

Embargoed until 10:45am – 11 September 2009

Food Price Index: August 2009

Highlights

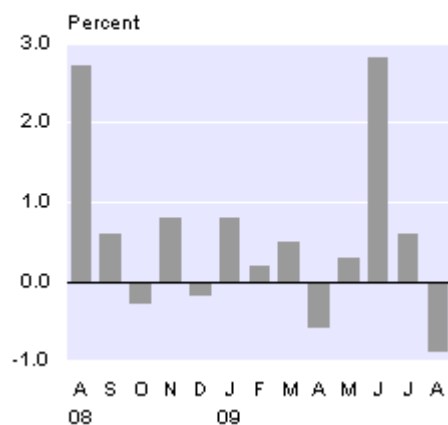
In August 2009 compared with July 2009:

- Food prices fell 0.9 percent.
- Grocery food prices fell 1.3 percent.
- Fruit and vegetable prices fell 3.3 percent.
- Meat, poultry and fish prices fell 0.4 percent.
- Restaurant meals and ready-to-eat food prices rose 0.3 percent.
- Non-alcoholic beverage prices rose 1.0 percent.

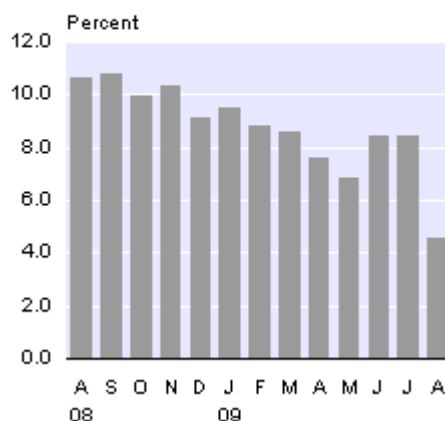
From August 2008 to August 2009:

- Food prices increased 4.6 percent.

Food Price Index
Monthly change



Food Price Index
Annual change



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Commentary

Food prices in August 2009

Food prices fell 0.9 percent in August 2009, following increases of 0.6 percent and 2.8 percent in July and June 2009, respectively. This is the largest fall in the FPI since a 0.9 percent fall in February 2006.

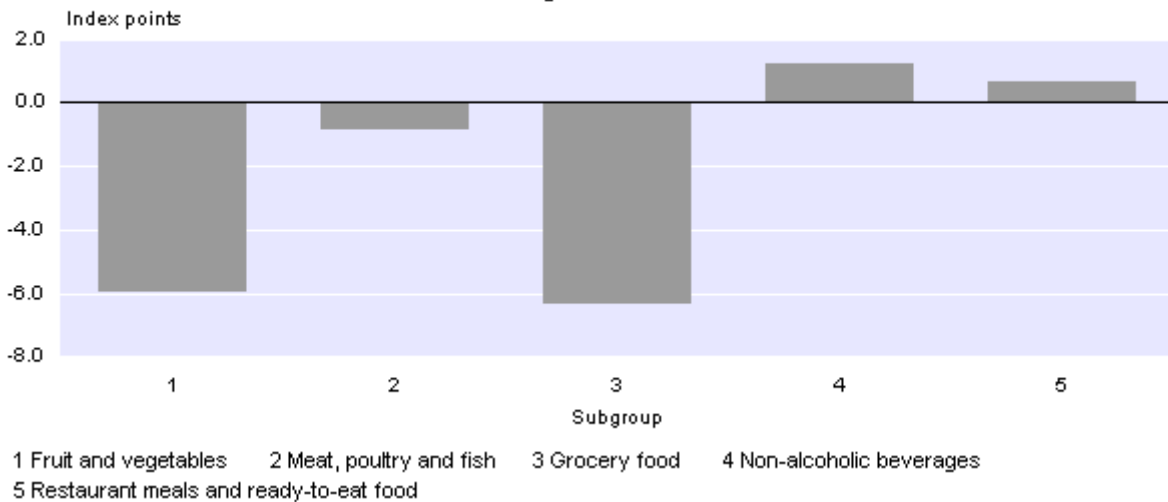
In August 2009, lower prices were recorded for the following subgroups: grocery food (down 1.3 percent), fruit and vegetables (down 3.3 percent), and meat, poultry and fish (down 0.4 percent). Higher prices were recorded for the restaurant meals and ready-to-eat food (up 0.3 percent) and non-alcoholic beverages (up 1.0 percent) subgroups.

