

Embargoed until 10:45am – 12 August 2010

Food Price Index: July 2010

Highlights

In July 2010 compared with June 2010:

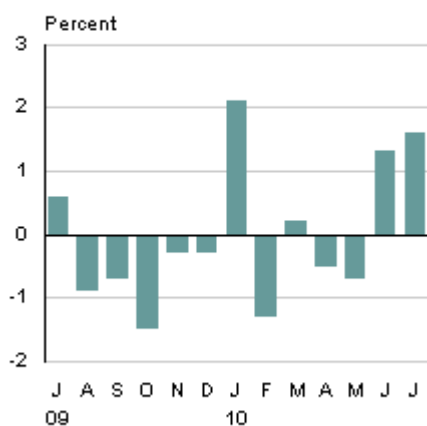
- Food prices rose 1.6 percent.
- Fruit and vegetable prices rose 8.7 percent.
- Grocery food prices rose 1.2 percent.
- Meat, poultry, and fish prices rose 0.5 percent.
- Restaurant meals and ready-to-eat food prices rose 0.3 percent.
- Non-alcoholic beverage prices fell 1.1 percent.

From July 2009 to July 2010:

- Food prices decreased 1.0 percent; the first time in ten years that there have been three consecutive annual falls in food prices.

Food price index

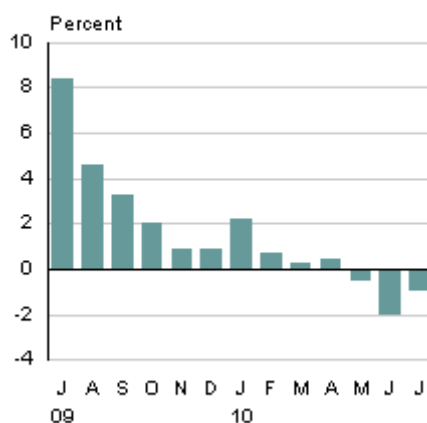
Monthly change



Source: Statistics New Zealand

Food price index

Annual change



Source: Statistics New Zealand

Geoff Bascand
Government Statistician

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Commentary

Food prices in July 2010

Food prices increased 1.6 percent in July 2010, following an increase of 1.3 percent in June and a decrease of 0.7 percent in May.

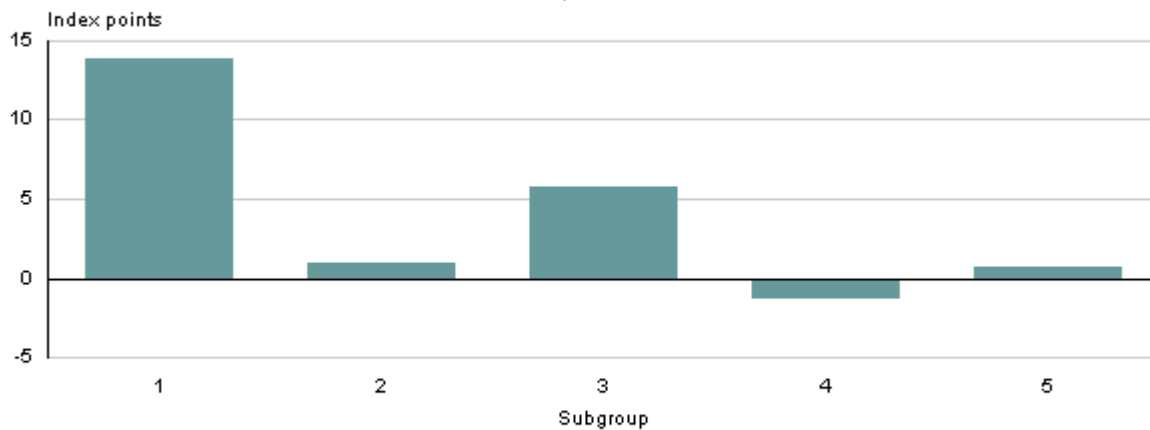
In July 2010, the fruit and vegetables subgroup rose strongly, up 8.7 percent, reflecting seasonal rises in vegetable prices. Higher prices were also recorded for grocery food (up 1.2 percent), meat, poultry, and fish (up 0.5 percent), and restaurant meals and ready-to-eat food (up 0.3 percent). Lower prices were recorded for the non-alcoholic beverages subgroup (down 1.1 percent).

