



NATIONAL CHAMBER OF MILLING

(Incorporated)

REGISTERED NO. 1936/008920/08

Association not for Gain

ESTABLISHED 1936

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PRESS RELEASE

FOR IMMEDIATE RELEASE

FOOD INFLATION YET TO COME!

The Chamber of Milling today said that, by analysing the released PPI figures for June 2006 as well as the CPI for June released yesterday by StatsSA, the bigger proportion of the food inflation is yet to come! The white maize price for June 2006 compared to that of June 2005 is 122% more expensive! This is only reflected in the PPI for grains at 50.6%. The *grain milled products* increase is only reflected at 6% as measured in the PPI (see attached graph). The increase in grain products in the consumer basket as measured by the CPI only reflects an increase of 4.5%. *'We, therefore, believe that the 7.7% increase in the food inflation measured by the CPI is not a true reflection of the pressure yet to come,'* Mr Jannie de Villiers, Executive Director of the Chamber of Milling said. We receive almost on a daily basis calls from maize millers complaining about the current pressure between the increases in raw materials vis-à-vis that of maize meal. The surplus capacity in the industry as well as the severe competition pressurises margins to the extent that mills have to close down. Similarly, products derived from animal feeds like dairy, meet and poultry also reflects percentages way below the increase in raw materials experienced by the feed industry.

On top of the increase in the grain prices over the past 12 months we are also experiencing the impact of the high oil prices – increasing our delivery cost! The delivery cost for a loaf of bread for instance, is just less than R1-00 per loaf. We expect that these pressures will flow through to the market in the months to come and that it will in all probability cause the food inflation to rise even further.

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27 July 2006