The most significant individual downward contributions came from lower prices for fresh chicken (down 9.1 percent), tomatoes (down 10.0 percent), strawberries (down 21.7 percent), bread (down 2.7 percent), and broccoli (down 21.8 percent).

The most significant upward contributions came from higher prices for lamb (up 4.6 percent), soft drinks (up 1.3 percent), and pork (up 6.2 percent).

Index Points Contribution to Food Price Index

August 2009



Monthly Index Points Contribution		
Subgroup	June 2009 to July 2009	July 2009 to August 2009
Fruit and vegetables	5.40	-5.96
Meat, poultry and fish	-1.55	-0.85
Grocery food	2.42	-6.32
Non-alcoholic beverages	0.31	1.19
Restaurant meals and ready-to-eat food	0.80	0.65
Food price index	7.38	-11.29

Note: Index points contributions may not sum to totals due to rounding.

Distribution of item-level movements

The table below outlines the distribution of price movements in August 2009 and July 2009. The FPI has been partitioned into those national item-level indexes that increased, showed no change, or decreased.

Distribution of Item-level Index Movements		
National item-level index movements	June 2009 to July 2009	July 2009 to August 2009
Increase in price		
Number of items	93	81
Percentage of all items	59.2	51.6
Percentage of expenditure weight	58.1	51.1
Index points contribution	21.2	11.1
Weighted average price increase (percent)	3.0	1.8
No change in price		
Number of items	2	4
Percentage of all items	1.3	2.5
Percentage of expenditure weight	1.0	0.8
Decrease in price		
Number of items	62	72
Percentage of all items	39.5	45.9
Percentage of expenditure weight	40.9	48.2
Index points contribution	-13.8	-22.3
Weighted average price decrease (percent)	2.8	3.8

The distribution of item-level movements shows that:

- the percentage of expenditure weight of items that increased in price fell, while the percentage of expenditure weight of items that decreased in price rose.
- the weighted average price increase fell and the weighted average price decrease rose.
- the weighted average price decrease is twice as large as the weighted average price increase.

These movements resulted in a 0.9 percent decrease in the August 2009 FPI, compared with a 0.6 percent increase in July 2009.

Annual movements

Food prices increased 4.6 percent in the year to August 2009, following increases of 8.4 percent for the years to both July and June 2009. The latest annual increase is the lowest annual increase since a 4.4 percent rise in the year to January 2008.

Four of the food subgroups increased in the year to August 2009. The most significant upward contributions came from higher prices for grocery food (up 4.4 percent) and

meat, poultry and fish (up 9.2 percent), followed by non-alcoholic beverages (up 7.9 percent), and restaurant meals and ready-to-eat food (up 3.7 percent).

The only subgroup to decrease was fruit and vegetables (down 1.1 percent). Vegetable prices were down 5.1 percent, while fruit prices rose 7.0 percent.

The most significant upward contributions came from higher prices for soft drinks (up 9.1 percent) and bread (up 10.0 percent).

Within these subgroups, the most significant downward contributions came from lower prices for lettuce (down 15.9 percent) and cheddar cheese (down 21.1 percent).

Annual Index Points Contribution	
Subgroup	August 2008 to August 2009
Grocery food	19.26
Meat, poultry and fish	17.25
Non-alcoholic beverages	9.02
Restaurant meals and ready-to-eat food	8.57
Fruit and vegetables	-1.77
Food price index	52.33

Note: Index points contributions may not sum to totals due to rounding.

Grocery food

Prices for the grocery food subgroup decreased 1.3 percent in August 2009, following increases of 0.5 percent and 1.1 percent in July and June 2009, respectively. The 1.3 percent fall is the largest monthly decrease for the grocery food subgroup since the series began in June 1999.

