

# Food Price Index: December 2014

Embargoed until 10:45am – 15 January 2015

## Key facts

### Monthly change

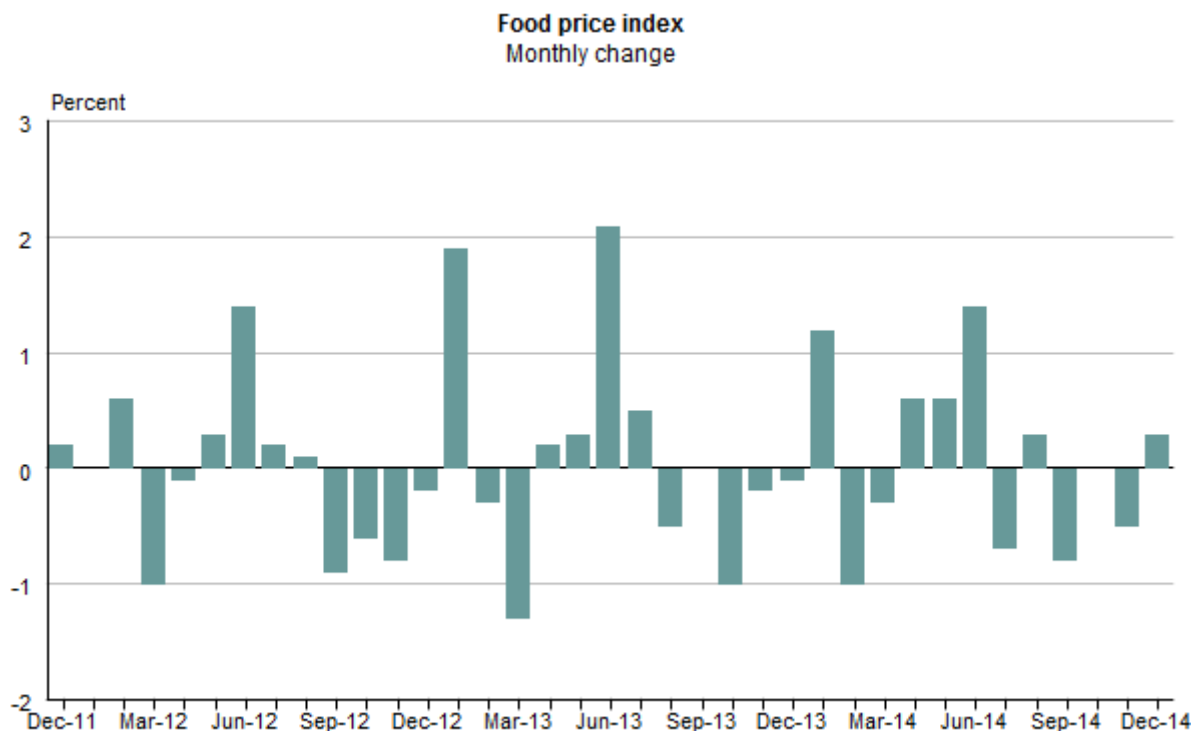
In December 2014 compared with November 2014:

- Food prices **rose** 0.3 percent.
- Fruit and vegetable prices **rose** 1.4 percent.
- Meat, poultry, and fish prices **rose** 0.9 percent.
- Grocery food prices **fell** 0.7 percent.
- Non-alcoholic beverage prices **rose** 1.6 percent.
- Restaurant meals and ready-to-eat food prices **rose** 0.2 percent.

### Annual change

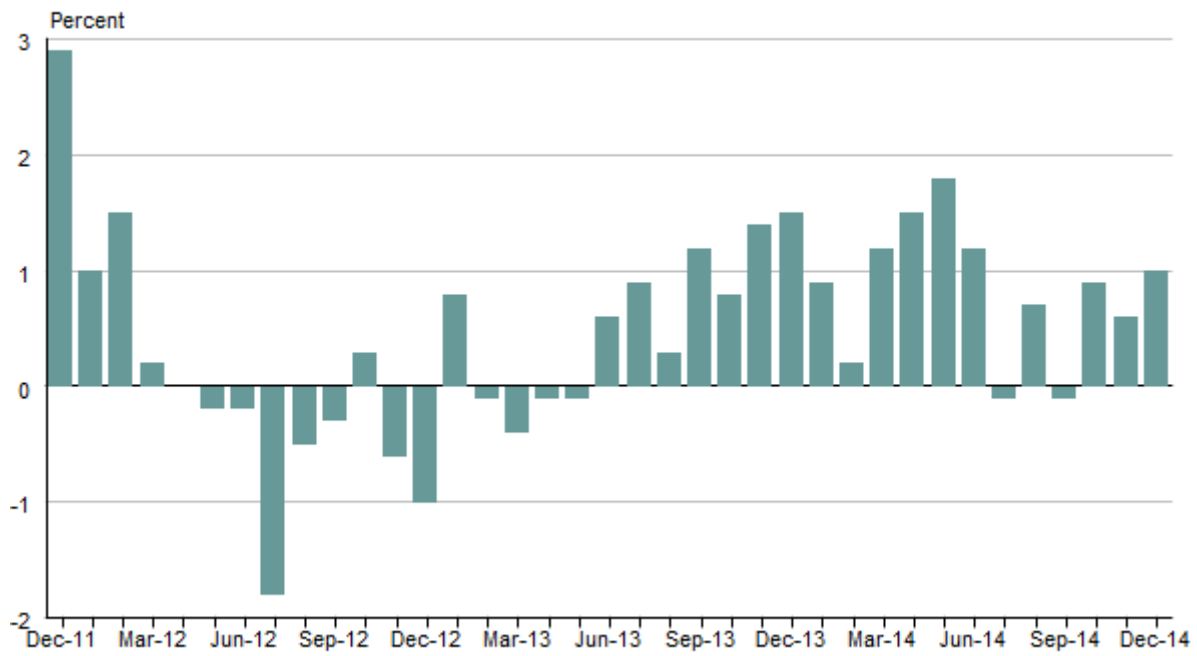
From December 2013 to December 2014:

