on all bulb imports

Shaun Toner, MD of wholesaler and importer Dynamic Distributors, says "The local manufacturers can't make their products at a price that can compete with imports They are simply trying to eliminate the competition "

He adds that the manufacturers' campaign started two years ago when government dropped the 15% surcharge on goods from eastern Europe This paved the way for

'Fuel price hike can be staved off'

(240) BIDAY 26/8/92.

GERALD REILLY

PRETORIA — Mineral and Energy Affairs' fuel stabilisation fund was coming under increasing pressure, but was likely to be able to hold out until the year-end without a fuel price increase, a department source said.

Last month the underrecovery on 93 octane petrol on the rand amounted to a huge 14,650c/l. This was the fifth consecutive month of under-recovery ranging from 0,778c/l in March to 9,459c/l in June

Economists said while the stabilisation fund might be able to hold off a petrol price hike, government could raise the petrol tax at any time. Another option would be to raise VAT.

A major reason for the big jump in July was the increase in wholesalers' margins of 4c/l and in retailers' margins of 2,1c/l from July.

A department statement said yesterday the international market price of refined petroleum resulted in a decrease in July's landed cost.

the impala mineral process plant in Bophuthatswana

"Rammy sustained serious leg and shoulder injuries and is currently in a stable condition at Impala's hospital in

the athlete might never walk again, Tshabalala made a remarkable recovery, competing in the ultra marathon again earlier this year. — Sapa

Rammy Tsebe

STAR 27/8/92

DP hammers supermarket bosses

By Peter Fabricius
Political Correspondent

The Democratic Party has slammed Pick 'n Pay chief Raymond Ackerman and other supermarket bosses for claiming to be the consumer's friends while imposing "enormous" mark-ups on food prices.

DP Yeoville MP Douglas Gibson told a report-back meeting in his constituency last night that Mr Ackerman had received a great deal of favourable publicity from a recent high-level summit on food prices.

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The conference was closed and only three important matters emerged: that VAT on food should be abolished, that the consumer price index had to differentiate between food prices at supermarkets and those at other stores, and that an investigation was to be carried out.

"With great respect ... the whole thing looks to me and to the consumers of South Africa like a public relations exercise," Mr Gibson said.

No concrete proposals had emerged for cutting food inflation. "The very people who claim to be the consumer's friends are the people who feel able to impose enormous mark-ups," he said.

Retailers blamed for delay in CPI data

(244)

CT 28/8/92

Own Correspondents

JOHANNESBURG — Retailers were to blame for the delay in the release of the July CPI data and they could face prosecution, Central Statistical Services (CSS) chief Treurnicht du Toit said yesterday

Du Toit said July CPI would be released two weeks late as retailers (respondents) had not sent in their returns for the month

At the same time, the Reserve Bank has come under fire from the money market for the late release of data However, a Bank spokesman said there was no official publication date The Bank's guideline was 15 working days after month-end

The spokesman said if there was some deviation in the data, this first had to be investigated before the figures could be published

Money supply was due to be released earlier this week.

He said certain banks did not comply with Bank regulations and reported data incorrectly or late

In another development, official sources said yesterday right-wing farmers were withholding vital agricultural data from CSS in an attempt to obstruct central government The sources said the farmers were being prosecuted

Du Toit confirmed that a number of farmers were being prosecuted

But Transvaal Agricultural Union (TAU) president Dries Bruwer said farmers were suspicious of government's motives for wanting the data "At a recent meeting of the TAU, farmers said they did not want the data to fall into the hands of the ANC"

SA Agricultural Union chief economist Koos du Toit said the union was concerned about the situation "This data is vital for the health of the industry," he said

CSS had attempted to tackle the problem diplomatically, he said, but was still having difficulty gathering the data For example, some returns from the 1988 agricultural census remained outstanding He said the union was setting up a new system of gathering data through its regional offices

An agriculture source said farmers thought questions on CSS questionnaires were irrelevant "They call them 'pampoen' forms," he said

Du Toit said in the case of July CPI, not enough returns had been submitted for the service to calculate reliable data CSS required a return of more than 80% from across the spectrum to calculate its data

A senior capital market dealer said the CSS should set a date and time for the release of the data and stick to it

Retailers blamed for CPI delay

TIM MARSLAND and HILARY GUSH (244)

RETAILERS were to blame for the delay in the release of the July CPI data and they could face prosecution, Central Statistical Service (CSS) chief Treurnicht du Toit said yesterday.

Du Toit said July CPI would be released two weeks late as retailers (respondents) had not sent in their returns for the month.

"Retailers do not always realise the importance of the data. We are looking at improving our system for identifying those to be prosecuted," he said

At the same time, the Reserve Bank has come under fire from the money market for the late release of data. However, a Bank spokesman said there was no official publication date The Bank's guideline was 15 working days after month-end

The spokesman said if there was some deviation in the data, this first had to be investigated before the figures could be published "This takes time."

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But Transvaal Agricultural Union (TAU) president Dries Bruwer said farmers were suspicious of government's motives for wanting the data. "At a recent meeting of the TAU, farmers said they did not want the data to fall into the hands of the ANC. They were apparently concerned about

To Page 2

Retailers

BDay 28/8/92

(244)

From Page 1

what the ANC would do with the information"

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An agriculture source said farmers thought questions on CSS questionnaires were irrelevant "They call them 'pampoen' forms," he said

The CSS's Du Toit said he preferred not to take tardy respondents to court "We prefer a co-operative approach"

There were no cases pending against CPI respondents, he said The Statistics Act makes provision for a R1 000 fine and/ or a R50 a day penalty for late returns

Du Toit said in the case of July CPI, not enough returns had been submitted for the service to calculate reliable data CSS required a return of more than 80% from across the spectrum to calculate its data

A senior capital market dealer said the CSS should set a date and time for the release of the data and stick to it It was "unprofessional" to release the data in an ad hoc fashion

Food relief task-force plan

Weekend Argus Correspondent 3920 244

PRETORIA. — Members of the Consumers Union said yesterday that in the face of food inflation increases by about six percent since the implementation of VAT, more efficient relief programmes were necessary. 29/8/92 ARG

The forum is planning a task force to seek alternative methods of relief in conjunction with the Departments of Agriculture and Health.

Inflation first — Stals

S Times (Buss) 30/8/92

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By CIARAN RYAN and ZILLA EFRAT

A LARGE drop in consumer price inflation is needed before interest rates can be cut, says Reserve Bank Governor Chris Stals.

He was commenting on the M3 money-supply data released on Friday. They showed an increase of a percentage point to 10,16% between June and July

Consumer price index figures are due in a few days. They will have to decline from 15,1% to below 14% before the Reserve Bank will contemplate a drop in bank rate.

Growth in M3 — the broadest definition of money supply in the economy — is at the top end of the Reserve Bank's 7% to 10% target.

Dr Stals says he is happy that the increase "is still within the target range"

"There is bound to be some variation in money-supply growth within the target range. That is acceptable."

He says current bank rate of 15% is appropriate and cannot be considered restrictive because it is slightly below the June CPI of 15,1%.

"The fact that the daily balance on our lending book to the commercial banks is between R2-billion and R5-billion (the so-called money-market shortage) indicates that they are happy to lend at this rate."

A few months ago, when the rate was 16%, the money-market shortage was about R1-billion.

Dr Stals brushes off suggestions that Reserve Bank monetary policy is unnecessarily restrictive because of the severity of the recession.

He says the rand appreciated by a real 1,6% against a basket of currencies in the 19 months to July, notwithstanding inflation rate differentials between SA and its major trading partners. In nominal terms the rand depreciated by 7,9% against a basket of currencies.

Frankel Max Pollak Vinderine economist Mike Brown says the view coming from the bank is that the figures show a statistical aberration, not a strong resurgence in credit demand. However, the drought may have caused extra demand for credit.

Food up 30%

244 CT 1/9/92

Highest rise in 80 years

By AUDREY D'ANGELO
Business Editor

FOOD prices have soared by a massive 30,4% — the highest rise in 80 years — compared with an already high 29,3% in June.

But lower mortgage bond rates helped to slow the consumer price index (CPI) inflation rate for July to 14,6% compared with 15,1% in June, according to figures released yesterday by Central Statistical Services

Economists — pointing out that without food the inflation rate would have been only 10,9% year on year compared with 11,5% in June — said they expected the fall to continue, and the bank rate to be cut again at least once before the end of the year

July's food inflation rate was the highest measured since official data were first recorded in 1910 The only other recorded food inflation rate above 30% was the 30,1% posted in February 1981

Economists attributed the continuing surge in food prices to the effects of the drought. Food inflation could be expected to slacken with a resumption of normal summer rainfall over the interior

Food makes up a larger percentage of the spending of the lower income group than others, and this group was the hardest hit by inflation The lower income index rose 15,6% year on year compared with 15,3% in June and 15,8% in July last year

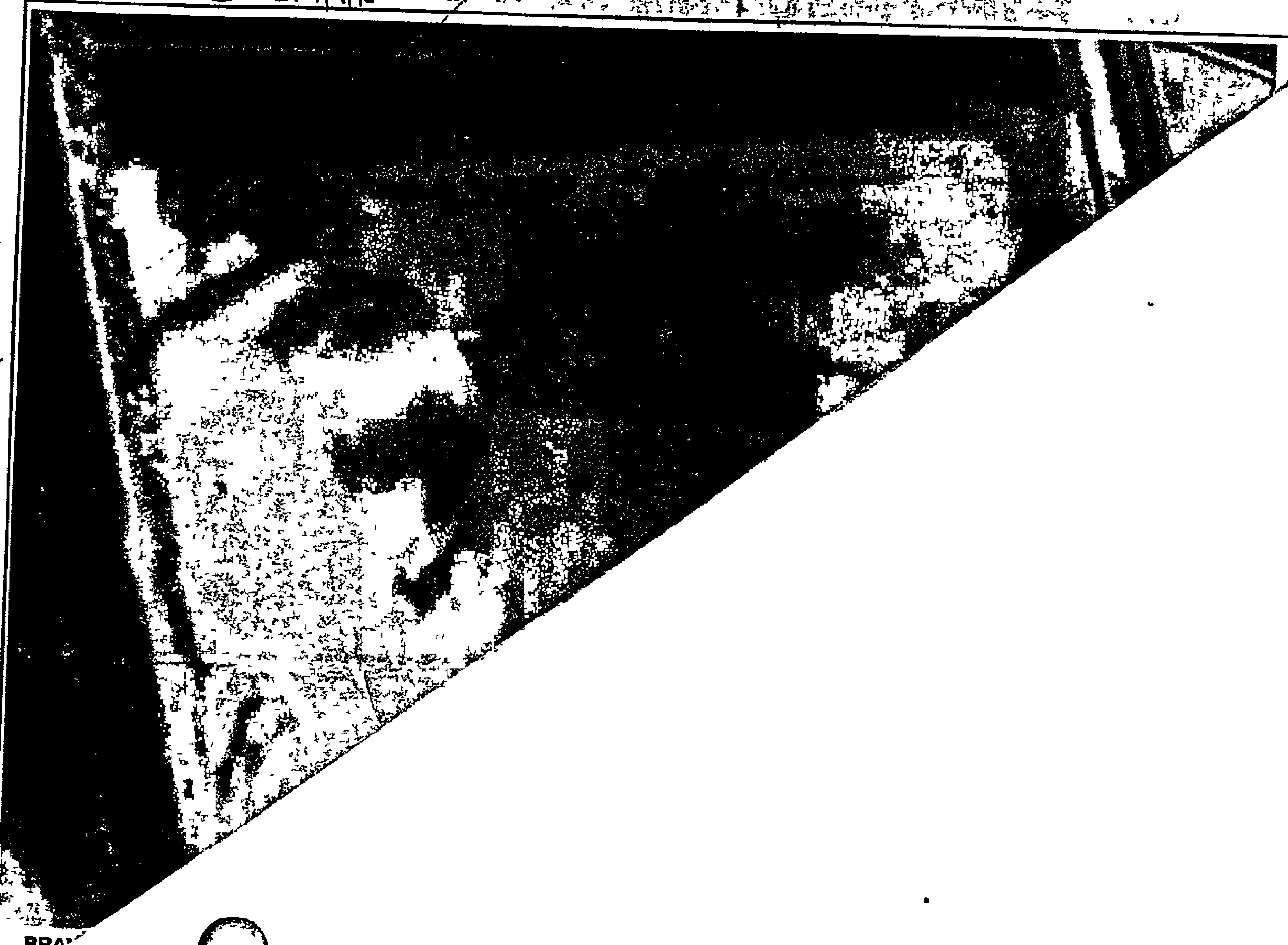
The middle income group index rose by 15,4% year on year compared with 15,6% in June and 16,3% in July last year

The higher income group inflation fell to 14% from 14,6% in June and 15,7% in July last year

Old Mutual chief economist Mr Dave Mohr said the small monthly increase was "quite encouraging although food prices are still stubbornly high. Meat prices, as well as fruit and vegetable prices, rose and kept the index high

Southern Life chief economist Mr Mike Daly said it was important psychologically that the monthly inflation rate had fallen to a single digit.

Dr Ockie Stuart, head of Stellenbosch University Bureau for Economic Research, was optimistic that the downward pattern would continue



BRA

Signs augur well for decline in inflation

STAR 1/9/92.

(244)

By Sven Lünsche

While escalating food prices prevented a meaningful fall in the overall inflation rate in July, there are strong indications it could drop to about 12 percent by year-end.

The Central Statistical Service said yesterday the Consumer Price Index (CPI) showed a 14,6 percent rise from July '91 to July this year.

In June, the inflation rate was 15,1 percent.

On a monthly basis, the CPI increased by a seasonally adjusted 0,8 percent.

Despite the surge in food costs, which make up about 20 percent of the goods that comprise the CPI basket, economists are confident that a further fall in inflation can be achieved.

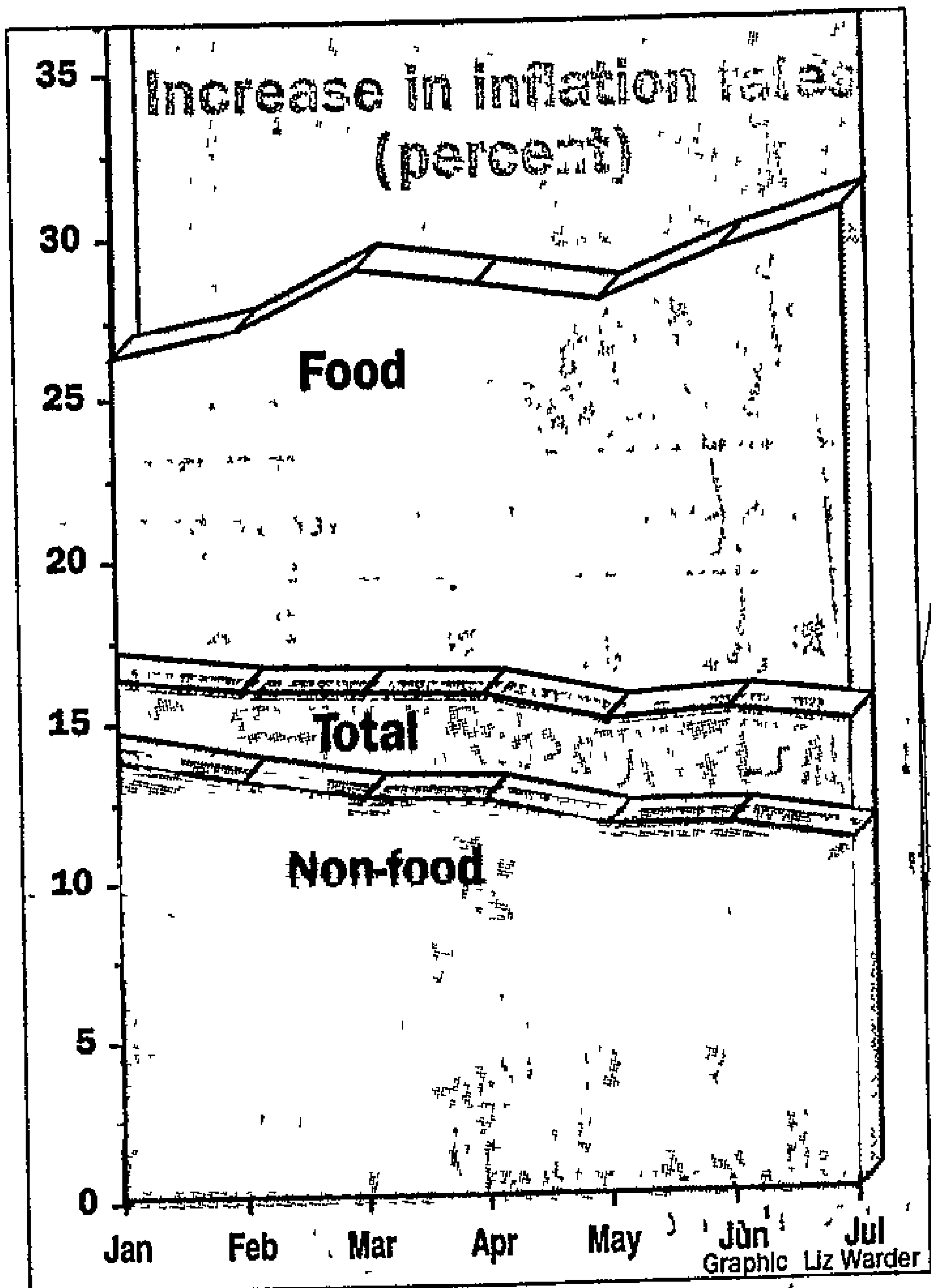
This is confirmed by analysis of recent CPI figures

Excluding food — which rose by 30,4 percent year-on-year in July — the overall inflation rate would have recorded a more moderate 10,9 percent, compared with 11,5 percent in June and 13,7 percent in January this year

On a monthly basis, the total CPI so far this year has shown a mere 6,8 percent rise which, when annualised, points to a 11,7 percent inflation by December

In the Reserve Bank's recent annual report, Governor Dr Chris Stals said the quarter-to-quarter rate of the CPI had decelerated sharply recently — from 18,8 percent in the fourth quarter last year to a mere 12,8 percent in both the first and the second quarter of this year.

In October this year the CPI will also discount the impact of VAT, which was introduced in October last year.



Graphic Liz Warder

Apart from statistical factors, other economic developments could also have a favourable impact on inflation over the next few months

Last month's cut in the bond rate by a 0,75 percentage point will further reduce the housing index of the CPI, which also has a weighting in excess of 20 percent.

In July, the earlier one-percent cut in the bond rate contributed to a monthly 0,2 percent decrease in the price index for housing.

Furthermore, producer price inflation has been running at around 10 percent since the beginning of the year, a trend which eventually should work its way through to the consumer level.

"It would appear that the restrictive monetary policy of the past few years and the accompanying slowdown in general economic activity have contributed to a considerably slower increase in the price of non-food items," says Sanlam economist Johan Louw.

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ARG 1/9/1992

Food price rise highest in Cape

Staff Reporters

FOOD prices a rising faster in the Peninsula than in any of the country's 12 urban centres — they are a staggering 35 percent higher than a year ago, according to government figures.

In July, food prices were 35 percent higher than a year earlier, reported Central Statistical Services today while food inflation for the whole country was 30,4 percent

Unlike the rest of the country, where the general inflation rate dropped to 14,6 percent, the Peninsula's inflation rose to 17,7 percent from 13,3 percent in June

A row has erupted over the increase in food prices with consumer anger reaching boiling point

The Democratic Party described the soaring cost of food as a national crisis and called for drastic action to curb prices, which it said were almost doubling every 2½ years

The Housewives League said consumers were not only furious but in despair

One of the country's biggest food retailers claimed that the government figures were "inaccurate and frightening the whole country"

Inflation, as measured by the consumer price index, slowed to 14,6 percent in the year to July compared with 15,1 percent in June But without food, the rate would have been 10,9 percent

The drought and VAT were blamed for boosting food inflation Consumer organisations and others renewed demands for the removal of VAT from basic foods

Democratic Party finance spokesman Mr Ken Andrew called for drastic measures, including the removal of VAT from food and steps to address the issue of agricultural control boards

He said steps should also be taken to allow cheap food to be imported, to expose monopolies and cartels and to step up hunger relief programmes

He said rapidly rising food prices needed to be recognised not merely as a major problem but as a national crisis

"Even before the prolonged recession a child was dying every 20 minutes from starvation One shudders to think what the position must be now," he said

"In a situation in which the cost of food is almost doubling every 2½ years, the government should take immediate action and not simply appoint another committee to investigate what should be done"

Consumers were not only angry at soaring food prices but were in despair, said Housewives League national vice-president Mrs Sheila Baillie

Food inflation — that things can get to this state — is a "dreadful indictment of the economy generally"

Ms Lisa Seftel of the VAT Co-ordinating Committee said less food was being bought because people simply could not afford it

"People are eating less because the prices are increasing this has major implications for nutrition and several other things," she said

Housing costs slow underlying rate

Inflation dips despite high food prices

BDay 1/9/92 (244)

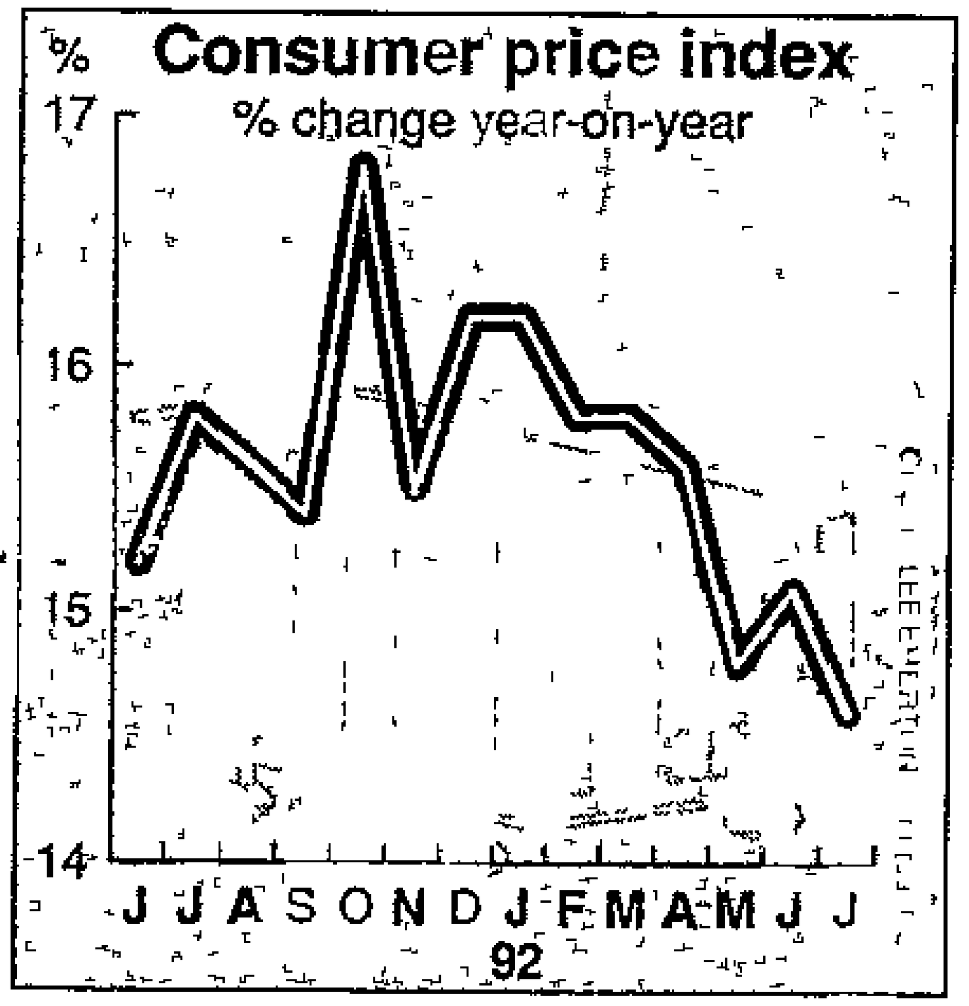
HILARY GUSH

INFLATION slowed to a 15-month low of 14,6% in July despite record food inflation, which topped 30% for only the second time since records began

Although the headline inflation rate eased by only half a percentage point from June's 15,1%, indicators of underlying inflation were lower across the board according to Central Statistical Service (CSS) figures released yesterday

Inflation excluding food slowed to a fresh four-year low, inflation excluding VAT dipped to its lowest level since the tax was introduced, and inflation as measured by constant 1990 weights was more than a percentage point down on June's level

Economists said the data confirmed expectations that inflation as measured by the consumer price index (CPI) was on a sustained downtrend and was likely to approach 12% by the end of the year



July's food inflation rate, at 30,4%, was the highest measured since official data were first recorded in 1910 The only other recorded food inflation rate above 30% was the 30,1% posted in February 1981

Economists attributed the fresh surge in food prices to the effects of the drought Food inflation could be expected to slacken with a resumption of normal summer rainfall over the interior

The main contributor to the slowing rate of underlying inflation was housing costs, which fell 0,2% in July following a cut in home loan rates CSS said the fall in housing costs would be greater but for increases in local authorities' service charges, rates and taxes

Housing, at 20,5%, holds the biggest weighting in the basket of consumer goods used to calculate the CPI, outweighing food's 18,6%

Excluding food, consumer inflation fell to 10,9% in July from June's 11,5% — the lowest rate since August 1988 Excluding VAT, inflation slowed to 13,2% from 13,7% in June, the smallest rise since VAT's introduction last September

July inflation measured at constant 1990 weights measured 13,7% against June's 14,9% — the lowest since 1990 weights were introduced in August last year The headline inflation figure of 14,6% still arises from comparing the current CPI at 1990 weights with last year's CPI at 1985 weights

Afrikaanse Handelsinstituut chief economist Nick Barnardt said although food inflation was so high, it was "good

To Page 2

Inflation

BDAY 1/9/92 (244)

From Page 1

news" that the underlying inflation rate was down It was a confirmation of the long-held view that inflation would start to decline in the second half of this year.

"We expect this process to continue in the coming months, with inflation falling to between 12% and 12,5% by year-end

"At 10,9% non-food inflation is pleasing It is beginning to reflect lower producer inflation figures It would not be surprising to see single-digit non-food inflation by December "

A normalisation of climatic conditions and the efforts of bodies such as the Food Forum and the Board on Tariffs and Trade would, he hoped, reduce food inflation by next year

A fall in the overall rate of inflation would then provide scope for a further decline in interest rates, he said.

Head of Stellenbosch University's Bureau for Economic Research, Ockie Stuart, had, for technical reasons, expected inflation to start a steady decline in July. As month-on-month inflation had increased sharply between July and October last year, the base on which to compare inflation figures in 1992 was high, he said

The effects of the drought and the fact that business had used VAT as a smokescreen to increase prices earlier than its implementation date had contributed to the high base, he said

Stuart was optimistic that the downward pattern in overall consumer inflation would continue He expected a sharp drop in October when the effects of VAT's introduction "fell out of the picture"

Rand Merchant Bank chief economist Rudolf Gouws said the lower consumer inflation figure confirmed the long downward trend in underlying, ex-food, inflation "As producer inflation fell to around 6,5% in July and increases in wages and salaries are slowing, everything is in place for a cyclical drop in inflation

"Food remains the bugbear," he said

Gouws expected food inflation to decline over the year as "normality" returned to agriculture "The relative price of food has risen so sharply and off such a high base that this rise cannot be sustained"

Anger at soaring prices

STAR 1/9/92 (244)

Cost of vegetables rockets by 88% in one year

By Zingisa Mkhuma and Sven Lunsche

A rise in food price inflation to its highest levels in more than 10 years has strengthened calls by consumer groups and manufacturers for a VAT zero-rating on basic foodstuffs

The Central Statistical Services (CSS) reported yesterday that food prices between July 1991 and July this year surged by 30,4 percent, led by a staggering 88,7 percent rise in the cost of vegetables.

Other food items which showed large annual increases include meat (27 percent), dairy products (26,2 percent) and grain products (19,6 percent)

Signs augur well for decline in inflation — Page 18

Coordinating Committee VAT (Vatcom) spokesman Bernie Fanaroff said the Government and the private sector had to start paying attention to consumer anger at the esclating food prices

"The private sector has begun to understand the depth of the anger of consumers. We have had discussions with the manufacturers and are considering another campaign on fighting food inflation," he said.

Pick 'n Pay boss Raymond Ackerman said rising food inflation would strengthen his resolve to push for the zero-rating of VAT on basic foodstuffs

But he disputed the CSS figure of an annual 30,4 percent rise in food costs

Mr Ackerman led a group of Food Forum representatives who met Finance Minister Derek Keys last week to push for zero-rating of foodstuffs

Mr Keys, however, ruled out the immediate zero-rating, arguing that this would not bring about a reduction in food prices

He said, however, that he would consider their submission, which also included a higher-rated VAT, when tax changes were made early next year

Mr Ackerman estimated that inflation was at 21 percent for chain stores and between 38 and 40 percent for the smaller stores

He said that if 6 percent for VAT was taken off the amount, then food inflation was left at 15 percent for the chain stores

Dr Fanaroff, however, said the CSS figures seemed correct "The private sector tells us that the CSS figures are not reliable — we need proof of that because consumers were feeling the food inflation in their stomachs and in their pockets," he said

Housewives League spokesman Nona Brown also disagreed with Mr Ackerman, arguing that the introduction of VAT had pushed up the cost of most consumer items

Ms Brown said "I don't believe what he is saying Look at the chicken prices Last year one could buy chicken for R4,99 but now it has gone up to over R10"

Escalating food inflation has also prevented a larger fall in the overall inflation rate Excluding food, the inflation rate would have registered a fairly moderate 10,9 percent rise — instead, it fell only slightly from 15,1 percent in June to 14,6 percent in July

Consumers received a benefit in July from the 1 percent cut in the bond rate which came into effect during the month.

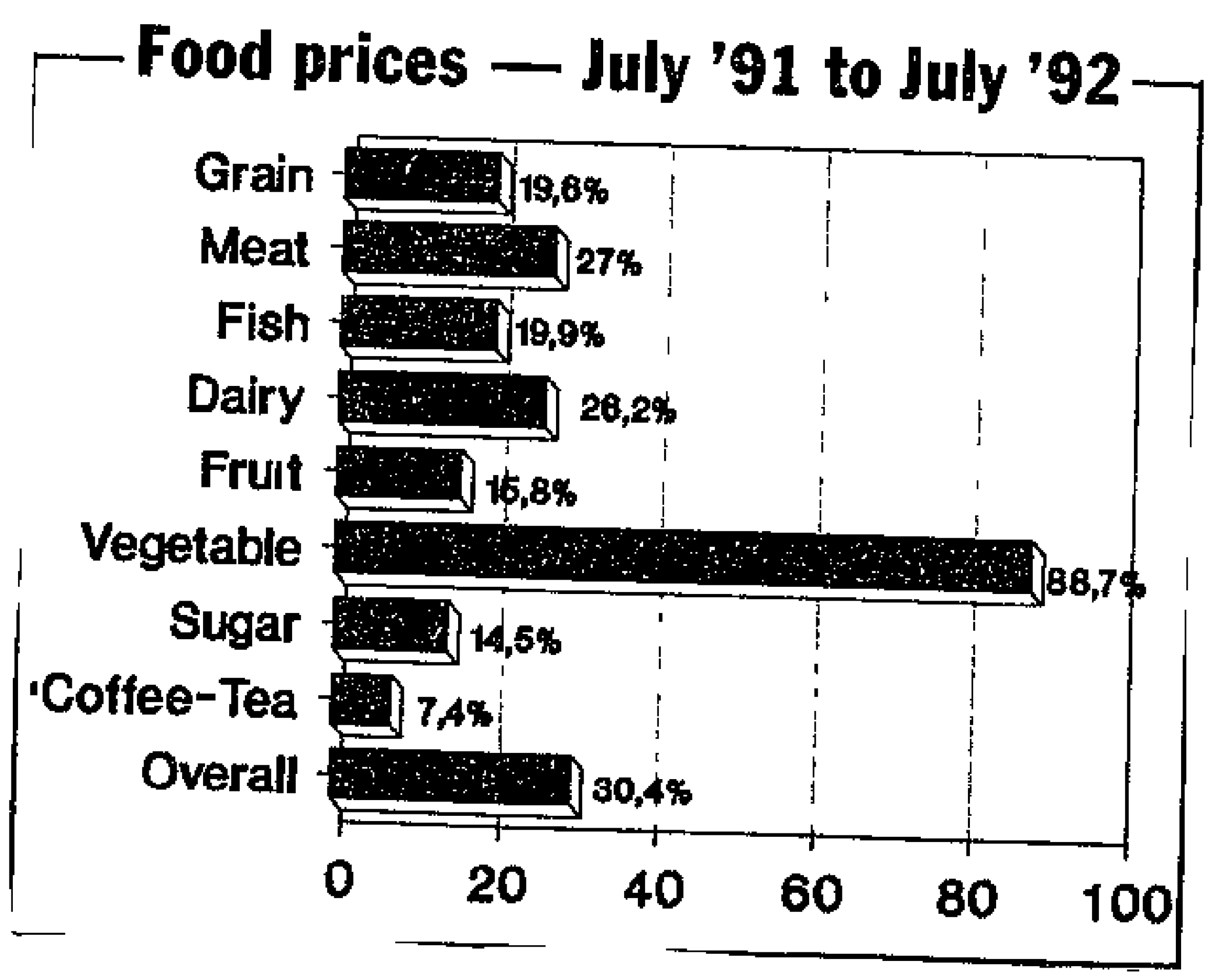
Staggering

The Econometrix research institute has warned that zero-rating VAT on basic foodstuffs was highly unlikely as the Government had little room to consider cutting taxes, while the economy was staggering

Spokesman Tony Twine cautioned against the notion that zero-rating would help curb food inflation.

Mr Twine said the effects of VAT on food prices could not be more than 10 percent out of the 30 percent inflation level

He said that while VAT could come off foodstuffs, either VAT on other commodities would have to increase or the tax revenue would have to be found elsewhere



Rising food inflation draws wide criticism

(244) ADRIAN HADLAND

RISING food inflation, estimated at 30,4% ~~since~~ July last year, has drawn strong criticism from political parties, trade unions and consumer groups

Cosatu warned yesterday that high food prices, VAT and drought relief would be high on the agenda in the next phase of mass action.

The union federation described government's economic policies as a "national scandal"

"To allow food prices to spiral out of control at a time of mass poverty, drought, unemployment and near famine conditions, is the height of irresponsibility"

Consumer Council executive director Jan Cronje said basic food prices should be frozen until the economy recovered "The unrelenting surge in food costs prevents a decrease in the inflation rate This prevents a fall in interest rates at a time when SA can least afford it"

ANC spokesman Carl Niehaus said VAT had been a major contributor to food price hikes "This is what we predicted would happen under the new VAT system"

He said in the light of growing unemployment, the drought and low salaries, food inflation could cause "a very serious situation" B/DAY 2/9/92

The ANC called on government to find ways of making food more affordable

DP finance spokesman Ken Andrew proposed the removal of VAT from basic foodstuffs, an investigation of agricultural control boards, the encouragement of cheap food imports, an increase in hunger relief programmes and an end to cartels and monopolies in the food supply chain

GERALD REILLY reports that Johannesburg's fresh produce market director Daan Spengler said high prices were likely to continue to the end of the year, even if normal summer rains fell.

Comparing supply weights in August with August last year, onions were down by 12%, potatoes by 22,5%, tomatoes by 16% and vegetables generally by 19% However, because of the abnormally high prices, turnover was up 30% compared with August last year

Call to freeze food prices

244

cr2/9/92

By PETER DENNEHY

THE government must freeze food prices immediately as an emergency measure, the Consumer Council said yesterday.

The call came after the announcement by the government's official statistical service that the year-on-year nationwide food inflation rate had risen to above 30% in July

Mr Jan Cronjé, executive director of the council, said that the food price index of 30,4% was double the general consumer price index (CPI) of 14,6%

"Action by the government now is imperative," he said

"We're going to have to cut out luxuries, my husband said Like food, I said"

A Central Statistics Services spokesman said the biggest contributors to food inflation were meat and vegetables Each of these categories accounted for 8,9 percentage points out of the 30,4% figure

Yesterday Mr Cronjé called for an across-the-board price freeze on basic foods in the food chain, from farmer through to retailer.

He said market forces seemed ineffective in stopping the disparity between producer prices and consumer prices from growing Prices should be frozen as an emergency measure "until the economy stabilises"

The council said the foods which must be targeted are Samp, maize meal and dried maize, dried beans, soya beans, lentils, tinned pilchards, milk powder, dairy powder mixtures (which have all been zero-rated for VAT) and brown bread, fresh milk and rice (which are under consideration for zero-rating)

Housewives' League president Mrs Jean Tatham said greedy middlemen and monopolies in the food industry were a real threat, but were not the only contributors to the shocking rise in food prices Farmers, manufacturers, wholesalers, retailers and consumers were all contributing to rising prices, as was the drought and the depressed economy, she said

Mr Alan Baxter, general manager of foods for a chain of supermarkets, said a price freeze would not solve the problem "When the prices are unfrozen again, you have an even more horrific price upsurge, leaving consumers worse off than they had previously been," he said

The government recently met the VAT Co-ordinating Committee, the Food Forum and other bodies in discussions on food prices A final report from the Board on Tariffs and Trade, dealing with food control boards and food prices, has still not been completed

BARRY STREEK reports that Democratic Party finance spokesman Mr Ken Andrew has asked for full public exposure of food inflation, based on proper audits

Mr Andrew said VAT should be removed from food, agricultural control boards should be reviewed, cheap foods should be imported, monopolies and cartels in the food supply chain should be exposed and hunger relief programmes should be increased

Extra meat but prices still rise

(37) MEAT (244)

CT 3/9/92

By PETER DENNEHY

ALTHOUGH meat price rises have been a major contributor to the present high inflation rate, there is a surplus of beef on the market at present.

This was confirmed yesterday in Pretoria by Dr P H Coetzee, senior general manager of the Meat Board.

He said that "on account of the prevailing drought more cattle were slaughtered during the first eight months of this year compared to the same period last year". The present supply of beef outstripped demand.

According to the rules of supply and demand, there should not have been an increase in the retail price of beef.

There had been no increase in the average auction price of beef in the past year, he said. In fact, it had declined by 2,7% between August 1991 and July this year, from R5,15 to R5,01 a kilogram.

Better deal

Sheep and lamb prices had risen by 11,3% at auction because of a shortage, he said.

GERALD REILLY reports that farmers would have to process, pack and market their products directly to compete with the "big ones" and give consumers a better deal, according to Transvaal Agriculture Union executive member Mr E C A Hiemstra.

Closing the gap between producer and consumer demanded positive action.

KATHRYN STRACHAN reports that Pick 'n Pay chairman Mr Raymond Ackerman said the answer to providing lower consumer prices lay with farmers and retailers working more closely together.

Pick 'n Pay bought betweeen 60% and 70% of its produce direct from farmers and made less than 2% net profit on its produce, he said.

He warned that if farmers became involved in retailing, he would "go farming".

(244) FM 4/9/92

VAT AND FOOD INFLATION

The cost of red herrings

The impact of VAT will soon fall out of the inflation figures And some of the disinflationary benefits created by tax credits on inputs will now be working their way through the economy Yet lobbyists continue to press for concessions that will erode the tax base and undermine the entire concept of taxing at each stage of the production and distribution chain

VAT is a huge red herring in the inflation debate, only constantly rising prices constitute inflation — and the imposition of VAT was a once-off event.