The most significant individual upward contributions came from higher prices for lettuce (up 44.9 percent), fresh milk (up 5.9 percent), tomatoes (up 13.9 percent), broccoli (up 38.1 percent), and yoghurt (up 7.0 percent).

The most significant individual downward contributions came from lower prices for bread (down 2.1 percent) and coffee (down 6.6 percent).

Index points contribution to food price index

By subgroup
July 2010



1 Fruit and vegetables 2 Meat, poultry, and fish 3 Grocery food 4 Non-alcoholic beverages
5 Restaurant meals and ready-to-eat food

Source: Statistics New Zealand

Monthly index points contribution		
Subgroup	May 2010 to Jun 2010	Jun 2010 to Jul 2010
Fruit and vegetables	13.59	13.84
Meat, poultry, and fish	5.20	0.99
Grocery food	-3.78	5.80
Non-alcoholic beverages	-1.04	-1.35
Restaurant meals and ready-to-eat food	0.74	0.70
Food price index	14.71	19.99

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

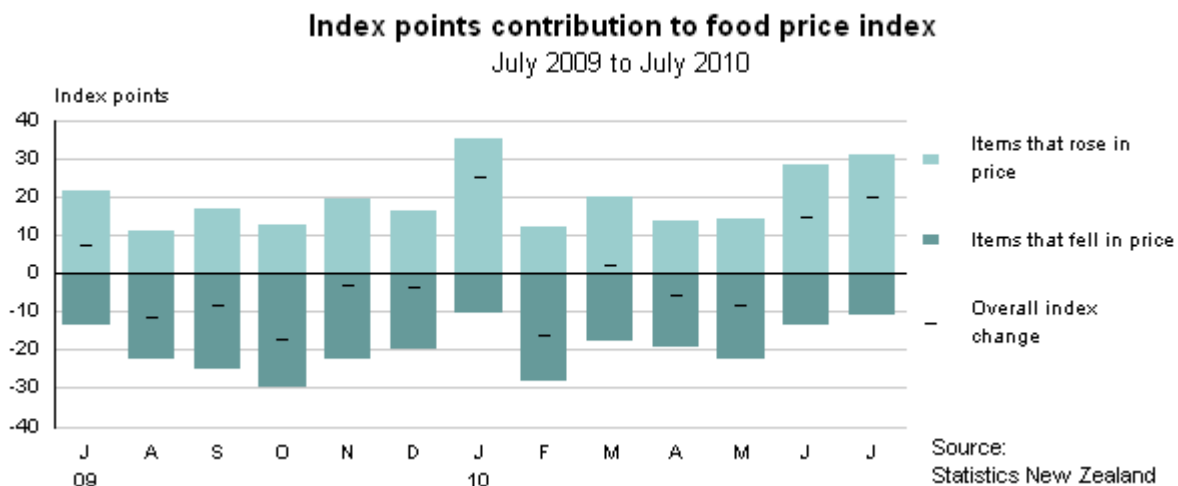
Distribution of item-level movements

The table below outlines the distribution of price movements in June 2010 and July 2010. The food price index (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	May 2010 to Jun 2010	Jun 2010 to Jul 2010
Increase in price		
Number of items	87	93
Percentage of all items	55.4	59.2
Percentage of expenditure weight	56.1	62.1
Index points contribution	28.2	30.9
Weighted average price increase (percent)	4.3	4.2
No change in price		
Number of items	5	2
Percentage of all items	3.2	1.3
Percentage of expenditure weight	3.9	0.9
Decrease in price		
Number of items	65	62
Percentage of all items	41.4	39.5
Percentage of expenditure weight	40.0	37.1
Index points contribution	-13.5	-10.9
Weighted average price decrease (percent)	2.9	2.5

The distribution of item-level movements shows that the percentage of expenditure weight of items that increased in price rose, while the percentage of expenditure weight of items that decreased in price fell. The weighted average price decrease has also fallen.

These movements resulted in a 1.6 percent increase in the July 2010 FPI, following a 1.3 percent increase in June 2010.