- Food prices **increased** 1.0 percent.
- Fruit and vegetable prices **increased** 3.2 percent.
- Meat, poultry, and fish prices **increased** 3.2 percent.
- Grocery food prices **decreased** 1.5 percent.
- Non-alcoholic beverage prices **increased** 3.0 percent.
- Restaurant meals and ready-to-eat food prices **increased** 1.7 percent.



Source: Statistics New Zealand

Food price index  
Annual change



Source: Statistics New Zealand

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## Commentary

- Monthly food prices rise 0.3 percent
- Annual food prices increase 1.0 percent
- Longer-term retail picture for dairy, meat, and cereal prices

### Monthly food prices rise 0.3 percent

Food prices rose 0.3 percent overall in December 2014, following a 0.5 percent fall in November, and no overall change in October.

Fruit and vegetable prices rose 1.4 percent, influenced by seasonally higher prices for fruit (up 4.2 percent). Prices for kiwifruit, apples, and oranges rose in December. Prices for these fruits usually rise in December. Vegetable prices fell 0.8 percent, reflecting lower prices for tomatoes, broccoli, and lettuce, but were partly offset by seasonally higher prices for potatoes and pumpkin. Prices for potatoes rose 13 percent and are now 0.2 percent below their peak in January 2011.

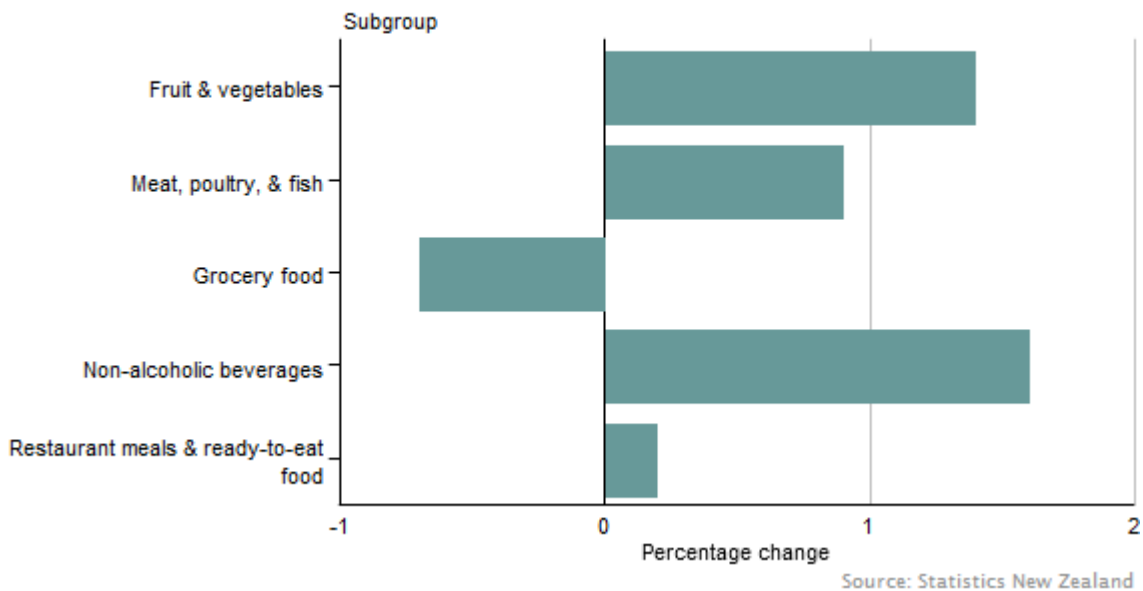
Non-alcoholic beverage prices rose 1.6 percent, influenced by less discounting for soft drinks.