Food price rises have been exceptionally high, for a number of diverse reasons including VAT Its impact on food prices can be gauged by the fact that food inflation in October last year, when VAT was introduced, was six percentage points higher than it had been the previous month

If that month's entire increase is attributed to VAT, it would account for only six percentage points of the 30,4% rise in food prices in the 12 months to July And it does little to account for a differential of nearly 20 percentage points between food inflation and non-food inflation

"What we are seeing," says Aubrey Dickman, honorary professor at Wits Business School, "is a change in relative prices" Since the end of 1989, positive interest rates have made credit more expensive Consumers have chosen to borrow less and fund more of their purchases out of income or savings, which has reduced spending potential — and the decline in demand has contained the overall inflation rate

But consumer resistance is weakest when it comes to food purchases And when domestic prices rise, consumer choices are limited by a variety of import barriers

This has allowed producers and distributors to pass on the cost increases generated by a skewed distribution system And the situation is now being aggravated by one of the worst droughts in history

There is little we can do about drought damage — but we can solve some of the other supply problems plaguing us If the people who petition for the removal of VAT on unprocessed foods were to devote their energy to freeing the food distribution channels, they might accomplish something worthwhile

The pattern of food price rises is revealing The last time food inflation and overall inflation were in the same ballpark was February 1991 food 15,7%, overall 15%

Then food pricing decisions began to be made in anticipation of VAT, which applies to a far wider range of foodstuffs than did GST The differential between food and overall inflation which opened up in March

1991, at 1,8 percentage points, was 4,3 percentage points by September, the month before VAT was introduced, and 10 percentage points by January 1992 The drought came and, by July, the differential had climbed to 15,8%

The validity of the figures produced by Central Statistical Service (CSS) has been questioned by Raymond Ackerman, chairman of Pick 'n Pay and a prominent member of The Food Logistics Forum, an organisation consisting of farmers, marketing boards, agricultural co-operatives, manufacturers, wholesalers, retailers and consumer groups The forum commissioned an independent study, by Louis Heyl & Associates, of supermarket food prices and found a 12-month rate of increase of only 21% — with VAT accounting for 6% — in June

CSS head Treurnicht du Toit says he has examined Heyl's data and is not satisfied with the quality of input He has no complaints about Heyl's methodology but points out that it is based only on information supplied by Pick 'n Pay and OK Bazaars "Is that representative?" Du Toit asks

A readily identifiable problem, he says, was that Pick 'n Pay submitted only bananas for the category "fruit" These, weighted with OK's fruit prices, showed a year-on-year increase of 4%. Official statistics over the same period for all fruit showed an increase of 42% "Obviously, less representative inputs can make the statistics look better"

Ackerman denies Pick 'n Pay used only bananas in its fruit basket "Whatever information Heyl asked for, we gave," he says. Heyl wasn't available to clarify the issue

Ackerman is not happy with CSS's inputs either "Meat makes up more than 30% of their basket and average meat consumption is nowhere near that figure," he says "Even Heyl's basket, of which meat made up about 25%, overstates it"

He also says that official inflation figures are boosted by the prices charged by small retailers "Not because they're deliberately ripping anybody off, but because they don't have the infrastructure and economies of scale that the big groups do" He would like to see food statistics split to show prices of major food chains and of small operators

Says Du Toit "In principle, we are not opposed to breaking down the statistics into two categories, but we do not have the resources to restate previous data It is possible that July's figures can be split but, even so, we will still not be able to provide year-on-year comparisons until next July"

But these are sideshows

The real debate is over VAT concessions One of the main reasons GST failed was the erosion of the tax base At present, 10 foodstuffs (which could all be fairly considered "basic") are zero-rated They include brown (but not wholewheat) bread, mealie meal, mealie rice, dried beans, lentils, pilchards in cans and milk powder

The loss to Revenue if all foodstuffs were zero-rated could be about 20% of the present tax base — or R3,5bn-R4bn if VAT revenue for the first full year has been correctly estimated at R18,5bn In the present economic climate, the possible options for replacing the lost revenue all look implausible

The standard VAT rate could be increased from the present 10% But extending the list of exemptions makes it easier to cheat and any substantial increase in the standard rate would increase the incentive to cheat

Alternatively, direct taxes could be increased But Ernst & Young international tax partner Ray Eskinazi points out that tax on individuals and companies is relatively high The average tax rate on a married South African earning the purchasing power equivalent of £24 000 is around 30% — compared with a flat rate of 25% in the UK As for companies, the nominal SA rate is 48% compared with 33% in the UK

So there is no easy substitute for VAT revenue lost

Extending exemptions will not solve the problem of accelerating food inflation And it is likely to increase what is already a huge shortfall in revenue intake at a time when there is enormous pressure on spending

There is no bigger spur to inflation than a burgeoning State deficit ■

INSURANCE

Selecting targets

With truck hijacks taking place at the rate of eight a day in the PWV area, large fleet operators are re-examining their self-insurance programmes Some carriers of high risk items are finding it difficult to obtain regular insurance cover

Grahame Wright, assistant director of brokers First Bowring, claims there is evidence that hijacks are carried out "to order"

FM 4/9/92 (244)

CPI FM 4/9/92

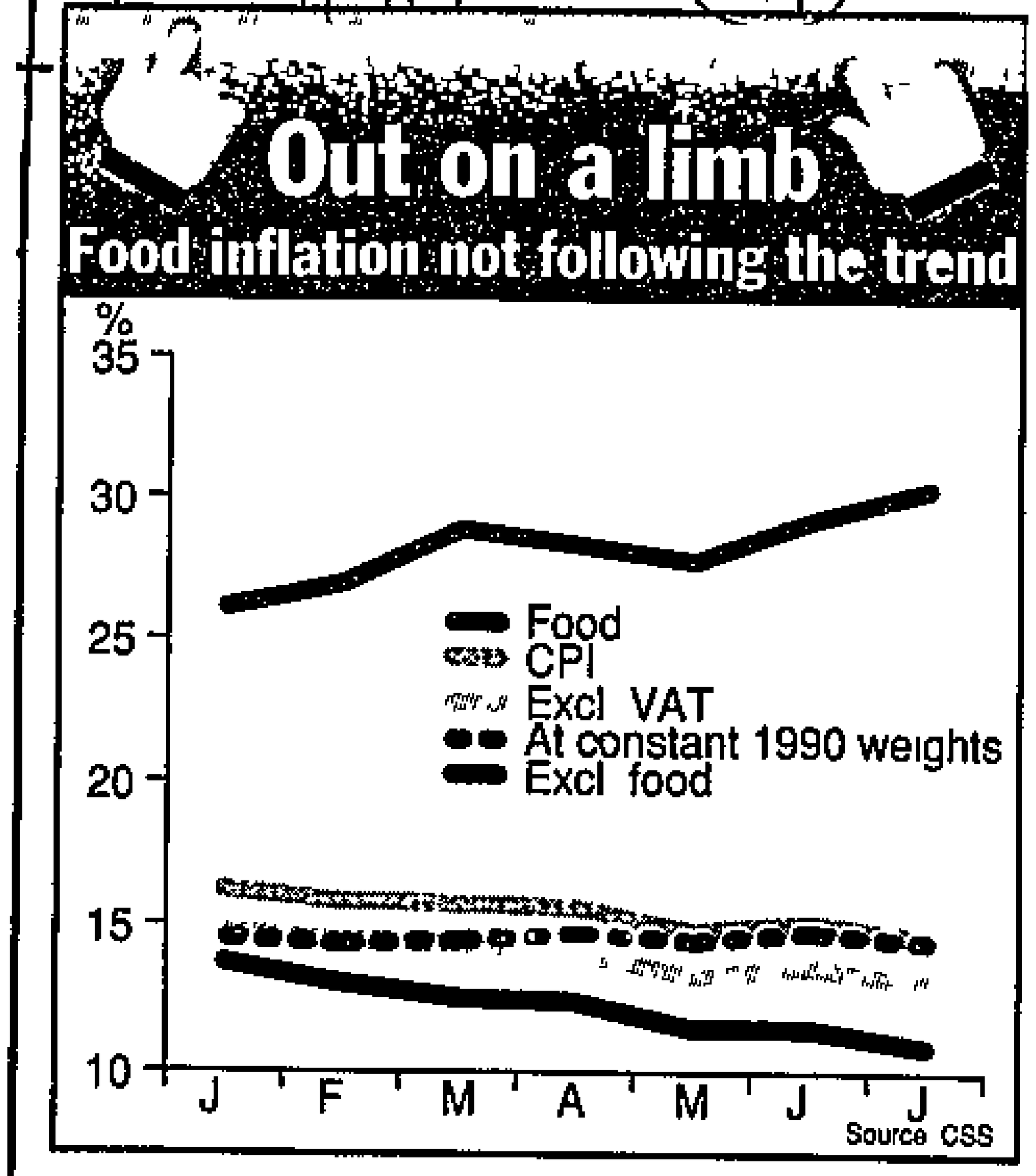
Housing relief

(244)

In July, the rate of inflation slowed It was helped by a decline in the index for housing, according to figures released by the Central Statistical Service (CSS)

With a weighting of 20,54% in the consumer basket, housing declined 0,9% in the month, to give a year-on-year increase of only 1,7%

The month's decline is largely the result of a reduction in the mortgage rate by most financial institutions in that month Unfortunately, this was offset by increases in service charges and rates & taxes by local authorities



But food remains a problem With a weighting of 18,64%, the component rose 2,4% in the month and 30,4% year-on-year It contributed 0,4 percentage points of the month's overall 0,9% rise Large increases in the month occurred in

- Milk, cheese & eggs, 2,5% (26,2% year-on-year),
- Fats & oils, 4,2% (19,3%),
- Fruit & nuts, 2,5% (50,8%),
- Vegetables, 3,4% (88,7%), and
- Sugar, 8% (14,5%)

CPI for all items excluding food rose 0,6% in the month and 10,9% year-on-year Increases took place in

- Cigarettes, cigars & tobacco (4,3% in the month and 16,3% year-on-year), and
- Transport (1,1% and 15,8%)

In the 12 months to July, prices overall rose 14,6%, down from 15,1% in June The rise in the month was 0,9% If housing is excluded from the figures, the yearly increase was 17,7% and the monthly 1,3% The VAT-exclusive inflation rate for July was 13,2% And inflation measured using the 1990 weightings only was 14,6% ■

Saccawu to probe food price rise

INDEPENDENT research into reasons for the increase in food prices would be undertaken by the SA Commercial, Catering and Allied Workers' Union (Saccawu), the union announced yesterday. BIDAY 4/9/92

At a media conference in Johannesburg to announce the research and a campaign to try to get food prices lowered, Saccawu campaigns organiser Roseline Nyman said union members might resort to putting their own prices on foodstuff if it was considered necessary

"If milk is selling for R3,50 a litre and our research shows it is an unreasonable price, we will mark and let that item go through the till at what we consider a reasonable price"

Saccawu research assistant George Dor said government and big business were already intimating that wage increases had contributed to the high price of food, but this was not true as wage increases in the past year in the retail sector had all been well below inflation 244

Saccawu's findings would be given to Cosatu and the VAT co-ordinating committee. — Sapa

Price war launched on basic foods

(244)

ARG 5/9/92

■ Checkers-Shoprite has frozen food prices until November, but price freezes are not the way to keep food prices down, says Pick 'n Pay.

JEAN LE MAY and HENRIETTE GELDENHUYS
Weekend Argus Reporters

SUPERMARKETS in Cape Town launched a food price war at the weekend, clashing over the best way to beat food inflation, now said to be more than 30 percent

Checkers-Shoprite announced it would freeze basic food prices until November 1

However, Pick 'n Pay Supermarkets have chosen a different weapon, saying that "specials" were most effective and that price freezes for a limited period meant that prices rocketed afterwards

The Checkers-Shoprite group announced a price freeze on basic food items in all 240 supermarkets countrywide as from yesterday, spokesman Ms Adele Gouws confirmed

The food items included rice, brown bread, maize meal, milk powder, pilchards, beans, corned meat, margarine and other staple food

Ms Gouws said the freeze was intended to help reduce the high rate of food inflation

The November 1 date appearing in advertisements placed by the group was "provisional", she added.

Checkers-Shoprite's adverts said they were "constantly negotiating with our suppliers to keep the price of basic food down" and would continue to do so

With an eye on hoarders, the adverts said the store reserved the right to limit quantities. The price-freeze advertised in Cape Town would not necessarily apply in Springbok, George, Mossel Bay, Oudtshoorn, Beaufort West and Upington, where other lines would be "frozen"

But "price freezes are not the answer," said Pick 'n Pay general manager Mr Alan Baxter

"Price freezes do not benefit the consumer. What will happen is that big suppliers will be asked to hold increases until after the price-freeze period. Then prices will rocket

"Moreover, there now are many small suppliers who cannot afford not to increase prices If we ask them to hold down, they could go under — and there will be even less competition for the monopolies than there is now

"Our way of beating inflation, in the present circumstances, is to choose specials which we offer at the best possible prices we can negotiate with our suppliers."

Pick 'n Pay disputed Central Statistical Services' figures which showed that food inflation amounted to 30 percent-plus over the last 12 months, said Mr Baxter

"According to records verified by our auditors, till slips at our Cape Town supermarkets showed increases of 14,9 percent in Kenilworth, 10,4 percent in Constantia and 11,25 percent in Claremont between September 1 1991 and September 1 this year"

CSS figures were not a true reflection of real prices because they included too many "corner-store" samples, whereas two-thirds of all food bought in South Africa was bought at the major chainstores, said Mr Baxter.

There were better, long-term ways of keeping food prices down, he said.

■ VAT should be taken off all food

■ Import duties should be abolished "There are large numbers of food manufacturers

■ Turn to page 3

Riddle of city's high food prices

(244)

5/Times (Cape Metro)

6/9/92

FOOD prices in Cape Town were this week officially said to be increasing faster than anywhere else in South Africa — and nobody seems to know why.

According to figures released by Central Statistical Services food prices rose over 30 percent country-wide between July 1991 and July this year — but in the Western Cape they increased by 35 percent.

But the Cape Town Chamber of Commerce and giant food retailer Pick 'n Pay both say these figures are wrong and that food is actually cheaper here than in the rest of the country.

Mrs Sheila Baillie, national vice-president of the Housewives League, said this week the rise in food prices was "mind-boggling" and that the League would take the matter up at its national executive meeting next week.

By EVE VOSLOO

Mrs Baillie said meat market prices quoted in the Transvaal were mostly lower that the Cape's.

Some prices had increased by more than 35 percent, she said. A pocket of potatoes cost R7,50 at Epping Market in 1991 and R15 this year.

"We have to try to find out why prices are consistently higher in the Western Cape than in other parts of the country," she said.

Mr Alan Lighton, executive director of the Cape Town Chamber of Commerce, said the high rise in food prices was "certainly a matter for serious concern".

"The main reason is shortages that have arisen as a result of the drought upcountry," he said.

Cheapest

The CSS report was "definitely an aberration from the norm" in finding that food prices in the Peninsula were higher, he said.

"Food prices here are appreciably below those on the Reef and in Natal because most of our fresh produce and much of our meat, fish and poultry is sourced locally."

Mr Alan Baxter, senior buyer for Pick 'n Pay in Cape Town, said food prices in the Peninsula were consistently lower than those in the rest of the country.

"We have commissioned the Ibis market research company to do independent surveys over the past four to five years and Cape Town has consistently been the cheapest place to shop by five to six percent," he said.

He said Pick 'n Pay had randomly taken till slips this week from different customers, compared them to actual 1991 prices, and had them audited.

These showed that the increases were actually between 10,4 percent and 14,9 percent, he said.

Mr Richard Cohen of Pick 'n Pay's head office in Johannesburg also disagreed with the CSS figures.

He said statistics collected after October would show a very different picture.

"Then they will be comparing like with like — post-VAT figures with other post-VAT figures — and the increases will be much lower," he said.

He also said the survey took an overall sample of 4 000 shops, most of them corner grocers, which had higher mark-ups on their food. The statistics were therefore distorted did not reflect fairly on prices at the chains.

Concern

He said the baskets used in determining the statistics were sometimes 30 percent meat, which was an unfair weighting.

● Two affiliates of the Congress of South African Trade Unions this week lay the blame for high food prices at the door of monopolies, VAT and the scrapping of food subsidies.

The South African Commercial, Catering and Allied Workers Union (Saccawu) and the Food and Allied Workers Union (Fawu) researched food prices because of their "suspicion of government and business probes", said Saccawu official Ms Roseline Nyman.

Mr Shaun Summers, a member of the steering committee of the Food Logistics Forum — retailers and manufacturers concerned about high food prices and examining ways to end the crisis — also blamed VAT and the control boards.

"The control boards are not consumer orientated. They were created to maximise and stabilise prices for the farmers."

Mrs Baillie said the Board of Tariffs and Trade interim report on food prices had found that the control boards should have their statutory powers removed so that they could not be involved in setting prices.

Food probe points fingers

Own Correspondent

JOHANNESBURG — Results of an investigation into Tiger Oats' food prices, which showed it absorbed inflation totalling millions of rands over the past five years, have implicitly pointed fingers at other players in the food chain regarding escalating food prices.

Food manufacturer Tiger Oats commissioned the National Productivity Institute (NPI) to investigate its maize milling, eggs and animal feeds divisions. The NPI was asked to look at input prices and selling prices over a five-year period, and whether these were inflationary or deflationary.

The results, which were released yesterday, showed that Tiger Oats had been absorbing inflation and its selling prices were below 10% a year during that period.

NPI business development director John Parsons said the food group had increased productivity and created wealth, and had used this wealth to hold down selling prices Tiger had said it would extend the probe to its other operations

NPI corporate measurement manager Douw Möller said "investigations of the effects of productivity and inflation on ex-factory prices clearly show substantial under-recoveries by Tiger Oats which means that the company has been deflationary in food pricing". (244) CT 8/9/92

get to roots of food inflation

(244)

CLAIRE GEBHARDT
Business Staff

THE National Productivity Institute (NPI) believes it has the expertise to get to the bottom of South Africa's pernicious food inflation

All it needs is the go-ahead from government to do the job

Mr John Parsons, NPI business development director, says the NPI could look at the entire food chain from the retailer down to the producer/farmer and come up with some answers within six months, given rapid access to data

The Board of Trade and Tariffs (BTT) has taken a year to produce a discussion document

Another commission, appointed to look at its initial suggestion that control boards be abolished, is due to report back only some time in October

Mr Parsons says price changes can easily be calculated using an internationally recognised productivity accounting technique

This technique, which looks at cost items such as raw materials, salaries and wages, company benefits and staff costs, electricity, water, transport and trade discounts, has been extensively used over the past 15 years by the likes of Eskom, Iscor and various others

The NPI looks at changes in profit and identifies how much is driven by productivity and how much by price recovery — basically output prices minus input prices

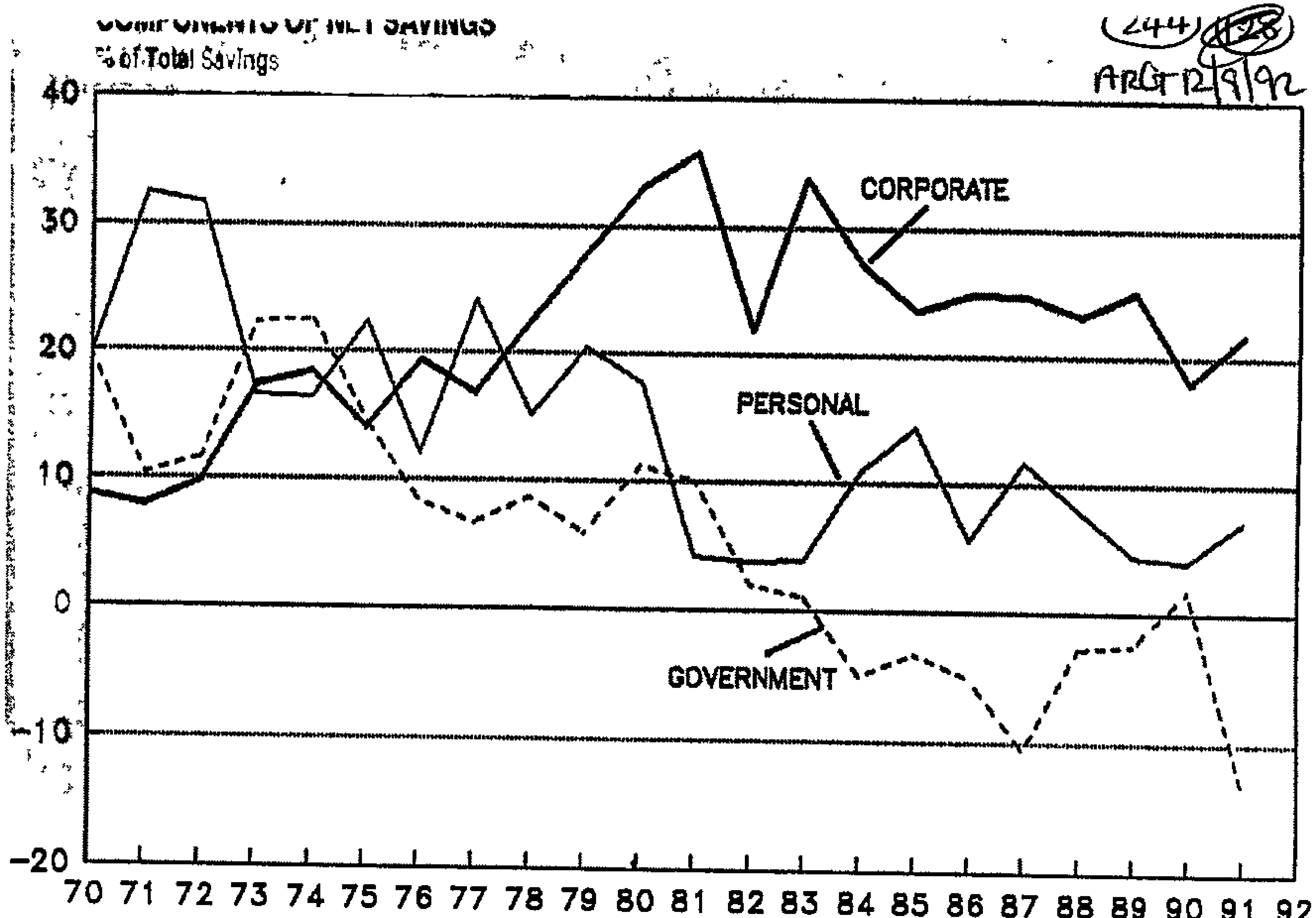
Mr Parsons says any investigation would need to take a fairly substantial sample of the food chain which could include wheat, bakeries, milk, fruit, vegetables and nuts

"We would start with the primary producers and work our way up with all the results expressed in rands and cents

"At each stage in the chain, given unfettered access to data, it would be possible to identify whether the farmer, producer, manufacturer or retailer are involved in an inflationary or deflationary pricing policy and whether there are productivity losses or gains

"You can have a five percent price increase which is inflationary or a 30 percent price increase which is deflationary, depending on what is happening to the price of your inputs "

(244) ARGT 12/9/92



Tax, prices cut personal savings

ALIDE DASNOIS
Business Staff

SOUTH African households are saving less and less, says Boland Bank economist Louis Fourie — and the reason is not hard to find

Rising prices and particularly higher taxes are taking a bigger and bigger chunk out of most people's earnings

Total savings, expressed as a proportion of gross domestic product, have been fairly stable for 30 years In fact, says Mr Fourie in his latest Economic Review, the country's "savings effort" compares favourably with major industrial countries But less is coming from households and more and more from companies

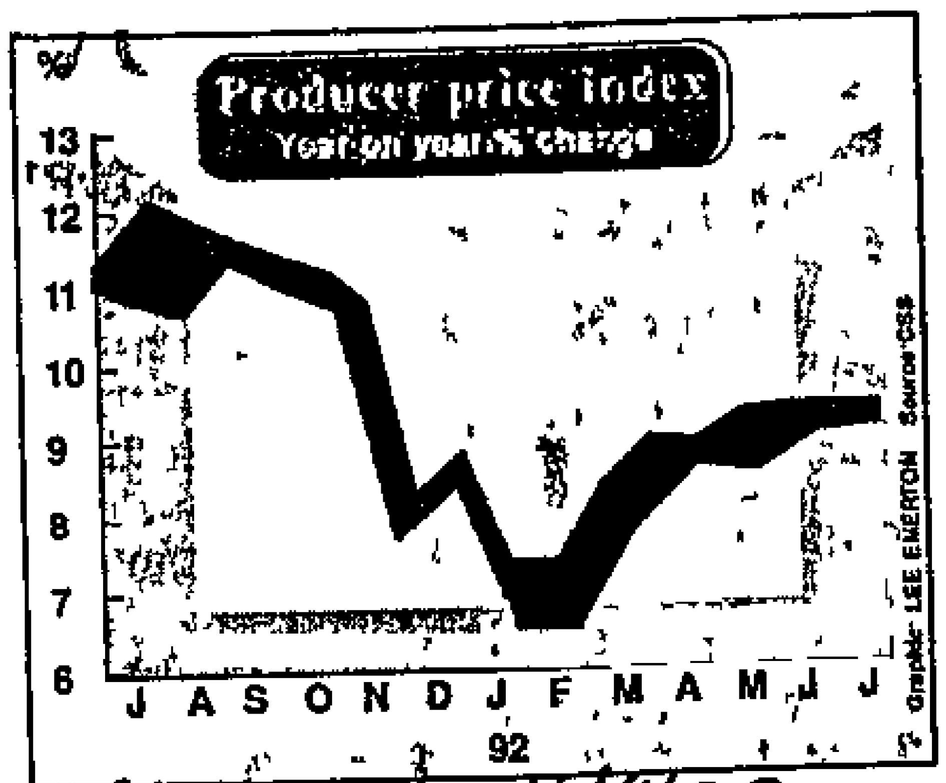
In the Sixties South African households were spending 90 percent of their disposable income By the first half of 1992 they were having to spend 97 percent to maintain real standards of living At the same time income was being redistributed to lower-income groups, who simply cannot afford to save

Big increases in direct taxes — which doubled from 6,8 percent of individuals' current income in 1971 to 13,5 percent in 1991 — have also put paid to many people's attempts to save

"Although, on the whole, the current income of South Africans has kept up with inflation during the Eighties, their after-tax income has not maintained the same rate of increase", says Mr Fourie "Individuals currently contribute some 40 percent of the government's total annual tax revenue through direct taxes, against 20 percent in 1979"

The main reason for this heavier tax burden, he says, is the sudden boost in government spending in the Eighties The government, which in the Sixties was saving up to 20 percent of revenue, has become a net borrower

The result is that personal savings — the difference between households' income and expenditure — have dropped significantly over the past 30 years While in the 1960s personal savings contributed 26 percent of total savings, by the end of the 1980s this had fallen to only six percent



BDAY 16/9/92

Jump in imported commodity prices

HILARY GUSH

IMPORTED commodity price increases led annual producer inflation in July, which edged up to 9,3% from the 9,2% posted in June, Central Statistical Service (CSS) figures released yesterday showed.

Monthly growth in the producer price index (PPI) eased, however, to 1,2% in July compared with June's 1,4% rise.

Annual increases in imported commodity prices jumped to 7,5% in July from the 5,9% increase recorded in May and June. Monthly imported commodity inflation was up at 2,2% in July from June's 0,5%.

Rand Merchant Bank chief economist Rudolf Gouws said the statistics were "good news". Excluding food, he said there had been no growth in the prices of locally produced goods in July. However, in the year to July local producer inflation excluding food was 6,2% compared with last year's 11,5% average and May's 6,3%.

"July's figure is a further reflection of how difficult business conditions are."

Lower producer inflation was filtering through to consumer inflation, he said, as indicated by July's 10,9% rate of year-on-year consumer inflation excluding food.

Absa economist Dominick Sutton said the main jump in producer inflation was in imported inflation — a result of higher food imports due to the drought.

He expected producer inflation to remain stable below 10% for several months.

Price increases for locally produced commodities ebbed to 9,7% in the year to July from the 10,1% rise recorded for June.

"The downtick in local producer inflation should exert pressure on consumer prices which should start falling."

Metropolitan Life economist Chris Visser expected consumer inflation to fall steadily as producer inflation subsided, providing scope for a fall in interest rates.

Consumers pay for retailers' poor productivity

BDAY 17/9/92

(244)

BERNARD JANISCH

COMMENTING on the recently published figures for food inflation on a radio talk show, a spokesman for a major supermarket chain made the following revealing observations

☐ He disputed the figure of 30% inflation and indicated that his group felt it was nearer 21%,

☐ He implied that the high figure was largely the result of the drought and of government's insistence on retaining VAT on basic foodstuffs, and

☐ He argued that, since their profit margins were very thin (about 2,5%), there was nothing they could do unilaterally to reduce prices

It is difficult to decide whether he regards his customers as fools or is indulging in an elaborate self-deception exercise

In the face of weak demand resulting from declining disposable incomes, highly competitive industries have been slashing prices to retain market share — not so supermarkets and dairies, among others, that persist in increasing prices in response to falling demand Is this due to greed or stupidity?

At least one answer lies in the practice of computerised pricing whereby floor managers are required to generate a specified profit from a given amount of shelf space After manipulating the suppliers and the product mix (usually in a most unsympathetic and adversarial manner) any fall in physical sales is a signal to increase markups to compensate and to restore target profits.

As long as the whole industry is behaving this way rapid inflation moves hand-in-hand with declining physical sales

When the supermarket executive refers to small profit margins — for emotional effect he emphasised just R2,50 for R100 of turnover — the implied message to the customer is that average markups of products on the shelves is 2,5% The truth is that the profit margin consists of gross trading profit less total operating expenses on a base of total sales

In the early years of supermarketing in this country, gross profit margins were of the order of 10% Now mismanagement and an inability to contain the operating expenses ratio has resulted in gross profit margins on many items in excess of 50%

The operating expense ratio is sensitive to many influences, among them

☐ Falling sales without concomitant expense reductions, which increases the ratio,

☐ Conversely, a rise in turnover reduces the ratio as most expenses are fixed or structural in nature,

☐ Increasing people costs resulting from militant wage bargaining increases the ratio,

☐ Increased losses through shrinkage, aggravated by higher prices in the face of recession and growing unemployment, increases the ratio, and

☐ Failure to improve stock turns and supplier returns through lack of effective co-operation with the supply chain increases the ratio

The performance of the major UK retail chains is in stark contrast to the SA chains Companies such as Tesco hold as little as four days' stock on major items and have reduced supplier returns to practically zero Despite the increased number of monthly deliveries, supplier trucks are handled at receipt depots in under half an hour This has enabled Tesco to raise its profitability fourfold in the past 20 years while reducing real pricing of products to the end customer

The secret lies, of course, in expanding physical sales turnover and improving logistic (supply chain) performance, so generating impressive productivity gains SA chains are moving in the opposite direction, to the detriment of the customer and the supplier

The supplier, at the mercy of the powerful retail chains, is being forced to agree to increasing confidential discounts, extended payment terms and the requirement to contribute increasingly to point-of-sale promotional expenses

At the same time, rapid escalation in retail prices for his products is pushing physical turnover down To survive, the embattled supplier is retrenching staff and so contributes to a declining customer base and falling disposable income

Centrally imposed pricing restraint is not the answer Free enterprise must prevail Imagine the impact if one major retail chain were to reduce prices across the board by say, 10% With innovative marketing, this could precipitate a rush of customers and a significant increase in physical turnover — perhaps sufficient to raise overall profitability

The ensuing price war would not be comfortable for the retailers but, for the hard-pressed consumer and the tottering economy, it could provide the shot in the arm and the reduction in the inflationary trend so vitally necessary at this time

☐ **Janisch is a Johannesburg-based management consultant**

TWO FINANCIAL firms in Europe

Mutual funds for women ...

by women decision makers around

PPI FM 18/9/92

Double whammy

(244)

Prices of two components of the producer price index (PPI) rose sharply in July The one is recorded by Central Statistical Service

(244)

under the heading *mining and quarrying other* and includes commodities such as crude oil, vanadium, copper, iron ore, asbestos, coal and chromite With a weighting of 7,55 in the index, this jumped 4,2% in the month The other is the item *food fresh meat,* with a weighting of 3,79 in the index, which rose 4,5%

A major contributor to the price rise in the first category was oil, prices have been rising since early this year and, in June, the price of the benchmark North Sea Brent crude for July delivery rose to over $21 a barrel, up from May when oil for June delivery was under $20 (and January for February delivery, when it was under $18) It is not known, of course, what price was captured in the July statistics, but these figures are an indication of the general pattern of oil prices

The steepest average monthly meat price rise has been on mutton, which was up at auction from R6,46/kg in January to R7,43/kg in July Beef, at R5/kg was lower than the R5,32/kg in January but higher than every subsequent month Pork, auctioning at R4,52/kg in July, was cheaper than in January when it brought R4,58/kg and in June when it cost R4,72/kg

Price rises are due to a number of factors, says a Meat Board spokesman One of them is seasonal "The price of mutton, for instance, tends to rise during the winter, drop just after the winter and then rise progres-

Cont →

FM 18/9/92 (244)

sively until the end of the year This is a typical trend and not a specific one "

Though the drought has not ended and farmers are not yet rebuilding herds, slaughtering has dropped "In the first six months, it was 8,6% down on the first six months of last year," he says

The impact of the oil price rise is seen in the index of imported commodities, which rose 2,2% in the month (seasonally adjusted 3,2%) compared with 0,5% in June (0,3%) Over 12 months, it rose 7,5%

Fortunately, the effect of the meat price rise was countered by falls in other areas For instance, prices of *electricity, gas & water,* with a weighting of 6,01, fell 2,2%

So the index of locally produced commodities rose only 0,6% (seasonally adjusted 0,8%) compared with 1% (1,7%) Over 12 months, it rose 9,7%

Overall, producer prices rose 0,8% in the month (seasonally adjusted 1,2%) and 9,3% over 12 months The seasonally adjusted monthly rise is less than the 1,4% recorded in June, while the 12-month increase was slightly up on June's 9,2% ■

Food prices are hard to swallow

By Lynda Loxton South 19/9 - 23/9/92 (244)

SWEAT it out or campaign for action! These seem to be the only options open to hard-pressed consumers as they battle to cope with rapidly-rising food prices

Some economists claim inflation is on its way down and that when the first anniversary of the introduction of VAT is reached next month, food prices in particular should stabilise

Others say it is much more serious and that wide-ranging changes in the food production and distribution chain are needed to halt the rapid rise in food prices

Those changes include

- Taking VAT off all basic foodstuffs
- Lifting import duties and other restrictions on imported foodstuffs, which will make it possible to import cheap (but not inferior) tinned fish and vegetables
- Deregulating the marketing boards for various foodstuffs to ensure that food is distributed more effectively and more cheaply
- Dismantling of the giant food monopolies and/or encouraging new investment by others in the food market to increase competition and bring food prices down

All these options are being pushed hard by various members of the new Food Logistics Forum, some of whom indicated this week they were optimistic the government was becoming increasingly sympathetic to their arguments and could take up some of the suggestions soon

The government could also be prompted into action by the increasing amount of unemployed people staging sit-ins in supermarkets — or just walking in and helping themselves to bread and milk, as has happened in several Cape Town supermarkets recently

But then, government has stalled on doing anything about food prices again and again, and it might very well want everyone to sweat it out as its anti-inflationary policies start making themselves felt

But just how bad has the rise in food prices been?

The answer depends on who you talk to and brings to mind the old saying "There are lies, bloody lies and statistics"

According to that official purveyor of statistics, the Central Statistical Service (CSS), food prices rose 30,4 percent in the 12 months to July this year

VAT accounted for about six percent of the increase

These shocking figures have been sharply attacked by retailers, including Pick n Pay chairman Mr Raymond Ackerman, who claim that food prices have risen only by between 14 and 17 percent, and by 21 percent if VAT is added

But no one can be happy with either set of figures — there is no doubt that food prices are rising and, some say, the Western Cape has been worst affected even though there has been no "excuse" such as drought

So why have food prices risen?

After canvassing several sources, it is clear that there is not a single, simple reason

First of all, subsidies on a large number of basic foodstuffs have been dropped over the last year or two and we are now paying "real" prices

Another reason is that VAT has increased average food prices by about six percent and many are pressing for the present zero-rating of 10 basic foodstuffs to be spread to all food

The argument is that lost revenue to the state could be made up by higher VAT on non-food items

But *The Financial Mail*, for example, has warned against such a move

Lifting VAT on all foodstuffs will lose the state about R4 billion Although some of this could be recouped through higher VAT on other items, "extending the list of exemptions makes it easier to cheat (on paying VAT) and any substantial increase in the standard rate would increase the incentive to cheat

An alternative would be to raise individual taxes, but these are already among the world's highest and would be politically unpopular

"Extending exemptions will not solve the problem of accelerating food inflation And it is likely to increase what is already a huge shortfall in revenue intake at a time when there is enormous pressure on spending There is no bigger spur to inflation than a burgeoning state deficit," *The Financial Mail* says

It argues that VAT was a once-off increase in the price of food and that various tax credits provided by the VAT system were now working their way through the economy

Producers who pushed up food prices with the introduction of VAT, which makes it harder to evade taxes, might be tempted to slow down price increases once they saw some benefits from the VAT system, according to the magazine

VAT was therefore a 'huge red herring' in the inflation debate and attention should instead be paid to other areas, mainly import barriers and a skewed distribution system

Pick 'n Pay's Alan Baxter agrees import duties and import restrictions on food should be dropped, which could cut the price of tinned fish and vegetables by as much as 20 percent

This could threaten jobs in the local market, but local industry should be encouraged to be more competetive The days of high levels of protectionism for local industry and of the consumer as a captive cow to be milked endlessly have to end, agree many economists

Baxter says marketing boards, which he describes as "subsidised inefficiency", should be deregulated to allow for more efficient and cost-effective distribution of food

This year anti-trust legislation campaigner Mr Robin McGregor produced some startling figures about how monopolies, whether in state or private hands, had been the main reason for the rapid rise in food prices

He said that where products were controlled by boards, or where fewer than three suppliers controlled more than 75 percent of the market, prices had risen faster than the inflation rate

But economists such as the University of Cape Town's Mr Tony Leaman warn that although marketing boards do need trimming, doing away with them could lead to volatile food prices This could act as a discouragement to production for the local market as producers concentrat on the more predictable export market

Pick 'n Pay's Baxter says statistics on food price rises in small and big stores should be separated to "provide some comfort" to the consumer by giving a more realistic picture of what was happening

Some of the other factors mentioned in the war of words about food prices include

- The rapid depreciation of the rand, which is making imported components for agriculture more expensive These include tractor spares, fertilisers and pesticides
- Because of the recession, sales have been lower and shops have raised prices to maintain turnover and keep profits up
- The high rate of theft by staff and customers in stores have affected profits and pushed up prices

SKINNED With prices going through the roof, a supermarket trolley of food costs a small fortune, as 52-year-old John Newman of Garden Village discovered Photo Yunus Mohamed

FM 25/9/92 244

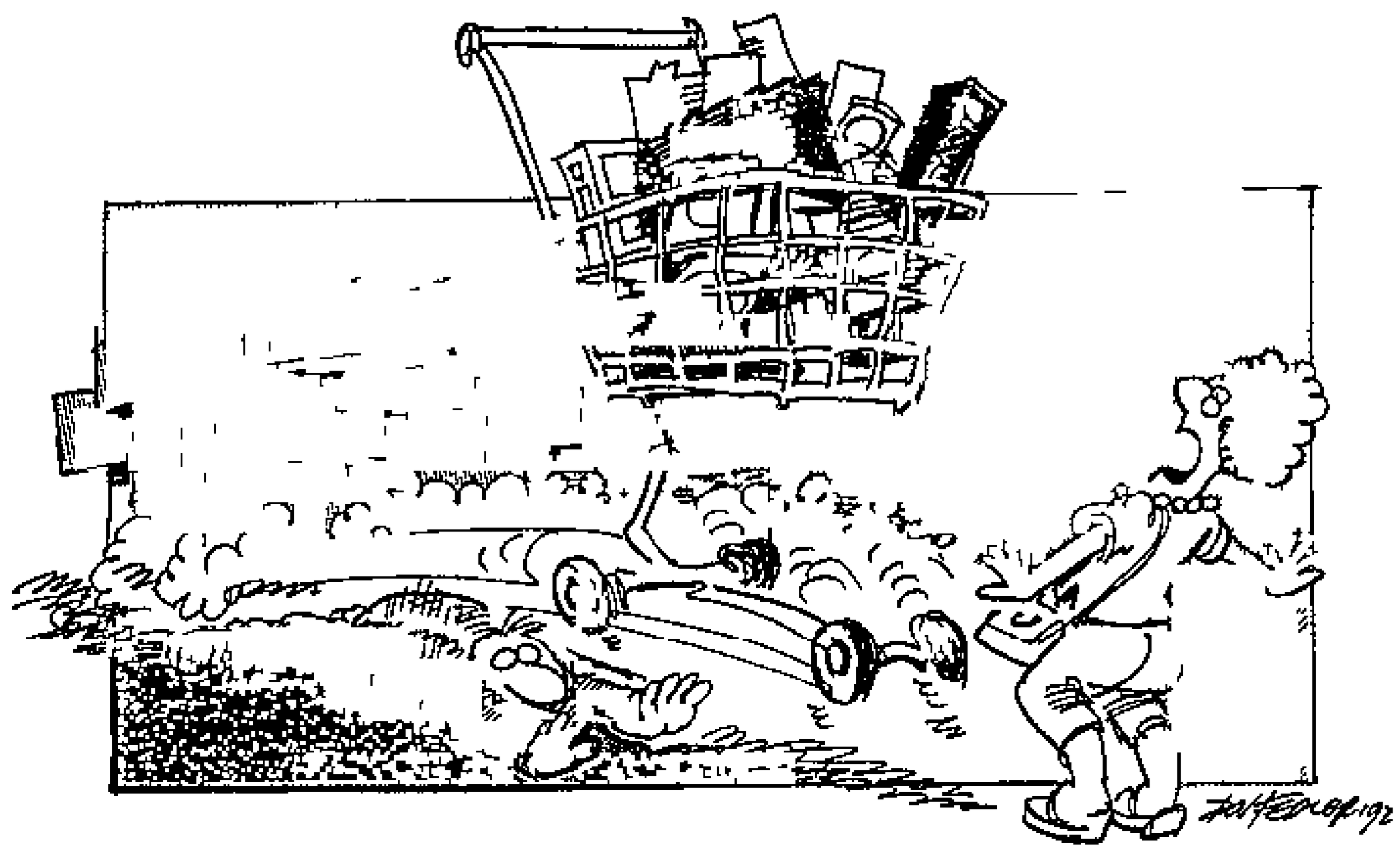
FOOD PRICES

Supermarkets under the spotlight

The long search for the culprits responsible for rampant food-price inflation has focused on the supermarket chains Nobody is letting the other villains — VAT, the drought, the producers, the control boards — off the hook But the supermarkets' usual arguments to demonstrate their innocence — their narrow profit margins and the strong competition between chains — are under the spotlight

The big chains often cite their roughly 2,5% net profit margins as proof that they are not responsible for soaring food prices But Johannesburg-based management consultant Bernard Janisch says their gross retail margins are far higher

He bases his assessment on figures obtained from suppliers, who know at what prices their goods are delivered at the supermarket back doors — and at what prices they appear on the shelves



"Gross profit margins often exceed 50%," he claims "Retail chains maintain adversarial relationships with their suppliers, forcing huge pay-offs by suppliers in the form of confidential discounts and rebates to obtain shelf exposure "

As retailers merely pass on their costs to consumers in the form of "computerised price increases" to maintain profit margins, sales volumes are dropping, he says "By their nature, supermarkets should focus on cutting costs and, thereby, increasing turnover and profit margins But they use their power to enforce rebates and discounts on the one hand while continuously increasing prices on the other "

Janisch accuses the chains of not trying hard enough to stop the shrinkage taking place in the stores and at the back door And he says their inability to effectively tighten

continued →

TOP INTERNATIONAL SPEAKERS TO ADDRESS *FM* CONFERENCE

These are momentous times World currency and equity markets are in turmoil and France's narrow vote for the Maastricht treaty is unlikely to restore calm

Businessmen and women need all the help they can get in steering a path through the minefield that international trading and finance have become

To help them the *FM* has invited top-flight international experts to speak at this year's *FM* investment conference "Investing in 1993," at Johannesburg's Carlton Hotel from October 29-30

From neutral Switzerland, Jean-Antoine Cramer of Geneva's Cramer & Cie is ideally placed to examine "World Politics & Finance " He is a frequent visitor to SA, has a degree in economics from Geneva University and runs his own portfolio management service

An inside view of US equities and the international economy will come from John Chalsty, CE of New York stockbroker Donaldson, Lufkin & Jenrette

He has a long association with SA He was born in Port Elizabeth and educated at Wits, has an MSc in chemistry from Wits and a Harvard MBA He became a naturalised US citizen in 1964 Chalsty is vice-chairman and a director of the New York Stock Exchange and a director of the Securities Association

It is a singular coup for the *FM* to have attracted such a prominent and committed free-marketeer as Singapore former-PM Lee Kuan Yew to its conference Lee, who turned Singapore's economy into a giant, will reveal some of the secrets of the Singaporean economic miracle His talk should have special relevance because of the similarities between our two economies

