

June 2011 Grocery Price Survey

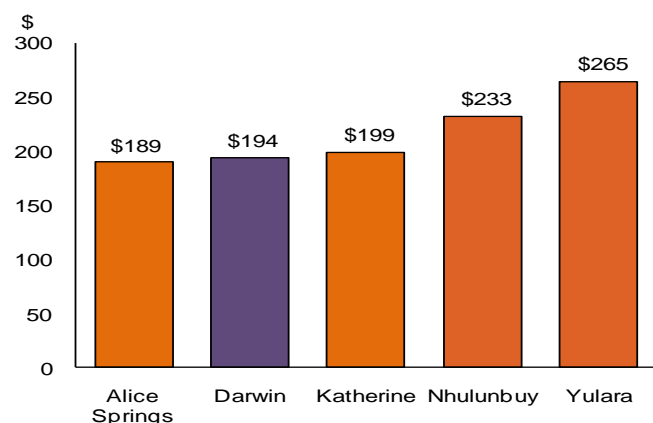
The June 2011 grocery price survey results are broadly consistent with previous surveys:

- Distance from major towns, diseconomies of scale and competition were key influences on prices. However, in regions with relatively few stores, item discounting can also significantly affect results as prices are averaged across fewer stores.
- In annual terms, fruit and vegetables recorded the highest increase in price (35.0 per cent) followed by bread and cereal products (11.0 per cent). Pet food (-2.9 per cent) and dairy and related products (-2.8 per cent) recorded the largest price declines.
- The stores in Mt Isa and Cairns were omitted from the June 2011 Survey, and will be omitted from future surveys.

Of the surveyed regions in the Territory in June 2011:

- the cheapest basket cost was \$188.65, at Coles Northlakes, Darwin;
- the cheapest regional cost was \$189.28, at Woolworths Alice Springs (Chart 1);
- the most expensive basket and regional cost was \$264.50, in Yulara; and
- the largest annual increase in the average survey basket cost was 13.8 per cent in Yulara.
- Several surveyed regions experienced a decrease in average basket costs compared with June 2010: Coles Northlakes (-3.2 per cent); Coles Darwin City (-2.8 per cent); Coles Alice Springs (-1.2 per cent); Coles Palmerston (-1.1 per cent); Woolworths Humpty Doo (-0.6 per cent); and Coles Casuarina (-0.2 per cent).

Chart 1: Cost of Grocery Basket
(June 2011)



Source: NT Treasury

Change in Grocery Prices

Since December 2005 (when the current survey methodology was introduced) the average annual growth of all the surveyed regions has been 5.3 per cent (see Table 1).

Table 1: Growth in Cost of the Basket

(% change)

	Six months to Jun 2011	Year to Jun 2011	Average annual growth since Dec 2005
Darwin	3.2	2.1	4.0
Alice Springs	3.4	0.8	4.5
Katherine	4.1	5.0	4.5
Nhulunbuy	5.8	0.8	4.5
Yulara	12.4	13.8	5.7
All Stores	9.8	9.1	5.3

Source: NT Treasury

Of the Darwin stores surveyed in June 2011, the cheapest basket was at Coles in Northlakes (\$188.65) and the most expensive basket was at Coles, Bradshaw Terrace (\$202.99).

The range between the cheapest and most expensive baskets in Darwin (\$14.34) mainly reflects differences in prices of fruit and vegetables between the relevant stores.

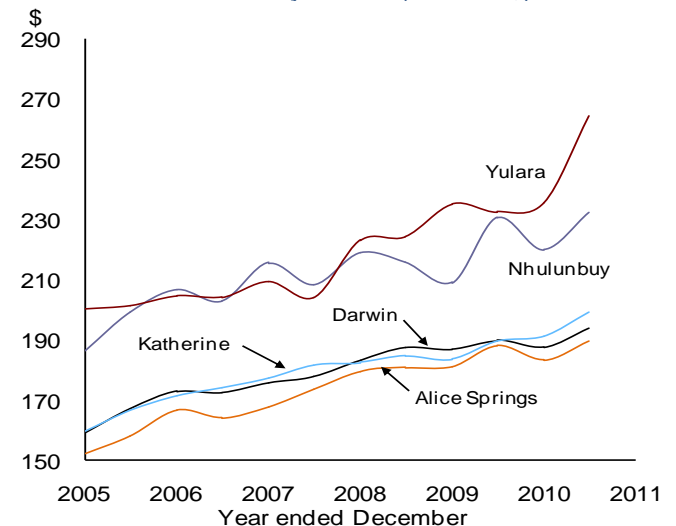
Of the two Alice Springs stores surveyed in June 2011, the cheaper basket was at Woolworths (\$189.28) with Coles marginally more expensive (\$189.47).

