

# Food Price Index

## What this is about...

Food is a basic item of household expenditure. Affordable food is important for nutrition and general health, and is particularly important for children. Food prices are affected by seasonal factors and by changes in the broader national economy as well as the international environment. Those on lower incomes are particularly vulnerable to changes in price. They have limited ability to adjust to increases in the price of food, as it tends to make up a significant proportion of household expenditure.

The food price index measures changes in food prices and includes four subgroups:

- Fruit and vegetables
- Meat, fish and poultry
- Grocery food, soft drink and confectionery
- Restaurant meals and ready-to-eat food.<sup>137</sup>

## What did we find ?

- For the years from December 1994 to December 1999 the food price index rose across New Zealand, reflecting some increase in food prices. Through this period inflation has remained low - within the Reserve Bank's target range of zero to 3%.<sup>138</sup>
- Over the five years from 1994 to 1999, the greatest increase in the food price index has been in the Auckland Region, which has risen by 9.1% over the whole period, the same rate as for New Zealand as a whole. In comparison, the Wellington Region has seen a lower overall increase of 8.1% and Canterbury Region, 7.9%.
- For the year ending December 1999 annual percentage increases were markedly lower than in previous years, ranging from 0.2% in Canterbury to 1.4% in Wellington connected to the recovering economy.

CHANGES IN THE FOOD PRICE INDEX, BY REGION (1994 TO 1999)

	Auckland	Wellington	Canterbury	Total NZ
1994	916	931	930	918
1995	932	937	943	929
1996	952	953	959	942
1997	976	971	976	963
1998	998	996	1005	994
1999	1003	1010	1007	1005

Data Source: Statistics New Zealand

Price and income determine access to food and the cost of food varies regionally - basic family food costs are higher in Christchurch Region than in Auckland Region. Food costs in rural areas are often more expensive than in large urban areas. Prices are affected by factors including transportation and distribution costs, competition and economies of scale. These factors tend to work in favour of larger urban areas. Persistent high petrol prices will increase transport costs and are likely to be reflected in rising prices for food and other goods.

People on lower incomes, such as beneficiaries and those in lower-skill occupations, will tend to spend a greater proportion of their income on food. They may also try and economise on food when faced with high housing costs, utility bills and other costs, which are relatively fixed. Often the best value for money food in the short term tends to be high-fat foods. These foods provide more energy per gram of weight than lower-fat, healthier foods, which can make them an attractive option when shopping on a very restricted income.<sup>139</sup>

137 The food price index is one of the nine groups that make up the Consumer Price Index (CPI) and is calculated at a regional level by Statistics New Zealand. The index was set at 1000 in June 1999.

138 The most recent CPI figures show inflation at its highest rate for years, at 3% for the year to September 2000. This reflects in large part increases in petrol and tobacco prices. Increases in oil prices and the weak New Zealand dollar will flow through into other areas of the economy over time.

139 NZ Network against Food Poverty. 1999. Hidden Hunger – Food and Low Income in New Zealand.