The graph above shows the larger contribution from items that rose in price and the lower contribution from items that fell in price. The contribution from the items that decreased in price is the lowest since January 2010 when the food price index increased 2.1 percent.

Annual movements

Food prices rose 16.6 percent from July 2007 to their peak in July 2009, but have fallen 1.0 percent in the year to July 2010. The fall in the year to July 2010 follows falls of 2.0 percent in the year to June and 0.5 percent in the year to May. Three consecutive annual falls in food prices have not occurred since four consecutive annual falls were recorded for the years to February, March, April, and May 2000.

Four subgroups made downward contributions to the latest annual decrease: fruit and vegetables (down 4.3 percent), meat, poultry, and fish (down 2.8 percent), grocery food (down 0.7 percent), and non-alcoholic beverages (down 0.1 percent).

Restaurant meals and ready-to-eat food prices increased 2.1 percent in the year to July 2010.

The most significant individual downward contributions came from lower prices for lettuce (down 28.1 percent) and fresh chicken (down 12.2 percent).

The most significant individual upward contributions came from higher prices for fresh milk (up 10.8 percent) and tomatoes (up 24.0 percent).

Annual index points contribution	
Subgroup	July 2009 to July 2010
Fruit and vegetables	-7.72
Meat, poultry, and fish	-5.76
Grocery food	-3.02
Non-alcoholic beverages	-0.19
Restaurant meals and ready-to-eat food	5.24
Food price index	-11.46

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

Fruit and vegetables

Fruit and vegetable prices increased 8.7 percent in July 2010, following a 9.3 percent increase in June and a 2.1 percent decrease in May. Higher vegetable prices (up 11.5 percent) accounted for four-fifths of the 8.7 percent rise in the fruit and vegetables subgroup in July 2010, while fruit prices increased 4.4 percent.

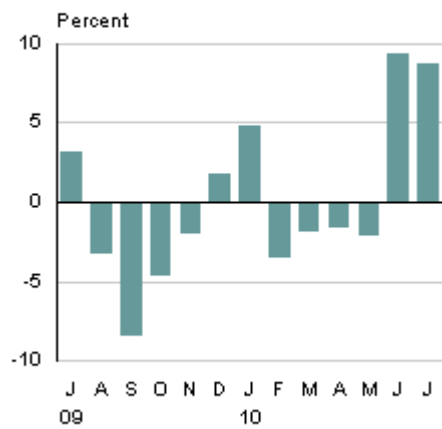
Vegetable prices typically rise during winter months. A 29.3 percent rise in vegetable prices from May to July 2010 compares with a cumulative increase of 31.0 percent over the same period last year.

The most significant upward contributions to the July rise came from higher prices for lettuce (up 44.9 percent), tomatoes (up 13.9 percent), and broccoli (up 38.1 percent). Lettuce prices tend to rise in winter with higher shelf prices and smaller sizes, impacting significantly on prices per kg used in the FPI.

For the year to July 2010, fruit and vegetable prices fell 4.3 percent, and prices are now 7.3 percent lower than their August 2008 peak. Lettuce prices fell 28.1 percent in the year to July 2010, and are 37.5 percent lower than their August 2008 peak. The most significant individual upward contribution in the year to July 2010 came from higher prices for tomatoes (up 24.0 percent).