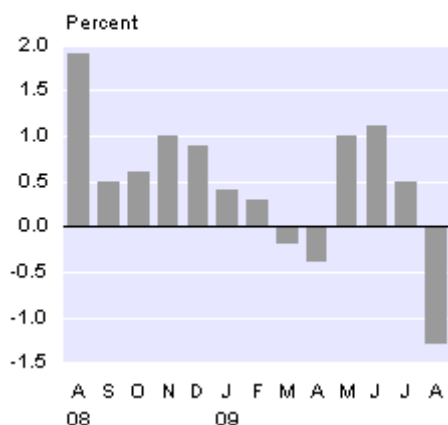
In August 2009, 24.3 percent of surveyed grocery food prices decreased and 21.9 percent increased. The proportion of surveyed prices that decreased and went 'on special' (18.5 percent of collected grocery food prices) was greater than the proportion that increased in price and went 'off special' (12.4 percent).

The most significant downward contributions came from lower prices for bread (down 2.7 percent), chocolate biscuits (down 6.3 percent), and cheddar cheese (down 6.2 percent). Bread had its largest fall since a 2.8 percent drop in July 2007. From late 2007, prices rose by more than a third to reach the record high prices recorded in May, June and July 2009. In August 2009, prices for cheddar cheese, fresh milk, and butter returned to the levels last seen in late 2007 or early 2008. Fresh milk prices fell for the second month in a row.

For the year to August 2009, grocery food prices increased 4.4 percent. This is the lowest annual increase since September 2007. The most significant upward contributions for the year to August 2009 came from higher prices for bread (up 10.0 percent) and yoghurt (up 19.7 percent). The most significant downward contributions

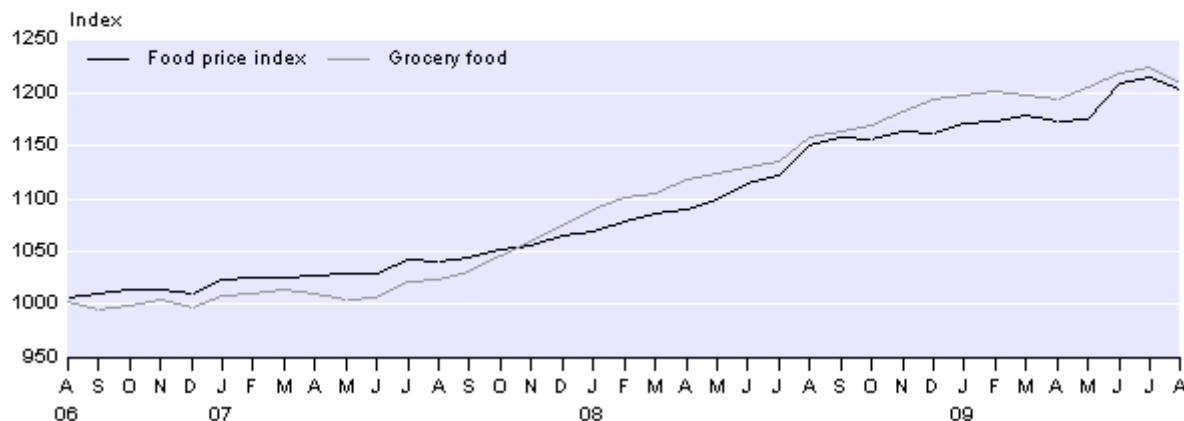
came from lower prices for cheddar cheese (down 21.1 percent), fresh milk (down 4.8 percent), and butter (down 29.6 percent).

Grocery Food Subgroup
Monthly change



Grocery Food Subgroup and Food Price Index
Monthly indexes

Base: June 2006 month (=1000)



Fruit and vegetables

Prices for the fruit and vegetables subgroup decreased 3.3 percent in August 2009, following increases of 3.1 percent and 15.0 percent in July and June 2009, respectively. This is in contrast to a 9.6 percent increase for August 2008, when growing conditions were hampered by unusually wet weather, but similar to a 3.0 percent decrease for August 2007.

