

PRICE MONITORING REPORT ON ESSENTIAL COMMODITIES

March 2023

Introduction

Economies around the globe are still recovering from the impact of Covid-19 pandemic and at the same time facing new challenges arising from the Russo-Ukrainian geopolitical conflict and adverse climatic conditions. All these occurrences have culminated in a series of economic woes, including soaring prices of food and other essential commodities. These price increases have negatively impacted on the purchasing power and the well-being of consumers.

For a remote island economy like Mauritius which relies largely on imports to meet its consumption requirements, rising prices of essential commodities could be of great concern. To provide some relief to consumers, Government has come up with a series of measures such as subsidy and more price controls.

At the level of the Competition Commission, we have been monitoring the prices of essential products as part of our mandate to keep markets under constant review. The objective of this price monitoring exercise is to assess the extent of increase in prices of key essential products and identify causes contributing to such increases. In this regard, the Competition Commission examined the evolution of prices on the global front in comparison to prices on the local scene. We have

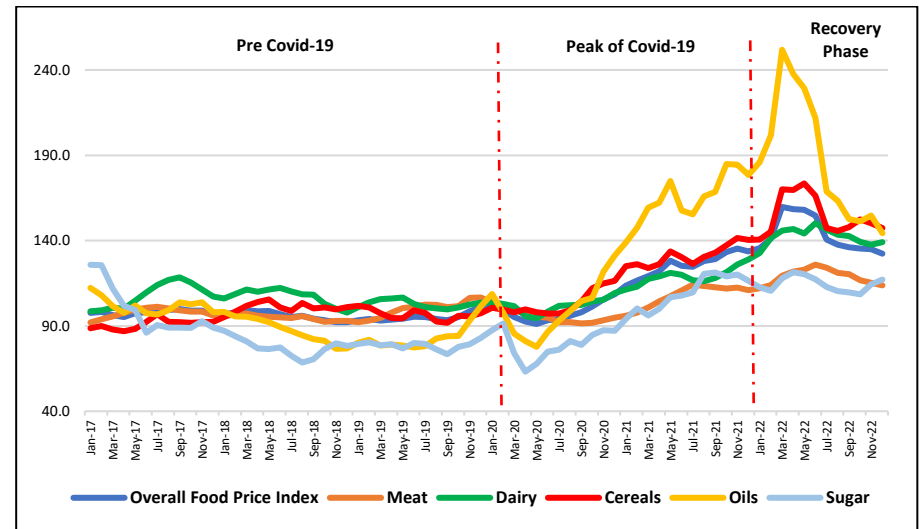
assessed potential cost drivers behind the price increases. The findings would shed light on the price evolution and provide a basis for the Competition Commission to take actions against abusive price increases which can fall within the ambit of the Competition Act 2007.

In this first edition, we have analysed the prices of four selected essential commodities: edible oils, milk powder, processed cheese and chicken.

Evolution of food prices at global and domestic levels

Before undertaking an analysis of the price evolution of the four selected commodities, we are providing an overview of food price evolution on the international front for comparative purposes. Figure 1 below illustrates the evolution of the global Food Price Index (FPI) of the Food and Agriculture Organisation (FAO) consisting of five commodity group price indices, namely, Meat, Dairy, Vegetable Oils, Cereals and Sugar.