In the six months to June 2011, the largest increase in basket cost occurred in Yulara (up by 12.4 per cent) followed by Nhulunbuy (up by 5.8 per cent), Katherine (up by 4.1 per cent), Alice Springs (up 3.4 per cent) and Darwin up (3.2 per cent).

The main driver of the price increase in Yulara in the six months to June 2011, was fruit and vegetables (up by 45.3 per cent). Prices of perishable items, such as fruit and vegetables, in isolated locations can be quite volatile. The increase in fruit and vegetable prices is also consistent with price increases around the country which have been affected by the adverse weather conditions experienced in Australia during the first half of 2011.

Chart 2 shows the change in the cost of the basket of goods since December 2005. During this period, average annual growth has ranged from 4.0 per cent in Darwin to 5.7 per cent in Yulara.

Chart 2: Cost of Grocery Basket (nominal \$)



Source: NT Treasury

Table 2: Grocery Price Survey - June 2011[#]

Expenditure (\$)	annual %		annual %		annual %		annual %		annual %	
	Darwin	change	Alice Springs	change	Katherine	change	Nhulunbuy	change	Yulara	change
Dairy & Related Products	16.73	-7.0	16.17	-5.5	17.85	-1.8	17.86	-17.9	21.61	-3.2
Bread & Cereal Products	22.37	1.3	22.37	1.3	23.34	15.0	28.56	-6.1	36.73	16.3
Meat & Seafoods	31.31	1.8	31.89	-0.4	30.96	-9.6	41.84	-1.0	39.85	4.4
Fruit & Vegetables	36.61	18.2	35.30	16.3	36.73	17.2	46.87	20.1	51.60	66.0
Non-Alcoholic Drinks and Snacks	28.27	2.0	27.20	1.1	31.04	15.9	27.31	-16.2	38.49	3.7
Other Food	21.48	-2.0	20.69	-2.0	22.12	4.1	26.54	11.1	28.43	1.5
Household Supplies	30.01	-3.9	29.32	-5.5	30.08	-2.4	36.97	12.2	39.64	8.5
Pet Foods	6.78	-3.3	6.43	-12.4	6.95	4.7	6.55	-15.0	8.15	5.5
Total Basket (\$)	193.55		189.38		199.08		232.51		264.50	
<i>June 2010 (\$)</i>	189.63		187.94		189.57		230.61		232.53	
<i>\$ Change from June 2010</i>	3.92		1.44		9.52		1.90		31.98	
% Change from June 2010	2.1		0.8		5.0		0.8		13.8	
<i>December 2010 (\$)</i>	187.56		183.16		191.21		219.82		235.33	
<i>\$ Change from December 2010</i>	5.98		6.22		7.87		12.69		29.18	
% Change from December 2010	3.2		3.4		4.1		5.8		12.4	
			Alice Springs		Katherine		Nhulunbuy		Yulara	
Variation from Darwin (\$)										
Dairy and Related Products			-0.55		1.12		1.13		4.88	
Bread and Cereal Products			0.00		0.97		6.19		14.36	
Meat & Seafoods			0.58		-0.34		10.53		8.54	
Fruit & Vegetables			-1.30		0.13		10.27		15.00	
Non-Alcoholic Drinks and Snacks			-1.07		2.77		-0.96		10.22	
Other Food			-0.78		0.65		5.06		6.95	
Household Supplies			-0.70		0.07		6.96		9.63	
Pet Foods			-0.35		0.18		-0.22		1.37	
Total Basket (\$)			-4.17		5.54		38.96		70.96	
% variation from Darwin			-2.2		2.9		20.1		36.7	
<i>\$ Variation from Darwin in June 2010</i>			-1.69		-0.06		40.99		42.90	
<i>% Variation from Darwin in June 2010</i>			-0.9		0.0		21.6		22.6	
<i>\$ Variation from Darwin in December 2010</i>			-4.41		3.65		32.26		47.77	
<i>% Variation from Darwin in December 2010</i>			-2.3		1.9		17.2		25.5	

[#] Calculations may not add up due to rounding.