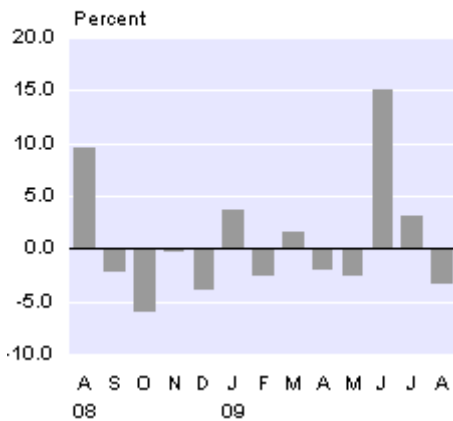
The most significant downward contributions came from lower prices for tomatoes (down 10.0 percent), strawberries (down 21.7 percent), broccoli (down 21.8 percent), and avocados (down 25.0 percent).

Lettuce prices fell 3.3 percent in August 2009, and are down 15.9 percent from their high point in August 2008.

For the year to August 2009, fruit and vegetable prices decreased 1.1 percent, with vegetables down 5.1 percent, and fruit up 7.0 percent. The most significant downward

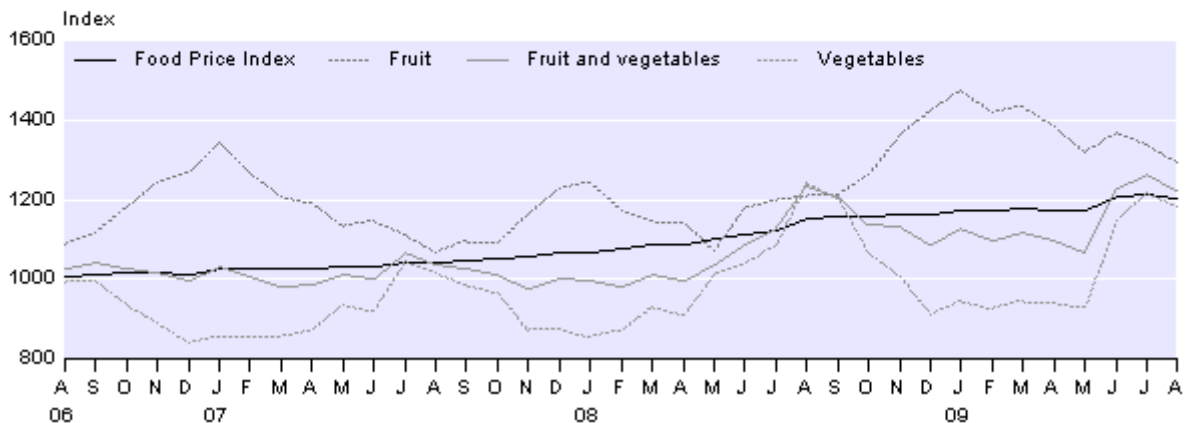
contributions came from lower prices for lettuce (down 15.9 percent) and potatoes (down 14.0 percent). The most significant upward contribution came from higher prices for bananas (up 14.7 percent).

Fruit and Vegetables Subgroup
Monthly change



Fruit and Vegetables Subgroup and Food Price Index
Monthly indexes

Base: June 2006 month (=1000)



Other subgroups

Lower prices were recorded for the meat, poultry and fish subgroup (down 0.4 percent), and higher prices were recorded for the restaurant meals and ready-to-eat food (up 0.3 percent), and non-alcoholic beverages (up 1.0 percent) subgroups.

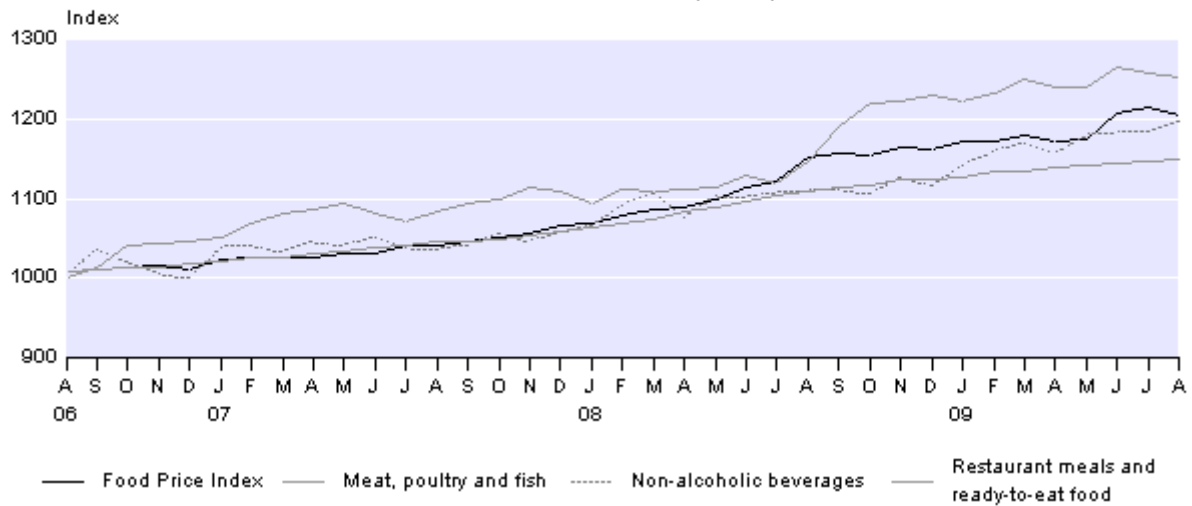
The meat, poultry and fish subgroup has decreased for two months in a row from its record high in June 2009.