Meat, poultry, and fish prices rose 0.9 percent, influenced by higher prices for chicken (up 2.6 percent) and processed meat (up 1.6 percent). Chicken prices are now at their highest level, 1.1 percent higher than their previous peak in December 2013. Lower prices for beef (down 1.0 percent) partly countered the rise.

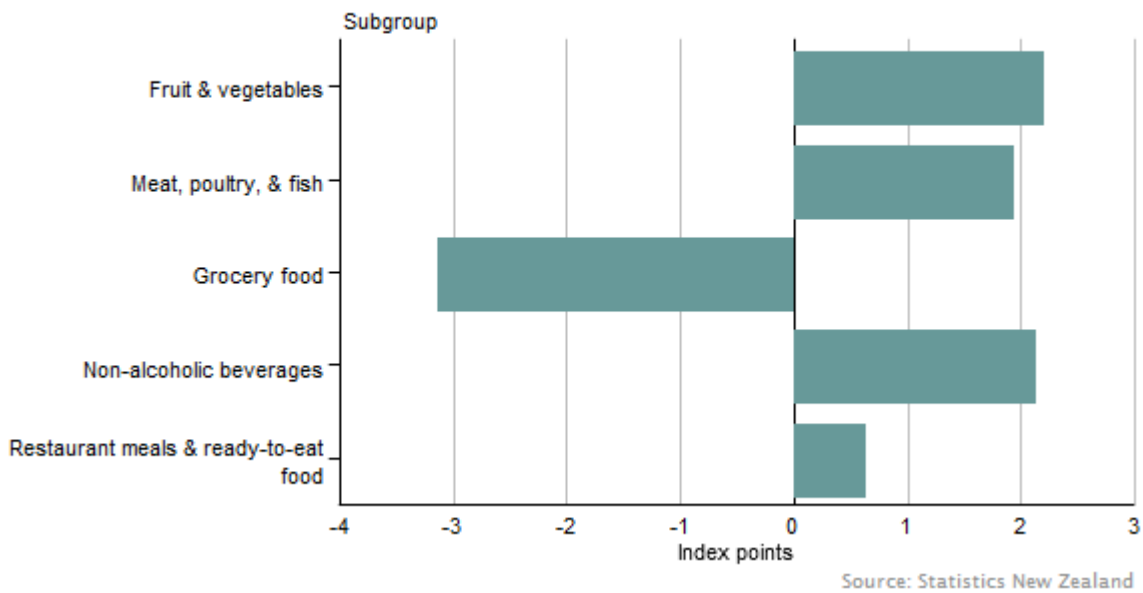
Restaurant meals and ready-to-eat food prices rose 0.2 percent.

Grocery food prices fell 0.7 percent, reflecting lower prices for most dairy products such as cheese (down 5.1 percent), fresh milk (down 1.7 percent), and butter (down 10 percent), countered by higher prices for yoghurt (up 14 percent). Prices for bread and cereals (down 1.2 percent) also fell, influenced by lower prices for breakfast cereals, and for cakes and biscuits. Prices for food additives and condiments (down 3.0 percent) also fell, with lower prices for mayonnaise.

**FPI monthly percentage change**  
By subgroup, December 2014

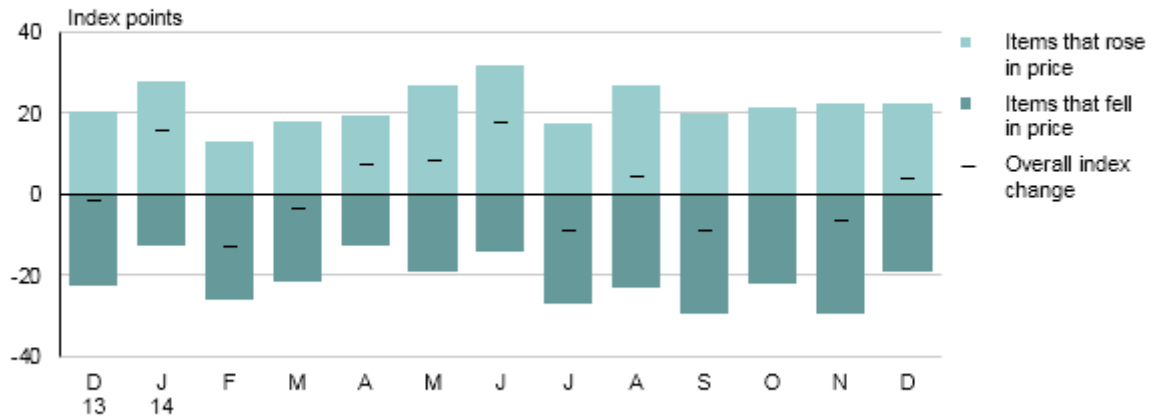


**Monthly index points contribution to FPI**  
By subgroup, December 2014



The following graph shows the index points contribution to the food price index (FPI) of items that rose or fell in price for each month.