Darwin Region

In the Darwin region, the average cost of the basket in June 2011 was \$193.55, an increase of \$3.92 (2.1 per cent), compared to June 2010. The cheapest basket in Darwin was \$188.65 at Coles Northlakes while the most expensive basket was \$202.99 at Coles on Bradshaw Terrace.

Since June 2010, prices increased in four of the eight product categories with fruit and vegetables the largest contributor to annual growth at 2.98 percentage points. Lower prices for dairy and related products, and household supplies were the largest detractors from growth, subtracting 0.66 percentage points and 0.64 percentage points respectively (Chart 3).

Alice Springs

In Alice Springs, the average cost of the basket in June 2011 was \$189.38, an increase of \$1.44 (0.8 per cent) since June 2010.

Historically, prices have been lower in Alice Springs than in Darwin, largely due to its closer proximity to major suppliers. The June 2011 result was consistent with this trend with the Alice Springs basket \$4.17 (2.2 per cent) cheaper than in Darwin.

Since June 2010, prices increased in three of the eight product categories. Fruit and vegetables was the main contributor to annual growth, adding 2.61 percentage points. Household supplies were the largest detractor from annual growth, subtracting 0.89 percentage points (Chart 4).

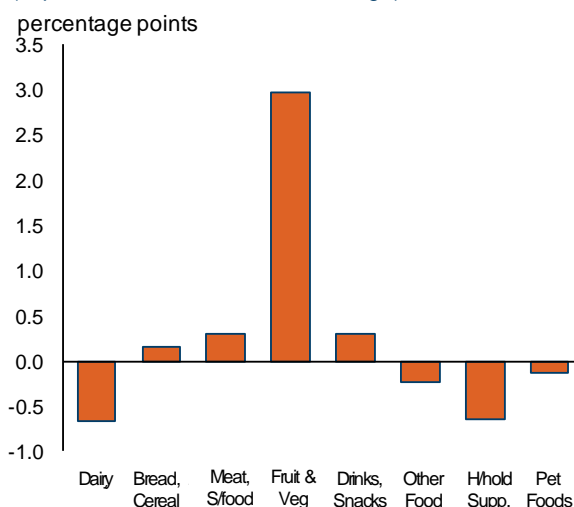
Katherine

In June 2011, the cost of the basket in Katherine was \$199.08, an increase of \$9.52 (5.0 per cent) since June 2010.

There is only one major supermarket in Katherine. In June 2011, the cost of the basket in Katherine was \$5.54 (2.9 per cent) more expensive than in Darwin. The main difference in prices between the grocery basket in Darwin compared to Katherine was in non-alcoholic beverages and snack food and meat and seafood products.

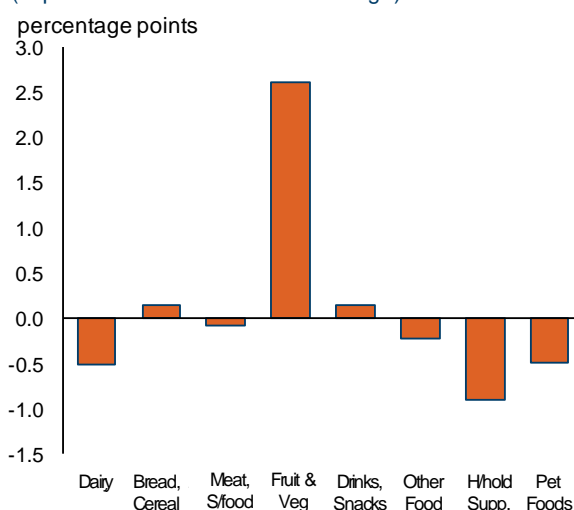
Since June 2010, prices increased in five of the eight product categories. Fruit and vegetables, and non-alcoholic beverages and snack foods were the main contributors to annual growth, adding 2.84 and 2.25 percentage points respectively. Price decreases were reported in three categories, with meat and seafood the largest detractor from annual growth at 1.74 percentage points (Chart 5).