Within these subgroups, the most significant downward contribution in the latest month came from lower prices for fresh chicken (down 9.1 percent), influenced by significant specialising. The most significant upwards contributions came from higher prices for lamb (up 4.6 percent), soft drinks (up 1.3 percent), and pork (up 6.2 percent). The increase in soft drinks was largely driven by price increases for small bottles of soft drink, with some coming off special in August 2009.

Selected Subgroups and Food Price Index

Monthly indexes

Base: June 2006 month (=1000)



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Next release ...

Food Price Index: September 2009 will be released on 15 October 2009.

Technical notes

What the food price index measures

The food price index (FPI) measures the rate of price change of food and food services purchased by households. The food group is the only commodity group of the consumers price index (CPI) for which an index is prepared each month. The all groups CPI is prepared quarterly.

Index series available online from Infoshare

To access more data from the CPI series, go to Infoshare at www.stats.govt.nz/infoshare, and choose:

Subject category: **Economic indicators**

Group: **Consumers Price Index**

The FPI series are listed immediately after the CPI series.

The time series can be downloaded in Excel or comma delimited format, where percentage movements can be calculated using the following formula:

$$\left(\frac{\text{Index number for later period} - \text{Index number for earlier period}}{\text{Index number for earlier period}} \right) \times 100$$

[More information about Infoshare.](#)

Distribution of item-level index movements

The Distribution of Item-level Index Movements table in the commentary of this Hot Off The Press gives additional information on the distribution of price movements recorded for the current month's FPI. The analytical statistics in the table give an indication of how widespread price changes are, and their relative magnitude compared with previous months.

Grocery food specials

Items that are 'on special' or come 'off special' are included in the FPI at the price levels observed at the time prices are collected. An analysis of the price quotes for these items is often given for the grocery food and non-alcoholic beverages subgroups in the commentary of this Hot Off The Press. To be included in this analysis, the priced item will have been on special either last month or this month, or have been on special in both months.

Sample of outlets

Prices are collected from a sample of retail outlets. This sample was selected as part of the 2006 FPI review. The last selection of outlets took place with the 1999 FPI review. As a result of the 2006 FPI review, the price collection effort was redistributed to align more closely with the population shares of the regions. This redistribution means more prices are collected in the larger pricing centres, particularly Auckland. The objective of this re-allocation is to maximise the accuracy of the national FPI while taking into account a secondary requirement to produce regional indexes of good quality.

Food prices are collected from about 650 outlets in the 15 surveyed urban areas. Of these, about 75 are supermarkets, 30 greengrocers, 30 fish shops, 30 butchers, 50 convenience stores (with half being service stations and the other half being dairies, grocery stores and superettes), 120 restaurants (for evening meals), and more than 300 are other suitable outlets (for breakfast, lunch and takeaway food).

Review of the food price index

The FPI was reviewed in 2008 as part of the regular review of the consumers price index (CPI). The review encompassed the reselection of the basket of representative food goods and services and the reweighting of the basket to reflect the relative importance of household spending on food.