**Index points contribution to food price index**  
 Items that rose or fell in price  
 December 2013 to December 2014



Source: Statistics New Zealand

**Annual food prices increase 1.0 percent**

In the year to December 2014, food prices increased 1.0 percent, following a 0.6 percent increase in the year to November 2014.

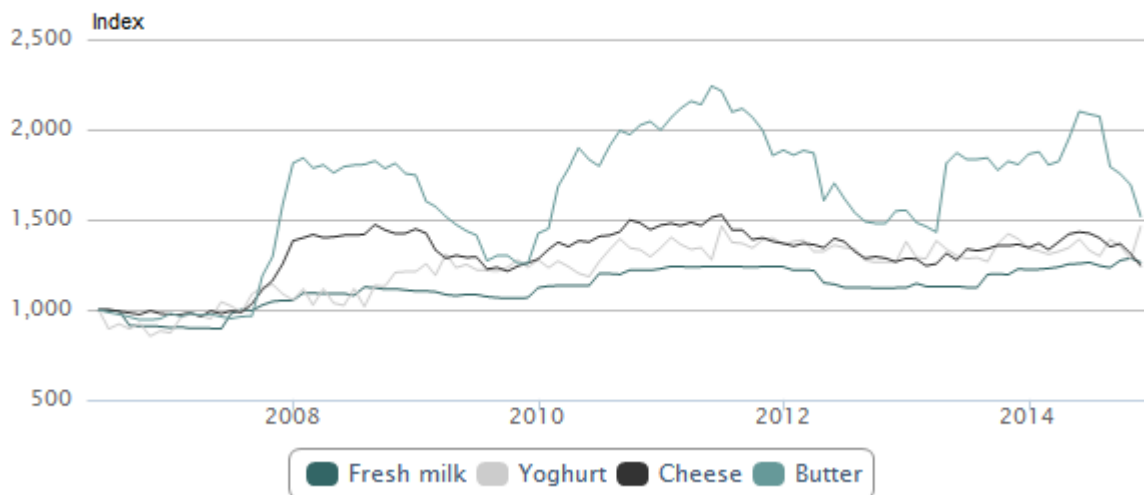
Meat, poultry, and fish prices were up 3.2 percent, influenced by higher prices for beef (up 9.3 percent).

Fruit and vegetable prices increased 3.2 percent, reflecting higher prices for lettuce, potatoes, nectarines, pumpkin, carrots, and bananas, partly offset by lower prices for tomatoes and kumara.

Non-alcoholic beverage prices increased 3.0 percent, influenced by higher prices for soft drinks.

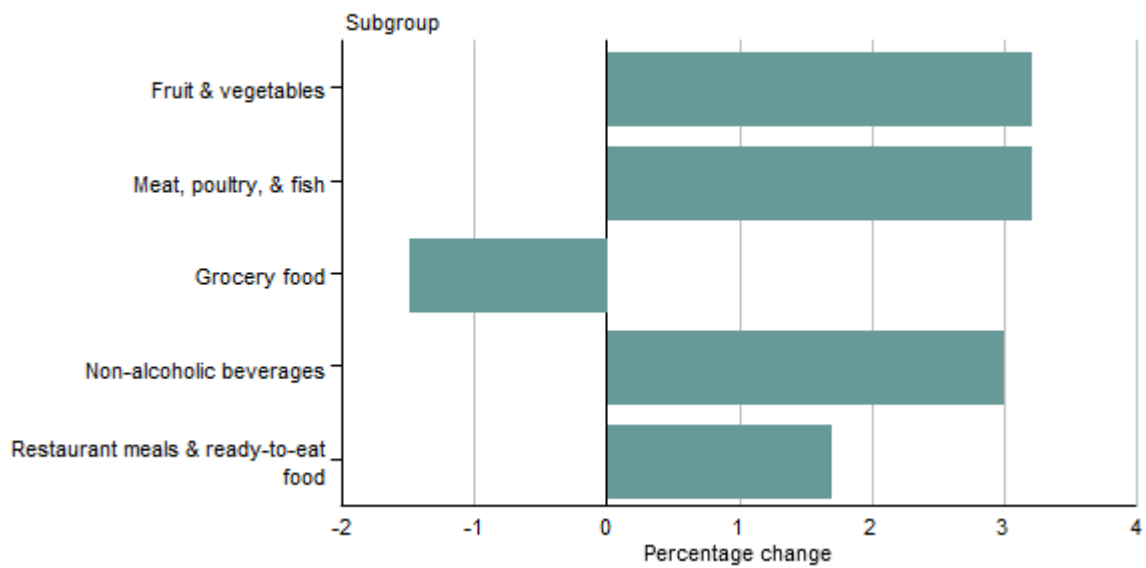
Grocery food prices decreased 1.5 percent over the year, influenced by lower bread prices (down 14 percent). Supermarkets discounting some of their own-brand bread to about \$1.00 in recent months contributed to the lower bread prices. Prices for cheese (down 8.8 percent) and butter (down 16 percent) also decreased. These price decreases were partly offset by higher prices for fresh milk (up 3.0 percent), and also for yoghurt (up 5.0 percent).