In SA there is much interest in the UK free market revolution Sir Keith Stuart, executive chairman of Associated British Ports Holdings, which owns 22 privatised ports, will discuss Britain's privatisation experience

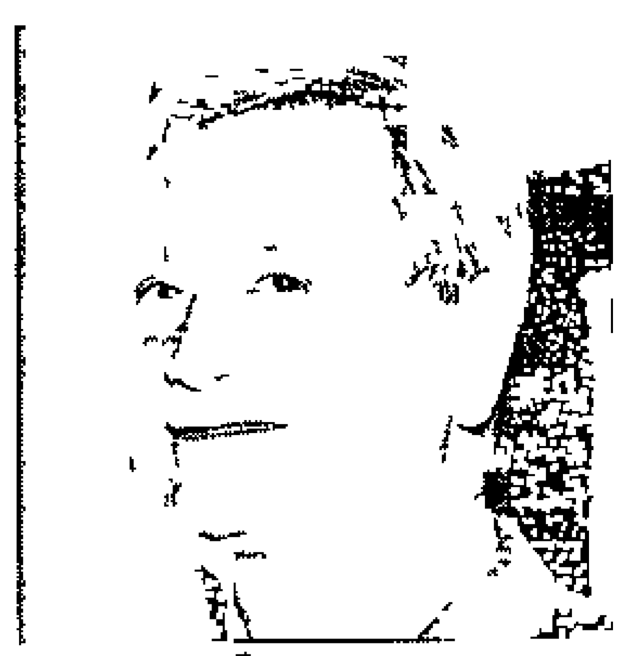
Sir Keith is uniquely placed to offer insights into privatisation He is also chairman of the newly privatised electricity company Seeboard Plc, as well as a member of the council of the Confederation of British Industry He led a recent trade mission to SA

Gold is perennially a hot topic Timothy Green, chief consultant to Gold Fields Mineral Services and perhaps the best-known gold analyst in the world, has been enlisted to offer some perspective on where the gold price may be headed

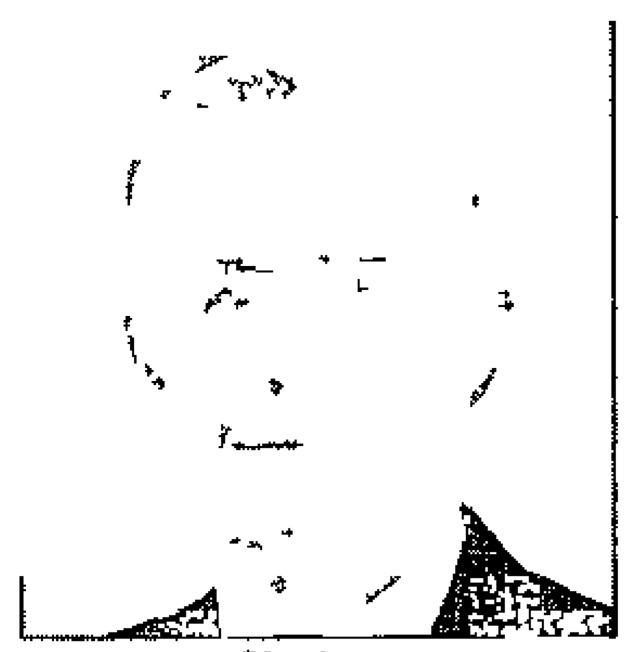
Listening to these and other top speakers charting the future of domestic and international business and finance makes the *FM* investment conference a must for any business person For more information call Brigitte Petty, (011) 497-2135, or Cindy Beatty, (011) 497-2134, or write to PO Box 260022, Excom 2023

Green

Lee



Cramer



Chalsty

Stuart

FM 25/9/92 (244)

the distribution chain has added to retailers' costs

"Retailers don't make serious attempts to cut down on the massive wasted costs These include breakdowns in the cold chain, breakages, huge escalations in transport and labour costs and shrinkage — truck queues at supermarket back doors create a fertile environment for hatching shrinkage plans " He adds that retailers don't take these cost issues seriously because they have a strong hold over suppliers

"Supermarkets are, therefore, major culprits in aggravating the food price spiral as they, too easily, pass on costs to consumers without trying hard enough to increase productivity "

Janisch sometimes acts as consultant to suppliers and producers, so he may have some bias, but his condemnation of the supermarkets is supported by the Consumer Council and by a recent study by the National Productivity Institute

Council director Jan Cronje says the 2,5% net profit figure used by some retailers as evidence of their fight against inflation "makes no sense" in the light of the 30% annual increases for food in the consumer price index

The institute, in a study covering the past five years, found that the Tiger Oats food manufacturing giant absorbed most of the inflation on the input side

The gap between producer and consumer food prices, compiled by Central Statistical Service, seems to support the institute's study and apparently points to the retailers as the main source of food inflation The rise in food CPI for July was 30,4% year-on-year, while food PPI increases at manufacturing level that month measured a mere 9,1% — having absorbed a large part of the 20,6% food PPI rise at farming level

The R28bn-a-year grocery retail sector, finding itself in the dock over soaring food prices, defends itself strongly

Pick 'n Pay MD Hugh Herman says his company uses confidential discounts just as chains in the US and the UK do But he denies Janisch's 50% gross profit margin figure and says it is "20% and below, in the UK, big chains gross about 30%, while their net margins can range from 6% to 8% " He adds that retailers are always trying to improve productivity in distribution and that Pick 'n Pay is holding talks with suppliers

But Grocery Manufacturers Association chairman Jeremy Hele says there is huge scope to smooth out the distribution chain between suppliers and retailers ■

WEATHER

Adios El Nino

Maybe the old farmers in the eastern Transvaal highveld were not far off the track when predicting the weather They had never heard of El Nino — an extraordinary warming of the eastern Pacific Ocean — and knew nothing of the winds that blow in the stratosphere But they knew they could predict a good summer rainfall only if strong west winds blew in August and if September was hot and dry with a few cold days

Modern meteorologists, who can base their predictions on satellite pictures of the subcontinent and data gleaned from all over the world, use the same homespun methods "The general feeling is that when we have a wet September we have a dry summer," says the Weather Bureau's Marais Fourie "I believe a hot, dry September with a cold influx, which we have been having, is a good omen "

It is still too early to say whether the summer rainfall season will be a bumper one, "but the signs are right," says Janet Lindesay, deputy director of Wits' Climatology Research Group, who predicted the impact of El Nino on last summer's rainfall This, of course, is great news for farmers, who were hit hard by the record drought of the past year The economy could also use a boost from the increased production that a good rainfall would bring

"We're in spring, and everything is changing from the winter into the summer situation, but the indicators that we will have a normal summer rainfall season are aligning themselves properly," she says "It looks as if the development of weather systems is more normal than in previous years

Chilli today, hot Tamale

"There is the absence of El Nino, which is a good thing But on its own that doesn't mean the season will be good There are other factors that can affect the weather cold fronts, their frequency, strength and positioning at this time of the year, as well as the high pressure areas to the east and west, and over the subcontinent We're watching to see how they are behaving because they're influenced by the cold fronts "

The way the weather acts over the tropics also influences the local rainy season but, Lindesay says, "we can't expect any clear indications from that source for another month "

She adds "The early signs are promising We have been having fairly windy periods, which is an indication that the weather systems are getting themselves into the positions where they should be "

Weather Bureau deputy-director Kees Estie also believes that with El Nino disappearing, and with sea temperatures returning to normal, "there's a strong likelihood that rainfall over the summer rainfall areas will be normal "

Still, he warns "Though El Nino appears to be the villain of the piece — in the past 70 years there were 13 strong El Nino occurrences and 12 of them were associated with drought in southern Africa — we have also had seasons not coupled with an El Nino where the summer rainfall was well below average Also, the fact that the indicators seem right is no guarantee that the season will be normal " ■

TRADE POLICY

FM 25/9/92

Gatt comes to town

A three-man Gatt delegation last week reviewed SA's trade policies but revealed little of what will be in its report on SA next year Peter Tulloch, director of Gatt's trade policies review division, says the visit is part of a general review of Gatt members during the current Uruguay Round SA is 26th on a list of countries visited so far Reports have been completed on the others

The delegation met government, the SA Chamber of Business, the SA Foreign Trade Organisation, AHI and the Industrial Development Corp (IDC) Discussions with

continue

Consumers 'putting pressure on prices'

CT 25/9/92

2444

By AUDREY D'ANGELO
Business Editor

CONSUMER resistance is starting to bring prices down as retailers battle against falling sales, says the Stellenbosch Bureau for Economic Research (BER).

But, the BER economists warn, consumer confidence is continuing to fall This "will further delay the expected recovery in the economy by lowering private consumption expenditure — the most important determinant of gross domestic product"

To counteract this the BER calls for "appropriate supply side measures and a greater willingness of politicians to get their act together".

Reporting on its latest surveys of consumers and of the retail, wholesale and motor trades the BER forecasts that the slowing down in price increases, combined with expected lower interest rates, will boost confidence and improve disposable income.

But it thinks the upswing in the economy will start only next year "and gain momentum towards 1994"

The retail survey showed that an improvement in sales and business confidence earlier this year "made an about turn during the third quarter.

"Political uncertainty, the general strike and widespread mass action contributed to this situation.

"Consumer confidence and retail business confidence plunged."

In spite of this, the report continues: "What is clear from this survey is that the fight against inflation is beginning to reap benefits and is likely to moderate during the rest of the year. This will provide scope for an easing of interest rate policy

"The combined effect will be to increase the real disposable income of consumers."

However, "the most important stumbling block to a recovery at present is uncertainty and a lack of confidence.

"This has a ripple effect from the production side of the economy through to the demand-side. Investors are hesitant to invest, production contracts and unemployment increases."

Revealing food figures out today (244)

HILARY GUSH

CLUES to the identities of the culprits behind rocketing food inflation, which reached a record 30,4% in the year to July, will be disclosed today with the release of the August CPI BDay

Food inflation — the bugbear preventing a fall in headline inflation — will come under the spotlight as a detailed breakdown of monthly food price increases since May is included in the latest consumer inflation figures 30/9/92

Central Statistical Service head Treurnicht du Toit said yesterday the data would be released in two tables, one applicable to large food chain retailers — defined as having at least 15 branches — and another spelling out food inflation at smaller retail food outlets

Each table would be further broken down to include percentage changes in the prices of both processed and unprocessed food and price fluctuations in the 10 food group categories

Du Toit said for "technical reasons" data was not available before May, but the figures would give a "good" indication of annual rates of food price increases

"The assumption is that the experience of the three months to August will continue for the next nine months," he said

Du Toit hoped the data would adequately meet the needs of the Food Logistics Forum which had called for the breakdown of food inflation in the various retail outlets.

Food price inflation still on upward spiral

STAR 1/10/92 (244)

By Sven Lünsche

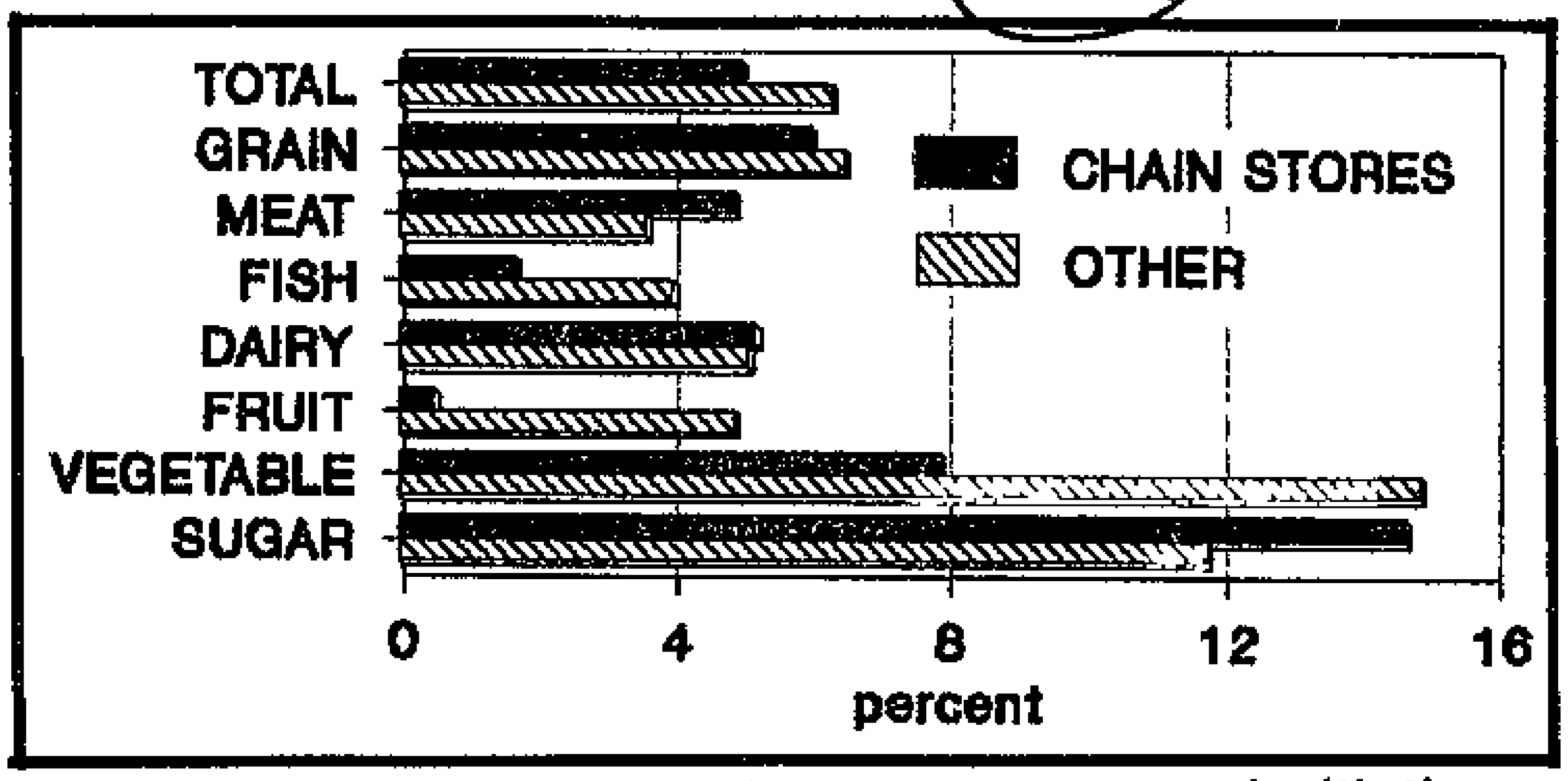
There has been no marked difference in food price increases in recent months between retail chains and small retailers, according to statistics released by the Central Statistical Service (CSS) yesterday

However, the CSS figures show that prices of processed foods have risen by a far smaller margin than those of unprocessed foods.

The offical inflation rate in August decreased to 14,3 percent from 14,6 percent, but the food inflation rate remained high at 28,5 percent in August, compared with the record level of 30,4 percent in the preceding month.

On a monthly basis — July to August — overall consumer goods costs rose by 1,1 percent and food by 1,4 percent.

In the year to August the prices of processed foods rose by 17,6 percent, while those of unprocessed items, such as vegetables and fruits, surged by 39,2 percent



Food price increases at chain stores, compared with those at other retailers between May and August

Economists said that the higher increase for unprocessed goods could partially be blamed on the drought.

But they added that it also provided support for the recent findings by the Board on Tariffs and Trade that marketing boards were artificially keeping agricultural prices at higher levels.

CSS said if food inflation were not taken into account, the inflation rate would have stood at 10,8 percent in August

The CPI that excludes VAT increased by 12,8 percent over the last year In October this statistical component will have been removed and economists expect a further reduction in the overall inflation rate

First-time CSS figures showing recent price rises at chain stores and other retailers, seem to refute recent claims by large retailers such as Pick'n Pay, that food prices are being pushed up at a larger rate by smaller competitors

Food prices at chain stores and the other retailers increased by five percent and 6,3 percent respectively over the past three months (see graph)

If the price changes were annualised, assuming the trend was maintained for a further nine months, it would result in figures of 22 and 28 percent respectively

However, price increases varied, depending on the type of food sold

Price rises over the past three months of 5,1 percent and 6,8 percent for processed and unprocessed foods at other retailers were recorded, which was higher than the comparable categories for chain stores of 4,3 percent for processed food and 5,3 percent for unprocessed food

However, over the past three months, the price of meat, sugar and dairy products at chain stores increased by 4,9, 14,7 and 5,2 percent respectively

This was greater than the equivalent increases at other retailers of 3,6, 11,8 and 5,1 percent respectively

Plan to 'blockade' stores over food prices

By Zingisa Mkhuma
Consumer Reporter

STAR 1/10/92

The VAT Co-ordinating Committee (VCC) said yesterday it would embark on a "blockade" of major stores on October 13 to fight rising food prices

The VCC was responding to Central Statistical Services figures showing that food prices between August 1991 and August this year had increased by more than 28 percent It reiterated its call for zero-rating of VAT on basic food.

The VCC — formed as a coalition of organisations opposed to VAT on basic foodstuffs, and an initiative of Cosatu — said it had earmarked October 13 to focus on food inflation and VAT on basic foods

The campaign, called "Asinamali", would include pickets and marches to supermarkets and to the offices of the Receiver of Revenue.

The labour federation's members would be mobilised to buy bread and milk at prices "set" by the VCC. The price of a litre of milk would be R1,15 — it costs R2,40 at most outlets The VCC said it still had to "set" the price of a loaf of bread.

Cosatu spokesman Neil Coleman said the Government had failed to do anything meaningful to arrest rising food prices

Housewives' League president Jean Tatham said the 10 Food Forum working groups were investigating ways to deal with food inflation

● Food price inflation in upward spiral — Page 21

Soaring food price spiral still biting SA consumers

Business Staff (244) ARG 1/10/92

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Fuel price rise coming

(244). ARG 2/10/92

The Argus Correspondent

DURBAN. — The petrol price is to go up — but by how much, and when, have still to be finalised, Minister of Mineral and Energy Affairs Mr George Bartlett said today.

Mr Bartlett said his office was informed every week by the Energy Branch of the Department of Mineral and Energy Affairs of the state of the equalisation fund.

"It has been common knowledge that for some time there has been an under-recovery of 15 cents a litre because of the international price That has been funded by the equalisation fund

"We are looking at the situation and are contemplating whether or not it is time for an increase in the price.

"The indications are that we are coming to the time for an increase The exact amount — and when — I am not in a position to say at this stage," said Mr Bartlett

Increase in petrol price is predicted

Bday 2/10/92 (244)

TIM MARSLAND

GOVERNMENT would raise the petrol price by 15c/*l* within the next few days, market sources said yesterday.

Rumours surfaced on the JSE and capital markets that the price rise could come as early as today. Some sources said a hike of up to 30c/*l* was planned.

A Mineral and Energy Affairs spokesman said such a steep hike was unlikely, but a petrol price increase would be announced "soon". He said underrecovery on the fuel price on the Reef in August had been 14,5c/*l*. The Cabinet would decide when and by how much to raise prices.

A government source said National Energy Council members were meeting behind closed doors last night.

World crude prices have remained stable over the past few weeks, although the rand weakened to about R2,81 to the dollar.

Nedbank chief economist Edward Osborn said a fuel price rise would be "bad news for inflation. It could put back an expected cut in Bank rate even further. We are seeing inflation in the 13% area, so there may still be room for a Bank rate cut, despite the fuel price rise"

Osborn said it appeared government did not intend adding additional excise to the fuel price "for the moment". He said: "This will be a purely economic adjustment to strengthen the fuel stabilisation account. It appears government is ... going for the lowest price rise it can live with"

Townships feel the pinch of price spiral

Sowetan 5/10/92

■ Lack of supermarkets means shoppers have to pay more:

By Pearl Majola 244

WITH yet another hike in food prices, township people who have no easy access to the big supermarket chains are probably feeling the pinch more than people in other urban areas.

According to Mr Lucas Hlahane, a store manager at one of Soweto's big discount stores, it is almost impossible for general dealers to offer consumers the same competitive prices as supermarket chain stores

"Chain stores get their goods at discount prices because they can buy in bulk and they have storage space," he said. "They are then able to pass their savings on to the consumer."

Government must regulate prices, demand squatters

Sowetan 5/10/92. (244)

■ ESCALATING COSTS *Food prices have soared by 30 percent in just a year:*

By Joe Mdhlela
Consumer Reporter

SQUATTERS DO NOT UNDERSTAND a rise in food price inflation in academic terms They are a living experience of what abject poverty is all about

Mrs Shirley Molepo of Mandela Squatter Camp in Katlehong described that for her the 30,4 percent food price increase failed to get to the heart of the matter

"To me that is meaningless. That is how white people relate to increases They use percentages, something that most of us are not familiar with For me, I know that a 25lb bag of mielie-meal I used to pay R18 for, now costs R22

"It's diabolical what the white man does. Three months ago the price was R18 and now this big increase to R22"

Her neighbour, Ms Nelly Radebe, also joined in the conversation

"What this sister is saying is true The prices have gone up and we can no longer cope We survive because of good neighbourliness. If I don't have mealie-meal I share hers Similarly I help her if she runs out of mealie-meal

School-going age

"We share if one of us runs out of either money or food. That is how black people live," Ms Radebe said

Ms Radebe (25) has three children, one of whom is of school-going age But little Wilfred (7) has neither been to a pre-school or a school

"He should have been to school but this has not happened We do not have money to take him to school."

However Ms Radebe is hoping that her employer will intervene and help to take "my little Wilfred" to school next year

Her husband Themba is unemployed after being retrenched a year ago

"It is tough, I only earn very little and have to support my children and my unemployed husband

"He was good to me, I cannot just be funny and not support him He used to give me money when he had a job,," she said

"With all these increases in food prices we cannot survive."

Shirley (31) who trekked to the Mandela Squatter Camp from the Crossroad camp two years ago at the height of inter-fractional skirmishes has a two-year-old child.

She complained that with her husband's wages of R160, it was barely possible to eke out a decent existence

"We live from hand to mouth," she said

She blamed the Government for the high price increases

"Why, the Government has the power to cut down the prices They would be reducing the prices if whites were affected Now, because whites earn a lot of money, the Government is doing nothing to help the poor people"

She said even though they were not paying rent, the R160 her husband was earning was not enough

"We hardly go to town to buy groceries," she said.

"What would be the point of going to town to buy cheap items when you are faced with high taxi fares?" she asked

That is how Shirley and Nelly relate to the food price inflation which has rocketed to its highest point in more than 10 years

The Central Statistical Services reported this week that food price increases have hit the 30,4 percent mark during the past 12 months, with vegetables prices rising by a staggering 88,7 percent.

Business leaders, including Mr Raymond Ackerman, this week reiterated that basic foodstuffs should be zero-rated from Value Added Tax, a view that was not shared by Finance Minister Derek Keys

Mr Keys said he did no see how zero-rating would bring about the reduction of food prices

However, a spokesman for Co-ordinating Committee on VAT, Dr Bernie Fanaroff, warned that the Government needed to be wary of the anger that could be unleashed by disgruntled consumers

In their simple ways, to the women the difficult economy counted for nothing

Their basic concern was that the Government should provide more jobs so that they would be able to afford to live.

Food basket

Food price increase: 30,4 percent
Vegetable price increase: 88,7 percent.
Meat price increase: 27 percent.

Mrs Nelly Radebe and her children Glen, Given and Wilf

Fruit and vegetable survey unfair, claims chain store

244

Consumer Reporter

A major chain store has labelled as unfair a recent Consumer Council survey which showed that certain fruits and vegetables cost 40 percent to 221 percent more at supermarkets than at local fresh produce markets.

Shoprite/Checkers managing director Whitey Basson said the survey appeared to be misleading in that it did not compare "like with like" and left out additional costs incurred by consumers who bought directly from the markets.

STAR 5/10/92

Mr Basson said the price of fresh produce in chain stores included transport, storage and packacking costs as well as the wastage factor involved in bulk purchases.

The council survey results showed that the price of a kilogram of fresh produce in three chain groups was higher than at the local fresh produce market.

The survey was done in Pretoria, Cape Town, Durban, Bloemfontein and Vereeniging and showed that in supermarkets, potatoes cost 40 percent more, tomatoes 86 percent; onions 197 percent; bananas 68 percent and oranges 221 percent.

The council's executive director Jan Cronje said that due to repacking of fresh produce and the fact that size and classification was often omitted, it was impossible to compare the prices of fresh produce to supermarket prices.

Mr Basson said Shoprite/Checkers was involved in efforts to bring down the high food inflation rate and had supplied the Board of Trade and Tariffs with figures to assist it in its investigations.

"We think it is about time the debate on food inflation was taken to its final conclusion, and that the culprits responsible for high prices were brought to book. But there are thousands of rumour mongers, each with their own research, propagating their theory on this issue."

Call to nail food inflation culprits

31/DAY 7/10/92

(200) **MARCIA KLEIN** (244)

MASSMART MD Mark Lamberti has called on food industry players to publicise details of price movements of the top 100 food lines as they pass through various distribution channels, in order to find the source of food inflation.

He said players should account for the costs they attributed to the values they added. The industry needed to be scrutinised and the major contributors to the price rises should be exposed.

Lamberti has disclosed statistics of Massmart division Makro, which has food sales of more than R1bn.

He has compared prices from September 23 1991 with the same day in 1992, excluding GST and VAT.

Makro's top 10 lines constituted 12,4% of food sales. Cost prices increased 12,8%, and selling prices 8,5%.

In the top 50 lines, which comprised 22,1% of sales, cost price inflation was 9,5% and selling price inflation 4,4%.

Within the top 50 lines, he said 14 were selling at lower prices than the previous year. These included mealie meal, eggs, oil, candles and more.

The price of whole chickens was unchanged, and rice, margarine, some sugar, baked beans, cheese and teabags, had increased less than 10%.

Lamberti said retailers were using low margins as proof that they were not "adding undue cost", but he said retailers should disclose gross margins.

Call for watchdog body on food prices

244

CT 7/10/92

EAST LONDON. — The government has been urged to peg food prices and set up a quick response commission — "like Goldstone" — to stop spiralling costs.

At the National Party's Cape congress yesterday a delegate from Maitland, Mr Tony Powell, said poor and elderly people in his constituency could not understand why the government allowed all prices, and especially those of food, to rise continually.

There should be some form of state intervention to peg food prices, he said.

Replying, Minister of Agriculture Dr Kraai van Niekerk said price controls could result in vicious circles. In Eastern Europe price controls had totally destroyed agricultural production. "We must look at other ways," he said. — Sapa

Food price report due next month

A NEW government report on rocketing food prices was expected by the end of next month, said Minister of Agriculture Dr Kraai van Niekerk

(244)

He rejected a suggestion from the floor that the government intervene with price-fixing

ARG 7/10/92

"Price control was used in Eastern Europe to keep prices down, but it destroyed agriculture."

He exhorted consumers to play a more active role in the market by refusing to buy unduly expensive food

Paraffin also to cost more, but diesel unchanged

Petrol price rises 7c

STAR 8/10/92 (244)

Political and Finance Staff

The price of petrol goes up 4,6 percent on Saturday The increase means 93 octane will rise 7c to R1,59 a litre

At the same time, the price of illuminating paraffin will increase by 3c a litre.

Good news for struggling farmers, however, is that the price of diesel will remain unchanged

The announcement was made today by the Minister of Mineral and Energy Affairs, George Bartlett.

The increase is aimed at offsetting the recent under-recovery on the imported cost of fuel

The Central Energy Fund has released figures showing that motorists have been paying too little for fuel since March this year In July and August the under-recovery has been as high as 14,5 cents a litre.

Sources stressed that the overall increase in the petrol price would not be used to increase revenue from the fuel levy raised on every litre of petrol.

Consumer bodies have warned that the petrol price increase could have a ripple effect on other consumer prices.

The SA National Consumer Union yesterday sent an urgent request to the Minister of Finance not to raise the petrol price following rumours of an imminent increase

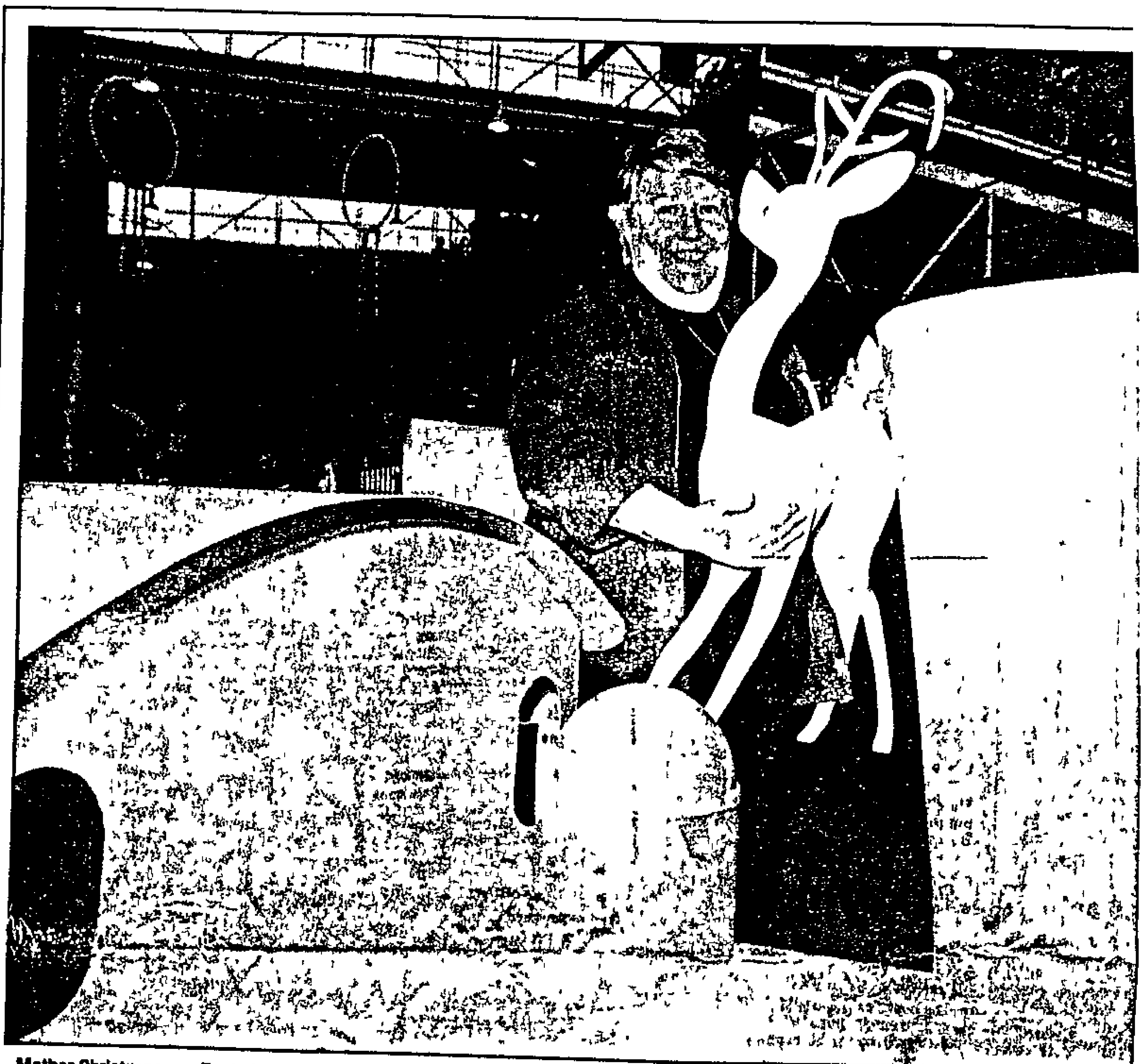
Consumer Union chairman Lilli[illegible]th Moolman said any incre[illegible] would have [illegible] adverse effect on inflation It would be "immoral" for the Government to believe a petrol price increase would help it gain more revenue from VAT

Consumers were presently struggling "as never before", she added

Economists said, however, that the lower-than-expected increase — a 15c increase had been widely speculated — would not reverse the recent downward trend in consumer price inflation

"With inflation running at about 14 percent and the economic recession continuing to exert downward pressure on prices, the fuel price rise will have a negligible impact on other price levels," one economist said

He believed it would not prevent a further drop in interest rates, which is widely expected before the end of the year



Mother Christmas . . Paula Lubbe, who works in the Johannesburg electrical engineering department, is full of ideas when it comes to lighting up the streets for the festive season

Picture. Stephen Davimes

I know a secret and I'm not telling

By Peter Wellman

Santa Claus has a workshop in Johannesburg where the city's Christmas street lights are made and I have seen the secret details of the displays planned for this year

I'd be a real spoilsport if I gave away all the details And the mayor would be cross, because there would be no surprises when he switches the lights on officially That will be on November 21, in front of the City Hall

It starts each year when someone from Santa (probably one of the elves) whispers into the ear of bubbly Paula Lubbe, who works in the city's electrical engineering department, and that's why she always comes up with the best ideas for the lights

Paula does a little drawing exactly to scale and Santa's helpers make huge drawings from that and twist strips of aluminium into the various shapes. They tie coloured see-through cloth to the strips, so that the figures can be seen properly in the daytime, too

Then they attach all the lights, and check things like whether the lights work when the tiger's tail goes up and down (whoops, that's supposed to be a secret!)

The main displays will be in Market Street between Fraser and Von Wielligh, in Commissioner Street between Harrison and Von Wielligh, and in Rissik Street between Commissioner and De Villiers.

Price to rise 7c a litre from midnight tomorrow

Minister warns of 'major' increase early in 1993

244

ARG 8/10/92

Petrol up

TOS WENTZEL
Political Staff

THE price of petrol is to rise by 7c a litre at midnight tomorrow and there will be a "major" increase early next year.

Paraffin is to cost 3c a litre more but the diesel price is to be pegged, Mineral and Energy Affairs Minister Mr George Bartlett said today

He blamed the rises on the fact that the raw material, oil, cost more than the end product, petrol

Since the last price rise, in March, the difference between the cost of oil and petrol had risen to 14,505c/ℓ Under-recoveries on diesel and paraffin were 4,202c/ℓ and 9,361c/ℓ respectively

"Although the equalisation fund can still finance these huge unit under-recoveries for the time being, the monthly depletion rate of the fund is such that a major price increase is indicated for early 1993," said Mr Bartlett

Beneficial

"A smaller interim fuel price adjustment at this stage would be more beneficial to the consumer and the economy as a whole than a much bigger one at a later stage

"A smaller fuel price increase would enable the fund to continue financing the remaining unit under-recoveries for a longer period when the fuel price situation may improve"

Mr Bartlett said the smaller increase would also have a less damaging effect on inflation The 7c/ℓ increase — 4,6 percent — would directly add only 0,184 percentage points to the inflation rate, he said

The indirect effect on inflation was calculated at 0,32 points within six months, but it might be possible to reduce this with counter-inflationary measures

The price of diesel was not being increased because it would hit farmers hard at the start of summer, and the losses on diesel were much lower

Mr Bartlett said "This decision will assist the agricultural sector, which is currently bowed down by severe drought conditions"

He had also tried to recognise that a large proportion of South Africans depended on paraffin for heating, cooking and lighting, and a smaller rise would limit their pain

It was also felt that the best time for an increase in the price of paraffin was at the beginning of summer, when demand for heating was low

Petrol price increase announced today

BDAY 8/10/92. (244)

Business Day Reporters

AN INCREASE in the price of petrol would be announced today, Energy Minister George Bartlett confirmed last night

He said the increase was unlikely to be as much as 15c a litre as speculated in news reports last night

An Energy and Mineral Affairs spokesman said full details of the fuel price adjustments would be released today.

Witwatersrand motorists had been paying far too little for petrol since March this year, and as a result a price increase was unavoidable, Bartlett said this week.

He said there had been an underrecovery in both July and August this year of 14,5c a litre on the import cost of fuel

Recent speculation that a price increase was imminent has led to massive orders from major diesel buyers

This gave rise to assurances from government that a diesel price increase would not take place.

DP energy affairs spokesman Geoff Engel said yesterday the hike was a sign government was shifting the tax burden to motorists as a soft target for revenue.

"The DP questions the government's commitment to reducing inflation when its fiscal policies clearly contradict this"

Afrikaanse Handelsinstituut chief economist Nick Barnardt emphasised last night that the price hike was not a tax measure, but a means to correct underrecovery on the equalisation fund

Such a step was necessary to prevent further damage to the fund, he said

Overall, the increase would not have a serious effect on the inflation rate, and a 0,5% rise could be expected

"However, this will not reverse the general decline in the inflation rate, and at worst it will slow down the decline a bit"

Barnardt did not believe the increased price would stand in the way of the lowering of interest rates

Petrol price 'up 15c soon'

CT 8/10/92

JOHANNESBURG — The price of petrol is soon to go up 15c a litre, according to government sources.

The petrol price hike would be announced imminently but the price of diesel would not be increased, the government confirmed yesterday.

Mr C P Edwards, a spokesman for the Minister of Mineral and Energy Affairs, Mr George Bartlett, said last night an announcement about the price of fuels, other than diesel, would be made "soon".

The announcement is expected before the end of the week.

Inflation

The DP's alternative spokesman on mineral and energy affairs, Mr Geoff Engel, questioned the government's commitment to reducing inflation when its fiscal policies contradicted this.

The chairman of Golden Arrow Bus Services, Mr Nic Cronje, congratulated the government on its far-sightedness in not increasing the price of diesel, which made up about 15% of his company's operating costs.

The South African Consumer Union said it had sent an urgent request to Minister of Finance Mr Derek Keys not to increase the petrol price because of the effect on inflation. — Sapa, Political Staff

Drug price mark-ups criticised

B/DAY (244)
8/10/92

DUMA GQUBULE

THE Competition Board has criticised high mark-ups in the pharmaceutical industry.

Board chairman Pierre Brooks yesterday said established nominal margins in the industry had become so entrenched that prices determined in this way for products had become the benchmark.

Wholesalers automatically put a mark-up of 21% on prices charged by manufacturers, while retailers added another 50%.

This meant a R10 increase at the manufacturing level led to a cost of R18,30 at retail level.

As a result, the medicine component of total medical expenses in the private sector was greater than similar conditions abroad, he said.

Dispensers in many instances ignored actual acquisition costs of prescription medicines, relying rather on retail prices as their pricing guide. Most contracts between pharmacies and medical schemes were based on discounts from retail prices, he said.

The board had told the pharmaceutical industry to "get their house in order".The board's current investigation into the pharmaceutical industry had concentrated on allegations of price discrimination between purchasers in respect of equivalent transactions. A price structure based on manufacturers' prices with no equivalent transaction discrimination would comply with competition policy, he said.

the north in brief

Sowetan 8/10/92 (244)

Petrol price up by 15 cents

MOTORISTS could soon be paying up to R9 more to fill their petrol tanks

SABC radio news reported yesterday an increase of up to 15c a litre was imminent. An announcement is expected from Minister of Mineral and Energy Affairs Mr George Bartlett in the next two days.

Bartlett last week said a petrol price rise was unavoidable because consumers on the Witwatersrand had been paying far too little for petrol since March. In July and August, the under-recovery was more than 14,5c a litre

However, there is some good news for farmers and transport operators - the Department of Mineral and Energy Affairs has confirmed that the price of diesel will not be increased.

Press remembers bannings

A PRESS seminar under the auspices of *Sowetan's* Nation Building campaign will be held on October 19 to focus on the issue of Press freedom and other issues related to the media. Sowetan 8/10/92

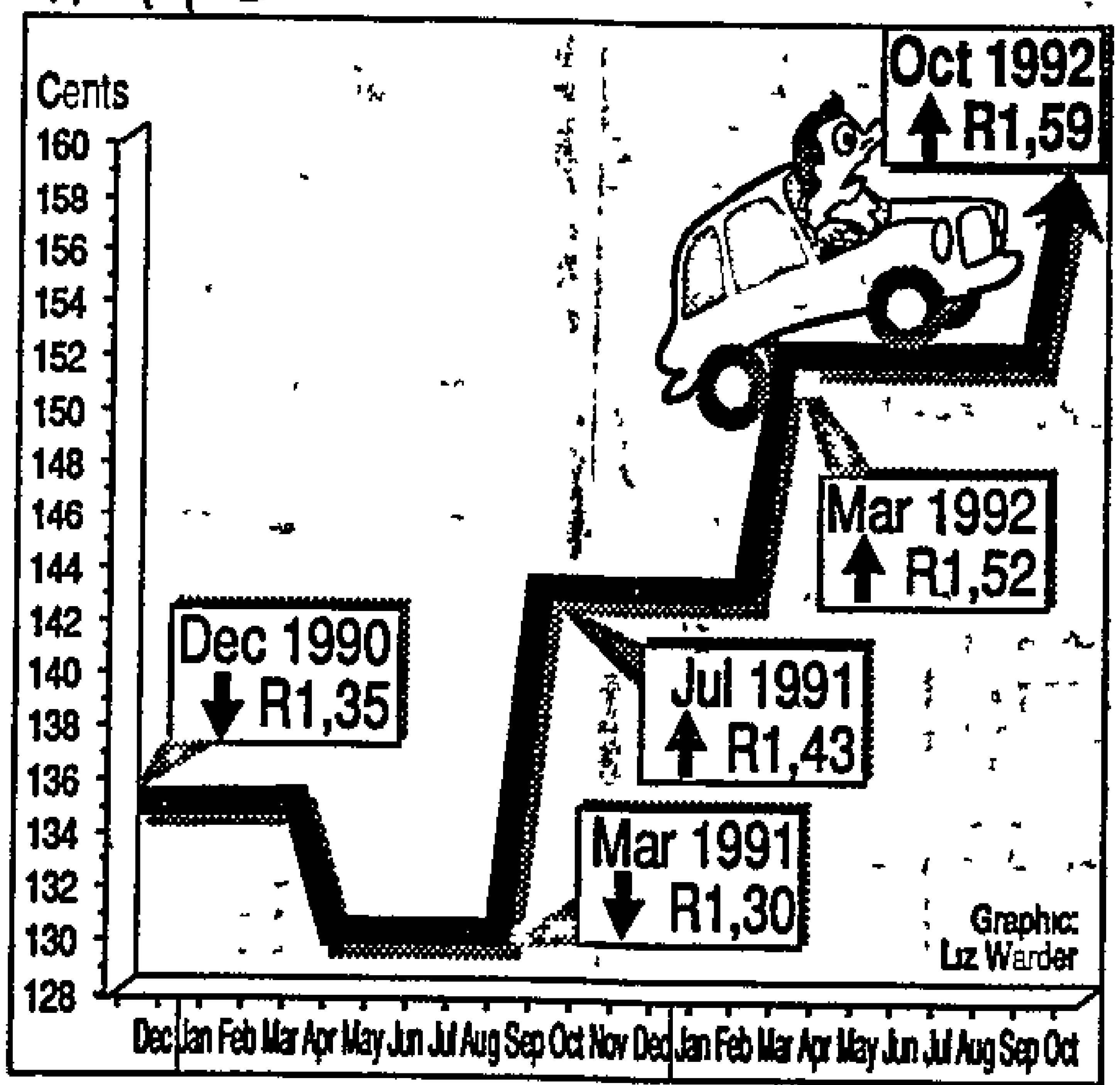
Newspapermen and political and trade union leaders will engage in a debate on the issues The seminar will also be a commemoration of the banning of political organisations and the closure of newspapers, including *The World* and *Weekend World*, on October 19 1977. The event will take place at the Soweto campus of Vista University

Call to lift veil of secrecy over fuel

STAR 9/10/92

(244)

By Michael Chester and Zingisa Mkhuma



More increases in the price of petrol are expected after the rise of 7c a litre from midnight tonight — amid calls that the industry be deregulated and its cloak of secrecy lifted.

