

# Cheaper petrol won't affect food prices

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Holiday-makers hitting the road this festive season will receive a welcome boost from Wednesday's R1.61/l drop in the price of petrol, but national supermarket chains say this is unlikely to bring food prices down in the near future.

Although the decrease takes some pressure off suppliers, as a drop in the price of petrol translates to a drop in transportation costs, the three major retailers Pick n Pay, Spar and Shoprite have no plans to cut food prices.

While Pick n Pay says the petrol price drop is only likely to affect prices by next May, Shoprite says there is generally a six- to eight-week lag before a change shows up in the supplier industry.

And Spar says the only thing the latest petrol price decrease will do in the immediate future is to slow down the rate of price increases.

Wednesday's adjustment marks the fifth consecutive monthly fall and brings to more than 30%, or R3.36/l, the decrease since the petrol price hit a peak of R10.70 in July. Diesel prices have also decreased, with 0.05% sulphur falling by 81 cents and 0,005% by 80c.

Wholesale paraffin decreased by 75c and illuminating paraffin by R1.

Pick n Pay group finance director Dennis Cope said the petrol price reduction had more of an immediate and direct impact on suppliers than retailers. "We do not anticipate immediate price cuts at Pick n Pay but any cost price reduction we receive will be passed on. It is foolhardy to speculate that prices will come down, and impossible to predict when, if they in fact do.

"Petrol is only one element in the total cost of products, so it will not necessarily filter down to the counter."

Cope said many other supplier production costs had increased in the past year including "raw materials, interest rates, labour and transport, some of which are aggravated by the weaker rand".

But in time, the petrol price cut would eventually get passed on to the consumer, he said.

"Our hope is that by May next year, the inflation rate would have continued to decrease to single digits," he said.

Spar group merchandise executive Mike Prentice said while a drop in the petrol price was welcome, a price decrease in

food this festive season was unlikely “because our costs are determined by the suppliers”.

“The fact there’s been a decrease in the cost of petrol doesn’t mean we can expect a decrease in prices of goods overnight. We will only see a slow-down of the speed of price increases,” Prentice said.

Shoprite Group marketing director Brian Weyers said while the price cut was welcome, “food prices fluctuate so rapidly that a change in the cost of distribution is hardly noticeable on fast-moving consumer goods”.

Weyers said the franchise had always transferred any savings to its customers’ pockets, and would continue doing so if it made savings from the petrol price cut this season.

He said owing to a six to eight week lag before a change in fuel costs showed up in the supplier industry, Shoprite would drop prices on some groceries “as soon as we achieve a savings” of any sort.

And while economists agree the petrol price drop will not mean any immediate relief for grocery shoppers, they have welcomed the price cut.

Economist Chris Hart, of Investment Solutions, said the price cut “could not have come at a more opportune time”. After successive hikes in interest rates this year, Hart said the news came “as a huge relief to consumers”.

“However, I doubt the cut will translate to a drop in food prices,” he said. “Consumers will still be under pressure. This has been one of the toughest years (for the economy) and it’s still going to be a tough year.”

Tony Twine, of Econometrix, said although the price cut would not mean much in terms of food prices, it was nevertheless “a major development for all sectors in the economy, especially households”.

*Source: The Herald*

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