**FPI dairy products – selected indexes**  
 Monthly indexes, Base: June 2006 month (=1000)

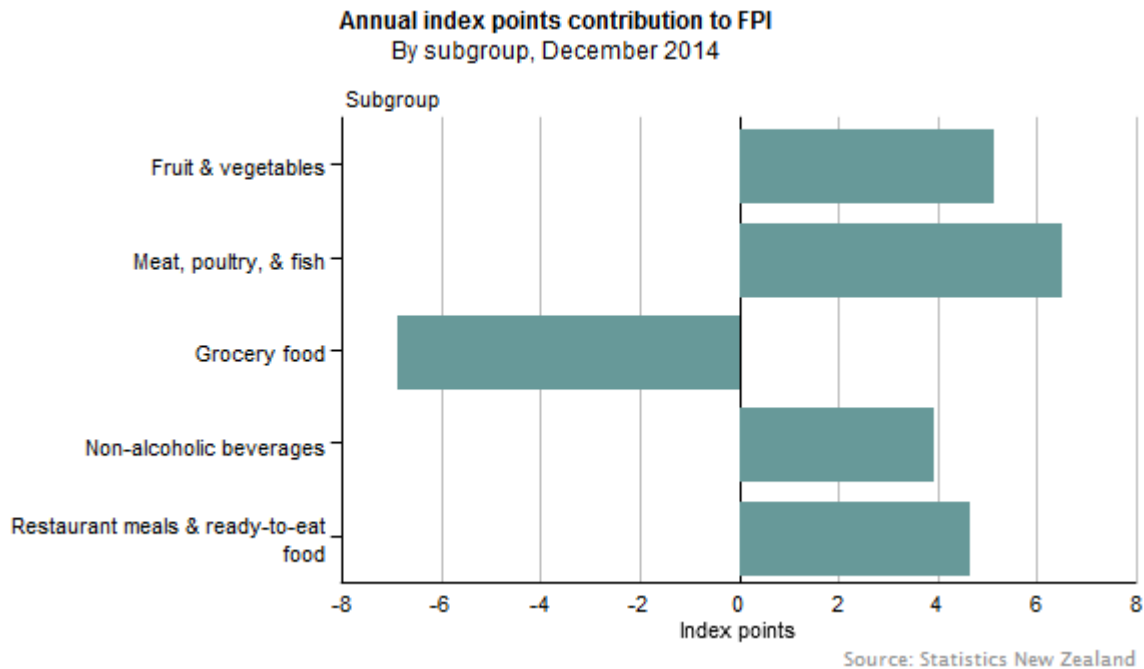


Source: Statistics New Zealand

**FPI annual percentage change**  
 By subgroup, December 2014



Source: Statistics New Zealand

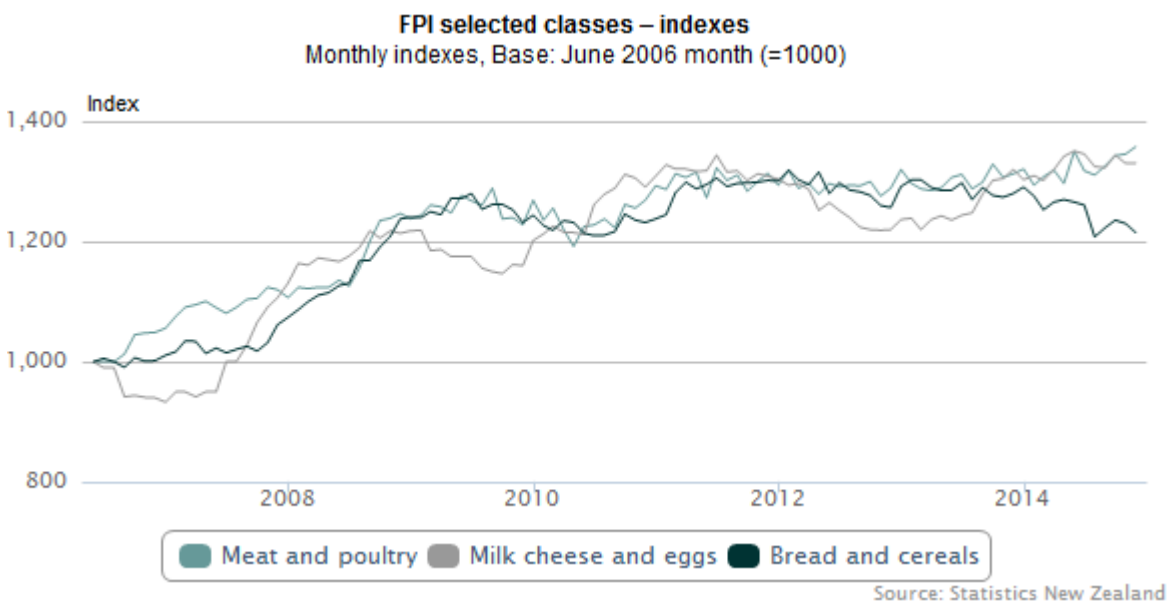


## Longer-term retail picture for dairy, meat, and cereal prices

Milk, cheese, and egg prices increased 0.8 percent in the year to December 2014. Fresh milk prices increased 3.0 percent in the year and are now 1.7 percent below their peak in November 2014.

Meat and poultry prices increased 3.4 percent in the year to December 2014. Beef prices increased 9.3 percent in the year and are now 1.0 percent below their peak in November 2014. Chicken prices increased 1.1 percent in the year, and are now at their peak.

Bread and cereal prices decreased 5.1 percent in the year to December 2014, influenced by a 14 percent fall in bread prices.



For more detailed data from the FPI, see the Excel tables in the 'Downloads' box.

## Definitions

### About the food price index

The food price index (FPI) measures the rate of price change of a fixed basket of food goods and services purchased by households. The FPI aims to measure price changes of the same items (brand and relevant details) at each outlet over time. When there is a change in the size or quality of any of the goods or services in the basket, we make an adjustment to ensure the price change shown in the FPI is not affected by the change in size or quality.

See Food price index review: 2014 (table 4) for a list of the representative food items monitored in the FPI.

Food prices are also included in the consumers price index (CPI). The food group is the only group of the CPI for which an index is prepared each month. The all groups CPI is prepared quarterly.

Food prices in the consumers price index and food price index explains the sources and methods used to compile food prices.

### More definitions

A **price index** measures the change in price between time periods for a given set of goods and services. It summarises a set of prices, collected from many outlets, for this set of goods and services.

**Grocery food specials:** For items that are 'on special' or come 'off special', we use the price at the time of collection. We often give an analysis of these items for the subgroups meat, poultry, and fish; grocery food; and non-alcoholic beverages in the 'Commentary' and 'Data quality' sections of this release. To be included in this analysis, the item will have been on special last month, this month, or in both months.