The Government announced the increase, the second in less than a year, yesterday. The last increase was 9c a litre in March. The price of diesel will remain the same.

From tomorrow motorists will pay R1,59 a litre for petrol. The price of paraffin will also increase by 3c a litre.

Yesterday the Automobile Association warned the petrol price increase could be the first in a series of increases totalling 25c/l leading up to the Budget next year, while consumer bodies warned that the price of goods and services could rise as a result of the latest increase.

The warnings came as economic experts said motorists should demand full answers from the Government about what goes on behind the scenes when fuel prices are increased.

The Econometrix research unit in Johannesburg said questions needed to be answered by the Government about a complex system of multimillion-rand hand-outs paid to oil companies.

Controversy has been simmering for several weeks about the continuation of the payments, which were devised to compensate oil companies for any cutbacks of production from conventional refineries when they agreed to buy supplies from the Sasol operations.

Insiders have estimated that payments have been running as high as R100 million a year — even though sanctions problems have largely been removed.

"The justification for secrecy about the deals was always explained as protecting international suppliers from losses during the oil embargo imposed on South Africa during the apartheid years," Econometrix executive Tony Twine said yesterday.

"The need for such secrecy has largely disappeared — and it's time for the Government to lay its cards on the table.

"Now the need for full disclosure may be more important than ever if next comes the suggestion that hand-outs should be made to make allowance for Mossgas production costs.

"Sasol is now on the trail of big profits from lucrative new markets offered by expansion of its petro-chemical production lines. One wonders whether special protection can be justified."

Department of Mineral and Energy Affairs spokesman Lourens van den Berg later explained that bigger profit margins for oil companies and retailers were agreed with the Government three months ago.

The new petrol price was also necessary to cover rising costs of other items, such as transport and fuel deliveries.

He confirmed that further increases may be necessary inside the next few months to remedy what he described as "under-recovery" of costs at recent price levels.

Pick'n Pay chairman Raymond Ackerman called for the deregulation of the fuel industry and said that should this be done, his company would discount fuel by between 7c and 8c a litre.

Among those hardest hit by the increase in the petrol price would be the minibus taxi industry, said the South African Chamber of Business.

The chairman of the National Black Consumer Union Nonia Ramphomane said the increase would have a ripple effect.

● Effect on rate cut — Page 15

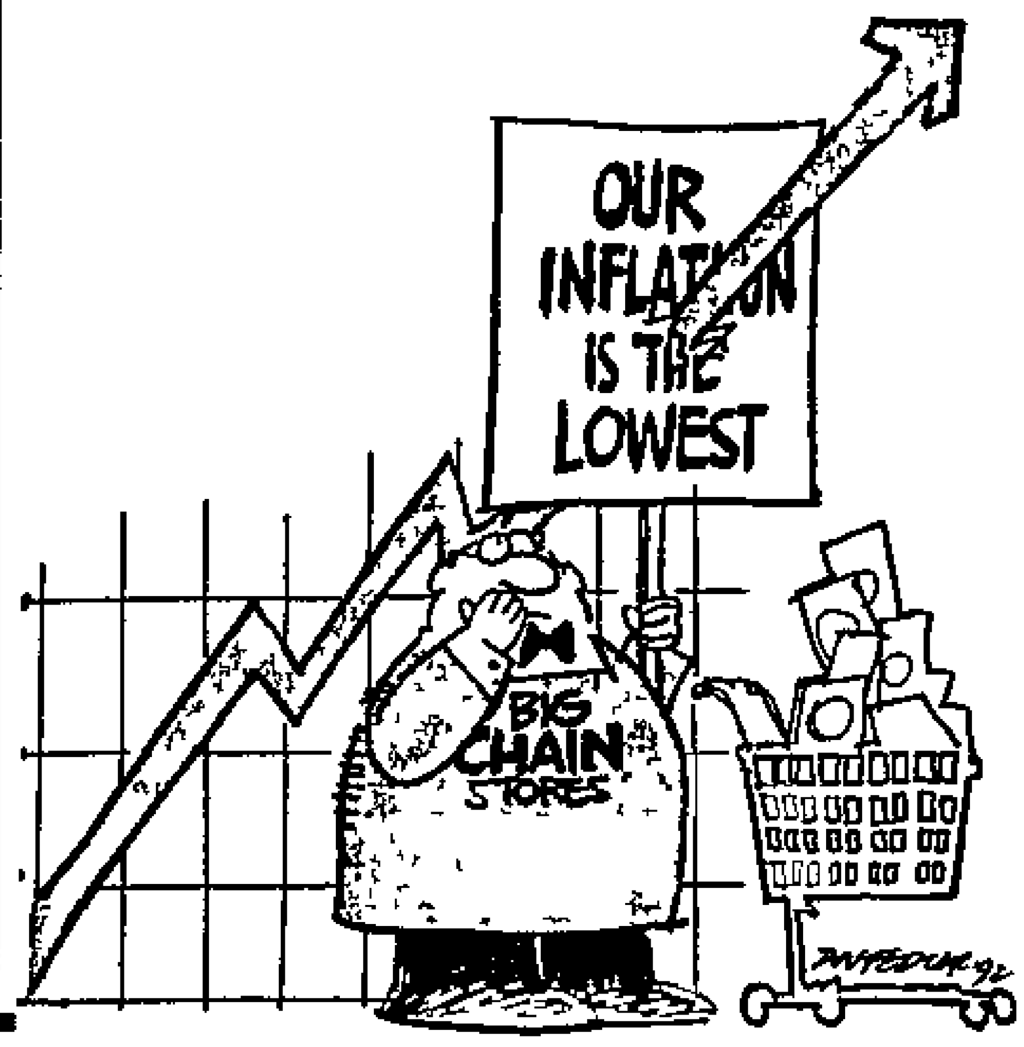
fund sources is appropriate *Bryan Deans*

FOOD INFLATION FM 9/10/92

Chain gang

244

Now that major food chains have had their way with the inflation statistics, they may not be entirely pleased with the results In



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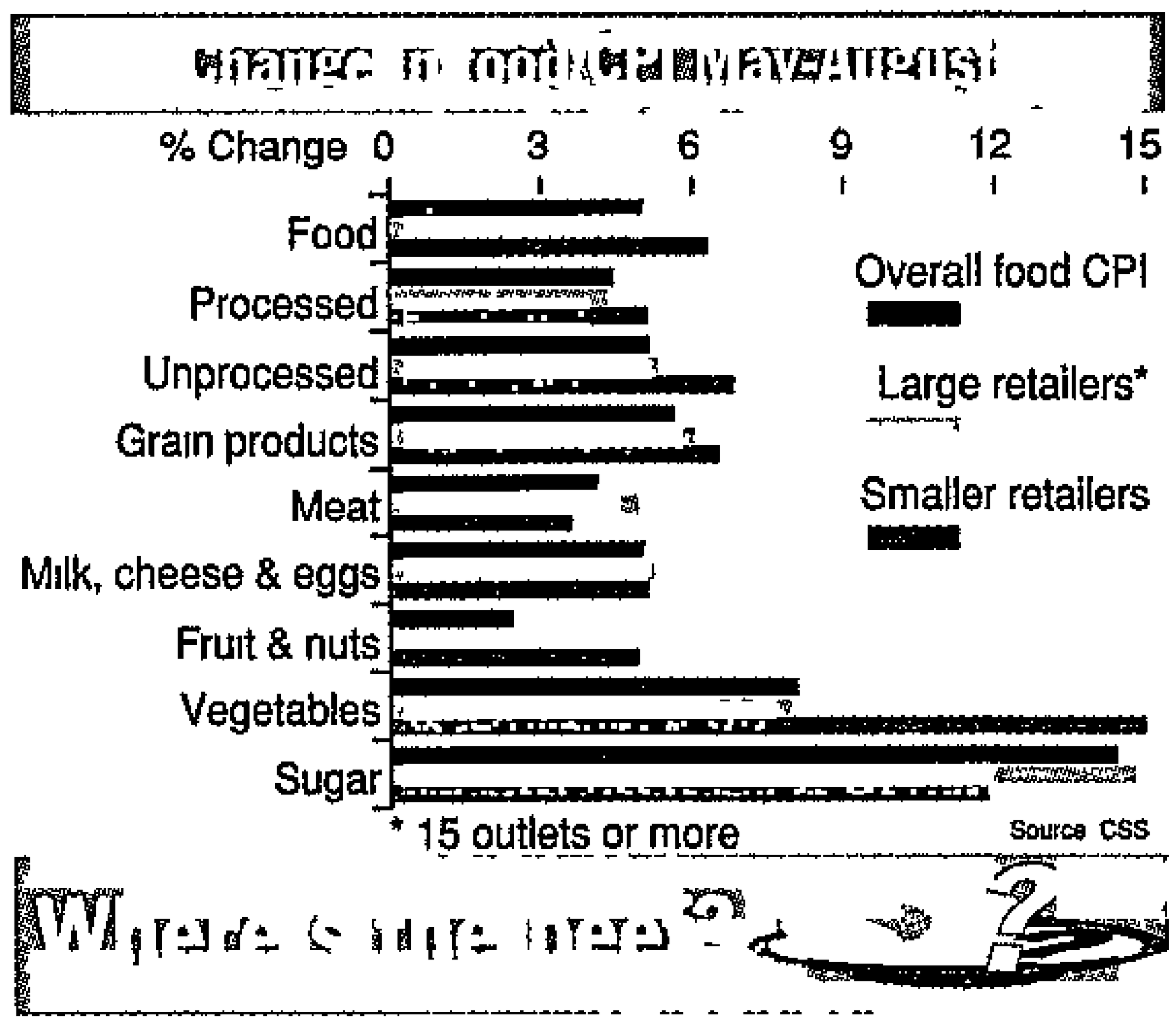
 FM 9/10/92 244

response to pressure from these stores the Central Statistical Service published separate data for inflation at smaller and larger retailers (defined as having 15 or more outlets) with its release of consumer inflation figures for August



It's true the data supports the contention of Pick 'n Pay chairman Raymond Ackerman that smaller retailers are more inflationary than larger ones, food prices of large chain stores rose 5% over the three months to August while prices of small operators rose 6,3% These figures translate into 21,55% and 27,68% annualised

But the data doesn't support the view that food price increases at the larger chains are lower than official food inflation

According to CSS head Treurnicht du Toit, VAT accounts for about six percentage points of the 28,5% food price rises, in the 12 months to August So the chain stores' annualised figure for the past three months, which strips out the effect of VAT, corresponds closely with the 12-month VAT-free figure Of course, comparisons between 12-month rates of increase and annualised rates over three months are not necessarily valid. CSS is unable to provide a breakdown for months before May, so an accurate 12-month assessment cannot be made

Nevertheless, a comparison of the rates over the periods available show chain store and overall inflation rates are very similar Over three months the overall food and chain store food figures are the same, 5%

During the month of August the figures for all foods (1,4%), processed foods (0,8%) and unprocessed foods (1,7%) are the same The implication is, in recent months at least, that CSS's food inflation figure accurately reflects price rises at the large chain stores

So bringing the small retailer into the debate may not aid the large chains' position The Consumer Council's Wander Hoon says the differential between the two rates of inflation is not unreasonable. "The big stores are able to negotiate lower price increases than the others " And the smaller players are not uniformly more inflationary — in the categories meat (4,9% against 3,6%) and sugar (14,7% against 11,8%) the chain stores lead the smaller players

Pick 'n Pay food director Sean Summers says he is puzzled by the figure for meat. "Our meat prices today are cheaper than they were a year ago — and that's what some of the consumer bodies tell us " But Hoon says individual butchers are generally cheaper than the chains because they sell in bulk and don't package meat "Customers can get better discounts for large amounts " Other chains say it's difficult to explain the anomalies between the types of retailers, since the way CSS categorises items is very different from the way the stores do Shoprite Checkers say all its information is forwarded to the Food Logistics Forum, which will release its findings late next month

CSS's Du Toit says the figures are representative "The list of outlets from which we compiled the data is pretty clear-cut You won't find anyone you wouldn't expect to find on the list of chain stores "

☐ Inflation reached the top end of expectations in the 12 months to August, at 14,3%, after a relatively big month-on-month increase of 1,1% (seasonally adjusted 0,9%) It was the second highest monthly increase this year — the largest was in April when VAT was extended to cover more items and the index rose 1,3%

But the 12-month rise in the consumer price index was below July's 14,6% and the lowest level since March last year, according to the CSS The decline in the official inflation rate owes much to last year's high base — large increases occurred in the second half of 1991 ■

'More rises to come'

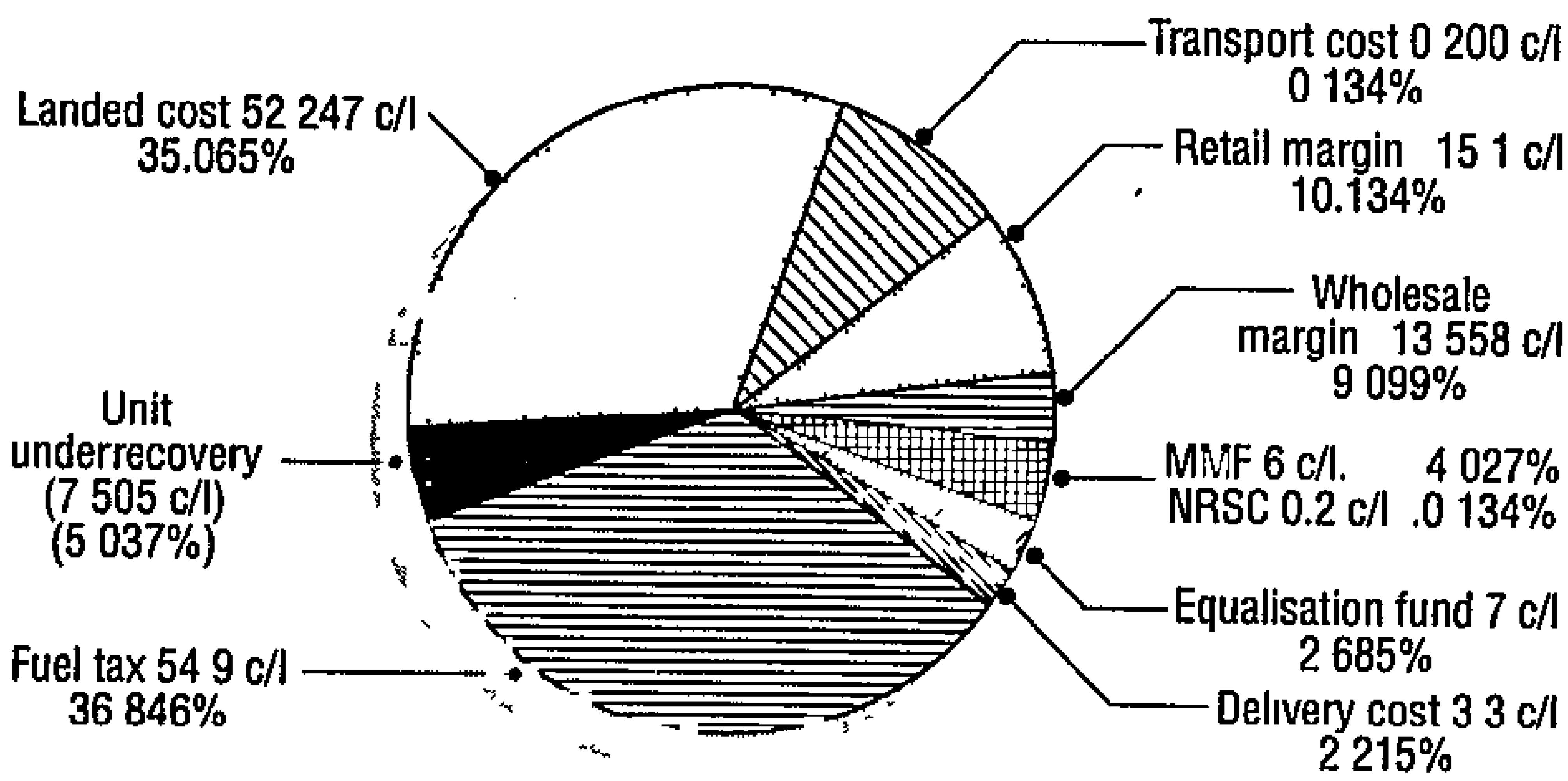
Sapa reports from Johannesburg on reaction to the increased petrol price

ARG 9/10/92

Petrol price: 149,0 cents per litre

93 Octane: Coast (zone 1A)

10 October 1992



Exchange rate USA$1 = R2.7641

Current landed cost: 52.247

Landed cost element in price structure: 44 742

Remaining unit underrecovery: (7.505)

THE 7c increase in the price of petrol might be only the first in a series of expected increases leading up to the Budget, according to the Automobile Association

In a statement warning motorists, the AA said "With the current under-recovery of 15c a litre, this increase will only partially assist the Equalisation Fund, and will not address the additional transport costs, retail and wholesale profit margins, and the MMF levy which have been carried by the Fund

"It is the AA's opinion that an overall increase of 25c a litre will be required in the long term, which would obviously have a negative effect on the inflation rate"

The AA called on the authorities to explain the reasons for the large under-recovery

"The Department of Mineral and Energy Affairs reported in August that fuel price unit under-recoveries were being experienced on all grades of petrol and diesel, despite a decrease in the average landed cost and a slight worsening of the exchange rate," said the AA

The Motor Industries' Federation said fuel price increases to wipe out Equalisation Fund under-recoveries should be adjusted more frequently to minimise the impact on the economy

MIF executive director Vic Fourie added that the increased wholesale price of the dealer without a marginal adjustment to the dealer's profit margin placed pressure on the viability of pump stations because of interest and other factors

Meanwhile, business and consumer organisations have reacted with caution to the increase

Consumer Council executive director Jan Cronje said the increase came as yet another blow to South Africa's hard-pressed consumers and dashed hopes of a further drop in the inflation rate

He advised consumers to use fuel sparingly by avoiding unecessary trips, driving economically and ensuring that their vehicles were kept in good condition

The South African Chamber of Business (Sacob) said that at a time when South Africa was still grappling with the problem of inflationary expectations, the increase — although less than expected — could only aggravate the situation

"With other cost increases, petrol price rises will also adversely affect consumer disposal income," said Sacob

Both organisations expressed the hope that the current official investigation into the further deregulation of fuel prices could be completed before the next possible price increase early in 1993, assuming that the fuel price situation had not improved

Both welcomed the announcement that the diesel price would not be affected

According to Mr Cronje "Commercial and agricultural transporters almost exclusively use diesel and it follows that the petrol price increase should not influence the price of most goods and services"

South African Agricultural Union chief economist Koos du Toit said the increases in the price of petrol and illuminating paraffin would indirectly influence agriculture as it placed increased pressure on the inflation rate.

"These types of price increases do not promote improve the economy which in turn determines the rehabilitation and welfare of agriculture"

The Democratic Party has condemned the petrol price increase as unacceptable and unjustified

Mr Geoff Engel, a DP spokesman on mineral and energy affairs, said in a statement "There has been no material increase in international oil prices or a decline in the rand/dollar exchange rate

"The deficit is the result of the failure of the additional fuel levy, announced in March during the budget debate, to fully recover the amount required

"The result the motorist must now bear the burden," he said

"This is a blatant cover-up of the Mossgas fiasco, which is one of the biggest financial disasters in South Africa's history, costing R13 billion to establish, and which will continue to cost motorists and commuters much more in subsidies," Mr Engel said

"This R13 billion could have been productively used to fund one million service sites or 430 000 low-cost housing units at R30 000 each," he added

Mr Engel called on the Minister of Mineral and Energy Affairs to publish the cost price of a litre of Mossgas petrol, including depreciation and finanacial charges, compared with the cost of imported petrol before tax so the public would know how much they were subsidising Mossgas

Mr Whitey Basson, managing director of the Shoprite Checkers Group, challenged the government on the timing of the petrol price rise.

"Government says that a shortage in fuel revenues dates back to March, one month after the Budget announcement when petrol was increased by 8c a litre," said Mr Basson

"This sudden increase is badly timed and once again consumers are forced to pick up the bill for bad planning on the part of the government"

Mr Basson said that Shoprite Checkers would support consumers with the supermarket's ongoing commitment to low prices by toughening negotiations with suppliers

On behalf of consumers, Mr Basson appealed to other businesses to absorb this latest increase, and not simply pass on new price increases in the name of the fuel price hike

He added that the group would also continue its price freeze on certain foods to offer consumers relief

A more positive note was struck by Tolcon managing director Peter Erasmus who said the increase in the price of petrol discounted toll road tariffs

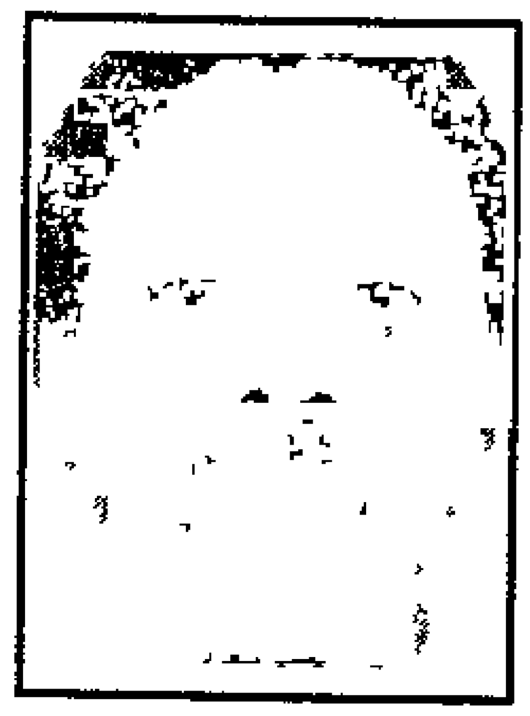
"Toll fees are calculated according to a formula based on the savings a motorist makes when travelling on the tolled section of the road," he said "Time, wear and tear, distance and fuel are all costed in

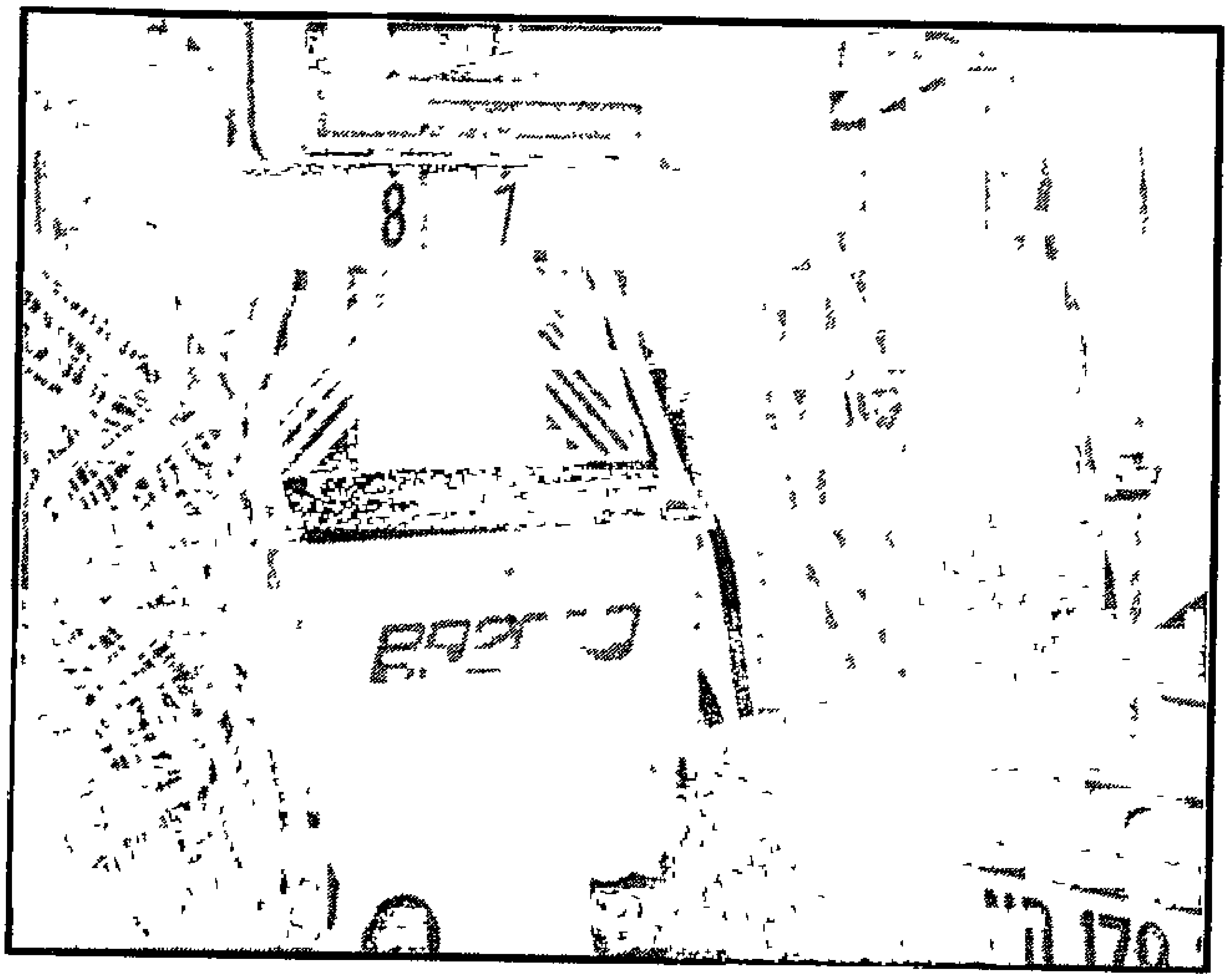
"Clearly when the price of petrol goes up and toll fees remain static, the motorist gets an immediate benefit"

Tolcon's roads were managed on the philosophy of "value-for-money" with the main objectives being driver comfort, peace of mind and safety

Sowetan 9/10/92 (244)

The petrol price increase is bad news for the man in the street, already hard-hit by runaway food prices and soaring unemployment. But an economist told **Joe Mdhlela** that business will be circumspect in hiking prices:





A motorist expresses her anger at the petrol price increase to an amused petrol pump attendant.

THE DECISION by the Government to increase the petrol price by 7 cents a litre, is bad news for the man in the street

However, there should be no reason for the business sector to increase the prices of their merchandise, Sanlam chief economist Mr Johan Louw said yesterday

The increase will come into effect tonight

It was previously speculated that the increase would be around 15 cents a litre

However, Louw said it was still possible that the Government would announce further increases early in 1993

He said the increase was unavoidable as this was a follow-up to the increase of the international oil price not so long ago

There is consumer resistance

"The minister speculated there would be a big increase at the beginning of 1993 I think what is happening is that the Government is introducing the increase in stages We can expect another increase around early next year," said Louw

The economist said he was doubtful whether the price increase would result in other increases by the business sectors

"The problem is that there is consumer resistance to further increases on consumer goods

"I hope retail businesses and other similar sectors will absorb the increase and not pass it on to the consumer "

Economy is flat

In any case, said Louw, the economy is "rather flat" and it would be foolhardy for anyone to contemplate increasing the price of consumer items

He believed there would be increases of some sort but was optimistic that these would not be as high as to bring resistance from consumers

"It should also be realised that the petrol price increase does not mean extra income for the Treasury On the contrary, there was already a big short-fall on the national account and the belief that this would strengthen the Government's coffers is misplaced."

A slap in the face

Louw said he did not envisage a significant major increase in inflation

"The projected inflation rate in November is expected to be 12,4 percent, but because of this increase the inflation might go to 12,6 percent, tapering down to 12 percent in December "

Township residents will greet the increase as a slap in the face, following major food price increases, especially on staple foods

In September food went up by about 30,4 percent, with vegetable prices hitting an all-time high of 88,7 percent

Meat prices during the same period went up by about 27 percent

The increase in food prices prompted business leaders, including Mr Raymond Ackerman, to urge the Government to zero-rate basic foodstuffs from Value Added Tax

A disasterous effect

The general secretary of the National Council of Trade Unions (Nactu), Mr Cunningham Ngcukana, said the petrol price increase would have a disastrous effect on black people

He termed the increase as inflationary, leading to price increases on consumer items, especially food

He accused the Government of misusing taxpayers' money by engaging in "white elephant" projects like Mossgas

"By December consumers will be worse off hit by price increases all the over the place "

He said the effect of the increase would be felt mostly by the formal transport industry, which no longer enjoyed Government subsidies

Of great concern

"This will escalate retrenchment in the transport industry, especially in bus services which, because of the withdrawal of subsidies, are barely surviving," he said

He said the decision by the Government to take unilateral steps on the restructuring of the economy was of great concern to the federation

The Congress of Trade unions of South Africa were unable to comment on the increase as they did not have enough information

Petrol price rise won't hold back interest rate cut

(244) STAR 9/10/92

By Roy Cokayne

The 7c a litre increase in the price of petrol from midnight tonight is not likely to add significantly to a rise in the inflation rate — nor delay a widely expected cut in the Reserve Bank's bank rate and bank prime and other interest rates.

A cut in interest rates is expected in some circles within the next few weeks and Amalgamated Banks of South Africa (Absa) senior economist Adam Jacobs does not believe the petrol price increase will delay these reductions.

"Generally, the economy is so weak and the underlying trend in the inflation rate is downwards. In addition, VAT will be out of the system in October," he says.

Jacobs estimates the petrol price hike will lead to a 0,25 to 0,4 percent increase in the inflation rate.

Minister of Mineral and Energy Affairs George Bartlett says the indirect effect on the inflation rate is calculated to be 0,32 percentage points within the course of six months.

Bartlett says this could possibly be lowered by counter-inflationary measures.

Standard Bank Bond Investments managing director Vic Moll believes the Reserve Bank's bank rate and prime rates will be reduced in the next few weeks.

Interest rates have been on a downward trend for some time.

Last week Standard Bank Bond Investments reduced its interest rate on commercial and participation mortgage bonds from 17 to 15,94 percent.

Moll says a cut in these rates usually precedes a cut in other rates, including home loan rates.

Northern Transvaal Chamber of Industries (NTCI) executive director John Toerien says "market forces really are screaming for a further drop in interest rates".

Writing in the first edition of the NTCI's "Economic Focus" newsletter, Toerien says that given the economic situation, there is no danger that lower interest rates soon could be interpreted as an official move by the Reserve Bank not to adhere any longer to a policy of financial discipline.

A drop in interest rate levels on its own would not trigger a greater demand for credit, he says, adding that there are too many negative factors present in the economy.

"Given the present state of the economy, there can be no danger that lower interest rates will harm the fight against inflation and the promotion of price stability, which is the main responsibility of the Reserve Bank," Toerien says.

"What is of paramount importance, however, is that lower interest rates can help to put a floor on dwindling business confidence, which is at its lowest ebb for 16 years.

"It can also improve the cash flow of financially highly geared companies and lessen the financial burden of the man in the street," he says

'Major' new fuel price hike in new year

GERALD REILLY
and EDWARD WEST

244

MOTORISTS can expect another "major" petrol price increase early in the new year, Mineral and Energy Affairs Minister George Bartlett said yesterday

Bartlett announced that the petrol price would rise by 7c/l to 159c/l and illuminating paraffin by 3c/l from tomorrow

He said that although the Equalisation Fund could still finance the huge under-recoveries, the monthly depletion of the fund made a second increase unavoidable.

Since the last fuel price increases in March, underrecoveries had increased In August, it was 14,505c/l on 93 octane petrol, 4,202c/l on diesel and 9,361c/l on illuminating paraffin

The price of diesel has not been raised

Bartlett said it had become clear a smaller interim fuel price adjustment at this point would be more beneficial to the consumer and the economy than a much bigger adjustment at a later date

Bartlett said "Another benefit is that the impact of a smaller increase will be less on the inflation rate For example, a 7c/l increase (4,6%) in the retail pump price for

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Fuel hike

8/10 9/10/92.

(244) (85)

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petrol will only have a direct effect of some 0,184 percentage points on the inflation rate"

The indirect effect on inflation was calculated to be 0,32 percentage points in the course of six months and could possibly be lowered by counter-inflationary measures

Government sources pointed out the 1993 "major" increase mentioned by Bartlett could include a hike in the fuel tax to bolster flagging state tax revenue for the current financial year

The only other option would be to raise the level of VAT, a move which would meet with resistance and adversely affect constitutional negotiations

The Automobile Association cautioned that the 7c increase could possibly be only the first in a series of incremental increases

The AA said that with the underrecovery at about 15c/l, yesterday's increase would only partially assist the Equalisation Fund and would not address additional transport costs, retail and wholesale profit margins and the MMF levy which have been carried by the fund

The AA considered that an overall increase of about 25c/l would be required in the long term — and this would have a negative effect on inflation

Econometrix economist Tony Twine agreed further price increases would occur soon as government would have to make up the remaining 7,5c/l underrecovery in the Equalisation Fund

Twine believed government had overestimated the effect of the increase on inflation because the weight of petrol in the CPI basket was about 2% and a 5% increase in petrol prices would add up to a 0,1% impact on the CPI

Sacob hoped that the investigation into deregulation of fuel prices would be complete before the next possible price increase early in 1993 — assuming the fuel price situation had not improved

Sacob said that while the 7c/l price hike increased business costs, the actual impact was minimised by the fact that the price of diesel was left unchanged However, minibus taxis would be hard hit

Consumer Council director Jan Cronje said the petrol price should not influence the price of most goods and services because commercial and agricultural transport almost exclusively used diesel

The Afrikaanse Handelsinstituut (AHI) expected the increase to slightly retard, but not reverse the expected downward trend in the inflation rate The AHI forecast a CPI inflation rate of below 13% by year-end with further consequent interest rate declines before year-end in prospect

The AHI proposed that fuel prices be reviewed at least on a quarterly basis to prevent sporadic large changes

The price increase was condemned by the DP as unjustified and a cover-up of the Mossgas "fiasco" as there had been no material increases in international oil prices or a decline in the rand/dollar exchange rate

The DP called on government to publish the cost price of a litre of Mossgas petrol (including depreciation and financial charges) compared with the cost price of imported petrol before tax so that the general public would know how much it was subsidising Mossgas

Secret petrol deal challenged

244

■ A deal between the big oil companies and the government is stifling free competition, claims supermarket chief Raymond Ackerman.

Weekend Argus Correspondent

JOHANNESBURG. — A storm is raging over a behind-the-scenes deal between the government and oil giants, as motorists today pay another 7c a litre for petrol.

The row came to a head yesterday when supermarket boss Raymond Ackerman challenged the government to allow free pricing at the pumps.

The target of the challenge is a secret agreement entitled the Service Station Rationalisation Plan — widely known as the "Ratplan".

This is a deal between the Minister of Mineral and Energy Affairs and the big oil companies to control fuel distribution channels.

Pick'n Pay chairman Mr Ackerman blamed the agreement for stifling competition by setting limits on the number of filling stations in operation — and blocking newcomers unless they abided by rigid rules on fixed price levels. He disclosed that the 12 filling stations operated by the supermarket chain could all stay in profit if they held petrol prices at old levels — but had been forced, by rules laid down by secret pacts, to apply the new 7c-a-litre rise.

"The rules forbid us to sell at cut prices — with the threat of shutting off supplies if we try it," he said.

"It's ludicrous that no competition is allowed at the petrol pumps. We could cut the new price by 7c a litre and still make a fair profit. Because we are forced to apply the increase, the profits from our filling stations will be doubled

"Rules and regulations may have been necessary when South Africa was finding ways to dodge the international oil embargo. But now that sanctions are falling away it's high time they were scrapped."

Mr Ackerman said he had sent an urgent appeal to the Minister of Mineral and Energy Affairs to refuse to sign a five-year renewal of the "Ratplan" that was now under consideration.

The rigidity of "Ratplan" rules is also causing concern at the Competition Board, which outlaws any collusion between companies to fix prices or any interference with competition between business rivals.

"Until now the oil industry has been exempt from legislation about open competition because of the special provisions of the Petroleum Act," said board chairman Dr Pierre Brooks

"The wholesale deregulation of the oil industry is virtually impossible until government policies on fuel are changed. Many of the regulations were formulated when oil embargoes were imposed The ending of sanctions may allow a review of policies.

"However, there are several aspects of the Ratplan that are under investigation

"For the moment, various clauses in the agreement appear to have possible merit. But we also need to look deeper into agreements that limit the entry of newcomers to the garage business, and which may threaten the survival of certain filling stations that the oil companies can deprive of supplies.

"If the Ratplan is renewed, perhaps it should be made more flexible."

Food: open your books challenge to traders

(244) ARG 10/10/92

SOMEONE in the food industry is exploiting consumers, says Mr Mark Lamberti, managing director of Makro, the country's largest chain of urban wholesale stores.

And he challenges traders to open up their books — as Makro does today — and reveal who is responsible for food price rises.

He suggested seven ways of identifying the culprits:

■ Audited figures showing year-ago prices should be published next to the price of goods advertised.

■ Comparative advertising should be allowed

■ Each manufacturer's audited price increases should be published.

■ Recommended selling prices should be published on packaging, to stop profiteering

■ Consumer organisations should publish information on price increases as reflected in products advertised over a 12-month period

■ Farmers, control boards, manufacturers, wholesalers, retailers and others should each publish an indexed inflation rate which should be generalised by an independent body

Food inflation could also be reduced, says Mr Lamberti, if

■ Makro, the Wooltru-based urban wholesale giant, has challenged traders to open their books and prove their innocence in food price hikes to consumers.

TOM HOOD, Business Editor

manufacturers' rebates to retailers were given on the basis of efficiency rather than of volume Retailers who handle loads quickly, allowing the manufacturers' trucks to move on again, should get rebates, he says

Loss of stocks through theft and breakage — a major problem for some retailers — can be reduced, he says Makro gives employees a bonus when such losses are reduced Last year R1,7 million was paid out to employees on this basis

In a society which is "riddled with suspicion", he says, the industry needs to be seen to be open to scrutiny

"As painful as it may be, conventional commercial discretion must be set aside in favour of disclosure which exposes the major contributors to the price rises."

As a first step, Mr Lamberti has revealed statistics about Makro, part of the Wooltru group, which sells over R1 billion of food each year

A comparison of prices on September 23 in 1991 and 1992 (excluding GST and VAT) shows

■ Cost price on the top 10 food items sold went up 12,8 percent over the year, and selling prices rose by 8,5 percent

■ In the top 50 food lines, cost price has gone up 9,5 percent and selling price 4,4 percent

■ Fourteen of these items — including mealie meal, eggs, toilet rolls, oil, candles, a leading brand of washing powder, condensed milk, matches, corned meat and margarine — are selling at lower prices than a year ago.

The price of whole chickens is unchanged on a year ago, and prices of rice, margarine, certain sugar pack sizes, baked beans, cheese and teabags, are up less than 10 percent

A list of basic foods (excluding cabbages, which Makro does not sell) recommended by the Consumer Union, he says, costs Makro R132,95 and sells for R139,98, leaving a margin of 4,5 percent

Many retailers, says Mr Lamberti, point to thin net profit margins to show that big food price rises are not their fault But it is not net margins but gross margins which are important, he says

Motorists foot huge profit bill

ST Times (BUSS) 11/10/92. (244)

By KEVIN DAVIE

USERS are paying an extra 4c a litre for fuel because of the antiquated system used by the Government for determining prices.

Fuel prices were at the centre of a storm of protest this week as the Government raised the cost of petrol price by 7c/*l* amid warnings that further increases would be necessary to fund continuing under-recoveries and tax revenue shortfalls

Industry experts say the in-bond landed cost (IBLC), the fuel-pricing system used in SA since the 1930s, is a licence for SA refiners to pump profits of hundreds of millions of rands at the expense of users.

The potential "windfall profits" made by SA refiners from the IBLC is dealt with in a World Bank paper on trade and industrial policy

Secret

Bank staffer Brian Levy reports that some interviewees say the IBLC sets fuel prices 10% above what the import price would be in practice "providing windfall profits to both Sasol and to the country's oil refineries"

Mr Levy says the subject is controversial and there was debate among those interviewed

The increases announced this week have little to do with the IBLC, which reflects the fuel component of the petrol price. An analysis of the fuel price for the two years to July this year shows that the IBLC increased by 10,4% a year

The big increases since July 1990 were in the non-fuel part of the petrol price. The Government allowed a wholesale margin increase of 56,2% a year and a retail margin rise of 21,7% a year Fuel tax increased by 31,2% a year

The decision to lift the petrol price this week was because of strain on the equalisation fund caused mainly by the two margin increases for the fuel industry But the fund will continue to meet an under-recovery of 7,5c/*l*.

The IBLC is not determined by domestic market conditions The Government uses the prices of a refinery in Bahrain and three in Singapore The cost of shipping refined fuel to SA is added to determine the IBLC

Volatile

But relatively little refined product is brought to SA Crude is imported in supertankers at a considerably lower cost as refined product is volatile and must be shipped in smaller vessels and with higher insurance costs

The pricing structure favours refiners because they pay for moving crude directly to SA (mostly from the Middle East) Users bear the costs of moving refined product. The Singapore price reflects the fact that it is a crude-importing centre (mostly from the Middle East).

