

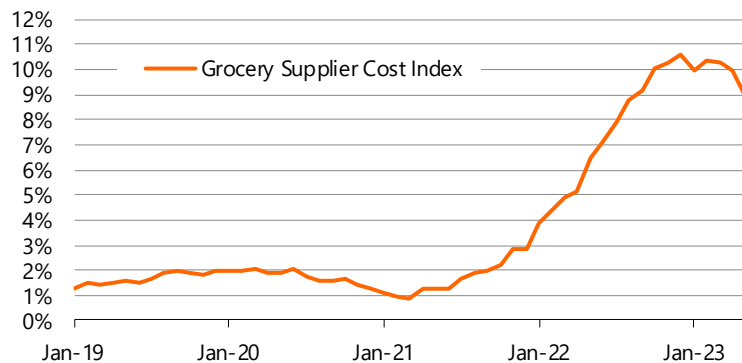


Grocery Supplier Cost Index (GSCI)

<i>Infometrics-Foodstuffs NZ GSCI</i>	May-20	May-23
GSCI, Jan-18 = 1,000	1,039	1,219
GSCI annual % change	1.9%	8.8%
Number of products increasing in cost	1,165	5,573

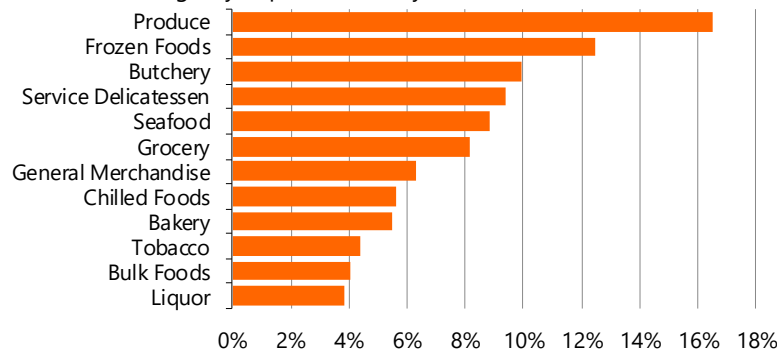
Grocery supplier costs up 8.8%pa in May

Annual % change



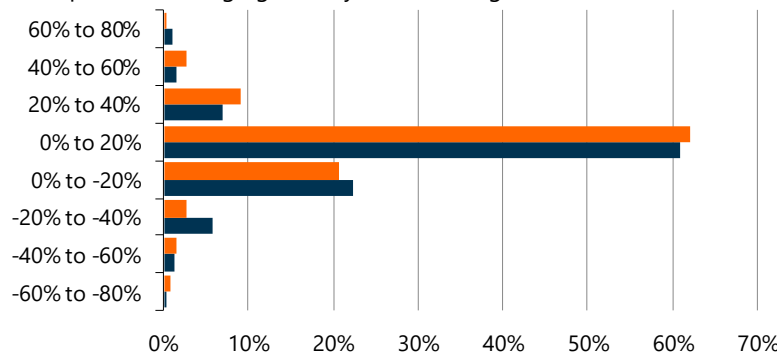
Grocery supplier costs increases by type

Annual % change, by department, May 2023



Distribution of cost changes

% of products changing cost, by size of change



Costs still rising, but not as quickly

The **Grocery Supplier Cost Index** rose 8.8%pa in May 2023, which is an improvement on the double-digit increases seen since October last year. However, the annual growth rate has moderated due to May 2022's record monthly increase in the GSCI dropping out. Importantly, the May 2023 monthly increase of 0.4% is still in the top quartile of monthly cost increases seen in the GSCI.

Input costs for suppliers continue to rise, including for raw materials, wages, and other services. These higher input costs are still pushing up supplier costs to supermarkets, albeit at a less frantic pace than at times during 2022. Looking forward, both global indicators and domestic data point towards further moderation in cost pressures over time. However, costs are still rising more quickly than normal, even if the rate of growth is less acute than it was last year.

Costs still up across the board

Supplier costs rose across all departments again in May, although the headline annual increases have moderated as the large May 2022 monthly result falls into the comparison period. Frozen goods, produce, and grocery departments saw the largest monthly movements, with a variety of products recording larger increases. Frozen food cost increases were across the board, with produce costs pushed up by avocados, cucumbers, and bananas, and grocery cost rises underpinned by pet food, energy drinks, and chocolate.

More increases, of still large levels

In May 2023, nearly 5,600 items increased in cost, compared to fewer than 1,200 in May 2020 and around 2,200 in May 2019. During 2018-19, an average of fewer than 2,000 items per month experienced an increase in cost.

May 2023 saw over 12% of cost changes increasing by more than 20%, compared to 9% of products increasing by the same amount in May 2020, and only 7% in May 2019.

The Grocery Supplier Cost Index

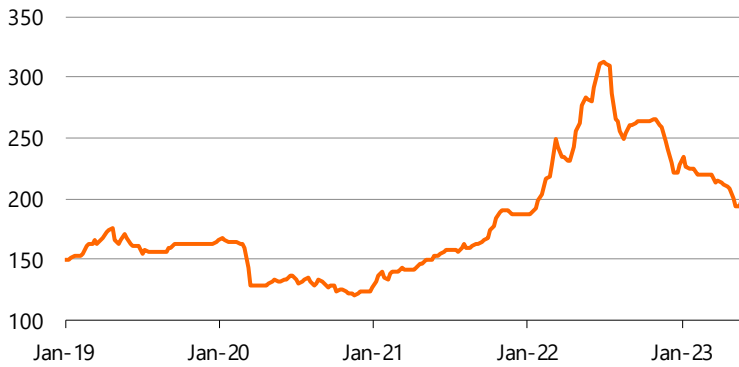
The *Infometrics-Foodstuffs New Zealand Grocery Supplier Cost Index* (GSCI), commissioned by Foodstuffs New Zealand, measures the change in the cost of grocery goods charged by suppliers to the Foodstuffs North and South Island cooperatives. The Index utilises detailed Foodstuffs NZ data, across over 60,000 products, analysed by independent economics consultancy Infometrics to produce the GSCI and publish it on a monthly basis.

