

# Paying too much for a loaf

By [Adele Shevel](#)

22 Jul 2009

Since January 2008 wheat costs have come down, but bread prices have not.



Image courtesy of [FreeDigitalPhotos.net](#)

The disparity between the inflation rate on bread and that on wheat is partly because some bread producers have not passed on wheat-price decreases, Premier Foods said Tuesday, 22 July 2009.

“Inflation is generally measured on the most popular brand in-store,” said Ian Visser, chief executive of Premier Foods.

According to Stats SA, the wheat price almost tripled from December 2006 to January last year, and the price of bread increased even more. Since then, wheat prices have come down but bread prices have not.

Supermarkets are being investigated by the Competition Commission for their role in food prices.

The commission has fined millers and bread producers millions of rands for anti-competitive behaviour.

Premier Foods, which manufactures and distributes Blue Ribbon breads, was the first milling company to co-operate with the Competition Commission in its investigation into price-fixing and collusion in the industry.

Visser said Stats SA uses the most popular bread brand as a basis for working out the inflation rate on bread.

“We don't understand how that pricing is arrived at,” he said.

He said indications are that bread prices are, in some instances, lower than when last measured by Stats SA. There tends to be a lag between price changes in wheat and new prices in retailing.

“The fact that wheat prices have come down and official figures have gone up is unacceptable,” said Visser.

Premier Foods is the brand leader in wheat, but not in bread. Visser said the price of Blue Ribbon and BB has decreased in line with input costs.

“On the whole, retailers have passed price decreases on Premier's products through to the consumer.

“In this public debate, there's a perception that there's one bread price, but we have more than 200 variants of bread in the market.”

Visser said wheat is only one input cost. Others include distribution, labour, electricity and fuel.

He said retailers are not taking a higher margin than a year ago on Premier's products: “They're acting responsibly”.

He said that, as higher prices wash out of the system, inflation would come down.

“We think that, by September or October, the official inflation rate should be slightly positive and might even be negative.

Visser said that though Stats SA showed that from May last year to this year there was a 10.5% increase in the weighted average price charged to retailers, Premier's prices had decreased by 4%.

*Source: The Times*

*Published courtesy of*



For more, visit: <https://www.bizcommunity.com>