The shipping cost makes up about 11% of the IBLC Mineral and Energy Affairs spokesman Lourens van den Berg says this cost was 4,1/*l* in August.

Industry sources say in a deregulated market SA refinery prices would resemble those of Singapore. Motorists would pay the cost of shipping crude to SA and not refined product.

SA's production figures are secret, but industry sources say the windfall profits for SA refiners run to hundreds of millions of rands annually

Mr Van den Berg acknowledges that the Singapore price already includes shipping, wharfage and insurance because it is an oil-importing centre

The IBLC is based on the import parity principle of what it would cost to bring in refined product. The latest IBLC is 52,2c/*l* for 93 octane.

The IBLC is the price the oil companies get for their fuel Several taxes, levies and margins are added to arrive at the price paid by the mo-

● To Page 3

Petrol price

ST Times (BUSS) 11/10/92.

● From Page 1

torist.

The Government's decision to grant handsome profit margin increases to the oil industry while most businesses have been suffering in the recession, conflicts with the experience of deregulated markets

Caltex Australia's latest annual report shows that a record profit of A$108-million in 1990 was transformed by market conditions to a A$16-million loss last year

Chairman Brian Murphy blames the outbreak of severe discounting in the retail and petrol market.

"This was a reflection of market conditions plus a reaction to the takeover of Esso's downstream business by Mobil" (244)

The Government and the oil industry maintain that the IBLC reflects market prices They say SA pre-tax pump prices are competitive with most First World countries

The method of calculating the IBLC is "an arm's length method representing the cost to import large quantities of liquid transport fuels at specific qualities", says a Sasol spokesman

THE WEEK AHEAD

by Simon Willson

Advantage of a strong rand becomes clear

BDMY 12/10/92

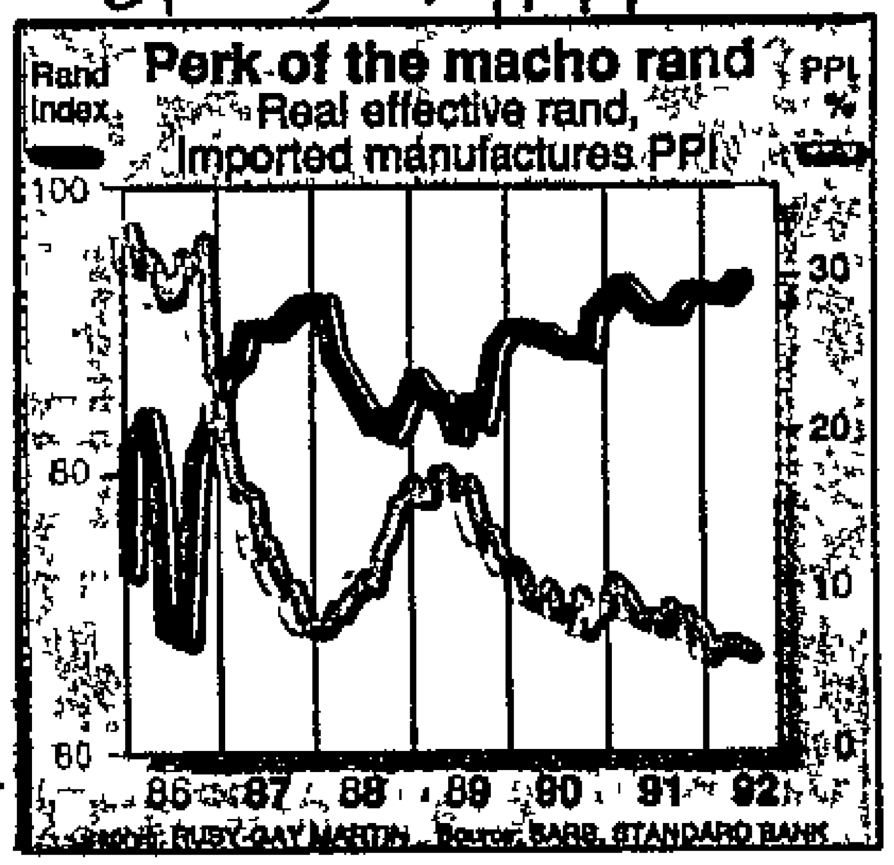
244

BENEFITS from the authorities' strong rand policy are never as visible as the drawbacks of a weak rand, but one of the advantages of a steady currency should become apparent this week when the producer inflation rate for August is published.

"The behaviour of the producer price index (PPI) is a good indicator of what effect the exchange rate is having on the economy and, in particular, on prices. This is because a fifth of the weighting of the sample items measured in the PPI basket is devoted exclusively to imported goods — that is, goods bought with foreign currency which, in turn, had to be bought with rands.

"Depicting the rand as a strong currency two days after yet another increase in the petrol price, blamed in part on the weakness of the rand, may seem a mite perverse. But the rand is strong when expressed not against a single currency such as the US dollar, but against all of the currencies SA has to buy to pay for imports. Thus the rand's weakness against the dollar, cited as a cause of the petrol price rise as crude oil prices are quoted in dollars, is often neutralised by offsetting strength against, currently, sterling and the lira.

The effective rand — the rand measured against a basket of trading partners' currencies — is falling by less than the inflation differential between SA and its major trading partners. This is the source of most of the pressure on the Reserve Bank to devalue the rand to stimulate an economic recovery: the rand is not falling rapidly enough to cover the increase in domestic costs facing SA exporters.



If the effective rand is not falling by enough to compensate for the rise in domestic costs then the real effective rand — the rand adjusted for SA's inflation differential with major trading partners — is rising. The chart shows the steady rise in the real effective rand since mid-1989, here is the strong rand that is so unpopular in certain sectors of commerce and industry. But the chart also shows part of the positive spin-off from the strong rand: the steady and inversely correlated slowdown — over exactly the same period — in the rate of price rises of imported manufactures.

This is no coincidence. It is what makes Reserve Bank officials stop up their ears and sit patiently through the swelling chorus of recent calls to devalue the rand. It is what made the UK government hurl £15bn of hard-won reserves into the currency market three weeks ago to try to avoid a sterling devaluation.

Price increases in the headline imported component of the PPI were mainly responsible for producer inflation edging up to 9,3% in July from June's 9,2%. But this headline rise in imported producer inflation to 7,5% in July from 5,9% in June covers the volatile prices of foreign raw materials, and masks a more subdued contribution from manufactured foreign inputs. These are the goods whose prices reflect most closely the relative inflation rates of exporter and importer, and whose price rises are most curbed by the strong rand.

Twelve months ago, the price rises in imported manufactures were galloping along at 8,8%. In July, the rise was less than 7%; in June it was barely 6%. These are the low-profile perks that come as part of the strong rand package. But their contribution to lowering the consumer inflation rate is no smaller for being time-lagged relative to shelf prices and overtly detectable only by obscure charts. The Reserve Bank, for one, is taking a lot of flak in defending and preserving favourable, exchange rate-related inflation signals such as these.

Internationally, Britain will this week be able to look at a few more lingering statistical benefits of its own strong exchange rate policy. Keeping the pound in the European exchange rate mechanism (ERM) for two years imposed the same disinflationary disciplines on the UK economy as those causing such indignation in parts of SA industry. Although sterling is now floating, the benefits of its ERM stint will show through in figures for a good few months yet.

Tomorrow the UK's producer inflation rate for September is released and is set to fall again from August's 3,3%, which was the lowest rate since 1968. Lower raw material and wage costs have enabled producers to skip traditional price increases, and the negligible 0,1% August increase in the UK's output PPI is set to be repeated for September, bringing the annual increase down to 3% or lower.

On Wednesday it is the turn of US producer inflation to go on display as the figure for September emerges. Even though the US imports-to-GDP ratio is only about a third of the European average, extended dollar weakness may already be propping up US producer inflation. The annual rise in the US September PPI may stay at August's restrained 1,5%, but the rate was below 1% throughout the eight months to May this year.

The costs to the UK real economy of its relative financial rectitude will be on show on Wednesday, when British industrial production and manufacturing output for September both look primed to give negative monthly readouts. On Thursday the bleak practicalities of UK disinflation are likely to be reinforced by another rise in the number of unemployed in September. The rate was already at 9,9% in August and may, therefore, hit double digits this week.

But reassurance about longer-term British economic prospects should also emerge on the same day when UK average earnings for August are released. At 6% in the year to July, UK wage growth is at a 25-year low which, in view of falling consumer inflation and the tough labour market, bodes well for the competitiveness of British exports already poised to benefit from sterling's effective devlauation of around 10% since leaving the ERM.

On Thursday the US September consumer inflation rate is due and, following the 3,1% rate in August, should continue the pattern already estblished this year of straddling the 3% level.

BTT report on food inflation due soon

GERALD REILLY

PRETORIA — The Board on Tariffs and Trade (BTT) final report on food price inflation would be submitted to the Agriculture and Trade and Industry Ministers by the month end, a board spokesman said yesterday.

Consumer organisations are hoping that this time around the BTT investigation will pinpoint links in the food chain causing unnecessary price pressures

Other issues expected to be dealt with in the final report include BTT recommendations on deregulation, and a more positive role for the Competition Board. B Day 13/10/92.

Sacob in its representations supported the position that the statutory powers of control boards be modified to allow a more market-driven system (244)

The SA Agricultural Union and other farming organisations rejected the recommendation. They said it was based on a lack of understanding of the functions of the boards

Sacob also supported the removal of quantitative import controls, but was concerned about the harmful effects of dumping (245)

In a further representation to the committee, the Housewives' League called for greater detail in Central Statistical Service food statistics

Board takes swipe at vested interests

BIOM 13/10/92 (244)

CAPE TOWN — The Competition Board has expressed grave concern over the continuous rise in prices of virtually all commodities, and has accused certain professions of "blindly protecting" vested interests in apparent blatant disregard of the interests of consumers.

In its annual report tabled in Parliament yesterday, the board said it was being frustrated in its attempts to deregulate these professions.

The board also said occasion could arise for it to decide on the "excessiveness" of a price — something which, since its inception, it had never formally done.

The report noted that various factors contributed to ongoing price hikes, including unsatisfactory productivity levels in many industries, interest rates, large-scale theft, the low rand exchange rate, allowance for inflation in budgets as a matter of course, a cost-plus determination of the price of goods, tariff barriers and excessive regulation in many areas.

Most of the board's activities in implementing and enforcing competition policy related to prices and did not require it to decide on the "reasonableness" or "excessiveness" of the price of a particular commodity.

"However, as the import of the Maintenance and Promotion of Competition Act 1979 suggests, there may be occasions when it will be obliged to do so.

"More particularly, this will occur when the board is required to decide whether a monopolist is making excessive profits, or whether someone in a dominant position in a particular market is engaged in unreasonably low pricing to force competitors out of the market or to discourage new entrants into it."

The report said that in many instances restrictions on professional services were in direct conflict with accepted competition norms, and action here in terms of the Act was prevented solely by the fact that these restrictive regulations were statutorily authorised.

Some of the measures regarding professions undoubtedly served the best interests of society.

"It is however an entirely different matter to accept as a general point of departure the superficial view that since a group of experts are involved they must have a completely free hand in the practising of their profession.

"The board is being frustrated in various respects in the implementing of the deregulation policy in this area. The main reason is, however, that certain professions blindly protect vested interests and practices with an apparent blatant disregard for the interests of consumers of the professional services concerned."

The board was currently considering the possibility of not approving the reservation of work for particular professions if those professions' controlling bodies did not properly amend regulations relating to restrictions on marketing, and specifically advertising, as a quid pro quo.

It intended to "persist doggedly" with implementing government's deregulation policy and to eliminate excessive and cost-inefficient regulation of professions — Sapa

Relief on basic foods expected

Keys hints at VAT hike next year

BDAY 13/10/92. 320 244

GRETA STEYN

FINANCE Minister Derek Keys hinted yesterday government would raise the VAT rate next year but would soften the blow with relief on basic foodstuffs.

Asked in an interview in Pretoria whether there was a chance of the VAT rate being raised, he said. "There has to be. That is why I pointed out that I was in negotiations with the VAT committee on the definition of basic foodstuffs. There is only one reason why one would be doing that."

Asked whether that meant basic foodstuffs would be zero-rated, Keys said he did not want to say too much about it, "but I am quite happy with the way the negotiations are going".

The Cosatu-led VAT Co-ordinating Committee has asked government to zero-rate basic foods. The committee fears VAT will be increased to 16% in the next Budget. Economists believe a rate of at least 12% is inevitable given government's revenue crisis.

Keys said budgeting for revenue from VAT had been difficult because it was a new tax. With VAT having been in place for a year now, government was better equipped to make future projections.

The main reason for lower-than-expected revenue was the weak economy. The economy had been assumed to grow in nominal terms by 15% (a real increase of one percent) and was growing only by a nominal 11%. Adjusted for inflation, it meant the economy would shrink by 2%-3% this year.

Asked whether SA was overtaxed, he said: "For the level of government spending we have got, we are undertaxed. Look at the deficit. If we want to be more lightly taxed, we need a smaller government."

Government's debt was not yet a problem but "if we went on adding to the debt as we did this year it would certainly become a problem". SA had been incorrectly characterised as a country with low government debt.

The planned cuts in government consumption spending meant attention would have to be given to the way in which key areas such as nursing, teaching and police were run. The programme to cut consumption spending would not, however, affect social spending such as pensions.

Although he could not disclose any details on the economic model before November, he emphasised that cutting government spending was only one element of government's thinking on the economy. The need to increase investment in productive capacity required that measures be taken to make it more attractive to invest.

Investment was important because there were only two sources of growth for an economy — higher productivity and investment in new productive capacity. SA had had virtually no new additions to its productive capacity at the current level of investment.

The economic forum was being hampered by Cosatu's mass action campaign, but dialogue was continuing, Keys said.

On drought aid from the IMF, he noted the finance was not at concessionary rates. SA had agreed to review the situation after next year's Budget "when we can give (the IMF) a clear idea of what our policy is".

Protests over VAT and food prices begin today

SOWN 13/10/92

By Abdul Milazi

(244)

The African National Congress will today hold demonstrations and occupy major food chainstores countrywide to launch "Asinamali", a campaign to fight VAT and the recent price increases of basic foodstuffs.

ANC national campaigns organiser Mandla Dlamini said yesterday that today's demonstrations would include blockades of payout points and the occupation of major food chainstores.

"We want the Government and the food-controlling boards to know that people cannot afford the high food prices. We also want the Government to stop restructuring the economy without consulting the people," said Dlamini.

He said the campaign would continue until these problems had been addressed.

Pretoria police spokesman Lieutenant Brahm du Preez said although the police respected the rights of organisations to protest, the police would take action if the rights of individuals or companies were violated.

Price rises dismay Competition Board

STmr 13/10/92 (244)

The Competition Board has expressed grave concern at the continuous rise in prices of virtually all commodities, and has accused certain professions of "blindly protecting" vested interests in apparent blatant disregard of the interests of consumers.

In its annual report tabled in Parliament yesterday, the board said it was being frustrated in its attempts to deregulate these professions.

The board also said occasion could arise for it to decide on the "excessiveness" of a price — which, since its inception, it had never formally done

The report noted that various factors contributed to continuing price rises, including unsatisfactory productivity levels in many industries, interest rates, large-scale theft, the low rand exchange rate, allowance for inflation in budgets as a matter of course, a cost-plus determination of the price of goods, tariff barriers, and excessive regulation in many areas

Most of the board's activities in implementing and enforcing competition policy related to prices did not require it to decide on the "reasonableness" or "excessiveness" of the price of a particular commodity.

"However, as the import of the Maintenance and Promotion of Competition Act 1979 suggests, there may be occasions when it will be obliged to do so

"More particularly, this will occur when the board is required to decide whether a monopolist is making excessive profits, or whether someone in a dominant position in a particular market is engaged in unreasonably low pricing to force competitors out of the market or to discourage new entrants."

The report said that in many instances, restrictions on professional services were in direct conflict with accepted competition norms, and that action in terms of the Act was prevented solely by the fact that these restrictive regulations were statutorily authorised — Sapa

Nature's costly bounty

244

STAR 13/10/92.

SHOP AROUND Vegetables are rapidly becoming luxury items, beyond the reach of ordinary people Even those street-side vendors are jumping on the price-hike bandwagon **ZINGISA MKHUMA** reports

THE price of fresh vegetables is becoming hard to digest for most consumers, making it more important than ever to shop around for nature's bounty

Fresh vegetables now cost on average 80 percent more than they did last year 13/10/92

A Trends survey shows the importance of comparing prices to benefit from low prices, be they from street vendors, the supermarkets or the fresh produce market.

A 10 kg bag of large potatoes, selling for R18 at the Johannesburg fresh produce market, was priced at R21,99 at Pick 'n Pay in Rosebank A packet of the same brand weighing about 2 kg sold for R4,50 on the streets This means the hawker is making R22,50 from the same bag of potatoes.

A bag of eight cabbages cost R5 at the markct (about 63c each) At Pick 'n Pay the same size cabbages were sold for 89c while hawkers sold them for R1,50 each. Pick 'n Pay would make R7,12, while hawkers would make R12 from the same bag Not bad going for vendors 'who have no overheads'

In general, we found it much cheaper to buy some vegetables, such as spinach, onions, broccoli and cauliflower from the market, rather than from Pick 'n Pay or the hawkers.

A recent survey done by the Consumer Council shows that certain fruits and vegetables cost 40 percent to 221 percent more at supermarkets than at local fresh produce markets

The council looked at prices of fresh produce in supermarkets in Pretoria, Cape Town, Durban, Bloemfontein and Vereeniging Prices per kilogram at three supermarket chains were higher than at local markets.

Potatoes were 40 percent higher; tomatoes 86 percent, onions 197 percent, bananas 68 percent, oranges 221 percent.

Council executive director Jan Cronje says it is impossible to compare the prices of all fresh produce to market prices due to repackaging and because size and classification are often omitted.

Pick 'n-Pay general manager Malcolm Baxter says although he is in favour of regular checks on fresh produce prices, people have to compare like with like to know what is cheaper

Baxter says the council survey is meaningless because it is 'not clear if other attributes such as grade, size and variety of the product were considered

Baxter says street hawkers play an important role in today's fruit and vegetable market.

"Even though their prices per kilo are sometimes way, way up, it is still convenient for people walking along the streets to be able to see something they want and then buy it," he says

Consumers are warned that only bulk buying is allowed at the markets and stockpiling fresh vegetables is not often wise, especially in summer

Council spokesman Paul Roos advises consumers to club together once a month and buy directly from the market to benefit from the cheaper prices

"Consumers should also look out for farmer markets — where farmers bring their produce to specific areas and sell directly to the public", he says

Forking out ... the price of fresh vegetables has sky-rocketed Picture Joao Silva

Price hikes threat by govt board

CT 13/10/92 (244)

THE Competition Board has expressed grave concern at the continual price rises of virtually all goods. It has accused certain professions of "blindly protecting" vested interests with apparent blatant disregard for the consumer

In its annual report tabled in Parliament yesterday, the board said it was being frustrated in its attempts to deregulate these professions

However, the board warned that the occasion could arise where it would have to decide on the "excessiveness" of a price — something it has not yet done

The report noted various factors contributing to the price hikes, including unsatisfactory productivity levels in many industries, high interest rates, large-scale theft, the poor Rand exchange rate, tariff barriers and excessive regulation

Most of the board's activities in enforcing competition policy on prices did not require it to decide on the "reasonableness" or "excessiveness" of the price of goods

"However, as the Maintenance and Promotion of Competition Act of 1979 suggests, there may be occasions when it would be obliged to do so"

The report said some measures regarding professions undoubtedly served the best interests of society

"However, it is an entirely different matter to accept that as a group of experts are involved they must have a completely free hand to practise their profession

'Will perstist'

"The board is being frustrated in implementing the deregulation policy here, mainly because certain professions blindly protect their interests and practices with an apparent blatant disregard for consumers"

The board was considering not approving the reservation of work for certain professions if these professions' controlling bodies did not amend regulations on restrictions on marketing and advertising

The report said the board intended to "persist doggedly" with implementing the government's deregulation policy and eliminating excessive regulation of the professions. — Sapa

More clues to food price in August PPI

HILARY GUSH (244)

AUGUST producer inflation figures — due for release later today — will provide further clues to the root cause of food inflation. BDM 15/10/92

Central Statistical Service (CSS) head Treurnicht du Toit said yesterday the August producer price index (PPI) would include a detailed list of price increases in both the agricultural and manufacturing food sectors.

The breakdown would cover price fluctuations in categories including meat, fish and fruit, and vegetables.

"The breakdown will, as far as possible, be along the lines of the analysis of consumer food inflation as first released with the August consumer price index (CPI)," he said.

August consumer inflation data included a detailed breakdown of food price rises at large chain stores — defined as having at least 15 branches — and at smaller retail outlets.

Du Toit said the month-on-month percentage changes in food prices at the producer level would go back as far as January, as 1991 figures were unavailable.

PETROL PRICE: FIRST INSTALMENT?

FM 16/10/92.

244

Government has plucked up courage to make a halfway adjustment to the petrol price with the 7c/*l* increase last Saturday. The remaining under-recovery level for petrol is about 7,5c/*l*. The price of illuminating paraffin goes up by 3c/*l* while the diesel price has been left alone. The under-recovery for diesel remains around 4,2c/*l* and for paraffin nearly 6,4c/*l*.

DISSECTING THE INCREASE

Item	Date of increase	Amount (c/*l*) Petrol	Diesel
Service differential*	1/1/91	0,5	0,5
	1/1/92	0,4	0,4
Retail profit margin	14/12/91	1,5	—
	1/7/92	2,1	—
Wholesale prof margin	1/4/91	2,0	2,0
	1/10/91	2,0	2,0
	1/7/92	4,0	4,0
MMF levy†	1/4/92	2,0	1,6
IBLC changes	—	0,005	(6,298)
Total Unit under-recovery		14,505	4,202
Less price increases	10/10/92	7,000	—
Remaining under-recovery		7,505	4,202

* Cost of delivery from depots to service stations
† Multilateral Motor Vehicle Fund

Source Department of Mineral and Energy Affairs

Mineral & Energy Affairs Minister George Bartlett announced that the Equalisation Fund could continue to finance under-recoveries for a while but inaction now would have exhausted it early next year. So a decision was taken to pass on a significant proportion of the under-recovery to motorists.

Within the framework of administered prices for liquid fuels, the increase was overdue. Government's reluctance to pass on the full weight of price pressures is understandable. An increase for diesel has been deferred so as not to hit farmers at the start of a new agricultural season.

The estimated effect on the inflation rate is small (see separate report).

Reduction in the shortfall will enable the fund to continue to finance the remaining deficit for longer. Bartlett hopes the oil price will fall before the fund is exhausted and the remaining shortfall has to be paid for out of higher prices at the pump. North Sea Brent crude is hovering just above US$20 a barrel and the capacity of Opec's fractious members to supply is vastly above demand. In a weak world economy international crude oil prices may well decline but a fall in the rand/dollar rate could offset any benefit.

BUSINESS DAY, Friday, October 16 1992

AHI predicts inflation drop

Bloom 16/10/92. (249)

HILARY GUSH

CONSUMER inflation could be expected to fall to around 11,8% in the next six to 12 months and a two percentage point drop in the Bank rate "would not be unjustified", Afrikaanse Handelsinstituut (AHI) chief economist Nick Barnardt said yesterday

Speaking at the launch of the AHI Inflation Barometer — a quarterly indicator of the prospects for consumer inflation in the year ahead — Barnardt said the expected dip in inflation would prompt a further relaxation of monetary policy.

"The declining trend in the Barometer during the past year, together with the fact that the latest reading is appreciably lower than the latest CPI inflation figure, points to the prospect of a perceptible further decline in the CPI inflation rate during the year ahead."

He said 11,8% inflation would be a reasonable guideline for price, wage, investment, budgeting and monetary policy decisions for 1993.

Of the 17 indicators which made up the barometer, those with the highest weighting included private sector credit extension, inflation expectations — according to the Stellenbosch Bureau for Economic Research — the effective rand exchange rate, private sector wages and salaries, unit labour costs and long-term interest rates.

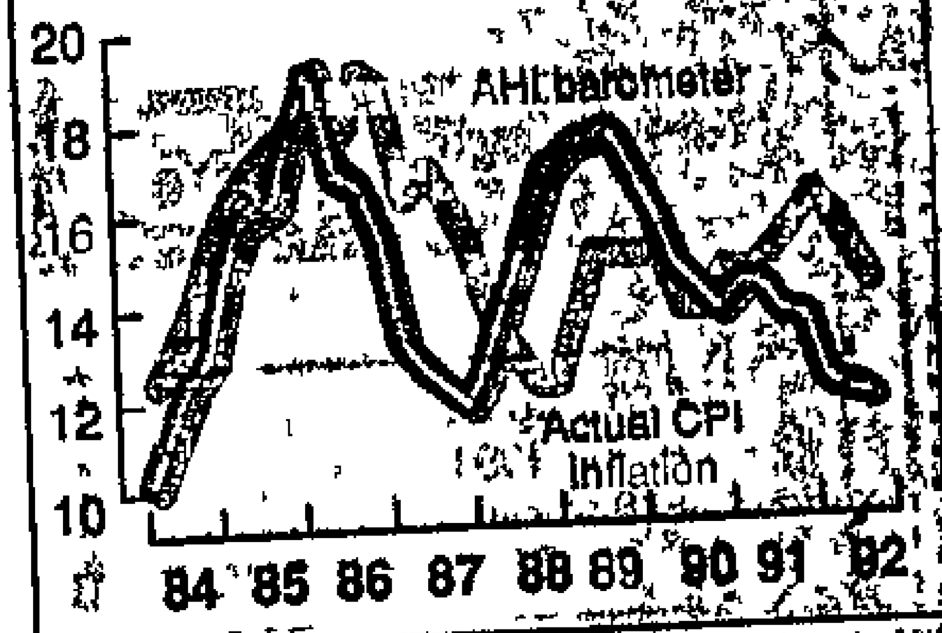
Barnardt stressed the barometer did not attempt to compete with the official CPI, nor question any existing measurement.

Considering the influence inflation and interest rates exerted on the business cycle, Barnardt said the barometer could serve as both a "significant pointer to medium-term business cycle and economic growth prospects".

However, it should not be seen as an attempt to forecast future CPI inflation with 100% accuracy, but it would serve as a good guideline for the probable inflation trend up to about a year ahead.

It could also be of interest to foreign investors and certain international financial and economic organisations.

AHI barometer vs CPI
(Quarterly data, year-on-year % change)



Graphic: LEE EMERTON Source: AHI

INFLATION (244) FM 16/10/92.

The power of positive thinking

The recent rise in the price of petrol will have a minimal effect on the inflation rate. Official calculations are that the additional 7c/l on petrol will directly increase inflation by only 0,184 percentage points (petrol's direct weighting in the CPI is 3,18%). The indirect effect is estimated to be 0,32 percentage points within the six months following

Brokers Frankel Max Pollak Vinderine economist Mike Brown agrees with these estimates

It is important to see the petrol price rise in its proper perspective so that inflation is not fuelled once again by expectations that become self-fulfilling. The damage that perceptions can do, despite the reality, has been vividly demonstrated in the past two years

In the third quarter of 1990, the outlook for inflation was encouraging. Consumer prices rose 13,8% compared with the corresponding quarter of the previous year, down from a peak of 15% in the first quarter. Government spending was set to fall in real terms — for the first time in at least a decade. Twelve-month growth in the broad monetary aggregate, M3, had fallen from a peak of 23,67% in January to 13,01% by September and was due to fall to a low of 10,37% in October.

The downward trend in inflation was halted by a rise in the oil price, to over US$40 a barrel, ahead of the Gulf War In the event, the war lasted only a few weeks and oil prices fell with the outbreak in January 1991 But the effect on expectations remained and was quickly compounded by other developments

One was the distortion which technical changes produced in money supply figures; at their face value they indicated a leap in inflation prospects. The other was the anti-VAT campaign that gathered momentum over 1991

The role of expectations was illustrated in the rising cost of food — ahead of a changeover to VAT which was to be levied on a much wider range of food than GST. Food inflation rose from 15,4% in January 1991 to 19,7% in September. This preceded the six percentage point rise in food inflation in October — the month VAT was introduced. It can be explained only by pre-emptive rises imposed by producers and retailers and the receptive mood of consumers

Hopefully everyone concerned will have learnt a valuable lesson Government bungled the introduction of VAT through inadequate packaging But now, says Brown, there appears to be better co-ordination among government departments and more sensitivity to a wide range of lobbies, particularly black consumers, to whom transport costs are an important component of expenditure. Hence the careful phasing in (see box below) of increases to meet under-recoveries

But more pressure may come if the oil price does not fall A further increase in fuel prices — possibly announced in next year's Budget — will then become unavoidable because of the squeeze on revenue collections

Azar Jammine, of Econometrix, says "The spinoff effect will add more to that, especially if the increases apply to diesel which affects transport and production costs." Diesel's direct weighting in the CPI is small (0,03%), but has a strong influence on the producer price index.

Another variable relates to potential changes in VAT legislation Theoretically, a zero-rating of a wider range of foodstuffs could offset the impact of higher rates on other goods. But, says Jammine, there is no guarantee food retailers will lower prices accordingly, if at all.

But economists remain optimistic about inflation over coming months Sanlam economist Johan Louw says other positive disinflationary factors will come into play, particularly lower interest rates which would ease the burden on mortgage payers, for instance Says Louw. "We expect inflation of 11%-12% next year, with fuel prices preventing it going lower." ■

arose when the National Party in the House of Representatives

Roger Burrows, MP for Pinetown, rose on a point of order and not-

To page 3

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Veg prices set for 100% rise

244

CT 16/10/92

By ARI JACOBSON and CLAIRE BISSEKER

VEGETABLE prices are set to double in 1992, with the prices for the eight months to August already up by 65%.

This is revealed in the just released producer price inflation figures for August, which give a detailed breakdown of increases in the distribution chain between the producer and the consumer.

High producer prices of agricultural produce as a result of the drought affected the producer price index (PPI), which rose by 9,5% in August.

From July and August the largest contribution to that figure was from vegetables, which increased by 13,36%.

Fruit prices followed closely, rising by 10,36%.

The producer price of unprocessed grain rose by 7,75%, but meat prices rose by only two percent.

Nedbank chief economist Mr Ted Osborn said yesterday that the producer price increases of unprocessed agricultural foods were the "main determinant" of food price inflation.

According to Ms Marty Grobbelaar, assistant director of pricing at the Central Statistics Service, the increases in manufactured foods could not be calculated because two-thirds of the figures for August could not be collected.

It was therefore not possible to determine whether the high prices paid by consumers were the result of price hikes by farmers, the control boards or manufacturers.

From January to August the producer price of vegetables and dried beans increased by 65,4%, sugar cane by 56,3%, unprocessed grain by 32,9%, fruit by 1,3% and meat by 1,4%.

Economists said that the drought had already made its impact on agricultural prices and that the situation should now normalise, "providing the Transvaal received good rains".

Mrs Sheila Baillie, the national vice president of the Housewives' League, felt the increases were "not justified".

"No control boards govern the selling of either fruit or vegetables. In vegetable growing areas the drought has been alleviated but in August the price still rose by over 13%.

"I think they're hogging it," she said.

● PPI rises 0,2% for August — Page 10

VEGGIE PRICES

CONT →

244

ARG 16/10/92

An arm and a legume!

The Argus investigates the big mark-ups on vegetables

Recent reports of findings of a survey conducted by the Consumer Council claimed that supermarkets mark up vegetables by between 40 and 221 percent above produce market prices. These figures were slammed by spokesmen for the chains as "ludicrous" and that such surveys were misrepresentative as quality, grading and size were not specified. The fact remains that there is an enormous difference between the prices of produce sold at the main markets and those of the main chain stores, far greater than the margins of between four and 15 percent which have been suggested MYRNA ROBINS investigates.

HEAR this "Farmers are getting the same prices for some of their produce as they were five years ago, in spite of vastly increased costs We are fortunate that there are still farmers growing vegetables for us "

This statement by Deon de Geode, deputy director of the Epping produce market, contrasts sharply with the increase in retail vegetable prices over the past five years, even when the introduction of VAT at 10 percent on October 1 last year is taken into consideration

Going by supermarket advertisements in The Argus between July and October 1987, potatoes sold for between 69c and 89c a kg, or R2,49 for a 5kg pocket Carrots ranged from 19c to 39c a bunch or 39c a kg. Onions went for prices starting at 80c and topping at R1,09 a kg

Cabbages were advertised at 29c each at one outlet, 59c at another Tomato prices ranged from 99c to R1,49 a kg

These five basic vegetables — which together provide health-giving fibre, carbohydrates and a range of vitamins and minerals — were selected for the purpose of a flash price comparison that included Epping market, three retail chains in the same suburb, a so-called people's market, a hawker and a farm-stall

Grades were taken into consideration When grades could not be ascertained, as in the "rand-a-bag" situation, vegetables were bought and weighed and quality was compared with graded produce

The following information on the supply situation was given by Mr De Goede

Potatoes: Locally-grown products, mainly from the Sandveld range in quality from fair to excellent The Potato Board inspects all consignments, so that those labelled Class 1 should be of high quality.

Some of the farmers wash their potatoes before packing, making for a more attractive product these usually command higher prices at Epping market

Tomatoes: Are also graded, as class one, two or three Right now the quality poor and the prices are high, as 90 per[illegible] of our tomatoes come from the

PRICE CHECK

- at the market
- in the store
- on the stall

THESE are the market prices for our five selected items, followed by those charged by a variety of outlets across the Peninsula on the same morning earlier this week

EPPING FRESH PRODUCE MARKET

Market prices are for fair to good quality produce only and exclude VAT

Potatoes: Class one, medium R15-R17,50 a 10kg pkt

Carrots: 50c-70c a bunch

Cabbage: 40c-60c each

Onions: Class one 50-80c a kg

Tomatoes: Class one R2,30-R2,80 a kg

□□□

PICK'N PAY, Main Road, Claremont

Potatoes: Loose, Van der Plank, class one R2,99 a kg Mark-up 87 percent

10kg pkt, Van der Plank, class one, medium R21,99 Mark-up 37 percent

Carrots. 65c a bunch Mark-up 8 percent

500g pack, selected R1,09 Not comparable

Cabbage: Large drumhead, 89c each Markup 78 percent

Onions: Class two R3,18 a 2kg pack Not comparable

Class two R14,99 a 10kg pkt. Not comparable

Loose, labelled as Cape large, class one R1,59 a kg Mark-up 145 percent

Tomatoes: Class one, fairly poor quality R4,39 a kg Mark-up 76 percent

□□□

SHOPRITE, Main Road, Claremont

Potatoes: Loose, class one R2,59 a kg Mark-up 62 percent

10kg pkt, class one R21,99 Mark-up 37 percent

Carrots: 59c a bunch Mark-up Nil

Cabbage: medium drumhead, 65c each Mark-up 23 percent

Onions: Loose, class one R1,19 a kg Mark-up 83 percent

Pockets not available

Tomatoes. Class one, being offloaded R3,79 a kg Mark up 52 percent

Class two, poor quality R3,79 a kg

□□□

OK BAZAARS, Main Rd, Claremont

Potatoes: Loose, class one, medium R3,49 a kg Mark-up 118 percent

10kg pkt, R21,99 Mark-up 37 percent

Carrots: 79c a bunch Mark-up 32 percent

Cabbage: Fairly fresh drumheads 69c each Markup 38 percent

Onions. Loose, large, class unknown R1,99 a kg Mark-up about 206 percent

Picture DOUG PITHEY, The Argus

CASH CROP: Heidi Schultz of Philippi with a harvest of fresh carrots destined for the market. Locally-grown carrots and cabbages are the best buys at the moment, The Argus survey team found.

No pkts available

Tomatoes: Loose, class one, best quality of the supermarkets visited R4,99 a kg Mark-up 100 percent

□□□

PHILIPPI FARM STALL, Weltevreden Rd, Philippi

Potatoes: 1kg pack, class one, medium R2,20

2kg pack, class one, medium, R4,35

10kg pkt, class one, medium, R19,50

10kg pkt, class one, small, R16,50

Carrots: Freshly picked from his fields 49c a bunch

Cabbage: Freshly picked from his fields, large drumhead 89c

Onions: 1kg pack, class two, R1,10

2kg pack, class two, R2,10

Tomatoes: Box, about 5kg, class two R11,50

Box, about 5kg, class one R12,50

□□□

MARKET, Gatesville shopping centre, Klipfontein Rd

Potatoes: 10kg pkt, Van der Plank class one, medium R18.

10kg pkt, Van der Plank, class two, medium R16

Loose, R2 a kg

Carrots: Fresh Two for 99c

Cabbage. Fresh drumheads R1 each

Onions: Loose, quality much the same as supermarkets R2 a kg

10kg pkt, large R7

Tomatoes. Box, about 5kg, class two R12

Loose, fair quality R2 a kg

□□□

ROADSIDE STALL, Washington Road, Langa

Potatoes: Weighed 960g, fair quality R2,50 a bag

Carrots: Fresh, R1 a bunch

Cabbage: Drumhead R1-R1,50, depending on size.

Onions: Large white, 20c each No pkts available

Tomatoes: 20c — 40c each

Weighed 660g, quality fair R1 a bag

□□□

HAWKER, St George's Mall, Cape Town

Potatoes: Van der Plank, class one, weighed 720g R2 a bag

Carrots: Fresh 50c a bunch

Cabbage: Fresh R1,50 each

Onions: Weighed 620g, quality fair R1,50 a bag

Tomatoes: Weighed 630g, fairly good quality R2 a bag

The humble spud puts a packet into farm pockets

Staff Reporter JOHN VILJOEN finds farmers are reaping good profits on potatoes

ALTHOUGH potato prices are high at the moment they should drop considerably in the new year

The reason for this good news for consumers is that more and more farmers are planting potatoes to benefit from high prices Barring crop failures, they could flood the market

The drought has been a major cause of rocketing potato prices this year

Mr Johan Visser, a farmer at Paleisheuwel, who supplies potatoes to Epping market, said prices were the best he had seen in 40 years of farming

Farmers harvesting potatoes this season were making money, he said

But the high prices would not continue into next year He expected that many other farmers would start planting the lucrative vegetable

Mr Chris Bezuidenhout, of the South African Agricultural Union, agreed and predicted that in three months time the price of potatoes could drop to R3 a pocket — unless crops failed

"So for a while the consumer will benefit," he said

He was less optimistic about the future of "farmers' markets", another potential money-saver for consumers

Transvaal farmers held their first such market in Pretoria at the weekend They sold truckloads of vegetables directly to the public

Farmers paid an entrepeneur, who provided the venue, a 10 percent commission on their sales, Mr Bezuidenhout explained.

But people could find such markets inconvenient if they lacked infrastructure and were located far out of town, problems which he believed the Pretoria farmers' market faced

There had been no attempt to hold a farmers' market in the Western Cape, said Mr Johan Bothma, commodity service manager at the Western Cape Agricultural Union

ARGUS 16/10/92 244

Transvaal and Eastern Cape at present, and those farmers will not send to the Cape unless they get prices that cover transport costs

Onions: Are also coming from the Transvaal at present Cape onions will be available soon.

A month ago onions went for up to R2 a kg at the market, exluding VAT Now they are selling for between 50c and 80c, excluding VAT, a drop in price of more than 100 percent. **But — consumers are not benefiting, as retail prices indicate.**

Carrots and cabbages: These two items are the best supplied products on the market at present, and should be consumers' first choices They are all locally-grown, coming from farms in Philippi and the Kraaifontein to Stellenbosch areas

- Epping market fees are five percent of the gross proceeds, which the farmer pays If market agents are used their charges, laid down by law, are five percent on potatoes, seven and a half percent on other produce, also paid for by the producer Buyers pay 10 percent VAT
- Mark-ups on items checked ranged from eight percent (carrots) to 145 percent (onions) at Pick'n Pay, from nil (carrots) to 83 percent (onions) at Shoprite and from 32 percent (carrots) to 206 percent (onions) at OK Bazaars, Claremont branches, earlier this week

The Consumer council noted that these mark-ups were in line with the September survey conducted by their research team Unless basic food prices, including those of fresh produce were frozen until the economy stabilised, ever-increasing prices would cause further socio-economic problems and hardship for those who could least afford it

Shoprite/Checkers did not comment on the mark-up percentages They stated that they were confident that their prices would underscore the group's commitment to be the lowest priced supermarket in South Africa and to sell only the best quality fruit and vegetables under refrigerated hygienic conditions

A spokesman for Pick'n Pay's fresh-produce division said the flat onion which consumers disliked had been replaced with a more expensive round variety from the Transvaal These cost more, and transport costs had to be added.

He said all potatoes sold were washed, which was not the case in some other outlets The market price quoted is for unwashed potatoes.

Agricultural food price inflation runs at 61 percent a year

244 ARG 16/10/92

Business Editor

AGRICULTURAL food prices are surging at an annual rate of 61 percent, according to the latest official figures of producer price inflation.

These prices jumped by 5,1 percent between July and August from the impact of the drought.

A breakdown of differing increases for agricultural food and manufactured food from January to August this year shows the biggest rises were recorded for the following food products. vegetables 65,4 percent, grain 32,9 percent, sugar cane 56,3 percent, fruit 1,3 percent, eggs and milk 3,8 percent and meat 1,4 percent.

Manufactured food items showed the following increases. grain products 9,1 percent, meat products 5,4 percent, dairy products 4,7 percent and fruit and vegetable products 8,7 percent.