The item pricing specifications were also updated and the sample of product sizes, brands and varieties has been reselected in some cases. Price collectors were also given more guidance about specific brand-share targets for selected goods by using summary information collated from supermarket scan data obtained from the Nielsen Company. The guidance ensures that the mix of brands in the FPI price samples reflect market shares.

The updated FPI sample of products was selected in April 2008. Price collection for the existing and new samples ran alongside each other until June 2008, when collection for the old index ceased.

Pricing coverage and timing

Prices are surveyed in 15 urban areas: Whangarei, Auckland, Hamilton, Tauranga, Rotorua, Napier-Hastings, New Plymouth, Wanganui, Palmerston North, Wellington, Nelson, Christchurch, Timaru, Dunedin and Invercargill.

Fresh fruit and vegetable prices are surveyed weekly, and the remaining food prices are generally surveyed between the 8th and 16th of the month, although sometimes surveying starts and finishes earlier or later.

Expenditure weights

The main source of information used to weight the FPI basket is the 2006/07 Household Economic Survey (HES), which collected detailed information on the spending patterns of about 2,600 households. However, because the HES doesn't provide accurate information for some food items, such as confectionery and soft drinks, information was also sourced from food manufacturers and distributors, and from supermarket scan data (from the Nielsen Company).

The initial weights for the year to June 2007 (the weight reference period) were 'price updated' to the June 2008 month (the price reference period). This updating involved expressing the underlying quantities of the weight reference period in the prices of the price reference period. The initial weights indicated that households spent \$13.263 billion on food during the year to June 2007 (2006/07). When the food consumed during 2006/07 is expressed in prices that were current at June 2008, that spending rises to \$14.583 billion (10.0 percent higher, due to increased food prices since 2006/07).

Table 4 (in the tables section) gives the expenditure weights, as at the June 2008 month, for the reweighted FPI. It shows that about \$21 of every \$100 spent by households on food is spent on eating out or takeaways. About \$17 of every \$100 spent on food is on meat, poultry and fish, and about \$14 is on fruit and vegetables. Non-alcoholic beverages such as coffee, soft drinks and fruit juice account for \$10, and the remaining \$38 is spent on grocery food.

Regional population weights

Regional population weights are used to allocate the national expenditure weights of goods and services derived from the Household Expenditure Survey (HES) and other sources to the FPI pricing centres. For example, the population weights ensure that a given price change in Auckland, with a population weight of 32.98 percent, would have nearly three times the effect on the national FPI than the same movement in Christchurch, which has a population weight of 11.55 percent.

The population weights, which appear in table 5, have been calculated by making use of local government boundaries. The 2008 weights were derived by assigning the census usually resident population as at June 2007 of each regional council area to the pricing centre(s) within the region.

For three regional council areas, Bay of Plenty, Manawatu-Wanganui and Canterbury, there are two pricing centres in each region. The proportion of the regional council area population allocated to each pricing centre was based on the population of the pricing centre's territorial authority.

The four regions without a pricing centre had their populations allocated to the nearest pricing centres. The Gisborne region's population was allocated to the Napier-Hastings pricing centre, and the Marlborough, Tasman and West Coast regions were allocated to the Nelson pricing centre.

The population weights used previously were based on the census usually resident population as at June 2005.

As well as allocating population weights to the 15 FPI pricing centres, Statistics New Zealand is also publishing the FPI and CPI for five broad regions based on regional council area boundaries. These regions are Auckland, Wellington, Rest of North Island, Canterbury and Rest of South Island. The population weights of these broad regions are also given in table 5.

Elementary aggregate formulae

Regional elementary aggregates are calculated for each of the 15 pricing centres from all prices collected for an item within that region. Regional elementary aggregates are calculated using a 'geometric mean of price relatives', or Jevons formula.

The Jevons formula is used to calculate average prices for all food goods and services in the basket, except for fresh fruit and fresh vegetables. The Jevons formula assumes that households spend the same amount at each surveyed outlet in each period. This implies that increased quantities are purchased from outlets showing lower-than-average relative price change and decreased quantities from outlets showing higher-than-average price change.