For more details see www.infometrics.co.nz/product/grocery-supplier-cost-index.



Diesel averaged below \$2/L in May 2023

Diesel, main port price, c/L, weekly

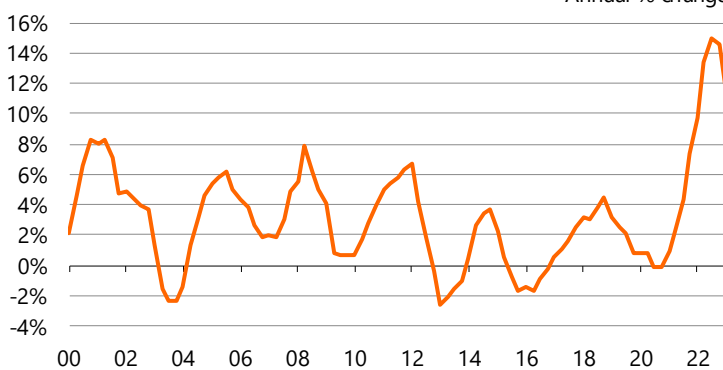


Diesel prices head below \$2/L

Fuel prices fell further in May 2023, dropping below \$2/L for diesel. The fall in domestic diesel prices was due to the decline in international oil prices to below US\$80/bl, as concerns over a sluggish Chinese economy weigh on expected demand for fuel. An early June announcement by OPEC+ that it will cut production to try and push prices back above US\$80/bl has led to an increase in oil prices, but it's not clear if this rise will persist. Effective fuel costs are set to rise again at the start of July as reductions in road user charges and fuel excise duty on petrol end.

Farm expense growth still high at 11.7%pa

Farm expense price index, all farms, all inputs

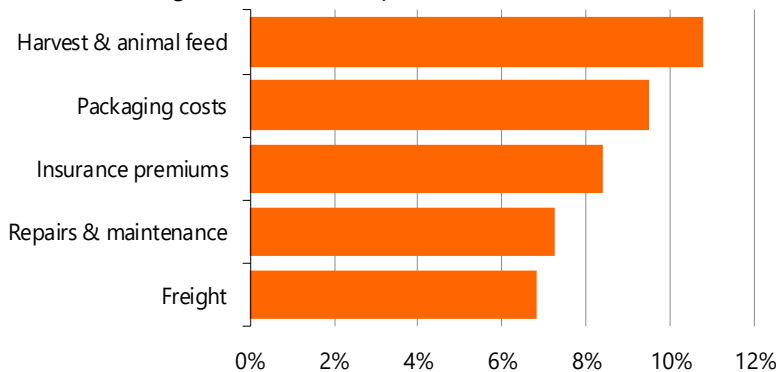


On-farm costs still high

The March 2023 quarter farm expenses price index saw a moderation in the pace of on-farm cost rises, although overall costs still by 0.7%. This quarterly increase was the smallest since the end of 2020, seeing the annual growth rate slow to 11.7%pa. Interest costs are now up by 52%pa, although this rise hasn't caused an overall acceleration in cost growth. The smaller quarterly rise might signal an emerging trend of less intense cost increases for farmers, but there is little expectation of costs declining.

Wider cost pressures to production

Annual % change, selected farm expenses



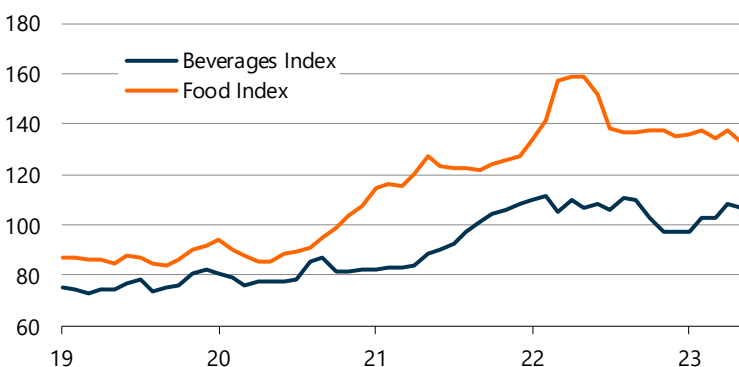
Broader cost pressures still hitting

Although the pace of headline on-farm cost increases have started to moderate, a number of inputs costs are still rising at a fast pace.

Transport-related costs, excluding fuel, have increased considerably, with repair work costing 7.3%pa more, and freight costs up 6.8%pa. Packaging have lifted by 9.5%pa, and feed costs have risen by 11%pa. Farm wage costs have risen 3.6%pa, the fastest annual wage growth for the sector going back to the early 1990s.

Food prices back to start-2022 levels

World Bank commodity price index, 2010 = 100



World prices fall, but still elevated

Global food prices fell 3% in May 2023, according to the World Bank commodity price index. The fall reverses a bounce in global food prices in April, and leaves prices 2.1% lower than at the start of 2023. Although food prices globally aren't as high as they were immediately after Russia's invasion of Ukraine, prices are still 4% higher than in 2021.

Prices for all food groups saw a decline in May, although as our chart shows, world food prices have trended around current levels over the last 12 months.