

Food price rises slightly easier to swallow now – NZ Herald, 18 April 2009

Food prices are going up an eye-watering amount each month - but at least they are rising more slowly than they were late last year.

Figures out yesterday show food made up more than half the cost-of-living increase in the year to March, despite food accounting for only about 17 per cent of household spending.

Food cost 8.8 per cent more in the three months to March than it did in the same three months last year, the Statistics New Zealand figures show.

At the same time the overall cost of living rose 3 per cent.

ASB economist Nick Tuffley offered some comfort to shoppers, saying food price jumps should ease in the coming months.

Prices for vegetables, which spiked after a spate of bad weather last year, were already easing in "fits and starts", he said.

Beef and dairy products should also rise less, thanks to easing international prices and a slight rebound in the New Zealand dollar.

Any relief is likely to be welcome to grocery buyers.

Raewyn Fox of the Federation of Family Budgeting Services, whose agency has seen more families in the \$60,000 to \$80,000 earning bracket this year, said the continual price rises were squeezing working families, many of whom had had overtime cut or pay rises deferred.

Food was often families' second-biggest cost after accommodation, and the first to be cut when money was tight, she said.

Ms Fox said people tended to save money by buying the same quantity of food for their families, but with less fresh fruit and vegetables and poorer-quality meat.

"You look at how to fill the family up for the cheapest possible price, and go to some of the more starchy foods that tend to fill you up," she said.

"[It] is not necessarily a healthy thing to be doing, but it's better than the kids going hungry."

Consumer New Zealand finance writer Susan Guthrie said prices for bread, cereals and pastry were "rocketing along" more quickly than other foods.

She expressed concern that there were only two major bread bakers in New Zealand, which she said lessened competition.

She said another concern was the price of Government-controlled services - post, electricity and hospital costs - which were rising at about 6 or 7 per cent each year.

Latest consumer price index (CPI) figures showed electricity prices rose 7.5 per cent in the year to the end of March, while local body rates rose 5.7 per cent, almost twice the rate of inflation.

There was some good news elsewhere in the figures, however.

The food price index showed monthly food price rises had slowed from 10.3 per cent in November to 8.6 per cent last month.

Petrol fell in price by 9.3 per cent in the year to March.

But all five major food groups measured by Statistics New Zealand went up in price.

The biggest contribution to the food component of the CPI was from the grocery group (which includes bread and dairy products), which rose 8.9 per cent over the year.

Fruit and vegetables fell 0.4 per cent in the March quarter but rose 12.2 per cent over the year.

Statistics New Zealand said the CPI would have increased by 3.4 per cent overall in the year to March if fuel had stayed the same price.