Figure 1: Evolution of international food price indices



Source: FAO Food Price Index, 2022

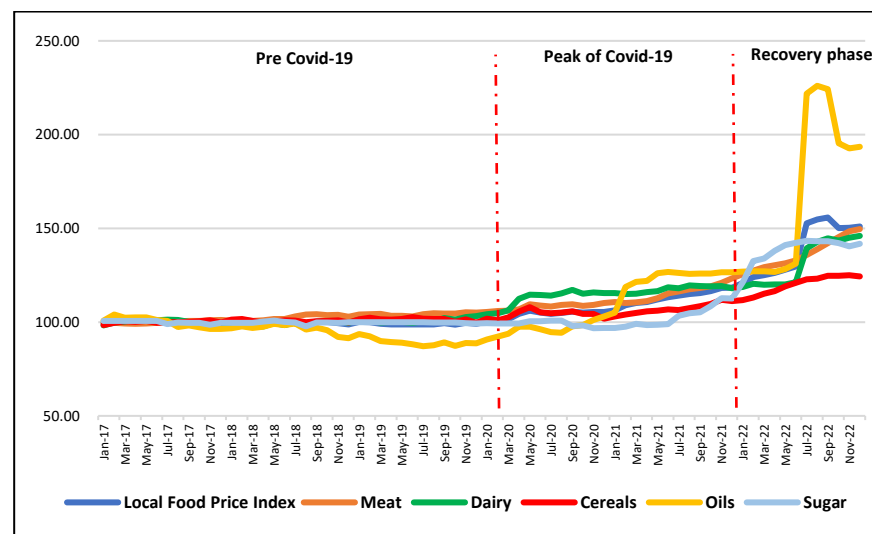
From January 2017 to February 2020, that is, the Pre Covid-19 period, the FAO FPI increased slightly from 97.7 points to 99.4 points. This indicates that, on average, food prices increased by around 1.8% over this period. While price indices for meat, dairy and cereals escalated by 9.3%, 4.4% and 12.3% respectively, decreases of 13.1% and 27.3% were noted in vegetable oils and sugar price indices. It is worth highlighting that food prices in February 2020 were still lower compared to the average prices for the period 2014-2019, which is the FAO FPI base period.

The Covid-19 pandemic led to unprecedented increases in food prices. The FAO FPI increased from 99.4 points in March 2020 to 133.7 points in December 2021, representing a rise of 40.5%. Price hikes were noted across all the five food commodity groups: meat (11.7%), dairy (27.0%), cereals (43.3%), vegetable oils (109.0%) and sugar (57.5%). It can be noted that the price of vegetable oils more than doubled internationally.

In 2022, food prices on the international front continued to shoot up relative to its level in December 2021. The FAO FPI peaked in March 2022 with a value of 159.7 points and subsequently, decreased to reach 132.4 points in December 2022. The decrease in the FAO FPI was mainly driven by significant decline in vegetable oils price by 22.4% relative to its December 2021 levels, and 42.7% to its March 2022 levels when the vegetable oils price index peaked at 251.8 points.

To assess prices at the domestic level, we have compared the same food categories included in the FAO FPI. Figure 2 next demonstrates the evolution of the domestic selected food price indices computed from data on Consumer Price Index (CPI) published by Statistics Mauritius¹.

Figure 2: Domestic evolution of selected Food Price Indices



Source: Computed from CPI data published by Statistics Mauritius

From January 2017 to February 2020, the computed local FPI² increased from 99.5 points to 100.6 points, thereby indicating an increase in selected food prices by 1.1%. The price indices for cereals, meat and dairy products increased by 2.5%, 6.5% and 6.7% respectively. However, a decrease of 8.5% in the price indices of vegetable oils and 1.3% for sugar were recorded for that period.

¹ The CPI data published by Statistic Mauritius consists of 12 divisions, including “Food and Non-Alcoholic beverages” from which food items included in the FAO FPI commodity groups have been selected for comparison purposes.

² Local FPI has been computed as the weighted average of the 5 commodity groups, namely Meat, Dairy, Cereals, Oils and Sugar similar to FAO FPI with 2017 as base year.

Table 1: Percentage change in Computed Local Food Price Indices

Categories	January 2017 - February 2020	March 2020 - December 2021	January 2022 - December 2022
Local Food Price Index	1.1%	16.6%	25.0%
Meat index	6.5%	16.3%	19.2%
Dairy index	6.7%	11.2%	22.9%
Cereals index	2.5%	8.6%	11.4%
Oils index	-8.5%	35.0%	52.4%
Sugar index	-1.3%	13.4%	17.1%

Source: Computed from CPI data published by Statistics Mauritius

As can be observed from Table 1, during the period March 2020 to December 2021 (the Covid-19 pandemic) the local FPI increased by 16.6%. In line with the global evolution of food indices, this surge was felt across the five commodity groups: cereals (8.6%), meat (16.3%), dairy (11.2%), vegetable oils (35.0%) and sugar (13.4%).