**Upward/downward contributions:** Items mentioned in this release are usually those that made a large contribution to the overall movement in the FPI. An item's contribution is a combination of its weight in the index (ie its relative importance, based on its share of household spending on food) and the magnitude of price movement. For example, for two items recording the same percentage rise in price, the item with the larger weight in the FPI will have a larger contribution to the overall movement. This contribution is also referred to as points (or index points) contribution.



## **Related links**

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*Food Price Index: January 2015* will be released on 13 February 2015.

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### **Past releases**

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### **Related information**

[Consumers price index \(CPI\)](#) measures price change of goods and services purchased by New Zealand households.

[Food prices in the consumers price index and food price index](#) gives an explanation of the sources and methods used to compile food prices.

[Electronic card transactions](#) measure the number and value of electronic card transactions with New Zealand-based merchants.

[Retail Trade Survey](#) measures sales of a range of household and personal goods and services.

## Data quality

### Period-specific information

This section contains information about data that has changed since the last release.

- [Reference period](#)
- [Sample size](#)
- [Imputation](#)

### General information

This section contains information that does not change between releases.

- [Reference population](#)
- [Expenditure weights](#)
- [Collection methods](#)
- [Sample design](#)
- [Accuracy of the data](#)
- [Consistency with other periods or datasets](#)
- [Interpreting the data](#)
- [More information](#)

## Period-specific information

### Reference period

We collected prices for the food price index (FPI) during the period 5–12 December 2014, with the exception of fresh fruit and vegetable prices. Fresh fruit and vegetable prices were collected for the first three weeks of December – each Friday in most urban areas, and each Thursday in remaining urban areas.

### Sample size

In a typical month, we collect about 19,000 prices from 560 retail outlets.

### Imputation

Due to being unavailable at the time of price collection, we impute, on average, 0.7 percent of prices (not including seasonal fresh fruit and vegetables) in a typical month – by carrying forward the previous month's price.

For this month, we also imputed monthly food price movements for the Palmerston North regional pricing centre from the Hamilton regional pricing centre.