Chart 3: Darwin
(% point contribution to annual change)



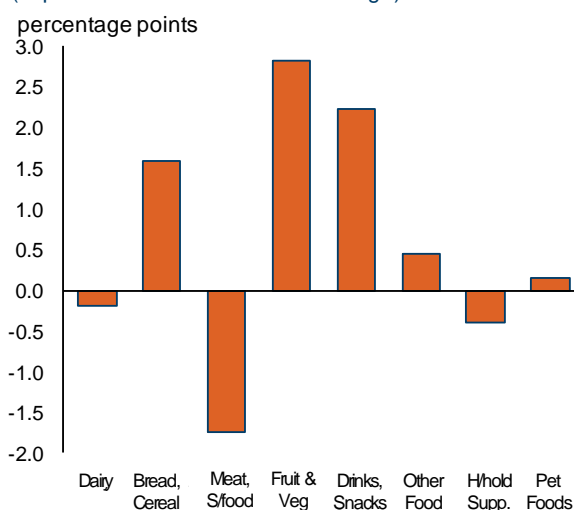
Source: NT Treasury

Chart 4: Alice Springs
(% point contribution to annual change)



Source: NT Treasury

Chart 5: Katherine
(% point contribution to annual change)



Source: NT Treasury

Nhulunbuy

In Nhulunbuy, the cost of the basket in June 2011 was \$232.51, an increase of \$1.90 (0.8 per cent) since June 2010. Nhulunbuy was the second most expensive basket of all the regions surveyed.

Woolworths is the only supermarket surveyed in Nhulunbuy. On the date of survey, not all surveyed meat and seafood products were available. The average growth rate of meat and seafood prices from the remaining regions in the year to June 2011 has been used in the survey data for Nhulunbuy. In general, the cost of goods, especially perishables, is higher in Nhulunbuy than in Darwin due to limited economies of scale, limited competition and higher freight costs. In June 2011, the cost of the basket in Nhulunbuy was \$38.96 (20.1 per cent) more expensive than in Darwin.

Since June 2010, prices increased in three of the eight product categories in the survey basket. The main driver of annual growth was fruit and vegetables contributing 4.13 percentage points. Price decreases in non-alcoholic beverages and snack foods subtracted 2.79 percentage points from annual growth (Chart 6).

Yulara

In Yulara, the cost of the basket in June 2011 was \$264.50, an increase of \$31.98 (13.8 per cent) since June 2010. Yulara experienced the highest annual price growth and continued to be the most expensive basket in the survey.

There is only an IGA supermarket operating in Yulara. In general, the cost of goods, especially perishables, is higher in Yulara than in Darwin due to limited economies of scale, no competition and higher freight costs. In June 2011, the cost of the basket in Yulara was \$70.96 (36.7 per cent) more expensive than in Darwin.

Since June 2010, price increases in all but one of the eight categories, with fruit and vegetables and bread and cereal products the main drivers of annual growth contributing 10.82 percentage points and 2.71 percentage points respectively. Lower prices for dairy and related products detracted 0.37 percentage points from annual growth (Chart 7)