Fruit and vegetables subgroup

Monthly change

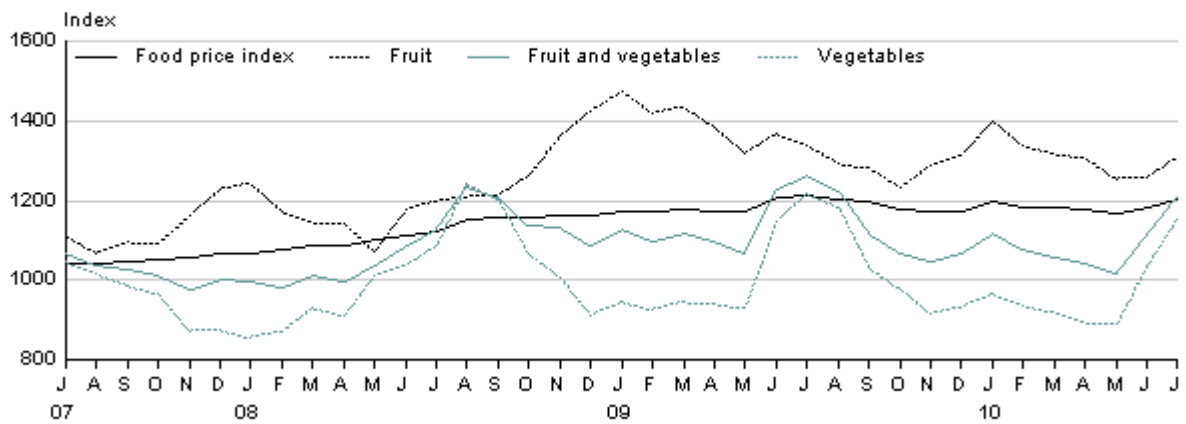


Source: Statistics New Zealand

Fruit and vegetables subgroup and food price index

Monthly indexes

Base: June 2006 month (=1000)



Source: Statistics New Zealand

Grocery food

Prices for the grocery food subgroup rose 1.2 percent in July 2010, following decreases of 0.8 percent and 0.7 percent in June and May, respectively.

The most significant individual upward contributions came from higher prices for fresh milk (up 5.9 percent) and yoghurt (up 7.0 percent). The most significant individual downward contribution came from lower prices for bread (down 2.1 percent).

The 5.9 percent rise in fresh milk prices in July 2010 is on top of a 5.1 percent rise in January. Prices are now 12.5 percent higher than in December 2009. The price increase for yoghurt reflects prices rebounding from discounting in June and a reduction in some pottle sizes (which are shown as price increases).

For the year to July 2010, grocery food prices decreased 0.7 percent. The most significant downward contributions came from snack foods (down 9.6 percent) and bread (down 4.4 percent). The most significant upward contributions came from higher prices for fresh milk (up 10.8 percent), cheddar cheese (up 11.8 percent), and butter (up 27.2 percent). While fresh milk prices are now at their peak, cheddar cheese prices are now 10.7 percent below their 2008 peak. Butter prices peaked in May 2010, but have since fallen 5.3 percent.

Grocery food subgroup

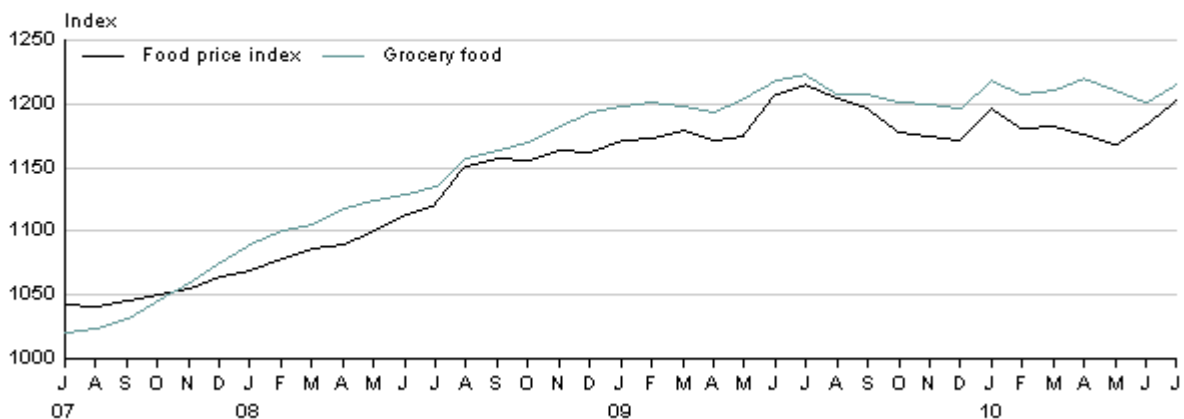
Monthly change



Grocery food subgroup and food price index

Monthly indexes

Base: June 2006 month (=1000)



Other subgroups

In July 2010, higher prices were recorded for the meat, poultry, and fish (up 0.5 percent) and restaurant meals and ready-to-eat food (up 0.3 percent) subgroups.