We did not receive November food prices for the Palmerston North regional pricing centre.

## **General information**

### **Reference population**

The reference population of the FPI covers approximately 98 percent of the usually-resident New Zealand population living in permanent dwellings. We make no exclusions based on income source or geographic location.

### **Expenditure weights**

Expenditure weights give the relative importance of the food goods and services in the FPI basket.

We update expenditure weights every three years as part of regular FPI reviews. The weights are derived largely from the 2012/13 Household Economic Survey (HES). We also use information from food manufacturers and distributors, and supermarket scan data from The Nielsen Company.

FPI weights are based on household spending for the year to June 2013 (the 'weight reference period') expressed in June 2014 prices (the 'price reference period').

The relative importance of the FPI subgroups shows that about \$37 of every \$100 that households spend on food is spent on grocery food. About \$23 is spent on eating out or takeaways, and about \$16 is spent on meat, poultry, and fish. Fruit and vegetables account for \$14, and the remaining \$10 is spent on non-alcoholic beverages, such as packaged coffee, soft drinks, and juices.

More information on the relative importance of FPI subgroups, classes, and selected sections is in table 6 of this release.

### **Collection methods**

We survey prices by visiting retail outlets in 12 urban areas: Whangarei, Auckland, Hamilton, Tauranga, Napier-Hastings, New Plymouth, Palmerston North, Wellington, Nelson, Christchurch, Dunedin, and Invercargill.

Before 1 July 2014, we also collected FPI prices in Rotorua, Wanganui, and Timaru. However, in line with recommendation 7 of the CPI Advisory Committee 2013, we stopped collecting prices in these three regions, so we could divert the cost of collection towards funding CPI-related initiatives such as household living-costs price indexes and seasonally adjusted analytical CPI series. Price change for these regions will be directly represented by Tauranga, Palmerston North, and Christchurch, respectively.

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

### **Sample design**

We collect food prices from about 560 outlets in the 12 surveyed urban areas. Of these, about 60 are supermarkets, 30 greengrocers, 20 fish shops, 30 butchers, 60 convenience stores (with about half being service stations and the rest being dairies, grocery stores, and superettes),

110 restaurants (for evening meals), and about 250 other suitable outlets (for breakfast, lunch, and takeaway food).

We collect prices from a sample of supermarkets in each of the 12 FPI pricing regions. This sample is designed to be representative of household purchases in each region. It was last reviewed in 2011. The sample of other stores was last reviewed in 2013 as part of the rolling review of outlets.

See [CPI rolling review of retail outlets](#) for more information.

## Accuracy of the data

### Review of the food price index

We undertake reviews of the FPI every three years, as part of wider reviews of the consumers price index (CPI). The latest review was implemented with the publication of *Food Price Index: July 2014*. In the review, we reselected the basket of representative food goods and services, calculated new national expenditure weights, and moved to regional expenditure weights.

The previous basket's final price collection period was June 2014. We also collected prices for the updated FPI sample of products in June 2014. An overlapping price collection is necessary when changing a price index, to ensure changes in basket composition (eg basket additions, different outlets) are not reflected as price changes.

See [Food price index review: 2014](#) for more information.

### Population weights

From the July 2014 FPI onwards, we weight regional price change using regional expenditure weights for the five broad regions (Auckland, Wellington, rest of North Island, Canterbury, and rest of South Island). Regional expenditure weights use expenditure in each region to weight regional price change. This ensures that price change in regions where households spend more per person on a particular item relative to other regions (eg Auckland, which has 33.37 percent of the population and an FPI regional expenditure weight of 35.52 percent) has more influence on the combined national price change for that item.

For broad regions with multiple pricing centres (rest of North Island and rest of South Island), we use population shares to allocate the regional expenditure weight to the pricing centres.

Previously, we used national expenditure weights in each of the (then) 15 regional pricing centres, weighted by the centre's population share. The 2013 CPI Advisory Committee recommended this change (recommendation 6), which aligns with international best practice.

We calculated regional expenditure weights as proportions of national expenditure (eg 35.52 percent of food expenditure is in the Auckland region) for each FPI class or section (the lowest published level) using HES regional expenditure. We applied class/section-level proportions to the individual items within that class or section (eg the regional proportions for fruit were applied to national expenditure on each fruit item) to derive regional expenditure on each individual item (eg spending on apples in Auckland).

Regional expenditure was then expressed in June 2014 prices for the respective region (eg apple expenditure in Auckland was expressed in June 2014 apple prices collected in Auckland). We calculated the group-level regional weights by aggregating all food expenditure in each broad region.

We publish the FPI and CPI for five broad regions based on regional council area boundaries. These indexes are available from Infoshare. These regions are Auckland, Wellington, rest of North Island, Canterbury, and rest of South Island. We also publish the FPI for the 12 regional pricing centres.