Chart 6: Nhulunbuy
(% point contribution to annual change)
percentage points

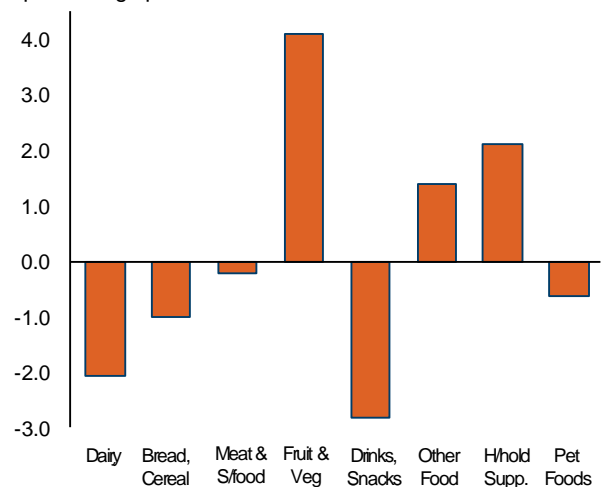
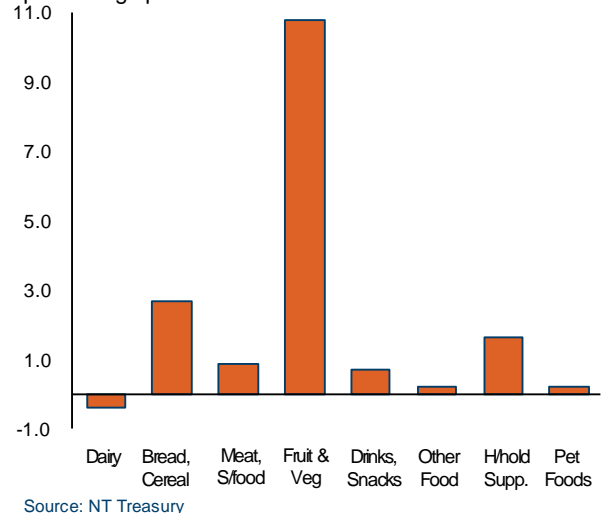


Chart 7: Yulara
(% point contribution to annual change)
percentage points



Grocery Item Categories

Compared to June 2010, fruit and vegetables recorded the largest price increase, on average across all regions, at 35.0 per cent, driven by higher prices for bananas, apples and tomatoes. Pet food recorded the largest price decline (2.9 per cent), reflecting lower prices for dry pet food, particularly cat food. However, as the weighting of the pet food category is small, the price movement had a minor impact on the overall basket cost.

Table 3 shows the change in price by grocery item category and the associated contribution to the change in the overall cost of the basket. It shows that fruit and vegetables, and bread and cereal products were the main drivers of the increased cost of the basket in June 2011, compared to June 2010.

Fruit and vegetables were the main driver of price change in all regions. The significant increase in fruit and vegetable prices was driven by seasonal factors and limited supply due to adverse weather conditions during the first half of 2011.

Total Cost of Basket by Outlet

Table 4 shows the cost of the total basket by outlet and shows that in June 2011, Coles in Northlakes recorded the cheapest basket, while the IGA in Yulara reported the most expensive basket.

Over the past two years Woolworths in Alice Springs has ranked the cheapest store while the most expensive basket is in Yulara followed by Nhulunbuy.

In addition to fruit and vegetables, the price of bread and cereal products also rose strongly in June 2011, compared to June 2010. However, subsequent to the survey Coles, Woolworths and several other major retailers have significantly reduced the price of own brand bread.

Table 3: Growth by Grocery Item Category

	Year to Jun 2011 %	Year to Jun 2011 ppt ¹	Average annual growth since Dec 2005 %
Dairy & Related Products	-2.8	-0.3	3.3
Bread & Cereal Products	11.0	1.3	6.3
Meat & Seafoods	3.7	0.6	3.8
Fruit & Vegetables	35.0	5.4	9.1
Non-Alcoholic Drinks & Snacks	4.0	0.6	5.5
Other Food	5.9	0.7	5.9
Household Supplies	5.1	0.8	2.5
Pet Foods	-2.9	-0.1	6.6
Total Basket	9.1	9.1	5.3

¹ Percentage point contribution.

Source: NT Treasury

Table 4 shows that the basket of goods is generally cheaper in Alice Springs due to its proximity to major suppliers. However, differences in specials between stores can significantly impact individual store rankings. In June 2011, differences in fruit and vegetable specials accounted for the bulk of the difference between Coles and Woolworths in Alice Springs and the two Coles stores in Darwin that recorded lower basket costs.