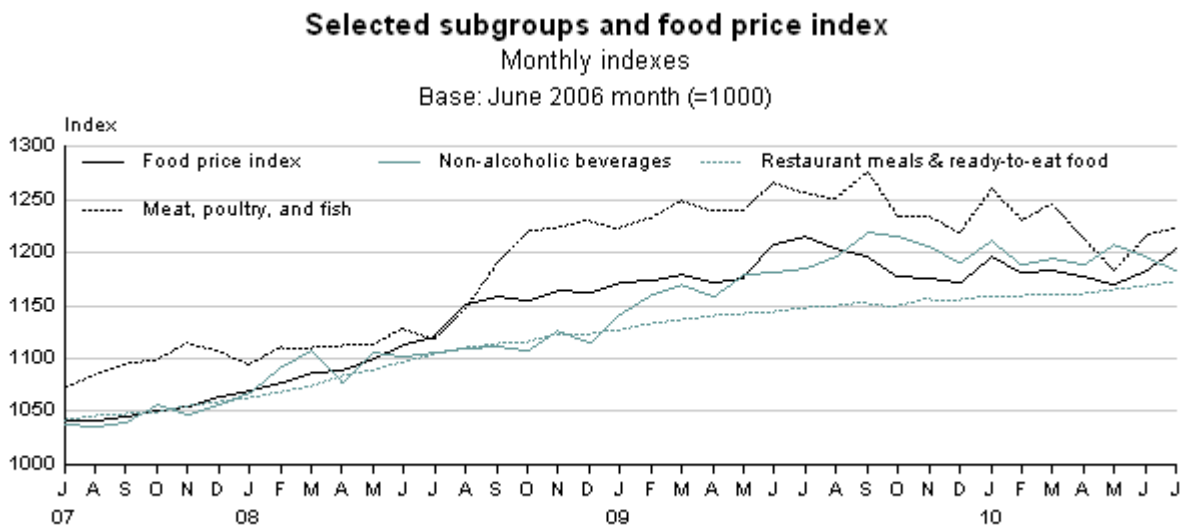
The non-alcoholic beverages subgroup decreased 1.1 percent in July 2010.

Within these subgroups, the most significant upward contributions came from higher prices for fresh chicken (up 2.9 percent), frozen chicken (up 6.2 percent), and porterhouse/sirloin beef steak (up 2.9 percent).

The most significant downward contributions came from lower prices for coffee (down 6.6 percent), minced beef (down 4.4 percent), and ham (down 5.5 percent).

For the year to July 2010, meat, poultry, and fish prices decreased 2.8 percent and non-alcoholic beverage prices decreased 0.1 percent. Restaurant meals and ready-to-eat food prices rose 2.1 percent.

The most significant downward contributions came from fresh chicken (down 12.2 percent), ham (down 13.9 percent), and bacon (down 7.1 percent). The most significant upward contributions came from higher prices for soft drinks (up 2.8 percent) and sausages (up 10.1 percent).



Source: Statistics New Zealand

For technical information contact:
Lourdes Vivo or Daniel Griffiths
Wellington 04 931 4600
Email: info@stats.govt.nz

Next release ...

Food Price Index: August 2010 will be released on 13 September 2010.

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.

Seasonal availability of fruit and vegetables

Fruit and vegetable prices are reflected in the FPI when there is enough produce available to estimate representative average prices. Prices for nectarines have historically not been included in the April and May FPI. Similarly, prices for strawberries have not been included in the May and June FPI. This is because not enough prices can be collected from stores during these months. No price change is shown in the FPI for these items during these months. When produce returns to sufficient levels, the prices are again reflected in the FPI. Price movements then reflect the price change from the month that the item was last included to the current month.

However, in June 2010, insufficient prices were collected for nectarines to be included in the FPI, resulting in no price movement being shown for nectarines. This will have had a dampening effect on fruit prices, and to a smaller degree, the fruit and vegetables subgroup and the FPI. Nectarines returned in sufficient quantities in July 2010 to be included in the FPI. The resulting nectarine price movement shown in the July 2010 FPI was the change from prices recorded in March to those recorded in July, one month longer than usual.

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