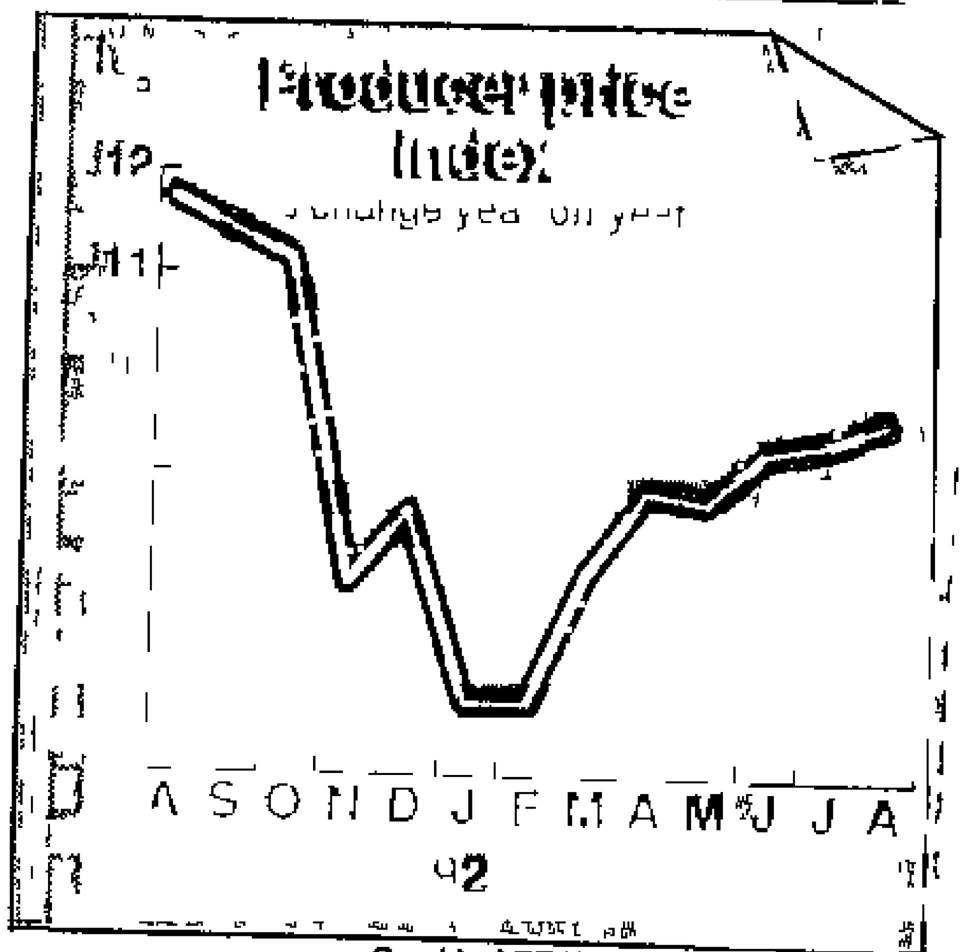
However, the producer price index also confirms a slowdown in price increases of imported commodities.

The PPI rose by 9,5 percent between August 1991 and August this year, which is only 0,2 percent higher than the comparable increase in July

On a monthly basis — from July to August this year — the PPI was up by 0,9 percent.

The inflation rate for imported producer commodities fell markedly to 6,3 percent in August from 7,5 percent in July, boosted by the stronger rand during the month

● See page 13.



Graphic LEE EMERTON Source CSS

PPI gives hope for easing of inflation

B/DM 16/10/92 HILARY GUSH (244)

PRODUCER inflation edged up to 9,5% in August from the 9,3% posted in July, Central Statistical Service (CSS) figures released yesterday showed

However, monthly growth in the producer price index (PPI) eased to 0,9% in August from July's 1,2% increase.

Rand Merchant Bank chief economist Rudolf Gouws said as nonfood producer inflation was 6,6% in the year, and 0,5% in the month to August, the outlook for overall producer inflation was encouraging.

"Nonfood producer inflation, annualised over the past three months, is 3,1%. This indicates that there is still a distinct down-

☐ To Page 2

PPI

B/DM 16/10/92. (244) ☐ From Page 1

ward pressure on producer inflation, which should show up as lower consumer inflation in the months ahead," Gouws said.

Southern Life chief economist Mike Daly was encouraged that producer inflation had remained in single digits since last November. He said average producer inflation for 1992 was 8,4%

Daly expected producer inflation to remain at about the 10% level during the next few months. "This holds good hope for lower consumer inflation."

For the first time the PPI data included a breakdown of food inflation — since January — in the agricultural and manufacturing sectors. Economists said the figures clearly showed the effects of the drought.

While the price of sugar cane jumped 56,3%, the price of sugar increased 2,5%.

At the agricultural level, vegetable prices rose 65,4% while the price of manufactured fruit and vegetable products rose 8,7%.

Gouws said the increase showed that the bulk of the increase in food prices was being absorbed at manufacturing level, as producers could not pass on all cost increases to the retail sector.

"Food remains the bugbear, while everything else points to much lower producer inflation," he said.

Frankel Max Pollak Vinderine economist Mike Brown said it was unusual that the price of agricultural products was rising at a slower rate than manufactured food prices.

This was a reflection of the prolonged drought. "It means that consumer food inflation is not going to drop quickly".

PPI rises 0,2% for August

(244) CT 16/10/92

By ARI JACOBSON

THE production price index (PPI) carrying the after-effects of the drought rose 0,2% to increase by 9,5% for the year to August.

The PPI for the first time carried a detailed breakdown of prices in both the agricultural and manufacturing sector

Economists described August's increase as "in line with expectations" pointing out that the index was on an upward trend and could rise to a 10% increase by the year end

This however would average out at a 9% increase for the whole of 1992

Old Mutual's economist Johann Louw said that the low growth in the PPI was a reflection of the weak economy and that this index should rise as the economy strengthened next year

On a month-on-month basis the rise in August of 0,9% was on a par with the previous months increase

But the aftermath of the drought came through in the domestic component of the PPI, which rose 1,1% month-on-month in August against the rise between June and July of 0,6%.

The major culprits were agricultural foods up 5,1% and fresh meat which rose above a 2% increase in the month. In specific categories the rise in fruit and vegetables was at 11,9% and grain gained 7,7%

However Els said "we may have seen the worst of the drought if good rains follow in the upcoming rain season in the Transvaal"

On a year-on-year basis the domestic component rose to 10,3% in August compared with the 9,7% reported in July

The price index for imported commodities registered a decline to 6,3% for the year to August compared with July's increase of 7,5%.

Providing a general perspective Sanlam's economist Johan Louw mentioned that the upward trend in PPI and the downward pattern in the consumer price index could allow these two indices to converge finally early next year

In the agricultural food sector between January and August the PPI increased for vegetables and dried beans by 65%, with sugar cane rising 56% and grain growing by 33%

In the manufacturing food sector, in this time period, grain products rose by 9,1%, fish and fish products by 6,1% and vegetable products went up 8,7%

Veggie price rise: Reasons

CT 17/10/92 (244)

Staff Reporter

THE SA Agricultural Union believes the 65% price increase in vegetables sold on national fresh produce markets from January to August this year was the result of a drought-related shortage.

SAAU horticultural manager Mr Chris Bezuidenhout said yesterday the eight-month price increase had been driven by "enormous increases" in the prices of potatoes and onions.

Mrs Sheila Baillie, the national vice-president of the Housewives' League, was disturbed vegetable prices had increased by 13% in August although the drought was over.

Epping produce market director Mr Deon de Goede said the drought had created shortages which could not be alleviated in the short term and this explained why prices had not yet come down.

He agreed potatoes had spurred the overall price hike.

He said local farmers were still getting the same prices for carrots, cauliflowers, cabbages and lettuces they had charged five years ago in spite of increased production costs.

Consumer Council spokesman Mr Paul Roos said although the drought was one of the main contributors to the 65% price increase, farmers had also had to bear substantial increases in production costs through having to import expensive machinery

Meat sales: New system

Staff Reporter

THE Meat Board has introduced a new system of selling meat to overcome consumer confusion about the procedures at the frozen meat auctions.

Consumers and traders will submit tenders one week before the auction stating the number of cartons they want and price they are willing to pay. The highest offers for bulk purchases will be accepted.

With single cartons, the best tenders will be accepted in descending order until all the meat is sold.

'Let market set petrol price'

18/4/92 (249)

By KEVIN DAVIE

A SENIOR government official is supporting fuel deregulation, saying that it will probably bring down petrol prices in urban areas

Robert Scott, chief director transport energy at the Department of Mineral and Energy Affairs, says he believes the market is the best regulator and that market forces could bring prices down

Dr Scott recently attended a conference of the World Energy Council in Madrid, where delegates were told that fuel deregulation in New Zealand had lowered prices, upgraded facilities, improved customer service, provided longer operating hours and generally improved the industry's image

Deregulation in New Zealand created leaner and more efficient oil companies and vigorous competition for market share

Dr Scott declines to say how much prices could fall in a competitive SA market

Pick 'n Pay chairman Raymond Ackerman says he can cut the retail margin from 15c/litre to about 8c/litre, suggesting that overall savings to the consumer could be considerably higher, perhaps up to 10% of the fuel price

Increases announced last week brought fuel prices for 93 octane to R1,49/litre on the coast and R1,59/litre in the PWV

Benefits

Dr Scott, who stresses that his views are unofficial, says deregulation in SA may bring similar benefits to those achieved in New Zealand

He says a case may be made for protecting the synfuels industry ("we've invested too much to let it go to the wall"), but in all other respects the SA fuel industry is similar to other fuel markets and should be subject to the same market forces

Dr Scott says that where subsidies are involved they should be transparent "There should be no hidden subsidies of any kind"

He says that prices may increase in small towns where there is only a single garage, but that this would encourage competitors to move in, forcing prices down

SA is well-served with seven companies in the industry This should encourage healthy competition

Dr Scott says that any support the organised oil industry may give for continuing regulation could be interpreted as supporting their own interest

He acknowledges that his views are not always supported by some of his colleagues who enforce the regulation of the industry

But Dr Scott concedes that government intervention could be advantageous in certain circumstances Sanctions are a case in point

Robert Stein of Electricorp Marketing told the World Energy Conference that the end user has benefited from the competitive pressures forced on the oil industry by deregulation in New Zealand

He says, historically, the oil industry was "enshrined in a mish-mash of regulation with an overriding guaranteed rate of return" Both the retail and wholesale prices were fixed by regulation

Strategy

Stein says New Zealand refining has also been exposed to competition from imported products and has quickly mapped out a strategy for survival in a deregulated market

"The refining results to date have been impressive Costs have been trimmed and yields improved significantly, ranking New Zealand Refining Company among the best and most economic refining companies in the Pacific Basin"

AA calls for full probe of petrol price

Blom 19/10/92 GAVIN DU VENAGE (244)

THE AA had called for a full investigation into the petrol price structure and the role the oil industry played in pushing up prices, public affairs GM Robin Scholtz said in a statement at the weekend.

It was well known, he said, "that crude oil and not petrol is imported, and calculations based on crude oil imports need to be done".

He questioned the legitimacy of the recent price rises, which were blamed on underrecovery over the past few months, saying there had been minimal fluctuations in the average landed cost and the exchange rate, and suggested increased wholesale and retail profit margins were the the main reason for the increases

"Another aspect that needs immediate attention is the extent of deregulation in the oil industry," said Scholtz.

While the move from total regulation of a strategic commodity to deregulation could not be made overnight, political circumstances had changed rapidly and a review was urgently needed. The AA recomended there be certain relaxations, in particular with regard to wholesale and retail margins, and fuel retailling by supermarkets should also be considered.

"The argument that the SA consumer pays a market price for petrol in the long run is highly incorrect. In effect there is no private oil industry in SA," said Scholtz.

The fact that government set the petrol price to provide wholesalers with a 15% return, and regulated retail margins and number of outlets, indicated the fuel industry was "simply a government operation." The fuel levy was one of the main sources of state revenue.

returns have not been submitted These cases are followed up on a continuous basis except where extension has been granted

(2) Yes

(a) The records of objections are kept on a decentralized basis at the 33 offices of receivers of revenue and the details of the number of objections which have not been dealt with are at present not available The information will be furnished as soon as it is available

(b) (i) Every case must be considered on its own merits and is dealt with as soon as all the relevant facts are available

(ii) As mentioned in (2)(a) above, this information is at present not available and will be furnished as soon as it is available

(3) (a) 197

(b) 1980 — 3
1981 — 12
1982 — 18
1983 — 29
1984 — 41
1985 — 63
1986 — 68
1987 — 83
1988 — 62
1989 — 35
1990 — 15
1991 — 2

(4) (a) The assessing of cases is a continuous process and Inland Revenue strives to ensure that assessments are issued within four months of receipt of the return of income Cases of salaried persons are normally dealt with in a shorter period while the more involved cases like companies, of necessity, take longer

(b) Objections are dealt with on a continuous basis as and when all the relevant facts are available Every case is considered on its own merits and there is not a standard period for dealing with them

(c) Cases are brought before the court as and when court days are available Special additional sittings of the Special Court have been held for some time in order to erase the backlog It is expected that the backlog will be erased within a year

An important measure which has been introduced to speed up the hearing of appeal cases is the Special Board which will hear smaller cases in a more informal manner

Bilharzia

376 Mr R J LORIMER asked the Minister of National Health

(a) How many cases of bilharzia were reported in each province during the latest specified 12-month or other period for which information is available and (b) (i) what is it estimated is the incidence of this desease in South Africa at present and (ii) what action is being taken by her Department in this connection?

B874E

The MINISTER OF NATIONAL HEALTH

(a) Bilharzia is not a notifiable medical condition, therefore no information is available on the number of cases on South Africa and

(b) (i) no estimate can be given since surveys of infections have not been undertaken and

(ii) the prevention of bilharzia is integrated in the primary health care programme which includes the following measures

— Education of the population at risk with regard to the transmission cycles, distribution, symptoms and prevention of bilharzia

— Distribution of brochures on bilharzia

— Provision of clean, uninfested water for human consumption

— Provision of effective sanitation facilities to prevent the infestation of water sources

— Diagnosis and treatment of bilharzia patients

Mossgas: cost per litre/subsidy

377 Mr G C ENGEL asked the Minister of Mineral and Energy Affairs

(1) (a) What is the estimated cost per litre of refined petrol derived from gas produced by Mossgas and (b) in respect of what date is this estimate furnished,

(2) how many litres of fuel is it estimated will be produced by Mossgas in each of the next three years,

(3) whether it is anticipated that the subsidy in respect of Mossgas fuel will be based on the difference between the Mossgas production cost and the cost of imported fuel, if not, on what basis will the subsidy be calculated,

(4) what, in terms of the existing rand/dollar exchange rate, is the estimated subsidy in respect of Mossgas fuel in each of the next three years?

B875E

The MINISTER OF MINERAL AND ENERGY AFFAIRS

(1) (a) The cost to refine petrol from gas is company confidential information and cannot be divulged It can, however, be noted that, from a pure operating perspective (i e excluding servicing or capital cost), Mossgas refining costs compare extremely favourable with any conventional crude refinery

(b) Falls away

(2) Mossgas will be building up towards design capacity during 1993, but thereafter production should be of the order of 1 600- 1 700 megalitres of refined product per annum

(3) No, with a view to promoting investment in the manufacture of liquid fuels from indigenous resources and to encourage greater involvement by the private sector in such industries, Government has ruled that the current protection mechanism, whereby the prices that manufacturers of liquid fuels from indigenous resources will receive, will at least be the same as the equivalent product price that is deduced from a crude oil price of $23 per barrel As long as Engen is a participant in Mossgas, the company will qualify for the same protection as Sasol

(4) The protection calculation is a function of both oil price and rand/dollar exchange rate The current Mossgas assumption for these parameters indicates the estimated protection to be

1993 — R70,25 million
1994 — R50,16 million
1995 — Nil

i e a total of R120,41

Note that in terms of the current protection mechanism this amount is repayable when the oil price exceeds $28,70 per barrel

Under the same oil price scenario, but a stronger rand, (i e the current exchange rate) the above support figures will be reduced

Increase in price of refined fuel

378 Mr G C ENGEL asked the Minister of Mineral and Energy Affairs

(1) Whether there has been an increase of approximately 14,5 cents in the price of refined fuel since the Budget Speech on 18 March 1992, if not, what is the position in this regard, if so,

244

(2) whether he will furnish an analysis of the cost pressures that led to this increase, if not, why not, if so, what are the relevant particulars?

B876E

The MINISTER OF MINERAL AND ENERGY AFFAIRS

(1) No, but since 18 March 1992, the retail prices of petrol (all octanes), and the wholesale prices of diesel and illuminating paraffin were increased as follows

Date of increase	Increase (c/l) Petrol	Diesel	IP
21 March 1992	9,0	7,0	0 9
10 October 1992	7,0	—	3,0
TOTAL INCREASE	16,0	7,0	3,9

The general fuel price increase on 21 March 1992 was necessitated by

— an increase in the fuel tax of 8,0 c/l and 6,0 c/l respectively on petrol and diesel, and

— rail and pipeline transport tariff increases implemented by Spoornet and Petronet, respectively, with effect from 1 January 1992

These increases were reflected in the price structures of fuel with effect from 21 March 1992 The cumulative underrecovery in respect of transport cost for the period 1 January 1992 to 20 March 1992 was financed by the Equalization Fund

Increases were as follows in the PWV area

— Petrol 1,0 c/l

— Diesel 1,0 c/l

— IP 0,9 c/l

244

No tariff increases were applicable to fuel sold at the coast

(2) Since 1 January 1991 various elements in the fuel price structures were approved without a concomitant fuel price increase and the cumulative underrecovery in respect thereof was financed temporarily by the Equalization Fund The price elements which were approved since the above-mentioned date are as follows

Price element	Date of increase	Increase (c/l) Petrol	Diesel	IP
a) Delivery cost	1 January 1991	0 5	0,5	0,5
	1 January 1992	0,4	0,4	0,4
b) Retail profit margin	14 December 1991	1 5	—	—
	1 July 1992	2,1	—	—
c) Wholesale profit margin	1 April 1991	2,0	2,0	2,0
	1 October 1991	2,0	2,0	2,0
	1 July 1992	4,0	4,0	4,0
d) MMF levy	1 April 1992	2,0	1,6	—
e) Net changes in landed cost until 31 August 1992		0,005	(6,298)	0,461
Total unit underrecoveries on 1 September 1992		14,505	4,202	9,361
Less increases on 10 October 1992		7,0	—	3,0
Remaining unit underrecoveries		7,505	4,202	6,361

In view of the high underrecoveries as at 1 September 1992, Cabinet has decided to implement smaller but more frequent fuel price increases which will have a smaller effect on the inflation rate

Projections for 1992-93 tax year

379 Mr G C ENGEL asked the ~~Minister of~~ Finance

(1) Whether any projections have ~~been made~~ for the 1992-93 tax year in regard to state revenue, state expenditure and the estimated budget deficit, if not, why not, if so, (a) (i) what, by category, are the latest projections for (aa) state revenue, (bb) state expenditure and (cc) the estimated budget deficit and (ii) in respect of what dates are these projections furnished and (b) how do these projections vary from the budget in each case,

(2) whether he will make a statement on (a) the above-mentioned deficit and (b) how it is proposed to fund it, if not, why not?
B877E

The MINISTER OF FINANCE

(1) As normal for a Budget, projections are periodically made for the 1992/93-financial year

(i) and (ii) A statement on the course of government finance, with special reference to the Budget, is issued three times yearly by the Department of Finance The latest document was issued on 16 October 1992 Copies of two tables from this document, containing particulars of the Budget up to September 1992, are attached Projections for internal management purposes are undertaken on a regular basis, but are not included in the statement Experience has shown that a large degree of unpredictability is present in the month-to-month pattern of government expenditure and income Therefore, unless prior indications unequivocally show a substantial deviation, Government refrains from making statements that may give rise to unnecessary speculative moves in the financial markets If however circumstances necessitate it and an occasion arises to put the outcome of the Budget in perspective, changes in the Budget (expenditure totals and financing) are made by top management between Budget dates

(2) I have stated—in a press statement on 3 September 1992—that this year's deficit before borrowing will be higher than the budgeted figure, because the current recession is more serious and has lasted longer than was forseen at the time of the Budget I repeat that the deficit before borrowing may be as high as 7 per cent of GDP for the 1992/93-financial year, compared with the 4,5 per cent budgeted for

I also remarked that it is not my intention to seek additional funds during this fiscal year to reduce the deficit before borrowing in my assessment of the state of the economy, any such move would be counter-productive Experience has shown that, with strict control of expenditure a cyclical increase in the budget deficit during recessionary conditions is reversed during an economic upswing

So far, 80 per cent of this year s financing programme has been completed In view of this and because financial markets have already discounted the course of the Budget it is not expected that the deficit will cause upward pressure on capital market rates for the rest of the financial year

TABLE 1

EXCHEQUER ISSUES AND RECEIPTS (QUARTERLY)

This table has been compiled from the Statements of Receipts in and Transfers from the Exchequer Account published monthly Any analysis of these statements should bear in mind that they are shown on a cash flow basis, i e

(a) TOTAL EXCHEQUER ISSUES
Total issues do not represent actual expenditure Late issues and surrenders in respect of a specific fiscal year result in total issues (as shown here) differing from the actual expenditure figures as shown in the Budgetary documentation

(b) TOTAL EXCHEQUER RECEIPTS
The receipts for month X do not include amounts in transit for that month, but include those in transit for month (X-1) This means that the April figure of each fiscal year includes the "in transit" figure for March (the previous fiscal year)
Proceeds from privatization, other capital revenue and loans are excluded from these figures

(c) DIFFERENCE BETWEEN ISSUES AND RECEIPTS
As a result of (a) and (b) this difference cannot be directly compared with the actual deficit before borrowing

TOTAL EXCHEQUER ISSUES
(R million)

	1988/89	% growth	1989/90	% growth	1990/91	% growth	1991/92	% growth	1992/93	% growth
APR-JUN	12 979	8,7%	16 395	26 3%	17 478	6,6%	21 089	20,7%	25 087	19 0%
JUL-SEP	12 974	18,1%	15 746	21,4%	18 354	16 6%	21 065	14 8%	24 717	17,3%
OCT-DEC	12 937	14 0%	15 758	21,8%	16 858	7,0%	20 279	20 3%		
JAN-MAR	17 715	29,6%	17 900	1,0%	21 706	21 3%	23 957	10,4%		
TOTAL	56 604	18,1%	65 799	16,2%	74 396	13,1%	86 390	16,1%		

DOWN TO THE NITTY-GRITTY (244)

FM 23/10/92

It's been a busy month for the Central Statistical Service. Following release of the August consumer price figures, with food indices subdivided into large and small retailers (*Economy* October 9), comes a breakdown of that month's producer price food indices into various categories. In the past, only broad indices for food — agriculture and manufacturing (the latter divided into fresh meat and other) — were provided Now CSS hopes to "facilitate comparability between the PPI and CPI." The breakdown should also reveal which sectors put most pressure on inflation.

Comparisons of increases since January show some large discrepancies between agricultural and manufactured items in similar categories (see table) Much higher increases are found in agricultural indices, in the category grain (32,9%) compared with grain products (9,1%) and sugar cane (56,3%) compared with sugar (2,5%). On the other hand, the increase for meat under agriculture of 1,4% is lower than for the manufacturing categories (fresh meat and meat products) of 4,6% and 5,4%.

The drought is an important factor in the agricultural price hikes, with manufacturers absorbing most of the shock. Though the administered price for white maize rose 14% in May, maize sold as white by producers rose only 5,9%. This is because it is a 70 30 mix of yellow and white maize

Wheat prices have not changed in the period — these are set in November. Given the figures above, it is not clear why the grain increase was 32,9%

Another useful exercise is to compare the PPI breakdown with increases in CPI items over the same period Only grain products (CPI 11,3%) correlates with PPI for manufactured goods (9,1%) while only vegetables (CPI 50,1%) comes near to its closest possible counterpart in the PPI, vegetables & dry beans under agriculture (65,4%) The CPI items for sugar (16,5%), meat (−0,8%), fats & oils (9,8%), milk, cheese & eggs (16,9%), fish & other seafood (11%) and coffee, tea & cocoa (8,2%) show little correlation with their counterparts in the table

But CSS says producer and consumer categories are not strictly comparable, as animal feeds have an important bearing on producer food prices, but not on consumer prices

Overall PPI in the 12 months to August rose 9,5%, compared with 9,3% for July The increase in the month was 0,9% A relatively small increase in the month in the index of 0,4% for imported commodities dampened a 1,1% rise in locally produced commodities.

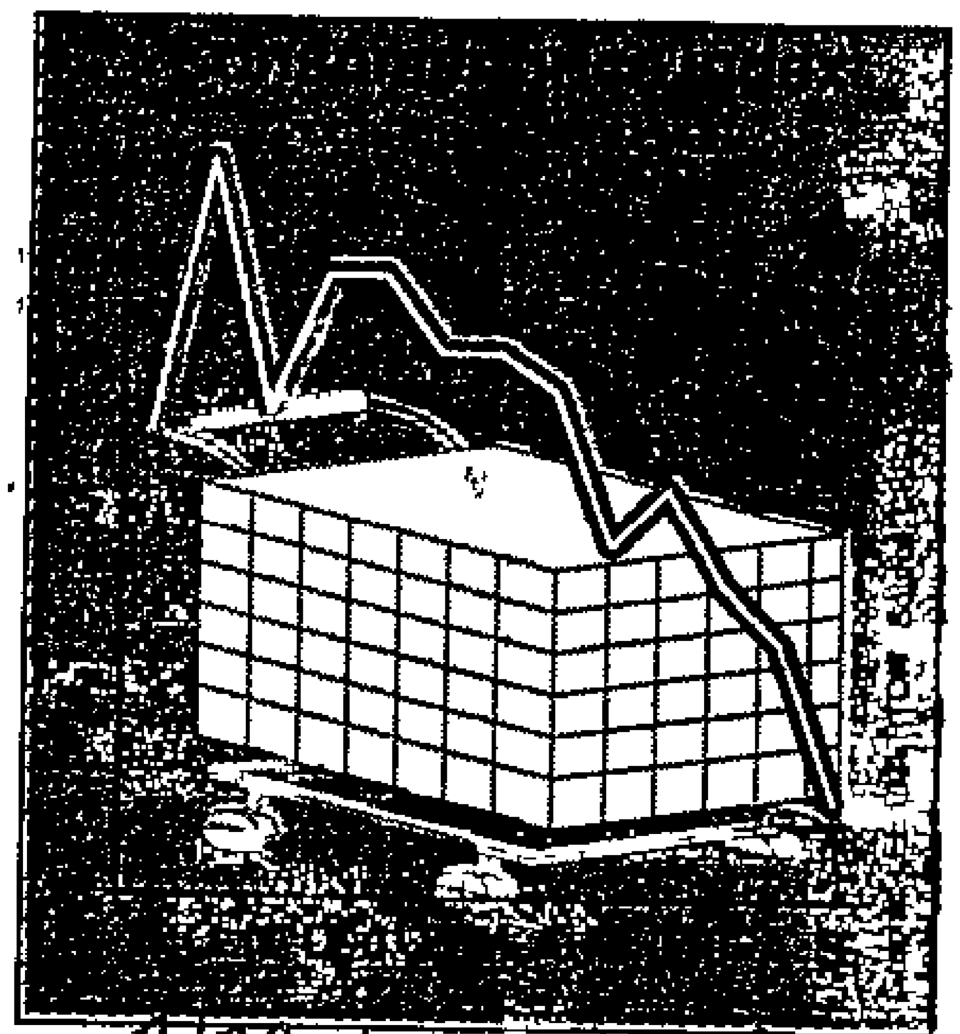
This follows a 2,2% rise in the imported index and 0,6% rise in the local index in July

PPI — FOOD INCREASES

% increase January-August

Agricultural food	%	Manufactured food	%
Grain	32,9	Grain products	9,1
Meat	1,4	Fresh meat	4,6
		Meat products	5,4
		Fish & fish products	6,1
Milk, eggs	3,8	Milk products	4,7
Oil seeds	6 7	Fats & oils	2,3
Fruit	1,3	Fruit & vegetables	8,7
Vegetables & dried beans	65,4		
Sugar cane	56,3	Sugar	2,5
		Coffee, tea & cocoa	2,1
Other	7,6	Other	4,1
All foods	20,7	All foods	5

Source CSS



30/10/92

Cheaper bonds slow inflation

(244)

GRETA STEYN

INFLATION, as measured by the increase in the CPI, fell further than expected to 13,5% in September from 14,3% in August, CSS figures released yesterday show.

The main reason was a reduction in housing costs because of the September mortgage rate cut. Housing makes up more than 20% of the CPI basket.

Food inflation moderated on an annual basis, with CSS reporting an annual rate of increase of 27,6% in September (28,5%).

Economists predicted inflation would fall by a further full percentage point in October when the introduction of VAT ceased to distort the figures.

Sanlam economist Johan Louw said the September figures had already benefited from the VAT factor as prices were raised substantially in September last year in expectation of VAT. CSS said inflation excluding VAT stood at 12%. A rise in the VAT rate and an increase in the fuel levy were expected next year and would exert upward pressure. Economists cautioned against too much excitement over the fall in inflation in September.

Although inflation was a key indicator for monetary policy, a fall in the growth of inflation could not be interpreted as a reason to cut interest rates on its own, they said. The month-on-month increase in the CPI was 0,7%. Had housing costs remained stable instead of falling, the rise in the CPI between August and September would have been 1% — an annualised 12,7%.

For the low, middle and high income groups, the respective inflation rates for September were 14,8%, 14,4% and 12,6%.

SA hit by 28 % food price jump

ALIDA DASNOIS
Business Staff

ARGT 30/10/92 (244)

CONSUMERS were hit by a 28 percent rise in food prices over the year that ended in September, the latest consumer price index shows.

The overall inflation rate slowed slightly in September to 13,5 percent a year compared with 14,3 percent in August. But food price inflation is still running at 27,6 percent a year.

Economists expect the inflation rate to drop further in the next few months, from its peak of 16,8 percent in October last year when the introduction of VAT pushed up consumer prices.

Finance Minister Mr Derek Keys said yesterday that by the year's end inflation could be as low as 12 percent.

Lower inflation could bring a drop in interest rates. Reserve Bank governor, Dr Chris Stals has said a significant slowdown in the inflation rate is one of the conditions for lowering the bank rate from its current 15 percent.

International interest rates are falling, the South African money supply is under control and domestic credit extension has been dampened by the economic slump.

These are all factors which may induce the Reserve Bank to lower interest rates.

for the prank which was intended to embarrass the headmaster

Bread goes up from Sunday

CT 31/10/92

PRETORIA. — The price of bread is to be increased on Sunday. (244)

An 800g loaf of white bread will cost R1,75, an increase of seven cents, while brown bread will sell for R1,50 a loaf, an increase of eight cents

The announcement was made by Agriculture Minister Dr Kraai van Niekerk and Wheat Board chairman Mr Eddie Pienaar at a news conference in Pretoria yesterday. — Sapa

Couple tied to roadside fence

Bread price shock

AFR

31/10/92

(244)

■ Hard-hit consumers feeling the bite of tough economic times will have to dig yet deeper into their pockets following the latest increase in the price of bread. And, retailers have been urged to help consumers by not charging more than the recommended maximum price.

BREAD will cost between seven and eight cents a loaf more from tomorrow.

This follows an increase in the price of wheat, announced yesterday by Agriculture Minister Dr Kraai van Niekerk and Wheat Board chairman Mr Eddie Pienaar

The price of a loaf of white bread will increase by seven cents while brown bread will cost eight cents more

Dr Van Niekerk and Mr Pienaar urged retailers not to charge more than the recommended maximum of R1,75 for white bread and R1,50 for brown bread

The officials said the price of bread could have increased by up to 18 cents if it had not been for savings made from imported, subsidised wheat. This would be used to maintain the selling price of wheat for as long as possible into next year.

Net delivery price for wheat producers would be R703,35 a ton (excluding VAT) — a 14 percent increase The board's selling price to consumers would be increased by nine percent to R756,30 (excluding VAT).

However, the government would absorb this increase "for as long as possible".

Recent crop estimates were that South African wheat production would yield only 1,3 million tons of the envisaged 2,1 million tons of wheat consumed annually

Therefore, about 800 000 tons of wheat would have to be imported

This imported wheat would be subsidised by exporters, making the product cheaper than the local product The government would use these funds "saved" to absorb the increase, keeping the selling price of wheat on the same level as that of the 1991/'92 season for as long as possible

With an estimated profit of about R200-million, the price to the consumer would possibly remain at the 1991/'92 level until the second quarter of 1993

Dr Van Niekerk and Mr Pienaar said that, even if the "income" from imports was well below expectations, the moderate price increase of nine percent would not have a particular effect on the price of bread

The wheat price contributed only about 26 percent to the final cost of bread, the biggest share going to bakers

The milling, baking and retail industries had already given an undertaking that they were prepared to keep an increase in bread prices to an absolute minimum, if the price of wheat eventually increased.

The executive director of the Consumer Council, Mr Jan Cronje, said the council would monitor bread prices and invited consumers to report retailers who charged more than the recommended prices

Walvis: Joint rule

PRETORIA — Agreement has been reached for the joint administration of Walvis Bay and the off-shore islands

A statement yesterday by the South African Minister of Foreign Affairs Mr Pik Botha and his Namibian counterpart Mr Theo-Ben Gurirab said joint administration would take effect on Sunday

"A Joint Administrative Authority (JAA), with South African/Namibian chief executive officers, has been established to give effect to the agreement," said the statement

the nation

Price of bread goes up

BREAD, the staple food of most families, especially the poor, has once more been snatched from the consumer's mouth with a 7 and 8 cents price hike from yesterday

244

A standard 800g of white bread now costs R1,75 while a loaf of brown costs R1,50 White bread has gone up by 7c and brown by 8c

Sowetan 12/11/92

Ways sought to rein in bread price

6/Dm 2/11/92

MEREDITH JENSEN

IN AN attempt to curtail food price inflation, Agriculture Minister Kraai van Niekerk has held talks with the Food Logistics Forum as well as representatives from the manufacturing, retailing, farming and consumer sectors (3) wheat

While it was announced that consumers could expect to pay as much as 5% more for bread, effective immediately, Van Niekerk has agreed to promote a suggested maximum retail selling price of R1,75 for white bread and R1,50 for brown as a way to mobilise public opinion

Tiger Oats executive director and Food Logistics Forum member Hamish McBain at the weekend commended Van Niekerk for having prior consultations with various interests groups "It is hoped that this will prove to be the pattern for the future"

GERALD REILLY reports Van Niekerk announced an increase in the producer price of wheat of 14% to R703,35 a ton and in the Wheat Board's selling price to the trade of 9% to R756,30

But he said government's profits on the importation of 800 000 tons of wheat — they could be as high as R200m — would be used to counter the effects of the higher wheat price on the bread price (244)

There was no immediate justification, therefore, he stressed, for a bread price increase.

However, Van Niekerk said the Consumer Council, the chambers of milling and baking, the Food Logistics Forum and the National Marketing Council had jointly decided not to raise the wheat price to millers for a specific period and that millers, bakers and retailers would limit increases in flour and bread prices to an absolute minimum

Government would counter the impact of the increased wheat price and maintain the selling price of wheat at the same level as the 1991/92 season for as long as the profits lasted

Van Niekerk said any increase in the bread price would be the result of higher milling and baking costs being passed on to consumers

Role players in the industry recommended a maximum guideline price of 175c for a white loaf — an increase of 6c — and 150c for a brown loaf — an increase of 8c

Van Niekerk called on the wholesale and retail trade to hold the bread price at current levels.

When it was no longer possible to keep the price of wheat down, the price increase of 9% would come into operation

McBain said he welcomed government's decision to use these import profits to support local wheat farmers

"It is regretted that despite this contribution from government, an increase in the price of bread is still deemed necessary and that the problem of intermediary costs between farmer and manufacturer have still not been addressed," McBain said

A forum member who wished to remain anonymous said cost structures within the industry should have been more thoroughly investigated

McBain cited escalating storage costs as a major factor contributing to rising food costs

He said storage fees had effectively pushed the price of wheat in silos up to R850 a ton Subsequently, the millers would acquire a stock count-down of close to R40m over the next year

Food price investigation

BDay (244)

GERALD REILLY

PRETORIA — The second and final report of the Board on Tariffs and Trade's investigation into food price inflation would be in the hands of the Ministers of Agriculture and Trade and Industry by the end of November, board director Helgaard Muller said yesterday.

Unlike the first report, which was a "discussion document", the final report would include recommendations.

It would be up to the Ministers to decide whether to make the report public. BDAY 3/11/92

Muller said consumer bodies, the wholesale and retail trades, and primary producers had all made contributions to the investigation.

Muller declined to comment on the investigation's findings. It is believed, however, that organised agriculture has urged the board to review the opinion expressed in the initial report that commodity control boards be stripped of their statutory powers.

Meanwhile, the Kassier committee appointed by government to investigate the Marketing Act and the function of control boards is expected to report by the end of the year. Relevant information presented to the board investigation had been passed on to the Kassier committee, Muller said.

Bread price - blame it on the bakers

Sowetan 3/11/92.

■ Agriculture Ministry takes no blame:

BREAD price increases over the weekend should be attributed to bakers' and millers' increases as there had been no real increase in the wheat price, Agriculture Ministry spokesman Frans Loots said yesterday.

According to reports bread prices rose over the weekend after Agriculture Minister Mr Kraai van Niekerk announced on Friday that the price of wheat would be held constant until about the second quarter of next year.

"Profits" from cheaper imported wheat would be used to postpone a nine percent increase in the consumer price of wheat.

Loots said yesterday that the weekend bread price increases should therefore be ascribed to increases by other sectors of the industry. He also said the recommended maximum prices for bread were not enforceable. While the recommended maximum price for white bread was R1,75, some cafes were selling loaves for more than R2.

Baking industry spokesman Fanie Ferreira said distribution costs was just one of the factors bakers had to contend with. There were few consumer items which had to be distributed so widely on a daily basis, he said. - *Sapa*

FM 6|11|92

CPI

FM 6|11|92

Mortgage effect

(244)

Central Statistical Service has provided for the second month a breakdown of food inflation by large and small retailers with its latest consumer price figures These show a narrowing of the gap between the two in September

In the four months to September, the rates for large and small retailers were 7,2% and 7,8%, or 23,2% and 25,3% annualised — a difference of 2,1 percentage points This compares with the three months to August when the rates were 5% and 6,3%, or 21,6% and 27,7% annualised — a difference of 6,1 percentage points

The narrowing comes about because of a significantly bigger increase in most food items at the large chain stores in September, compared with smaller retailers The index for all foods rose 2% at large retail outlets and 1,3% at smaller ones. Items that grew at a slower pace at the large retailers were

- Grain products (0,2% against 0,6%);
- Fats & oils (1,1%, 2,8%),
- Fruit & nuts (6,3%, 7,6%), and vegetables (1,7%, 3%)

(244)

Those that grew more were

- Meat (2,5%, 1,3%);
- Fish & other seafood (1,4%, 0,3%),
- Milk, cheese & eggs (2,3%, -3%);
- Sugar (0,9%, 0,3%);
- Coffee, tea & cocoa (1,2%, 0%), and
- Other (1,2%, 0,1%)

Overall consumer inflation slowed in September. CPI over the 12 months to September rose 13,5%, down from 14,3% to August The increase in the month was 0,7% — the lowest monthly increase since June 1991

September's slowdown was largely due to a decline in the housing index of 1,7% in the month, or a year-on-year rise of only 0,5% — a result of the cut in mortgage rates by major lending institutions from the beginning of September. At 20,54%, housing has the largest weighting in the index.

Old Mutual economist Dave Mohr says it is difficult to gauge the effect of all the components in the housing index "But we do know that mortgage rates make up almost half the weighting; so their effect is considerable."

The rise in the index for nonfood items, which went up 0,4% in the month, was 10% year-on-year And the VAT-free year-on-year rate is 12% — a figure which, says AHI economist Nick Barnardt, is the lowest since 1984, when inflation fell to 10,1%

However, food inflation detracted from the progress made by housing, with a 1,8% climb in the month, or 27,6% year-on-year.

Large increases in the month were recorded by:

- Fruit & nuts 6,2% (58,4% year-on-year);
- Vegetables 2% (76,8%); and
- Meat 1,9% (20,9%).