Table 4: Cost of Total Basket by Outlet*

Supermarkets			Jun-2011		Dec-2010		Jun-2010		Dec-2009		2 year average	
			\$	Rank ¹	\$	Rank ^{1,2}	\$	Rank ^{1,2}	\$	Rank ^{1,2}	\$	Rank ^{1,2}
Darwin	Coles	Northlakes	188.65	1	187.56	10	194.95	15	189.57	13	190.18	11
Darwin	Coles	City	188.70	2	185.00	6	194.19	14	186.26	11	188.54	9
Alice Springs	Woolworths		189.28	3	181.68	1	184.18	4	177.69	1	183.21	1
Alice Springs	Coles		189.47	4	184.63	5	191.70	11	184.34	7	187.54	5
Darwin	Woolworths	Humpty Doo	190.53	5	186.43	8	191.60	10	180.76	2	187.33	3
Darwin	Coles	Palmerston	191.01	6	194.75	15	193.04	13	195.08	15	193.47	15
Darwin	Woolworths	Coolalinga	191.19	7	188.98	11	183.80	3	184.54	8	187.13	2
Darwin	Coles	Casuarina	191.79	8	190.84	12	192.14	12	189.38	12	191.04	13
Darwin	Woolworths	Palmerston	192.50	9	191.39	14	183.27	1	186.24	10	188.35	8
Darwin	Woolworths	Nightcliff	192.64	10	183.39	2	191.52	9	182.07	3	187.40	4
Darwin	Woolworths	Cavenagh St	194.29	11	184.58	4	187.78	5	184.86	9	187.88	7
Darwin	Woolworths	Casuarina	195.59	12	187.39	9	183.49	2	184.06	6	187.63	6
Katherine	Woolworths		199.08	13	191.21	13	189.57	7	183.52	5	190.85	12
Darwin	Woolworths	Karama	199.84	14	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Darwin	Woolworths	Hibiscus	202.69	15	184.30	3	188.25	6	182.28	4	189.38	10
Darwin	Coles	Bradshaw Tce	202.99	16	186.13	7	190.52	8	189.71	14	192.34	14
Nhulunbuy	Woolworths		232.51	17	219.82	16	230.61	16	208.88	16	222.95	16
Yulara	IGA		264.50	18	235.33	17	232.53	17	235.18	17	241.88	17

*Expenditures figures adjusted to reflect CPI estimates for each previous period.

¹ Ranked from cheapest to most expensive.

² Ranking has been adjusted for absence of Mt Isa and Cairns stores

Source: NT Treasury

Northern Territory Grocery Price Survey Background

In August 1999, the Legislative Assembly Select Committee on Territory Food Prices presented a report on Food Prices in the Northern Territory. A key recommendation of the report was that Government monitor grocery prices across the Territory with the results to be published on a regular basis. In response, the Territory Government developed the Grocery Price Survey (GPS), a biannual survey that measures the cost of purchasing a fixed basket of supermarket goods. The first survey conducted in June 2000, included 21 stores across the Territory and for comparative purposes, Northern Queensland.

The grocery basket comprises eight subgroups and 28 expenditure classes from the Australian Bureau of Statistics (ABS) Consumer Price Index (CPI). The eight subgroups are: dairy and related products, bread and cereal products, meat and seafood, fruit and vegetables, non-alcoholic drinks and snacks, other food, household supplies, and pet food.

In 2005, the survey was updated from Series One to Series Two to reflect changing consumer expenditure patterns and changes in the CPI basket. As the new survey introduced a break in the series, direct analysis can only be reported for the period beginning December 2005, when collection for Series Two began. More details on the changes resulting from the introduction of Series Two can be found by accessing the web link below.

In June 2011, 18 supermarkets across the Territory were included in the survey. Since the commencement of the GPS, six additional stores have been included in the survey consisting of five supermarkets in Darwin and the sole supermarket in Yulara. The June 2011 survey included the newly opened Woolworths Karama store. Three supermarkets in the Territory have been removed from the survey due to store closure; Knuckey Street Woolworths in Darwin in 2006, Todd Mall Coles in Alice Springs and Coles in Karama in June 2010. All Stores in Mt Isa and Cairns were omitted from the June 2011 survey.

Every six years the ABS conducts the Household Expenditure Survey (HES), which provides updated information on consumer preferences and expenditure patterns by jurisdiction and capital city. HES data is used to determine the items and weightings used to estimate the cost of a 'standard' basket of goods in the GPS. For further information on the survey methodology see Grocery Price Survey Technical Paper – December 2005, available at: http://www.nt.gov.au/ntt/economics/econ_nt_gpsurvey.shtm