For the 2014 regional expenditure weights for the five broad regions and 12 regional pricing centres, see table 7 of this release.

## **Outlet weights**

We give outlets appropriate weights to reflect their relative importance in household spending.

## **Elementary aggregate formulae**

We calculate regional elementary aggregates for each of the 12 pricing centres from all prices collected for an item within that region. We use a 'geometric mean of price relatives', or Jevons formula.

We use the Jevons formula to calculate average prices for all food goods and services in the basket, except 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 households purchase increased quantities from outlets showing lower-than-average relative price change, and decreased quantities from outlets showing higher-than-average price change. The calculation of fresh fruit and vegetable average prices uses the Dutot formula.

[Information about the Food Price Index](#) gives more information on the Jevons and Dutot formulae (see elementary aggregate formulae).

## **'On special' prices**

We include items that are 'on special' in the FPI at the price levels observed at the time of price collection. Quantity specials (eg three loaves of bread for \$5.00) are also taken into account (the price per loaf for the special is usually lower than the price of a single loaf). We represent prices that are available only to customers who belong to discount schemes, by collecting these prices at some outlets within a region, but not others.

## **Consistency with other periods or datasets**

### **Effect of the Christchurch earthquakes on price collection**

Following the Christchurch earthquake on 22 February 2011, we used price movements for the rest of New Zealand to calculate price movements in Christchurch for the March 2011 FPI. About half the prices used to calculate the June 2011 FPI had been collected before the 13 June earthquakes; we completed the collection on 20 and 21 June, two working days later than other regions where we collect prices for the FPI.

## **Index base**

The FPI has an index reference period of the June 2006 month (=1000). This is the benchmark we use to compare prices in other periods with (eg if the index number in a later period is 1150, prices have increased by 15.0 percent since the index reference period). Prices for later periods can be compared in the same fashion.

## **Seasonal adjustment of prices – fresh fruit and vegetables**

Until the June 2006 month, we adjusted fresh fruit and vegetable items that exhibited a seasonal pattern to remove the effect of normal seasonal change. 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. Take care when you compare annual movements over this transition period. 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 adjusted index numbers for fresh fruit and vegetables for the same month of the previous year.

### **Reconciling the FPI and food group of the CPI**

When comparing the FPI and the food group of the CPI, strictly speaking, the quarterly food group index number is not the average of the relevant three monthly FPI numbers. There are some technical differences between the monthly FPI indexes and quarterly indexes.

See [Food prices in the consumers price index and food price index](#) for more information.

### **Interpreting the data**

#### **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. For example, we do not include prices for nectarines in the April and May FPI. Similarly, prices for strawberries are not included in the May and June FPI. This is because we cannot collect enough prices 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.

#### **Weighted average retail prices of selected food items**

Table 3 contains a selection of weighted average retail prices for the current and previous months. We calculated these weighted average retail prices from prices collected in the June 2006 month. Subsequent months' weighted average prices are then calculated by applying price index movements for the relevant items. These are not statistically accurate measures of average transaction price levels, but are reliable indicators of percentage changes in prices.

### **More information**

See [information about the Food Price Index](#).

Statistics in this release have been produced in accordance with the [Official Statistics System principles and protocols for producers of Tier 1 statistics](#) for quality. They conform to the Statistics NZ Methodological Standard for Reporting of Data Quality.

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## Tables

The following tables are available in Excel format from the 'Downloads' box. If you have problems viewing the files, see [opening files and PDFs](#).

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. Weighted average retail prices of selected food items
4. Contributions to food price index and percentage change, by subgroup, class, or selected section
5. Distribution of national item-level index movements from previous month
6. Food expenditure weights, by subgroup, class, or selected section
7. Regional weights, by region/pricing centre

## Supplementary tables

The following tables are available in Excel format from the 'Downloads' box. These tables provide longer time-series information than the tables above. Given the long time-series nature of the tables, they are not suitable for printing.

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

## Next release

*Food Price Index: January 2015* will be released on 13 February 2015.

## Access more data on Infoshare

Infoshare allows you to access time-series data and organise it in the way that best meets your needs.

### Use Infoshare

For this release, select the following categories from the Infoshare homepage:

Subject category: **Economic indicators**

Group: **Consumers Price Index**

The FPI series are listed immediately after the CPI series. Additional information includes:

- index series for the FPI and its subgroups, classes, and selected sections
- the FPI for the 12 pricing centres and five broad regions
- non-standard aggregations of indexes (eg fresh fruit and vegetables)
- historical seasonally unadjusted index series
- average prices for a selection of items in the FPI basket.

The time series can be downloaded in Excel or comma delimited format. Percentage movements can be calculated using the following formula:

((Index number for later period minus index number for earlier period) divided by index number for earlier period) multiplied by 100.

[See more information about Infoshare.](#)