Mohr says the figure for fruit & nuts "may be the result of exporters demanding similar prices at home as can be obtained abroad And the drought is responsible for vegetable price increases As for meat, farmers are obviously restocking herds now that the worst of the drought is over" ■

THE WEEK AHEAD by Simon Willson

Producer inflation rise expected

BDM 9/11/92. 244

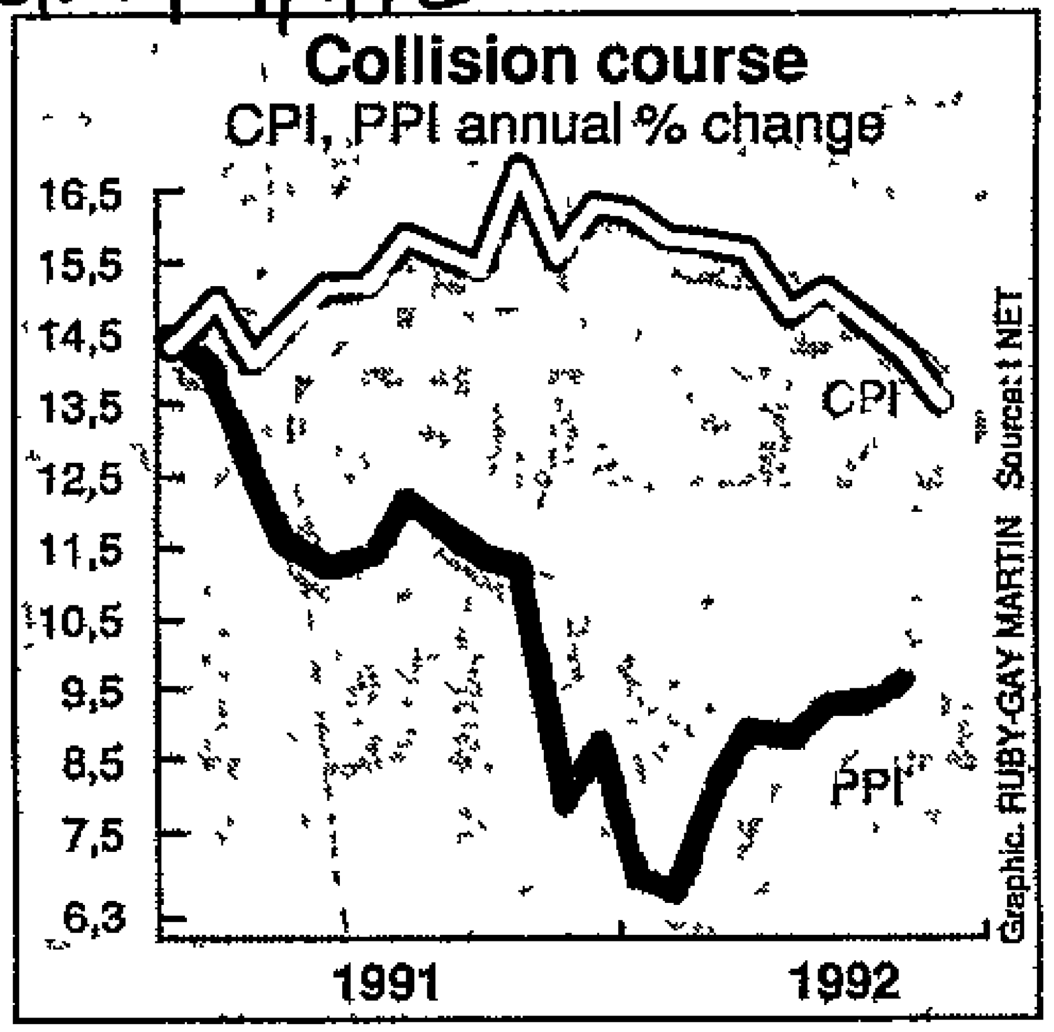
ANOTHER close encounter with a return to double digits awaits producer inflation when the September rate is released this week

Since bottoming out at 6,7% in January and February this year, the annual increase in the *producer price index* (PPI) has risen steadily to 9,5% in August and seems poised shortly to test the 10% level last topped 13 months ago

The rebound in PPI inflation from its first-quarter lows will probably be muted, however, reflecting the stable real effective exchange rate of the rand, soft international oil prices and stagnation in the domestic economy If the rate does hit 10% over the next few months it is, while these influences continue to apply, unlikely to rise much above it

For now, though, producer inflation is on a collision course with its consumer price index (CPI) counterpart As the chart shows, the two inflation rates are navigating to cross each other's paths again for the first time since January last year It is the CPI side of the pincer that is closing the most rapidly — a pace that should accelerate still further when the October CPI is published at the end of this month

This week's PPI outturn could show an upward bulge in the rate of imported inflation, first because the world benchmark crude oil price jumped above $20,50 a barrel during September (it is now more than a dollar lower) An additional boost to the imported component of the September PPI will be the 0,6% fall in imported producer prices in September 1991, which gives the year-on-year change in the index this September a markedly lower base



Graphic. RUBY-GAY MARTIN Source: I-NET

The annual rise in the imports PPI could therefore be higher than August's 6,3%, and possibly more like July's 7,5%, which means there would have to be unusual moderation in the domestic component of the PPI to bring the headline rate down from 9,5%

Internationally, the landmark of the week is probably the continuing decline in British inflation When the rate of *UK consumer inflation* for October emerges on Friday it is likely to show another dip from the 3,6% rate posted for September

Although currently still above its most recent lows of 2,4% in mid-1986, UK inflation is expected to approach the 2,5% level at the end of next year Meanwhile *UK producer inflation* for October, out tomorrow, is also likely to edge down further from September's 25-year low of 3,2% although it is set to rebound early next year following the fall in sterling over the last two months

Both measures of US inflation are also scheduled for uneventful release this week *US producer inflation* for October, published tomorrow, is likely to be steady at around its September level of 1,6% with the help of the rallying dollar while October's *US consumer inflation*, out on Friday, is also set steady at September's 3% — a reflection of the sluggish activity of the US consumer.

Also on Friday, members of the Clinton administration-in-waiting get an early look at the problems awaiting their attention in January when *US retail sales* for October are released A hesitant 0,3% rise in sales in September — arising mostly from post-hurricane refurbishment in the southern US rather than from new consumer demand — did nothing to help the Bush re-election effort.

The grim state of the British economy will be underlined on Thursday when the October level of *UK unemployment* is published In September the headline jobless rate rose to 10,1% — exceeding 10% for the first time in five years Manufacturing employment fell by 51 000, the largest recorded monthly drop

Overshadowed by the bleak jobs outlook, *UK average earnings* growth dipped to a 25-year low of 5,75% in August The September figure, due on Thursday, could show another quarter-point drop as uncertain workers put job security before pay rises

Encouraging fall in producer price index

244

By AUDREY D'ANGELO
Business Editor

BUSINESS DAY, Thursday, November 19 1992

Bread price in townships too high — consumer body

(244)

BDAY 19/11/92

MEREDITH JENSEN

THE National Black Consumers' Union said yesterday bread prices in the townships had rocketed.

Although after last month's bread price increase the Agriculture Minister recommended a maximum retail price, many spazas and cafes were charging up to R1 above the suggested price for a loaf of bread, a spokesman said.

The Consumer Council, which has been monitoring the price of bread since last month's price hike, said yesterday it had identified various retailers and cafés which had ignored the Minister's suggested prices.

Consumer Council executive director Jan Cronje said an investigation undertaken by the council had shown the average supermarket price for an 800g loaf of white bread was R1,56, while brown bread sold for R1,32 He said these prices were below the government-recommended price of R1,75 for white bread and R1,50 for brown.

"In cafés, prices fluctuate between R1,79 and R2,29 for white bread and R1,55 and R1,80 for brown bread," Cronje said.

However, the black consumers' union spokesman said its monitoring of prices had not included spazas and corner stores in the townships, whose residents could least afford to pay the higher price for bread.

"The monitors tend to look at the prices of the major retail chains," the spokesman said. He added that a loaf of white bread bought in Vosloorus township cost R2.

He suggested bakers and millers form a watchdog group to help monitor bread prices, especially in areas where people were fed by organisations such as Operation Hungar.

"Often, bread is subsidised at the wholesale level, but retail prices don't seem to reflect this," he said.

SA Chamber of Baking chairman Nick Alberts said the chamber was looking for ways to deliver bread less expensively to those people being fed by government schemes

However, Alberts said, the most effective way to influence prices was to heighten consumer awareness.

"Consumers, especially in the townships, should be made aware of these recommended prices so that they can stand up for themselves if someone tries to overcharge them," Alberts said

NEWS FOCUS

'More deregulation needed'

BDay 19/11/92

(244)

LLOYD COUTTS

BANANA revolutionary J J Viljoen is not alone in his quest to flog his produce where and when he wants. Development Bank of Southern Africa analysts have recommended the deregulation of marketing boards and have also called for anti-trust measures in the food processing industry.

In an occasional paper, Johan van Rooyen, Nick Vink and Mosebjane Malatsi said some 70% of SA's production by value was marketed through marketing boards.

Other monopolistic mechanisms provided control over a range of products, with control vested in big business or, in the hands of commercial farmers.

A report by the Board on Tariffs and Trade (BTT) said control boards pushed the inflation rate up by some 1,5%, while lack of competition in the food processing industry contributed a further 3,5% to inflation.

"Continued deregulation of the marketing boards is therefore recommended. It could be safely argued that anti-trust measures in the food processing industry is also called for," the Development Bank analysts said.

Adjustment of agricultural marketing policy to encourage acceleration of the current trend of declining real land prices should also continue, they said.

Single-channel, fixed-priced marketing schemes operated by the Maize and Wheat boards, for instance, caused land prices to be 41 and 43% higher in the 1980s than would have been the case under a free market.

Food Logistics Forum chairman Hamish McBain warned, however, that a free market could lead to inevitable shortages and wild price fluctuations. In a review of a BTT recommendation that statutory control over agricultural markets be terminated, McBain said no nation could produce exactly what it required.

"If there is no strategic stockpile, prices will rocket or be fully dependent on import costs. Prices will drop dramatically unless there is some orderly means of surplus removal."

Export of surpluses would almost inevitably be at a loss and dramatic price fluctuations would occur unless some other effective mechanism could be found to replace the current system. Inefficiences in the system, he said, appeared to occur more on agent than board level.

A change in the marketing system appeared inevitable, however. He urged prompt reform to eliminate uncertainty. An effective form of futures market would have to be provided for.

A surplus removal system via a floor or intervention price mechanism was essential and would have to be financed by central government, if not done by boards.

Export subsidies would have to promote offloading of excessive surpluses in the face of unrealistic ruling world prices. It should be ensured that control board monopolistic practice did not translate into market control by co-ops through the use of public assets. Opening the current marketing system to real competition would reduce costs, but would increase the burden on farmers.

Farmers near factories or ports would earn more, while farmers or co-ops in remote areas would receive concomitantly less and be left holding any surplus.

'Shops overcharging on bread'

Staff Reporter

THE Consumer Council yesterday released a list of 47 shops nationwide selling bread above the recommended price

The government-recommended bread prices are R1,75 for a white loaf and R1,50 for a brown loaf

Consumer Council spokesman Mr Wan-der Hoon said the council monitored the price of bread on the advice of the Department of Agriculture

The Cape Town shops listed are (with prices in brackets)

- The Bagdad Supermarket in Eerste River (R1,80 and R1,70)

But the owner, Mr Shaik Mohammed, said he was charging R1,75 for white bread and R1,60 for brown bread

- The Volks Cafe in Bellville (R1,80 and R1,70)

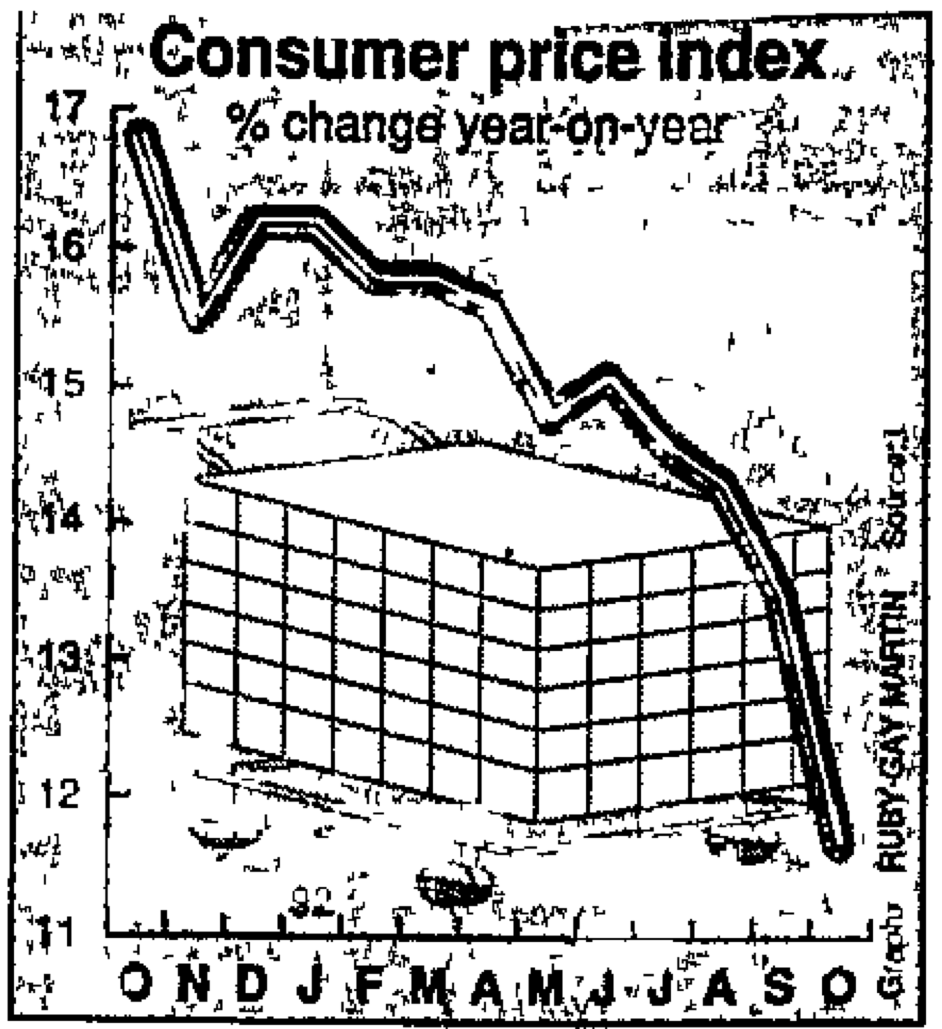
An employee said they charged R1,75 for white bread and R1,50 for brown bread

- Gardens Fruiterers in Gardens (R1,90 and R1,70)

244

The owner, Mr Thakorlal Parbhoo, said he was not aware of the government-recommended price He dropped his bread price after publication of the consumer council's list.

CT 20/11/92



11,7% CPI rise 'lowest in years'

HILARY GUSH (244)

THE early release of much lower than expected consumer inflation figures for October stunned economists at the weekend. BDAY 23/11/92.

According to Central Statistical Service data the increase in consumer prices of 11,7% in the 12 months to October was the lowest in more than eight years.

Economists said some of the fall in the annual inflation rate could be attributed to technical factors, as the October 1991 introduction of VAT meant that October 1992 inflation was measured from a high base.

However, the drop in inflation was much greater than expected, reflecting an easing of underlying inflationary pressures. Excluding food — the inflation bugbear — the consumer price increase was 9,3%, in single digits the first time in a decade.

Boland Bank group economist Louis Fourie said "October inflation is much lower than expected We forecast a rate of 12,4%, but must have overestimated food price increases"

Annual food inflation was 21,2% in October — the lowest rate in more than a year.

Declining bond rates and a stagnant housing market had helped reduce the housing price index 1,1% year-on-year. Fourie predicted that inflation would remain at less than 12% until year-end, but warned that an increase in the VAT rate could push consumer price increases up by about one percentage point next year. He did not expect inflation to rise much above 13% for 1993

Given the sharp fall in inflation figures,

☐ To Page 2

Inflation

BDAY 23/11/92 - (244)

☐ From Page 1

another Bank rate cut could be expected

Old Mutual chief economist Dave Mohr said the food and housing indices' combined weightings of about 40% explained the low monthly increase

He expected inflation to remain close to the 11% mark until early next year However, an increase in the VAT rate, expected in April, would push inflation beyond 12% in the second quarter.

Southern Life economist Sandra Gordon said she had dropped her year-end inflation forecast to 11,4%

She attributed the slide to the drop in food inflation, particularly in the price of meat, which had declined 0,5% month-on-month and which accounted for almost a third of the food index. Vegetable prices — a major culprit behind rocketing food prices — had fallen 2,5% during the month

Provided VAT was not increased, her end-1993 inflation forecast was 10,6% However, given the high government deficit a hike in VAT was likely — and would push inflation to more than 12% next year

● See Page 3

Inflation will be in single digits soon, says Keys

BDM 23/11/92

PARIS — While drought and problems like the hijacking of food delivery lorries have forced up food prices in SA, inflation will drop to single digits soon, Finance and Industry Minister Derek Keys says.

He told business executives in Paris on Friday that overall inflation had been brought down to 13% from about 16% at the start of the year.

"We can look forward to further falls in inflation into the single-digit range and accompanying declines in interest rates," he said.

244

Keys was visiting France during a tour of European capitals to meet industrialists and bankers interested in doing business with SA.

Keys said slack consumer demand and low investment because of the uncertainties hanging over SA's political future had helped put a damper on most inflationary pressures. Money growth was under control. "Money policy is, I suppose, apart from the consistently good trade surplus, about the only policy really working in SA," he said.

Food prices were a problem. Deregulation of bread supply and removal of subsidies had helped push bread prices up 35%. In addition, drought had hit food supplies, and food prices were also being forced up by the hijacking of delivery vehicles, plus big wage awards in the distribution sector.

He was optimistic the present political deadlock could be broken, and said he hoped the future shape of the economy would be tackled during the talks.

While investment had been stifled by uncertainty since reform began, "we have a very robust economy, still performing in spite of all the difficulties and misguided energies", he said. Since 1986 SA's external debt had been reduced to $6bn from $14bn, wholly by the country's own efforts, not debt reduction deals. — Sapa-Reuter.

● Comment: Page 8

Way clear for cheaper money

244 By TERRY BETTY and ZILLA EFRAT (USSR)

INFLATION dropped to an eight-year low in October — surprising economists and Reserve Bank Governor Chris Stals and opening the way for more interest-rate cuts.

Dr Stals says if inflation continues to fall, interest rates could fall again next year Other factors, however, could bring them down earlier."

AHI senior economist Nic Barnardt says this is the first time inflation has fallen below pre-recession levels.

"The pain has not been without gain."

He cannot remember when there was last such a large month-on-month drop

Economists were stunned by October's figures which show consumer inflation is increasing by 11,7% a year Most had forecast a rise of between 12% and 12,5%

The big surprise was food inflation which increased by 27,6% in September compared with only 21,2% last month.

Slower increases in food prices contributed to the year-on-year consumer inflation fall of almost two percentage points in October to 11,7% — the lowest since 1984

Non-food inflation was 9,3%, hitting single-digit figures for the first time in at least a decade It was helped along by lower housing inflation, which showed a year-on-year decline

The October CPI is down on September's 13,5% and an average of 15% from January to July, according to Central Statistical Service (CSS)

S1 Times [Buss] 22/11/92

Apples

Dr Stals says that the latest figures show that the decline in inflation is more than technical Apples are being compared with apples because VAT was in place in October last year.

Econometrix director Tony Twine says the slower CPI rise follows a lower-than-expected PPI for September of 8,8%, reflecting poor demand in the economy

Absa senior economist Pierre Morgenrood expects inflation to fall to 10,9% in November and 10,6% in December, giving an average for the year of 14,1%.

October's fuel-price increase is expected to be reflected in November's CPI

Low-income groups battling as soaring food prices bite

APG 25/11/92 (244)

Business Staff

RISING food prices in the second two quarters of the year sent the cost of living soaring for people earning lower incomes, according to a University of Port Elizabeth study

The institution's latest bi-annual household subsistence level (HSL) survey reveals that an average-sized family required an increase in the minimum monthly income it would need for survival of anywhere between a low 5 percent and about 22 percent — depending on the area — between March 31 and September 30

Annualised, that ranges from 10 percent to 44 percent plus, which is significantly higher than the average rise in the consumer price index over the period of about 14,1 percent for people on lower incomes. The HSL usually sits below the CPI

Maritzburg people were hard hit with a 15 percent rise in the half-year (30 percent annualised), although the city was the second cheapest of the 11 centres surveyed with an HSL for low-income earners of R832,40 a month

Head researcher Professor J F Potgieter ascribes the discrepancy between the CPI and HSL in the main to food price inflation — eating, he says, accounts for between 55 percent and 60 percent of the HSL.

Their food price findings threw up some alarming, if not statistically relevant, figures For example, topping the list of shockers are onion prices in Durban and Bloemfontein, which were respectively 202 percent and 197 percent higher in September than in March

Potatoes were the biggest climbers countrywide, their price going up 147 percent in Johannesburg and 81 percent in Durban, although Cape Town (10,6 percent) and East London (11,8) did not fare as badly

The average food price increase in Durban was 12,7 percent over the half year, against a national average of 11,7 percent and a high for the country of 14,5 percent in East London

The researchers calculated the HSL for an Indian family of six in Durban at R1 041,18 — 8 percent higher than the level six months earlier and 17 percent up over a year

FM 27/11/92.

CPI

Changing tack

(244)

The deceleration in the inflation rate to only 11,7% in October, the lowest year-on-year level since June 1984, from 13,5% in September, exceeded expectations Twelve months after the introduction of VAT, the rate had been expected to fall to 12,5% as the impact of the new indirect tax was stripped from the figures

However, the rise in the consumer price index in the month turned out to be only 0,4% — the lowest monthly increase since June 1988 — compared with 0,7% in September and 1,1% in August The food index rose only 0,3% in the month with

☐ Meat declining 0,5%

☐ Milk, cheese & eggs falling 0,9%, and

☐ Vegetables plunging 2,5%

These three indices make up about 10,4 percentage points of food's 18,64% weighting in the overall index and offset the effect of a monthly 8,7% rise in the index for fruit & nuts (with a weighting of 1,18%)

Meat's consumer price decline follows the decline in the September producer indices for meat — agricultural (-0,3%) and fresh meat — manufacturing (-0,8%) Pretoria University agricultural economist Jan Groenewald says these decreases show farmers have been liquidating stock The figure for milk, cheese & eggs is probably because of the over-production currently taking place in the dairy industry, he says But he finds the figure for vegetables surprising "It usually takes two to three months of good rains for supplies to return to normal levels A beneficial effect on prices should occur only in January "

Standard Bank group economist Nico Czypionka says "What we saw in October was a major correction in food prices, following the enormous increases of previous months There is still scope for more corrections, particularly if agricultural conditions continue to normalise "

However, Groenewald says the liquidation of animal stock by farmers should be at its end by now He suspects meat prices will rise in 1993 as farmers retain animals for breeding And grain product prices should be affected in coming months by the higher wheat prices which came into effect at the beginning of this month According to the Wheat Board, the new price for 1992-1993 is R703,35/t, 14% up on the old price

In the longer-term, says Groenewald, improved rains should keep down vegetable and fruit prices Dairy product prices should remain low due to over-supply "The market is also less susceptible to manipulation by the Dairy Board these days "

Non-food inflation should continue at current low levels Housing, with a 20,54% weighting in the index, rose only 0,1% in October and declined 1,1% year-on-year Recently announced reductions in mortgage rates will appear in the December index

But Czypionka points out that the transport index, which rose 0,4% in the month or 9,9% over 12 months, will be pushed up slightly in the November figures, when the increases in fuel prices announced in October come into play

☐ The year-on-year rate of increase in food prices was 21,2%, from September's 27,6% Since May, the figures have been separated to show increases at large chain stores and at smaller outlets Over the five months to October, the increases were 7,5% and 8,6% ■

Govt gives R200m for bread aid

JOHANNESBURG — The government has contributed R200 million to keep the bread price down

244 CT 28/11/92

The Food Logistics Forum said yesterday the money came from government profits on the importation of maize

Premier food group chairman Mr Peter Righton said the government wanted some assurance that this subsidy would be passed on to the consumer

To this end, a recommended bread price has been set at R1,50 for brown bread and R1,75 for white bread

Pick 'n Pay's Mr Sean Summers said although the recommended bread prices were voluntary the consumer should not expect to pay above these set amounts

He said chain stores food inflation currently at 19% would drop considerably in the next few months due to the recent good rain

Food price inflation was 30% three months ago, but has now dropped to 22%

The forum, made up of retailers, consumer and agricultural representatives and trade unions, has set a target of only 10% food inflation — Sapa

Maize profits led to bread price cut

JOHANNESBURG. — The bread price is to drop

This follows a government contribution of R200 million from its profits from maize imports

Food manufacturing group Premier chairman Mr Peter Wrighton said the government wanted some assurance that this subsidy would be passed on to the consumer so a recommended bread price has been set at R1,50 for brown and R1,75 for white

Pick'n Pay food director Sean Summers said although the recommended bread prices were voluntary, the consumer should not expect to pay above those amounts. — Sapa ARG 28/11/92

Hope of moderate interest rate fall

244

S1Times Buss 29/11/92

By ZILLA EFRAT

UNDERLYING inflationary pressures in the economy will probably show an accelerated decline in the next six to 12 months, says the Afrikaanse Handelsinstituut's inflation barometer

Its fourth-quarter reading of 11,2% is down from 11,8% in the third, 11,9% in the second and 12,1% in the first quarter of this year

AHI economist Nick Barnardt says this points to a moderate cut in interest rates next year

He says that in the absence of major changes in factors like VAT, a consumer-price index rate of 11% in the second half of 1993 is a strong possibility It would be the lowest since the first half of 1984

Moves to counter the Government's growing deficit, however, could send inflation rates soaring again next year

Mr Barnardt says the AHI's barometer combines 17 variables which, in one way or another, reflect underlying inflationary pressures It provides useful guidelines for price, wage, Budget, investment and monetary policy decisions in the coming months

The stongest positive contributions to lower inflation at present are low credit extension, the balance of payments surplus, single digit producer-price index inflation and subdued inflationary expectations

The greatest threat, however, on the inflation front for 1993 is SA's large fiscal deficit. It could exceed R23-billion, or 7% of gross domestic product.

Other unfavourable factors include double-digit increases in wages, salaries and labour costs and the upward pressure on fuel prices

Mr Barnardt says it will be virtually impossible to drastically reduce the fiscal deficit in a single year

Any attempt would require such a large tax rise and spending cut that the recession would most probably degenerate into a full-scale depression

The tax base would shrink further, resulting in an even larger decline in State revenue

Mr Barnardt says the recession and its lagged negative impact on tax revenue imply that the State's real income at unchanged tax rates is due to fall further in the next fiscal year

This will result in an even bigger fiscal deficit, even if State spending shows no increase in real terms

Mr Barnardt says the only realistic solution would appear to be gradual deficit reduction through a three-year plan Even a modest reduction to 6% of GDP next year would require drastic tax and expenditure measures

Fruits

For example, if real spending were left unchanged, it would require a rise in the VAT rate from 10% to 15% This would raise inflation by about four percentage points, resulting in a CPI inflation rate of about 15% by the end of 1993 as opposed to the prospect of 11% suggested by the barometer

Mr Barnardt says this would once again deny the economy the opportunity of enjoying the fruits of a lower CPI inflation rate, even after suffering a recession of more than four years

The AHI believes that the reduction of the fiscal deficit should be achieved as far as possible by limiting State consumption spending, and that tax increases should be avoided or kept to an absolute minimum

Mr Barnardt says the Economic Forum could be the ideal place where the Government, labour and business could reach some agreement which would help to curb the price-wage spiral This would result in a rapid decline in inflation

De Beers to shed 20% of staff at SA mines

S1Times Buss 29/11/92.

Business Times Reporter

DE BEERS is to lay off 22% of its workforce in South Africa as a result of the sharp decline in the international diamond market

Industrial relations manager Steven Lenahan says that at least 3 000 hourly paid and managerial workers will be asked to leave unless some accept voluntary retirement The current staff complement is 13 500

Retrenchments are being discussed with the National Union of Mine Workers (NUM)

Discussions are also taking place with the Mine Workers Union of Namibia about possible retrenchment of some of the 6 000 workers at Consolidated Diamond Mines

No lay-offs are planned for the 5 500 workers at the Jwaneng and Orapa mines in Botswana

Mr Lenahan says that although the retrenchments are regretted, "it is a step that had to be taken to ensure the survival of operations"

The first cutbacks will be made at the Kimberley and Premier mines Discussions are taking place at other mines

The NUM was successful in negotiating a 10% wage increase on November 6, taking minimum pay to R959 a month.

The union initially asked for an "above-inflation" increase and an "agency shop" agreement in which all workers would contribute to a fund to help pay for collective bargaining

Mr Lenahan says no agreement was reached on the agency matter, but it could be discussed in the future

THE JSE WEEK

By TERRY BETTY

POSITIVE political sentiment helped the JSE end on a high note on Friday, with the indices showing a rise across the board — the all-share index rose 1,16%.

The gold index showed the most sparkle, rising 25 points or 3,08% on Friday, even though the gold price came off slightly Analysts say the index lifted on the back of a weak rand which was trading just over R3,00 at the end of the week.

Political developments such as the ANC-IFP meeting, and the State President's intention to have minority rule voted out before April 1994, were responsible for the shine on the rest of the JSE indices.

It is also suggested the market is more upbeat because of the likelihood of a greater than expected drop in interest rates next year, and the prospect of a turnaround in the US economy

Analysts say everything was extremely well bid, and all stock on offer was taken up easily. "But it would have been even better had most of our clients not been at the cricket."

It would seem ABSA results, due in about two weeks, are going to be better than expected, as the share price has started to firm It has risen to R9,00 from at a low of R7,75 in mid-October.

Richemont, which reported disappointing results on Wednesday, lifted its share price as people were picking up scrip after going short ahead of results

Victory for Afbank two

TWO former African Bank employees have won a small victory in their quest to recoup around R50-million forfeited to the SA Reserve Bank

On Friday the Pretoria Supreme Court ruled that they could amend their claim for the return of this money, but the Bank was awarded costs

The men — Alan Young and Henry Harper — were found guilty of fraud and foreign exchange contraventions in 1988 and sentenced to 14 years' jail

The two men, released in a general amnesty last year, are taking legal steps to claim back a share of R100,4-million in profits they allege they made while working for Afbank from September 1985 to May 1986

The Bank alleges that the profits were made by contravening exchange control regulations

Forum backs food price figures

B/Day 30/11/92 (244)

MEREDITH JENSEN

A FOUR-MONTH investigation by the Food Logistics Forum has determined that PPI and CPI figures relating to food prices were accurate — despite widespread speculation that they were not

The probe identified a massive "gap" between the CPI and PPI as a major factor contributing to food inflation, a forum spokesman said at the weekend

The forum suggested a thorough analysis be conducted by the National Productivity Institute

The forum, formed last August to investigate rising food costs, consists of 10 working groups which report findings to the Ministers of Agriculture and Finance

While recent figures have shown food price inflation had dropped from 30% in August to 22%, a forum spokesman said this was not a major achievement

"VAT has had a 6% to 6,8% effect on food price inflation figures However, as of last month, we have been comparing VAT-added prices with VAT-added prices, which would have knocked that 6,8% off food price inflation anyway"

A Board on Tariffs and Trade report said the drought had added an additional 8% to the food price inflation rate Nonetheless, forum members predicted food price inflation could be brought down to 15% by April

As a result of the board's findings on the effects of the drought on food price inflation, the forum recommended food basket figures be reviewed more often during times of dramatic economic volatility

"There can be a differential of up to 7% in the weighting of the basket during a drought," said forum member and Pick 'n Pay food merchandising director Sean Summers

Lower food inflation predicted

STAR 30/11/92 (244)

By Zingisa Mkhuma
Consumer Reporter

Spiralling food inflation could be reduced to 10 percent during the second quarter of 1993 if the Government agreed to zero-rate VAT on basic foodstuffs, the Food Logistics Forum (FLF) said on Friday

Speaking at the FLF conference in Randburg, Premier Group chairman Peter Wrighton said the drought and the imposition of VAT on basic foodstuffs had pushed up food inflation

However, good rains and the fact that the FLF had succeeded in getting the Government to look sympathetically at the issue of zero-rating basic foods could contribute to its lowering

Wrighton said basic foods attracted VAT totalling R3 billion This had increased food inflation by about 6 percent The effects of the drought had contributed another 8 percent

Pick 'n Pay food director Shaun Summers said chainstore food inflation, currently at 19 percent, would drop considerably in the next few months because of the good rains

The FLF, made up of farmers, manufacturers, consumer bodies and the VAT Co-ordinating Committee, was formed in August to find ways of reducing food inflation

Reports could help put a lid on food prices

(244) GERALD REILLY

PRETORIA — The Board on Tariffs and Trade's (BTT's) final report on food price escalation will be submitted to the Ministers of Agriculture and Trade and Industry on Monday and the Kassier report on the Marketing Act and 22 control boards will be in the hands of government early in the new year, says committee chairman Eckart Kassier BDM 3/12/92

BTT director Helgaard Muller said yesterday his organisation's first report was purely a discussion document which, among other things, suggested that the control boards be stripped of their statutory powers

The Food Logistics Forum was expected to submit a report to government in February Forum member Raymond Ackerman of Pick 'n Pay said government would then have all the information needed to lead a campaign to keep food price hikes down

STAR 8/12/92

Huge discrepancy in price of loaves

(244)

Staff Reporter

While many supermarkets are selling bread for up to 15c below the recommended price, many cafes and smaller shops are selling it for up to 30c more, according to the Consumer Council.

The council's executive director Jan Cronje said in a statement on Friday that although the recommended price for an 800 g loaf of white bread was R1,75, many cafes were selling it for up to R2. While the recommended price for brown bread was R1,50, cafes were selling it for as much as R1,80.

Cronje appealed to retailers to clearly mark the price of bread on the shelves where it was displayed, to enable customers to decide whether the price was acceptable before they reached the checkout counter.

Consumer Council senior manager Ina Wilken said supermarkets were selling white bread for R1,60 and brown for R1,36.

Food inflation seen tumbling to 15 percent

STAR 10/12/92

(244)

By Stephen Cranston

The food inflation rate should fall to 15 percent over the next few months and down to 10 percent in the foreseeable future, says Premier chairman Peter Wrighton

He says it was found by the Food Forum that the excessive inflation in food prices had been caused mainly by the drought, responsible for an eight percent hike, and by the imposition of VAT on formerly GST-exempt products, which added six percentage points

Processed basic staple foods had not been subject to inflation in excess of the consumer price index (CPI)

Premier Food's own basket had produced an inflation rate of less than 11 percent for the year to September

This could come down further as the Government had been persuaded to make available R200 million out of the profits it was making on wheat imports to stabilise the wheat price.

The bakery bread price had increased by only 6 percent in November and flour by less than 4 percent

The recommended retail price was now R1,75 a loaf for white bread, and R1,50 a loaf for brown bread.

Wrighton says that in the developing deflationary climate, which puts margins under considerable pressure, it will be difficult for management of food companies to produce the same increase in profits as in the past

Retailers expect prices prices to fall — BER

CT 14/12/92 (244)

RETAILERS expect business to improve, but prices to fall, in the first quarter of 1993, according to the latest Stellenbosch Bureau for Economic Research survey

Its report says that "no fewer than 28% gross of our respondents said that the level of their first quarter 1993 selling prices could drop below that of 1992 selling prices in the comparable quarter

"As far as the rate of increase in selling prices is concerned, respondents remain adamant that a decrease is on the cards for the first quarter of 1993"

The report says that "a fairly large net majority" reported sales in the fourth quarter of this year are better in real terms than in the fourth quarter of last year

"Furthermore a slightly bigger net majority anticipate first quarter 1993 sales to be better than those a year ago — in real terms

"As a result more traders are already placing more orders with their suppliers and anticipate placing even more in the first quarter of next year"

The report says there is still "a certain degree of suspicion regarding the continuation of the bottoming out of disastrous business conditions during the first quarter of 1993"

But "in spite of this hesitancy the confidence level of retailers has improved substantially from the all-time low recorded last quarter

"These results would seem to imply that the plight of consumers is not quite as bad as was indicated by many analysts"

THE WEEK AHEAD by Simon Willson

PPIs to show impact of exchange rates

BDM 14/12/92.

244

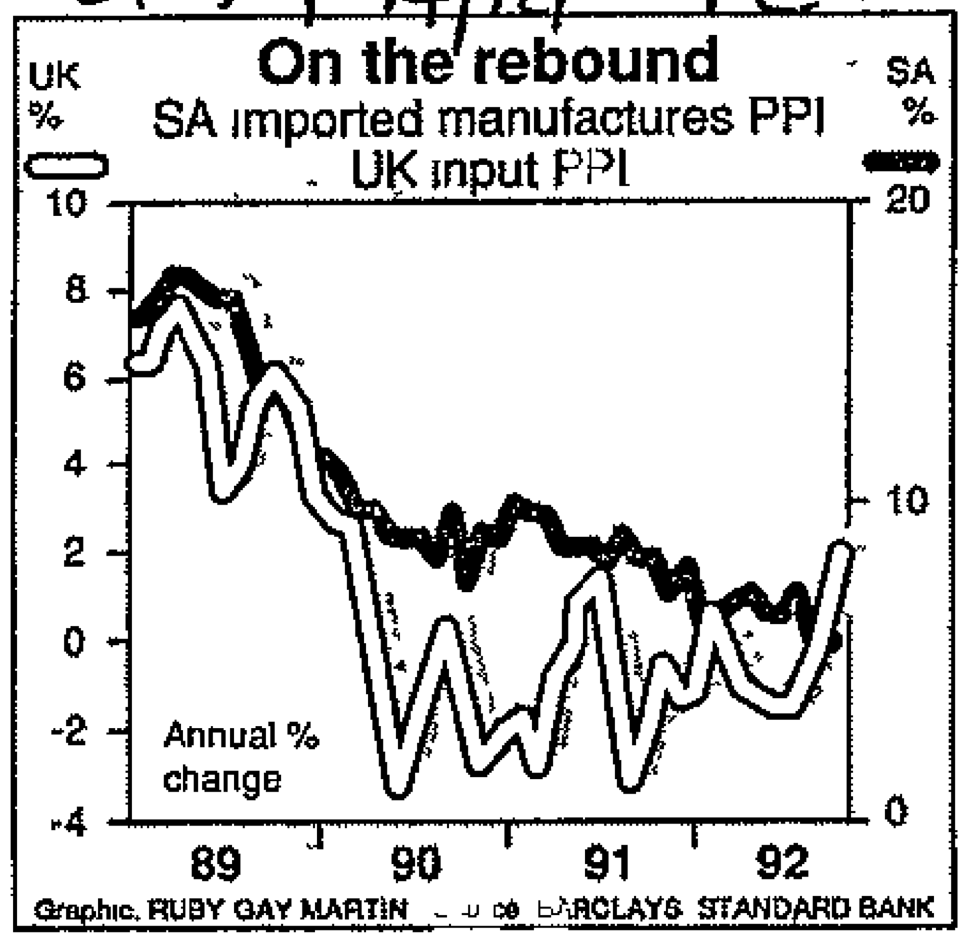
A SALUTARY lesson on how a lower exchange rate quickly generates inflation, and how a steady currency helps prevent it, will be on view this week with the release of the **SA and UK producer inflation** rates

The UK producer price index (PPI) for November will be published tomorrow, and SA's October PPI is due out early this week — possibly today UK PPI inflation, at 3,3% in the year to October, is appreciably lower than SA's 8,8% to September

But the figures should quickly establish the impending cost in higher inflation the UK will have to pay for sterling's fall over the past three months Simultaneously, they should show how the rand's contrasting overall stability is contributing to the reduction of inflationary pressure in SA

It is in the breakdown of the SA and UK PPIs that the influences of sterling and rand strength can best be discerned The headline rates of the two countries' PPI inflation rates quoted above mask the underlying, exchange rate-related trends in both sets of indices To get at the PPI component most influenced by the exchange rate the domestic parts of the index have to be stripped out, as far as possible

In the case of the UK, it means zeroing in on the input price indices of the PPI These cover the costs of the mainly imported fuel and raw materials that British manufacturers have to bear in their production processes The UK PPI also singles out output prices, but these apply to goods leaving rather than entering factories and so include domestic costs



Since SA is chiefly an exporter of raw materials and an importer of manufactures, the exchange rate-sensitive part of SA's PPI breakdown is the imported manufactures component The chart shows how, from their different highs during 1989, the rise in input prices in the UK PPI and in imported manufactures prices in the SA PPI declined and then steadied in the almost four years to October this year

Driving UK input price hikes lower was chiefly the strength and stability of sterling that led to the currency's insertion into the European exchange rate mechanism (ERM) at DM2,95 in October 1990 Forcing SA import price increases down at the same time was the spirited defence of the rand's external value mounted by the Reserve Bank from the end of 1989

But, whereas the real effective exchange rate of the rand continues to firm under the Bank's careful management, sterling crashed out of the ERM in ignominious circumstances in September The effects of these diverging currency fortunes are starkly apparent in the chart, as SA's imported manufactures price increases stay — by SA standards — low, while UK input prices shoot up again after falling in 1990 and 1991

It takes at least two calendar quarters for UK input price increases to feed through into PPI output prices and then into consumer prices But feed through they will as almost the only inflating part of the UK economy, since demand is flat, money supply is under control and earnings growth is historically low Meanwhile SA's consumer inflation rate should have a relatively small contribution from the imports PPI, allowing the holy grail of single-digit inflation to come ever nearer

Internationally, there are two influential US data releases on Wednesday November's housing starts and industrial production Buoyed by mortgage rate cuts, **US housing starts** rose in each of the three months to September but fell 1,1% in October as the mortgage rate stimulus petered out With no additional rate cuts since, any further pick-up in starts will require higher confidence and bigger disposable incomes — both incipient recovery signals

After declining in three of the four months to September, and helping the Republicans lose the White House, US **industrial production** moved ahead by 0,3% in October Over the past month or two continuing falls in unemployment, rising consumer sentiment, better factory orders, higher spending on durables and buoyant retail sales all suggest that industrial production should now perk up

The week's other foreign data highlights come from the UK On Wednesday **UK retail sales** for November are released Despite gloomy surveys of consumer confidence, sales edged up 0,1% in October and, together with an uptick in narrow money supply growth were seen by some as a harbinger of recovery This week's figure will confirm or contradict this view

UK unemployment in November is due on Thursday, having risen to a 5½-year high of 2,9-million in October and, in Britain's current economic stagnation, heading inexorably higher **UK average earnings** growth, also out on Thursday, is likely to have dipped again in October below the 25-year low of 5,5% set in September

Report on food prices is ready

CT 15/12/92

Political Staff

THE Board of Tariffs and Trade investigation into price mechanisms in the food industry has been completed and handed over to the government, the director-general of Trade and Industry, Dr Stef Naude, said yesterday 2141

The board's final report on the price mechanism in the food chain had now been forwarded to the Minister of Agriculture and the Ministry of Finance, Trade and Industry, he said

"Once the report has been evaluated, a decision will be taken as to its general availability," Dr Naude said

Food prices ease

(244)
ARG 16/12/92

TOM HOOD, Business Editor

GOOD news for recession and inflation weary consumers is that the surge in food prices is slowing down.

While the drought was effectively broken only last month, agricultural food price rises were already slowing down in October, Central Statistical Services said today.

The year-on-year increase in the producer price index (PPI) in October fell to 7,8 percent from 8,8 percent in September

Agricultural food prices were 20 percent up on an annual basis in October — an improvement on the 22,8 percent for September

Food price rises at the manufacturing level eased off and maintained September's annual rate of 7,3 percent in October, said CSS.

The good rains in November and December were expected to lead to lower vegetable and fruit prices — but this could be offset by rising meat prices as farmers try to restock herds depleted by the drought.

Sapa reports the investigation of the price mechanism in the food chain by the Board of Trade and Tariffs (BTT) is complete

A report on the investigation has been sent for evaluation to the Minister of Finance and Trade and Industry and the Minister of Agriculture

The Food Logistics Forum, which includes consumer bodies and representatives of the retail industry, said in October that the BTT report would show the drought had caused shortages and the need to import food had fuelled food price inflation by eight percent

There has been widespread outrage over escalating food prices in recent months and the drought, value-added tax, steep profit-taking measures by retailers and government control boards have variously been blamed

The forum said VAT had also added six percent to food prices, but it was optimistic that the controversial tax had now worked its way through the system and the drought appeared to be ending, which could result in food inflation falling to 15 percent or less next year

Task force appointed to formulate code of practice for business

STAR 16/12/92

By Des Parker

DURBAN — Frame group executive chairman and former supreme court judge Mervyn King is to head a task force to make recommendations aimed at raising standards of accountability in the private and public sectors

The group is being formed at a time when the Office for Serious Economic Offences (Oseo) is understood to be investigating business scams involving more than R1 billion and when companies are failing at a higher rate than at almost any time this century

Institute of Directors (IOD) executive director Richard Wilkinson said yesterday the force had the support of numerous professional bodies and similar organisations, such as the Institute of Chartered Accountants, the SA Institute of Business Ethics, the JSE the Association of Law Societies and the SA Chamber of Business (Sacob)

Mervyn King heads task force

Other like-minded organisations and prominent people would be asked to take part on the 12-person committee.

