

Grocery Price Survey

Technical Paper – June 2004

Background

In August 1999, the Legislative Assembly Select Committee on Territory Food Prices presented a report on their *Inquiry into Food Prices in the Northern Territory*. A key recommendation of this report was that Government monitor grocery prices across the Northern Territory and that the results be published on a regular basis. Treasury was given the task of developing and implementing an appropriate survey to fulfil this recommendation.

Survey Methodology

The Grocery Price Survey measures the cost of purchasing an average basket of goods at each supermarket in the survey. The grocery basket comprises the following 10 Sub-groups and 29 Expenditure Classes of the 14th Series Australian Bureau of Statistics' Consumer Price Index:

- Dairy and Related Products
 - Milk
 - Cheese
 - Ice Cream and Other Dairy Products
- Bread and Cereal Products
 - Bread
 - Cakes and Biscuits
 - Breakfast Cereals
 - Other Cereal Products
- Meat & Seafoods
 - Beef and veal
 - Lamb and mutton
 - Pork
 - Poultry
 - Bacon and Ham
 - Processed Meat
 - Fish and other seafood
- Fruit & Vegetables
 - Fruit
 - Vegetables
- Non-alcoholic Drinks & Snack Food
 - Soft drinks waters and juices
 - Snacks and confectionery
- Other Foods
 - Eggs
 - Jams, honey and sandwich spreads
 - Tea, coffee and food drinks
 - Food additives and condiments
 - Fats and oils
 - Food n.e.c
- Household Supplies
 - Household cleaning agents
 - Other household supplies
- Pharmaceuticals
 - Pharmaceuticals
- Sport and other recreation
 - Pets, pet foods and supplies
- Personal Care
 - Toiletries and personal care products

Prices of 132 grocery items were surveyed to represent price levels in the 29 expenditure classes.

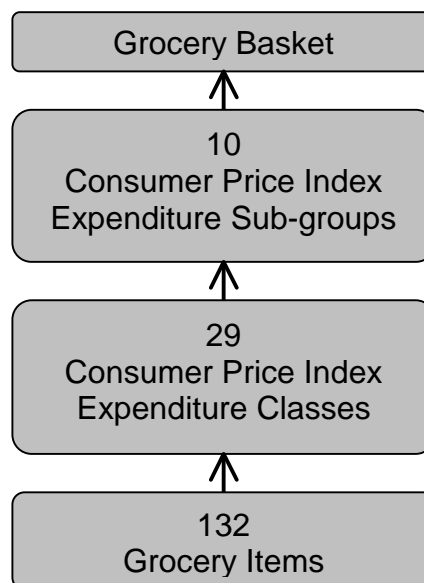
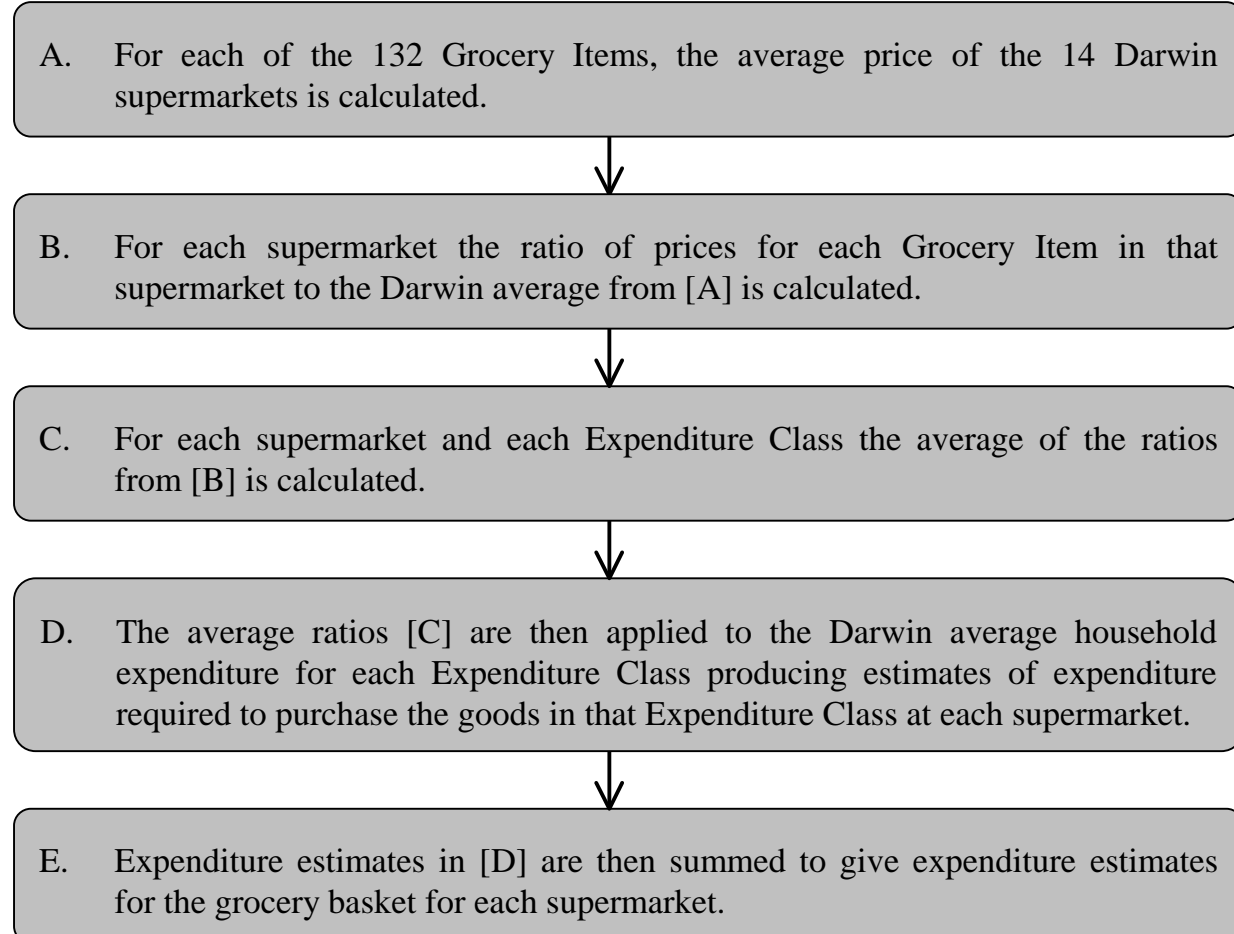
The 132 items were selected with consideration to:

- average weekly household expenditure on the Expenditure Class;
- the homogeneity of the Expenditure Class;
- items surveyed in other surveys; and
- shelf space in Darwin supermarkets.

Average weekly household grocery expenditure estimates for Darwin are derived from the Australian Bureau of Statistics' 1998-99 *Household Expenditure Survey*, updated by movements in the Darwin Consumer Price Index (CPI) for the 14th Series CPI expenditure classes included in the basket.

Expenditure estimates were obtained for the 29 Expenditure Classes. In the December quarter 2000, the average household expenditure on this total basket of goods was estimated at \$152.08.

To estimate the level of expenditure required to purchase the grocery basket in each supermarket, the following steps are taken:



Mathematically the process is represented as follows:

Where:

E_s = average household expenditure (E) on grocery items at supermarket s

E_{dc} = average Darwin household expenditure (E_d) on grocery items in expenditure class c

P_{si} = price (P) in supermarket s of grocery item i

P_{di} = average Darwin price (P_d) of grocery item i

n = number of grocery items in expenditure class c

m = number of expenditure classes in the grocery basket

c = expenditure class

i = grocery item

$$E_s = \sum_{c=1}^m \left(E_{dc} \times \frac{\sum_{i=1}^n \left(\frac{P_{si}}{P_{di}} \right)}{n} \right)$$

Survey Outline

Frequency – Conducted in a randomly chosen week each quarter with no advance notice given to any supermarket surveyed.

Coverage – The survey is conducted at all major supermarkets across the Territory:

- Darwin (14 supermarkets)
- Katherine (1)
- Alice Springs (3)
- Nhulunbuy (1)
- Yulara (1)

In addition the survey is conducted in the following Queensland locations to assist comparison with Darwin and Alice Springs respectively:

- Cairns (4)
- Mount Isa (2)

Prices Collected – For each item, the regular or special price is collected where the item is of normal quality. The survey does not collect discounted prices for items that

are damaged, old stock or sold in bulk packaging. Prices of items and the items surveyed are not revealed to ensure that supermarkets are not able to manipulate prices. Generic goods are included in the grocery basket where they are significant in the Expenditure Class.

Comparisons

Comparison of results obtained from the Grocery Price Survey and the results reported in the *Inquiry into Food Prices in the Northern Territory* can be only made with considerable care. The *Inquiry* used a similar methodology but was limited to 45 items, from a slightly narrower range of goods, selected from information provided by the supermarkets.

Comparison of results of the Grocery Price Survey with ABS Cat No. 6403.0 *Average Retail Prices of Selected Items* is not meaningful because the latter publishes unweighted unit prices rather than the average household expenditure estimates produced by the Grocery Price Survey.

The Grocery Price Survey is conducted by the Economic Analysis program of Northern Territory Treasury. Further details are available from www.nt.gov.au/ntt or phone 8999 6546.