The Jevons formula is:

$$P_{JE} = \prod_{n=1}^N \left(\frac{P_n^1}{P_n^0} \right)^{\frac{1}{N}}$$

Where:

P_n^1 = Price of item n (n=1...N) in period 1

P_n^0 = Price of item n (n=1...N) in the base period

In practice, Statistics NZ uses a weighted geometric mean formula, with the weights, where available, representing the relative importance of outlet types such as supermarkets relative to convenience stores and the relative importance of individual outlets (eg supermarket chains).

As four or five prices (depending on how many Fridays fall within a given month) are collected within each month for fresh fruit and vegetables, the 'arithmetic mean of price relatives' or Dutot formula is used as the first stage of aggregation is across both outlets within each region and across weeks within each month.

The Dutot formula is:

$$P_{DU} = \frac{\sum_{i=1}^N \left(\frac{1}{N} \right) P_i^1}{\sum_{i=1}^M \left(\frac{1}{M} \right) P_i^0}$$

Where:

P_i^1 = Price of item i (i=1...N) in period 1

P_i^0 = Price of item i (i=1...M) in the base period

In practice, Statistics NZ uses a weighted arithmetic mean formula, with the weights, where available, representing the relative importance of outlet types such as supermarkets relative to convenience stores, and the relative importance of individual outlets (eg supermarket chains).

Average prices of selected food items (table 3)

Table 3 contains a selection of average retail prices for the current and previous month. The weighted average prices are calculated by applying index movements to weighted average prices calculated for the June 2006 month. The weighted average prices are not statistically accurate measures of average transaction price levels, but do provide a reliable indicator of percentage changes in prices.

As the weighted average prices are calculated from the prices as at the June 2006 month, these are not strictly comparable with weighted average prices published before the July 2006 month (when the new June 2006 weighted average price based on the June 2006 sample of prices was published). Further, other methodological changes that will cause the weighted average prices based on the June 2006 average prices to differ from the previously published ones include:

- the adoption of the geometric mean formula for all food goods and services, other than fresh fruit and vegetables
- an updated relative importance of sampled outlet types (eg supermarkets and convenience stores) and sample outlets (eg supermarket chains)
- an updated mix of surveyed brands, varieties and sizes
- the changes that have been made in the reference size in the 'unit' column of table 3 for some items.

For any given set of prices, the use of the geometric mean formula will result in prices being less than or equal to an arithmetic mean price. This means that the June 2006 month average prices in table 3 for items other than fresh fruit and vegetables are in many cases lower than those that appeared in the June 2006 Hot Off The Press.

Seasonal effects – fresh fruit and vegetables

Until the June 2006 month, fresh fruit and vegetable items that exhibited a seasonal pattern were adjusted to remove the effect of normal seasonal change. This treatment was used to reduce the influence of normal seasonal price fluctuations. However, the treatment did not completely eliminate the effects of seasonal fluctuations if shifts in seasonal patterns occurred.

From the July 2006 month onwards, the FPI incorporates seasonally unadjusted prices for fresh fruit and vegetables. This change is in line with a recommendation made by the 2004 CPI Revision Advisory Committee.

The ongoing, fully unadjusted FPI is linked at the June 2006 month to the previously published FPI, which is partly seasonally adjusted. As such, annual movements calculated over the annual period encompassing the June 2006 month were based on fully unadjusted index numbers for the latest month, compared with partly adjusted index numbers for the same month of the previous year.

During the year-long transition of the official FPI, two sets of index numbers were supplied in table 3 of the FPI release: the index numbers for the FPI which were seasonally adjusted until the June 2006 month (the official FPI series) and the fully seasonally unadjusted analytical series which go back to the June 1999 month.

More information

For more information, follow the [link](#) from the technical notes of this release on the Statistics NZ website.

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Timing

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Tables

The following tables are printed with this Hot Off The Press and can also be downloaded from the Statistics New Zealand website in Excel format. If you do not have access to Excel, you may use the [Excel file viewer](#) to view, print and export the contents of the file.

1. Food price index, subgroups
- 2.01. Food price index, subgroups, classes, and selected sections – index numbers
- 2.02. Food price index, subgroups, classes, and selected sections, percentage change from previous month
- 2.03. Food price index, subgroups, classes, and selected sections, percentage change from same month of previous year
3. Food price index, weighted average retail prices of selected food items
4. Food price index, expenditure weights
5. Food price index, population weights