"Corporate governance is very high on the agenda in a number of countries, including the UK, US, Australia and Canada," said Wilkinson.

"The IOD believes that in the light of recent business failures, this issue should become a priority in SA as well. For some time the institute has considered a code of ethics for directors of business and recently amended its mission and adopted a credo and code of ethics."

One of the documents the force would draw most heavily on was Britain's Cadbury Committee Draft Report on the Financial Aspects of Corporate Governance (1992), which contained a "code of best practice" designed to achieve high standards of business behaviour

From next June, companies listing on the London Stock Exchange would have to comply with this code

"At the heart of the task force's efforts is an endeavour to find a balance between the free spirit of entrepreneurship and the constraints of effective accountability," said Wilkinson.

"This goes to the heart of companies and SA's competitive position, and it is in the interest of commerce, industry and Government that some code of practice be established without delay"

Recommendations could include amendments to legislation, particularly in fields such as financial reporting and directors' responsibilities

● Meanwhile, the Institute of Chartered Accountants (Saica) and the Public Accountants' Auditors' Board (Paab) have warned that copies of their registration certificates have been forged.

The organisations said in a statement "Members of the public are asked to be aware of the posible fraudulent use of these certificates.

"If they have any doubt about the authenticity of a certificate, they are invited to contact Rene Pheiffer, at (011) 622-6655 in respect of Saica certificates and Jane O'Connor at (011) 622-6665 in respect of Paab certificates."

Producer price rises still slowing down

244

By Sven Lunsche STAR 16/12/92

Price increases at the producer level continued to slow down in October on the back of a noticeable deceleration in agricultural food prices.

Central Statistical Services said yesterday the year-on-year increase in the producer price index (PPI) in October fell to 7,8 percent from 8,8 percent in September

On a monthly basis — from September to October — it increased by an encouragingly low 0,5 percent.

Lower rates of increases were reported for both imported goods and locally produced commodities.

The annual rise in the PPI for imported commodities fell from 7,1 percent in September to 4,3 percent in October, aided by the firmer trade-weighted level of the rand.

Locally produced goods rose by a year-on-year 8,7 percent in October (9,2 percent in September)

While the drought was only effectively broken last month, there were already indications in October that agricultural food price rises were slowing down.

CSS says agriculural food prices were 20 percent up on an annual basis in October (22,8 percent the previous month).

Food prices at the manufacturing level have decelerated more markedly and maintained September's annual rate of 7,3 percent in October

The good rains in November and December will have a favourable impact on food prices, although lower vegetable and fruit prices could be slightly offset by higher meat prices, as farmers try to restock herds depleted by the drought.

Sapa reports that the investigation of the price mechanism in the food chain by the Board of Trade and Tariffs (BTT) has been completed.

A report on the investigation has been forwarded to the Minister of Finance and Trade and Industry and the Minister of Agriculture for evaluation.

The Food Logistics Forum, which includes consumer bodies and representatives of the retail industry, said in October the BTT report would show the drought had caused shortages and the need to import food had fuelled food price inflation by eight percent.

There has been widespread outrage at escalating food prices in recent months and the drought, value-added tax, steep profit-taking measures of retailers and government control boards have variously been blamed.

Food inflation at the consumer level reached a level of 30 percent in August, but has recently dropped to about 22 percent.

The forum said VAT had also added six percent to food prices, but it was optimistic that the controversial tax had now worked its way through the system

IBM to lay off 25 000

STAR 16/12/92

NEW YORK — IBM said yesterday it would reduce its workforce by about 25 000 in 1993 and further trim global manufacturing capacity as part of another round of cost-cutting

The latest moves would result in a charge of about \$6 billion in the current fourth quarter, the company said

That's on top of \$5,4 billion in charges against earnings the computer maker earlier said it would take this year

IBM issued its strongest warning yet that it might have to end its historic practice of getting rid of excess staff through voluntary means and move to forced layoffs

Chairman John F Akers said that if business conditions did not improve significantly, "it is likely that some business units will be unable to maintain full employment in 1993"

Full employment is IBM's term for not having layoffs

IBM said the reductions in manufacturing capacity would be concentrated in the company's computer chip, mainframe computer and computer data-storage products businesses.

IBM further said it would cut spending on product development by about \$1 billion in 1993

The company also said it would take steps to further increase the autonomy of its business units. — Sapa-AP

Bibby takes
...of

Mystery deepens over Rowland's sale of shares

STAR 16/12/92

Last fling from master of controversy

LONDON — It is 31 years since Roland "Tiny" Rowland was recruited by Angus Ogilvy, then an executive of Harley Drayton's 117 Old Broad Street group, while on a visit to Rhodesia to sort out the troubles of

Lonrho over, but was repulsed by a 93-page Lonrho document which alleged that the Bond Corporation was financially unsound. Indeed, Bond later went bankrupt.

Producer price index follows healthy trend

CT 16/12/92 (244)

By AUDREY D'ANGELO
Business Editor

THE producer price index (PPI) continued its downward trend in October. It rose 7,8% year on year, compared with 8,8% in September and 11,1% in October last year. And the rise between September and October was only 0,5%.

Imported inflation did not rise at all month on month, reflecting the stability of the rand against a basket of currencies in October

Welcoming these figures, economists said they would feed through to the consumer price index (CPI), which should continue to fall in the early months of 1993.

But the economists warned that inflation will rise again if, as expected, the fuel price is increased and VAT raised to 13% or 14%

Figures released by the Central Statistical Service yesterday showed that the PPI for locally produced goods rose by 8,7% year on year in October compared with 9,2% in September. But the month on month pared with 0,5% in October.

The year on year rise for imported goods was 4,3% compared with 7,1% in September. The month on month rise was nil compared with 0,4% in September.

From a base of 100 in 1990 the all commodities index was 123,8 in October compared with 123,2 in September and 114,8 a year earlier. The index for locally produced commodities rose to 125,9 and the index for imported commodities to 114,6.

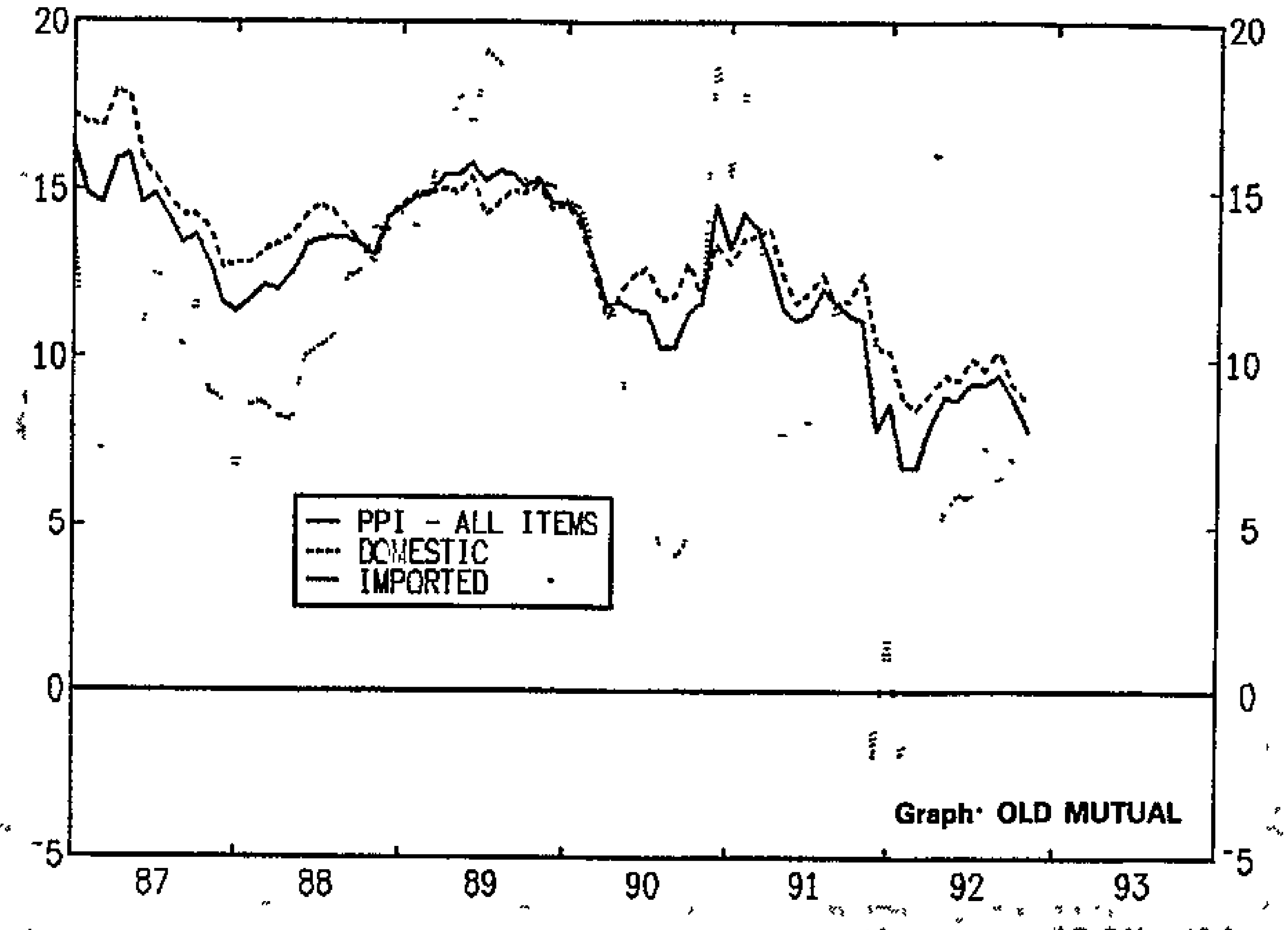
Amalgamated Banks of SA (Absa) economist Adam Jacobs said the annualised and monthly figures looked very promising

"They look even better if you consider that between May and August the seasonally adjusted annual rate of PPI inflation was 15,8%, this dropped to 10,3% between June and September and 5% between July and October. Between September and October it was only 2%

"So the trend is definitely downward

"Unfortunately, the tax increases we expect can reverse this trend in the New Year.

Meanwhile, Jacobs commented· "These are nice figures to end the year on."



Old Mutual economist Johan Els said the figures showed the inflationary pressures were decreasing because of the prolonged recession. "This good news will eventually impact on the CPI — probably in about three months' time "

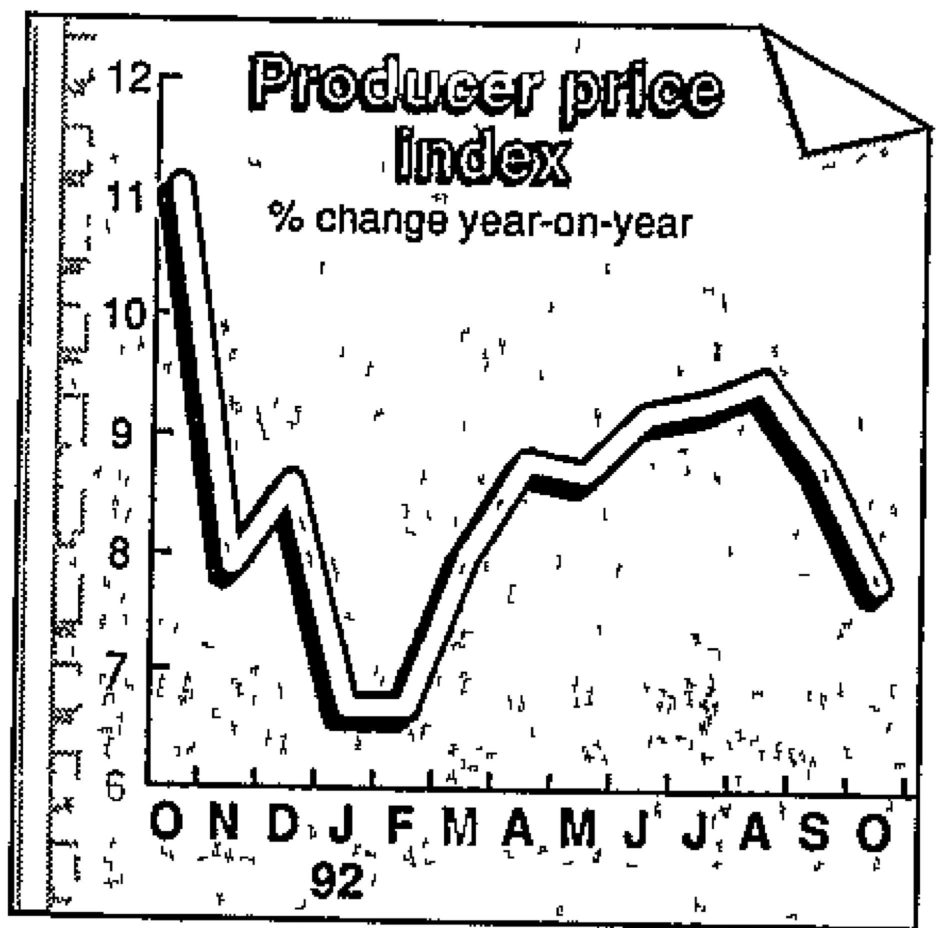
Els said he expected the PPI to "remain in the 8% range year on year."

Boland Bank chief economist Louis Fourie said the low rate of imported inflation was due mainly to the steep fall in the exchange rate for the British pound in October. This would affect the PPI in November.

"Some good things are happening and this downward trend in the PPI, which will affect the CPI, will to some extent neutralise the effect of the expected rise in VAT"

Sanlam economist Pieter Calitz said the low year on year rise in the PPI was "partly due to technical factors, because there was a big rise last October and it is up from a high base."

But it showed that monetary policy was having an effect and inflationary trends were downwards



Graphic RUBY GAY MARTIN Source CSS

Decline in PPI 'is only temporary'

SHARON WOOD 244

LOWER import prices and food prices saw producer price inflation fall another percentage point to 7,8% in October from 8,8% the previous year. BDay 17/12/92

Figures released on Tuesday by the Central Statistical Service showed that the annual increase in import prices in the producer-price index (PPI) dropped to 4,3% from 7,1% in September. Economists attributed this fall to a firmer rand during October, lower overseas inflation rates and technical factors

Food price inflation at the producer level fell to 20,1% from 23% the previous month and manufactured food price increases eased to 7,2% year on year from 7,4% The PPI rose by 0,5% between September and October this year

Economists were surprised producer inflation had broken out of its range between 8% and 9%, maintained since April this year, but did not expect it to remain at its current level. Producer inflation was forecast to rise to at least 9% next year

Nedbank chief economist Edward Osborn said the drop was a temporary phenomenon and producer inflation would rise again when the depreciation of the rand was reflected in the price of imports He expected producer inflation to rise to 10% in the first quarter of next year

The lifting of the drought would relieve food price pressure on the index but other factors would outweigh this, he said

Sanlam economist Pieter Calitz said the decline in producer inflation boded well for consumer prices but the Budget remained a major hurdle.

Inkatha rallies around high food prices

244

W/Mail 18/12-22/12/92

By CARMEL RICKARD

INKATHA starts a national programme of "mass action" tomorrow, targeting food prices.

Official Ed Tillett said the new campaign would begin this Saturday with pickets in shopping centres in and around Durban.

Control boards' "fixing" of market prices will be a target of Inkatha's campaign, entitled "Food for the people". Due to escalate in the new year, it will focus on government intervention in the market, the fact that so few foods are exempt from VAT and the statutory powers given to so many agricultural control boards.

Inkatha has often criticised the African National Congress and its allies for programmes of mass action, saying they are intimidatory and are not the correct means to achieve the aims of the alliance, however praiseworthy these objectives may be.

However, in the last few months the Inkatha Freedom Party has launched catchy drives of its own including the "Disband MK" programme. This campaign, so far more notable for the picture opportunities it presents than for the numbers involved, has seen women dressed in black, accompanied by children, staging protests outside the homes of people alleged to have links to MK or to be in a position to influence the organisation.

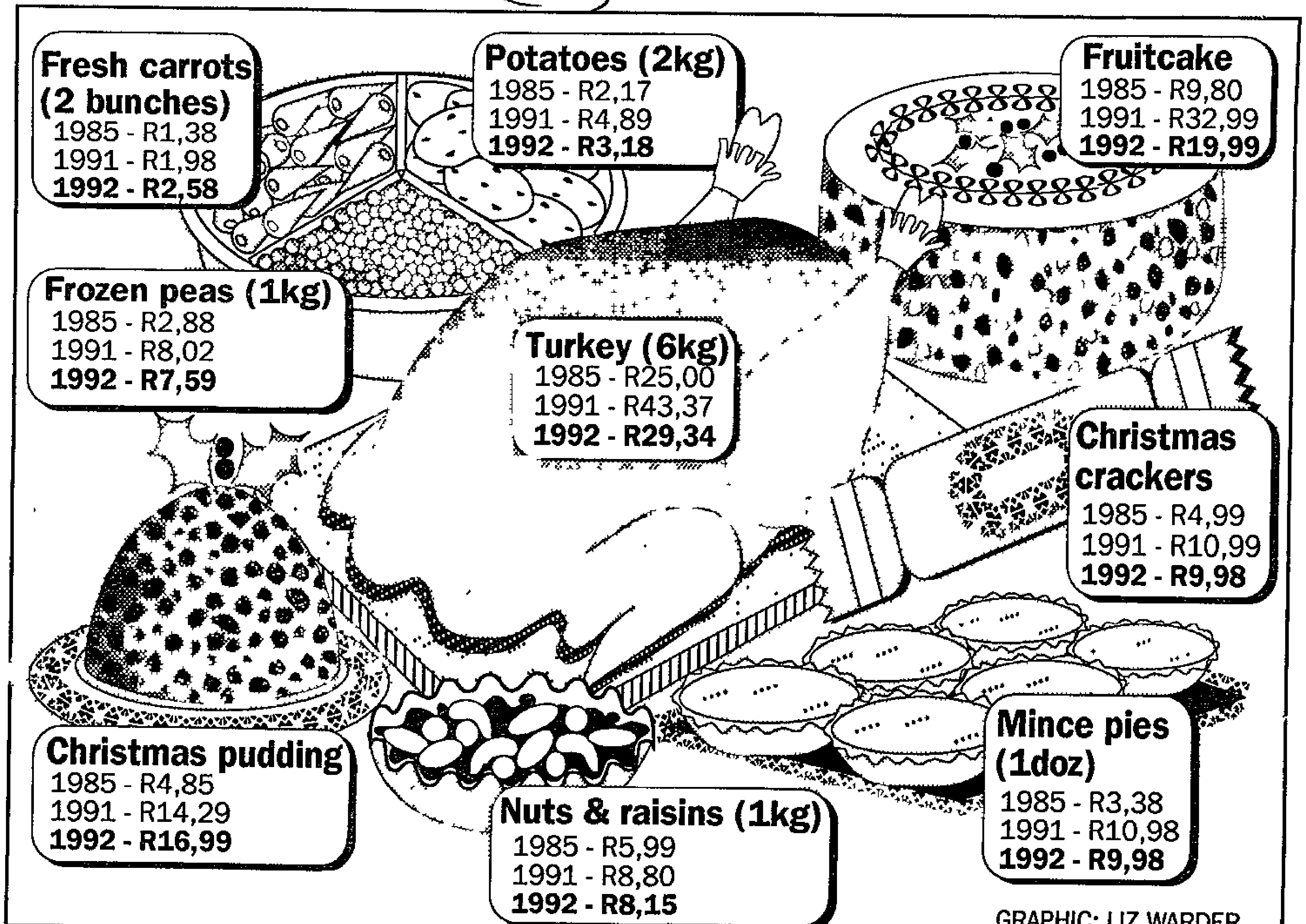
There have also been large-scale marches in Johannesburg and Durban with themes such as the unenforceability of a ban on carrying "cultural weapons". Officially some of these have been labelled "marches of the Zulu nation", but this nice distinction appears to elude most people inside and outside Inkatha and to exist more in the minds of top organisers than anywhere else.

Turkey bows to cold meats in bid to save on Christmas lunch

STAR 22/12/92

(244)

By Paula Fray



GRAPHIC: LIZ WARDER

The traditional turkey roast with all its trimmings is being replaced by cold meats and salads and even hotel fare in some South African homes

But as The Star shopped around for traditional foods, it found some foodstuffs have actually come down in price since last year

In fact, whereas a 6 kg turkey cost R43,37, a leading supermarket chain is offering imported unbasted Canadian turkey at R4,89/kg — R14,63 less than last year's 6 kg turkey price

However, these sold like the proverbial hotcakes and most consumers will have to make do with turkeys or Cornish hens at between R4,99 and R6,99/kg

The cost of several other items also decreased The cheapest 1 kg frozen peas was R7,59 (on special) compared to last year's R8,02, potatoes (2 kg) cost R3,18 compared to 1991's R4,89 while a 1 kg fruitcake now costs R19,99 compared to R32,99

Price drops were also recorded for a 1 kg packet of nuts and raisins which are R8,15 compared to R8,80 and Christmas crackers which were R10,99 for 10 last year and which can now be bought for R9,98 for a dozen

A similar survey conducted in 1985 found that the basic traditional Christmas meal, excluding 12 percent GST, cost about R62 Last year, a similar meal, including the then recently introduced VAT at 10 percent, cost about R141,90

This year, the meal could cost as little as R107,78 if consumers shop for bargains

But battered South Africans are not taking any chances

"We don't have a Christmas lunch," says Johannesburg housewife Iris Geldenhuys "We're eating out

"South Africa used to have a big festive lunch These days everyone just has a braai but even meat is expensive When I was a child we used to have a very big Christmas dinner Now its just cold meats and salads," she said

Commenting on the changing trends, South African National Consumer Union chairman Lillibeth Moolman noted that the traditional Christmas meal was not always appropriate in South Africa's warm climate

And, while the perception of high prices was leading people to seek alternative meals for Christmas, continued depressed trading had led to some stiff competition among stores

"There are some good buys out there," she said

As temperatures soar to about 34 deg C in Pretoria, the last thing the family of Housewives' League past president Lyn Morris wants on Christmas Day is steamy hot spicy pudding in the summer heat

"Certainly, as a family celebration I won't be cooking a hot meal Even if there is a roast on the table it will be served cold or with salads There won't be any steaming vegetables," said Morris

Another alternative, she said, was to have the Christmas meal in the evening — as many immigrant communities already do

"But," she warned, "we tend to overcater on both food and liquor"

National Black Consumers' Union president Nonia Ramphomane said that while stores appeared to be busy in the run-up to Christmas, the high cost of food had made shoppers a lot more cautious this year

"Indeed, the recession has had an impact on everyone People are looking at their pockets before deciding to buy anything"

Although traditional Christmas meals varied within the black communities, most families would attempt to have some sort of meat on the table for the festivities

"Very few people will have the traditional turkey or gammon because they are so expensive," said Ramphomane

Board rules to ban bias in drug prices

BIOM 23/12/92 244

PETER DELMAR

THE Competition Board has ruled that drug manufacturers may not discriminate in favour of dispensing doctors — a finding likely to be welcomed by retail pharmacists and wholesalers

A report being circulated by the board recommends that it be illegal for a manufacturer of prescription medicines to discriminate, except under certain circumstances, and that the manufacturer not discriminate between its buyers

The report found that whereas in 1984 pharmacies were responsible for 90% of private sector prescription sales, doctors now had a 30% share of the R1,1bn market There were 6 999 dispensing doctors, 2 800 pharmacists and 75 to 80 wholesalers

During its investigation, the board heard that wholesalers received the worst prices, despite usually buying the largest quantity of medicines over the widest ranges

Manufacturers encouraged doctors to register as dispensing doctors, particularly after pharmacists were allowed to substitute cheaper generic medicines for prescribed patent drugs in 1984

Despite invariably buying smaller volumes, doctors paid prices up to 25% lower than those paid by the wholesalers, through a variety of discounts. These savings were generally not passed on to the patient

Wholesalers told the board price discrimination threatened their livelihood.

The board found that dispensing by doctors represented a restrictive practice Because of their relationships with patients, dispensing doctors enjoyed an advantage over retail pharmacists. "The undeniable advantage which the doctor enjoys in dispensing poses a direct restriction on competition When a doctor dispenses, com-

☐ To Page 2

Drug prices

BIOM 23/12/92 244

☐ From Page 1

petition between him and a pharmacist can in fact be completely eliminated"

The board found that the doctor also enjoyed an advantage in that he was not obliged to keep a full inventory of drugs as was the pharmacist It did not accept that doctors were unable to prevent generic substitution by pharmacists

Existing price discrimination favoured manufacturers who applied such discrimination, the dispensing doctor and dispensing doctors' patients who could not afford high prices It prejudiced manufacturers who did not discriminate, wholesalers who were cut out of the distribution chain, certain retail pharmacies and the public

The board also decided that continuing restrictions on advertising by pharmacists was not in the public interest

The report is with Public Enterprises Minister Dawie de Villiers for his decision

PPI FM 25/12/92

Hidden hand

244

Producer inflation was surprisingly low in October. Even in the stricken subsector *agriculture food*, where prices have been boosted for many months by the effect of the drought on supply, inflation is showing signs of subsiding. According to a Central Statistical Service release, prices in this sector rose 20,1% in the 12 months to October — but only 0,8% in the month.

A breakdown of annual rises in production indices shows the only other double digit rise was in *transport equipment motor vehicles*, 15,5% annually, possibly a reflection of working hours lost in strikes. The rise in the month was only 0,2%.

This was countered by more moderate price increases elsewhere:

- ☐ *Mining & quarrying* only 2,8% in the year and 0,2% in the month;
- ☐ *Manufacturing* 6,8% and 0,7%; and
- ☐ *Electricity, gas & water* 8,9%, -1,6%.

A breakdown of manufacturing into subsectors shows:

- ☐ *Food* 7,2% in the year and 1% in the month. With a weighting of 12,91%, this is the biggest subsector in the index;
- ☐ *Chemicals and chemical products* 8,1%, 1,9%;
- ☐ *Products of petroleum & coal* 3,7%, 0,5%;
- ☐ *Basic metals* 4,4%, -0,3%;
- ☐ *Metal products* 6,6%, 0,2%;
- ☐ *Machinery nonelectrical* 5,3%, 0,1%; and
- ☐ *Electrical machinery* 5%, 0%.

The annual overall rate to October was only 7,8%, a full percentage point down on September's figure. Locally produced commodities rose 8,7% while imports rose only 4,3%. In the month, PPI rose 0,5%: local inflation was 0,6% while imported prices did not rise at all. A seasonal adjustment makes these figures 0,5% and -2,3%.

An important contributing factor to the performance of imported prices in October was presumably the cost of fuel. Confirmation comes from the item *mining & quarrying other*, which rose only 1,2% in the year and fell 0,3% in the month.

The small annual rise can be explained by the fall in the oil price over the 12 months to October. But the monthly decline came despite:

- ☐ A small rise in oil prices — spot North Sea Brent Crude averaged US$20,30/barrel, up from $20,25 the previous month; and
- ☐ A deterioration in the dollar/rand exchange rate — according to the Reserve Bank, from an average for September of $/R2,7980 to an October average of $/R2,8835.

So it remains a mystery why the rand

continue →

FM 25/12/92

value of crude oil fell that month. 244

Also suppressing October inflation was the influence of commodities invoiced in cross currencies. Sterling, for instance, fell from £/R5,1760 in September to £/R4,7916 in October. Though its exact weighting in the basket of currencies used by the Bank is not published, it is relatively important among the cross currencies.

Figures for subsequent months will depend on a variety of factors. Though oil prices fell in November — spot North Sea Brent Crude averaged $19,2/barrel from over $20 in October — the Department of Mineral & Energy Affairs has already announced that a deteriorating dollar/rand exchange rate will increase the average landed cost of petrol and diesel from 52,9c/*l* in October to 54,6c.

The value of the rand, on the other hand, continued to improve in sterling to £/R4,6 in November. So there will at least have been a countervailing influence on import prices that month. ■

Business urged to fight price increases

LINDA ENSOR (244)

CAPE TOWN — The Cape Town Chamber of Commerce has urged business to take a tough stand against product and labour price increases.

In its latest bulletin the chamber said despite bitterly harsh recessionary conditions, inflationary pressures continued to remain high.

"Indications are that wage and salary increases for next year will be well below the current rate of inflation and the first priority must be to ensure that labour increases are not allowed to fuel the inflationary spiral," the bulletin said.

The chamber urged businessmen not to accept any price increases on their inputs which exceeded the inflation rate and said they should negotiate hard to reduce input cost increases to the very minimum.

"Finally, business people should avoid fuelling inflationary expectations by producing prognostications in marketing their goods/services that develop a psychology of acceptance of the fact that high inflation is inevitable," the chamber said.

THE WEEK AHEAD by Simon Willson

Local figures call for a toast

BDay 28/12/92 (244)

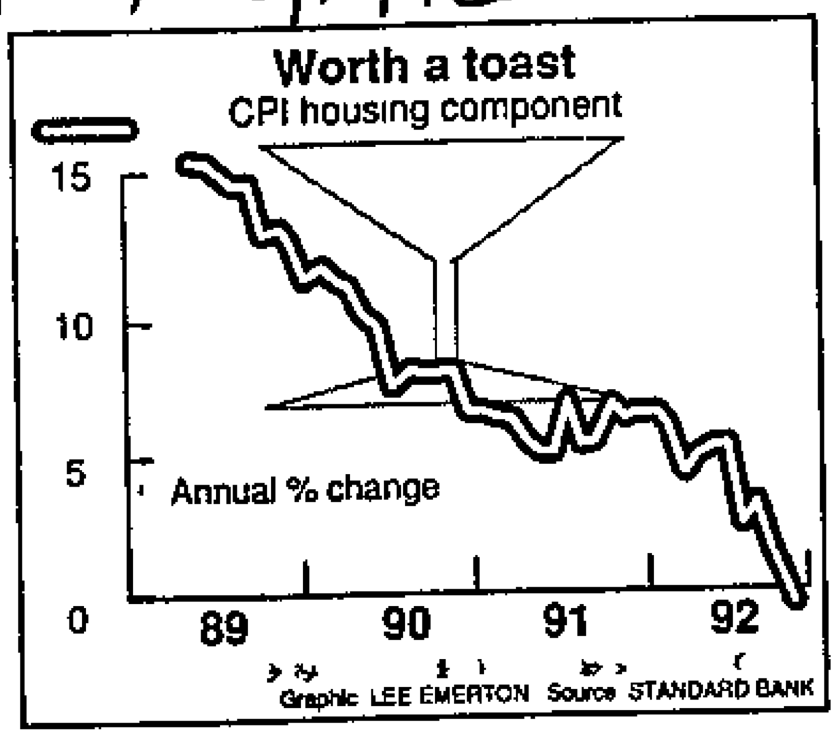
DOMESTIC data released this week can expect little reaction other than a stream of ribald invective from beneath some streamer-strewn, alcohol-soaked dealing console in a deserted CBD The local figures, however, will almost certainly deserve a more appreciative reception

The November inflation rate is due by the end of the week and should, in contrast to last year's Christmas time inflation news, be worth a prolonged toast from the nearest vessel of festive spirits The 11,7% headline inflation rate posted for the year to October was the lowest in eight years and should herald a period of further decline towards that elusive single-digit level

It is a sign of the progress made in subduing inflation that at this time last year the market was still wincing from the VAT-boosted, four-year inflation high of 16,8% recorded for October 1991 At 15,5%, inflation 12 months ago had still to absorb the drought-related surge in food prices

This week's inflation rate should be at least four percentage points lower than it was last Christmas and — more importantly — should be heading still lower. The chart depicts one of the most potent disinflationary influences on the consumer price index (CPI), and one whose contribution to lower inflation is not yet fully spent

As the chart shows, housing costs have been one of the principal performers in leading the change in the CPI to lower levels But it is particularly helpful to the low-inflation cause if the CPI's star performer also holds the biggest weighting in the index. Happily, that is the case in respect of housing costs



Not only are housing costs currently the only main CPI component in year-on-year decline — down by 1,1% in October — but they also wield the biggest weighting in the index at 20,5% of the 1990 basket, ahead of food's 18,6% and transport's 14,4% This formidable combination is helping to drag inflation lower, and could explain Finance Minister Derek Keys's notable public confidence that the inflation rate will be in single digits "soon".

The November money supply figures are also due this week, but M3 growth has tamely conformed to the Reserve Bank's 7%-10% guideline range for so long now that the element of surprise has effectively been removed from the data October year-on-year M3 growth came in at 9,3%, which translated into 9,1% from the base of the guideline year

Internationally, US December consumer confidence will be the first prominent statistical release to emerge after the festive weekend when it is published tomorrow The confidence index jumped 10,9 points to 65,5 in November, reflecting the end of the presidential election campaign and the dollar rally that followed The index looks set to test its 1992 high of 72,6 hit in June

On Wednesday the US leading indicator for November is released and, since it projects economic activity six to nine months off, should begin a series of positive outturns after a dodgy third quarter October's 0,4% rise ended a run of two monthly falls, and anecdotal evidence points to a uniformly positive fourth quarter.

As the French authorities continue the battle to keep the franc above its floor in the European exchange rate mechanism (ERM), France's economic fundamentals now have a higher profile in the market than previously. The final French November inflation figure, due out in mid-week is one of the French indicators currency traders will be watching

The preliminary figure issued a fortnight ago put the rate at 2,1% against October's 2,4%, giving France the third lowest inflation rate in the G-7 after Canada and Japan Confirmation of the 2,1% rate this week will help to solidify franc sentiment and thus stabilise the ERM, particularly in view of Germany's latest inflation rate released last week — 3,8% in November

☐ **Money Markets will resume after the festive season.**

Inflation steadies, food prices rising

Business Staff 163 244

GOOD news for South Africa's struggling consumers is that the inflation rate steadied at 11 percent a year in November. But the bad news is that food prices are still rising at more than 21 percent a year.

Central Statistical Services figures show consumer prices rose 0,4 percent in November for the second month in a row.

The lower-income group is still the hardest hit — the consumer price index for this group rose 12,3 percent in the year to November, compared to 11,6 percent for the middle-income group.

ARG 29/12/92

CPI falls to eight-year low

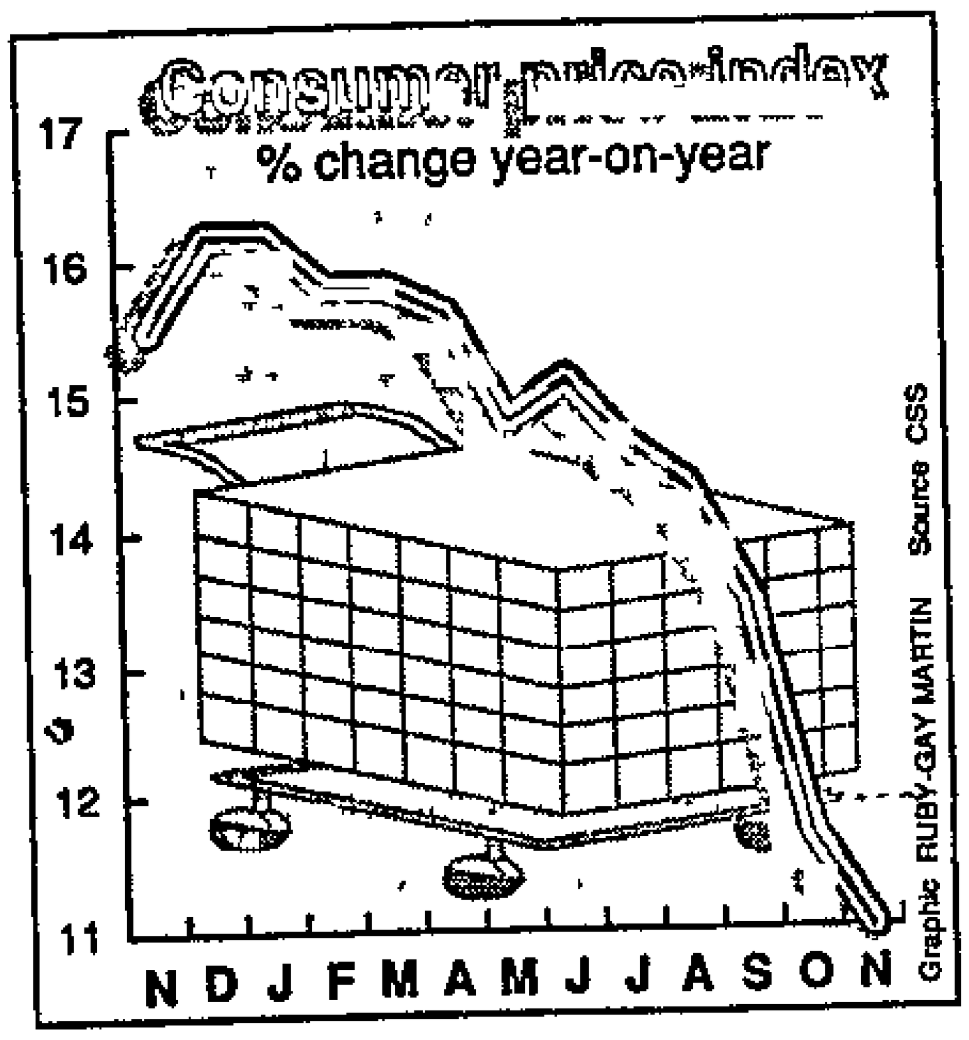
Slowed food price hikes curb inflation

BDAY 30/12/92 (244)

GRETA STEYN

INFLATION defied economists' expectations for the second consecutive month in November, falling to 11% from 11,7% because of a dramatic slowdown in food price increases

Central Statistical Service (CSS) figures released yesterday showed inflation, as measured by the annual rate of change in the consumer price index (CPI), was at its lowest level since April 1984 Economists were surprised at the sharp slowdown, saying it raised hopes of a cut in interest rates They said the target of single-digit inflation was now within reach and next year's average inflation rate should be at the lower end of the range of predictions from 10,5%-13%.



Economists were astonished that food prices fell between October and November. This brought the annual rate of increase in the food price index down to 17,2% for the year to November, representing a substantial fall from the levels around 30% experienced earlier this year The annual rate of increase in food prices was last at November's rate in July 1991 The main reason for the positive developments on the food price front was a significant fall in the price of vegetables in November from October (6,4%)

Sanlam economist Eric Coetzee said recent food price developments suggested Reserve Bank Governor Chris Stals might have won the war on expectations

"The sharp focus on food in the battle against inflation is making it more difficult to charge excessive prices," he said. He added the recent rain could also have played a role, but it was too early to tell.

Sanlam had expected only a slight fall in inflation in November, and Coetzee was "pleasantly surprised" by the decline He said it was a bullish sign for an interest

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Inflation

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rate cut, but noted that Stals might be concerned about losing some ground in the battle against expectations if he moved too soon on the interest rate front

Absa economist Pierre Morgenrood said if the trend of the past two months continued next year, the average inflation rate would be 10,6% This could be achieved even if VAT was raised to 13% and there was an increase in the fuel price He saw 12% as the "worst case" average inflation rate for next year

Morgenrood noted a major reason for the recent slowdown in the rate of increase in the CPI was that the housing index had been falling. After an average annual increase of 5% in the first six months of this year, the index had decreased by 1% in October and by the same percentage in November Morgenrood said the reason for the fall in housing prices was mainly the mortgage rate decline, but the severe depression in the housing market also played a role The component had fallen even though municipal tariffs had risen.

Transport costs in November rose by 0,3 of a percentage point, reflecting the hike in the fuel price The October increase was reflected only in November, as the CPI is calculated based on the prices of the first week of every month

Housing was the main factor for inflation excluding food being only 9,3% The CSS release also showed inflation for lower income groups still higher than those for higher income groups — 12,3% compared with 10,2% Inflation excluding VAT was only 10,6%

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First food price fall in years

Inflation drops to 8-year low

STAR 30/12/92. (244)

By Magnus Heystek and Paula Fray

The annual inflation rate measured by the consumer price index dropped to an eight-year low of 11 percent in November — and prospects are good for further decreases this month and next month.

A rate of 10 percent during 1993 is now well within reach, economists say

While welcoming the drop in inflation, consumer groups yesterday vowed to keep a watchful eye on price increases during 1993 — especially now that the drought appears to be losing its grip

Figures released by the Central Statistical Service (CSS) yesterday show a major contributing factor to the steadily decreasing growth in inflation was the surprising monthly drop of 0,3 percent in the food price index in November — the first time in many years that food prices had declined on a year-on-year basis

This was mainly the result of a drop of 6,4 percent in the price index for vegetables

Increases in the price indices for grain products (1,3 percent), meat (0,6 percent), fruit and nuts (0,7 percent), and coffee, tea and cocoa (1,3 percent) offset the lower vegetable prices.

While food became marginally cheaper last month, the annual rate compared with November last year is still high, at 17,2 percent — but substantially lower than the 30 percent increase earlier in the year.

If the price of food is excluded, inflation drops to 9,3 percent.

On a yearly basis, inflation for lower-income groups (which spend proportionately more on food and basic commodities) was 12,3 percent in November For the middle-income group the rate was 11,6 percent and for the higher-income group only 10,2 percent.

Impact

The CSS calculated that without the impact of VAT on prices, the average inflation rate would have been even lower at 10,8 percent

Economists say the falling inflation rate could lead the way to lower interest rates early in the new year

One economist yesterday indicated that the prime interest rates could drop by another percentage point early in the new year, to be followed shortly by further drops in bond rates

Consumer Union chairman Lillibeth Moolman attributed the drop in fresh produce prices to the good rains. However, while welcoming the lower food inflation, Moolman said her union looked forward to the day when it was in single figures

"As food price increases are a contributory factor to inflation, a single-figure food inflation rate will mean a much healthier economy for 1993," she said

However, she cautioned that only copious rain, good farming and healthy economic conditions would result in a further drop in food prices Moolman noted that certain areas were still not getting their desired rainfall

The Consumer Union, said Moolman, would be watching agricultural prices carefully to see whether there would be any drop in prices in the long term

"It will have to be in the long term as these things are seasonal We are still dependent on importing wheat and maize and on the kind of prices which will be negotiated on the international market"

Housewives' League vice-president Sheila Lord — who oversees the organisation's food price surveys — said there had been a "steadying off" of price increases in the league's supermarket survey of an average basket of food