From January 2022 to December 2022, the local FPI increased from 120.8 points to 151.1 points, thereby representing an escalation of around 25.0% in food prices. This overall rise was more accentuated within this short period of time than during the Covid-19 pandemic period. A significant increase of 52.4% in the price indices for vegetable oils and 22.9% for dairy products was noted. It is to be highlighted that these increases would have been higher in the absence of Government’s intervention through subsidy and maximum mark-up.

Soaring local prices are reflective of the evolution at international level, stemming from external factors such as the global pandemic in 2020 and the Russo-Ukrainian geopolitical conflict. These occurrences affected both supply and demand

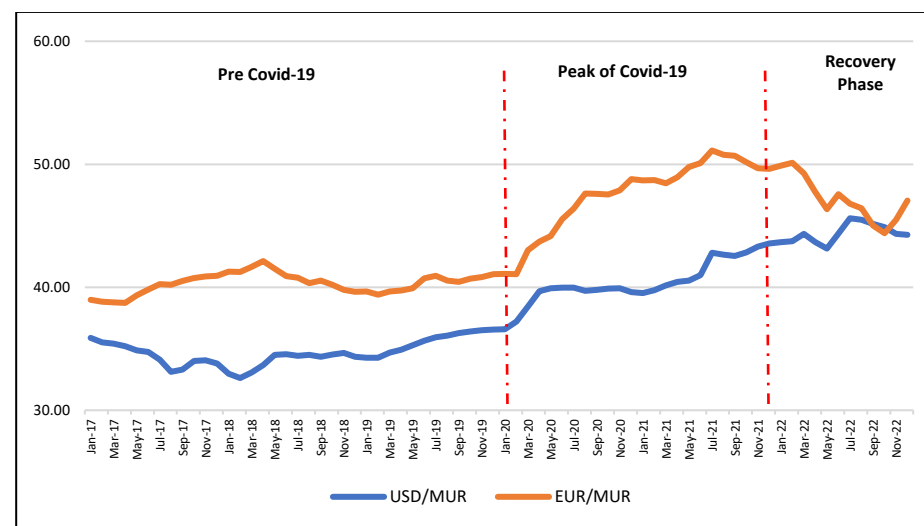
conditions with distortionary effects on supply chains, putting upward pressure on prices.

Factors contributing to high costs of imports

Mauritius depends, to a large extent, on importation of final goods for consumption and inputs for production. Exchange rate and freights are two key elements, other than the cost of the products at source, which determine the cost of importation and ultimately, prices paid by consumers.

Figure 3 depicts the evolution of the Mauritian Rupee (MUR) vis-à-vis the US Dollar (USD) and the Euro (EUR), the two main trading currencies.

Figure 3: Evolution of USD and EUR vis-à-vis MUR



Source: Data gathered from Bank of Mauritius - Monthly Statistical Bulletin

A continuous depreciation of the MUR against the USD, which is the most important and highly traded currency, has been observed. A similar trend is observed with regard to the exchange rate between EUR and MUR.

Table 2: Average Exchange Rates of the Mauritian Rupee

Currencies	January 2017 - February 2020	March 2020 - December 2021	January 2022 - December 2022
USD	34.8	40.7	44.4
EUR	40.4	48.1	47.2

Source: Computed from Bank of Mauritius - Monthly Statistical Bulletin

As it may be observed from Table 2, the MUR continuously lost its value against the USD and the EUR. The MUR depreciated by around 27.6% against the USD from its average value for the period January 2017 - February 2020. Similarly, the MUR lost around 16.8% of its value against the EUR for the period under consideration. Some improvement in the value of the MUR against EUR is noted in the period January - December 2022.

It has also been observed that increases in freight charges have equally given rise to inflationary pressure. High shipping costs affected prices of imported goods, eventually causing a rise in the prices of commodities purchased by Mauritian consumers. During the Covid-19 peak period, freights increased to unprecedented levels, as illustrated in Table 3.

Table 3: Freight cost (USD) to Mauritius - Comparison pre and during Covid-19

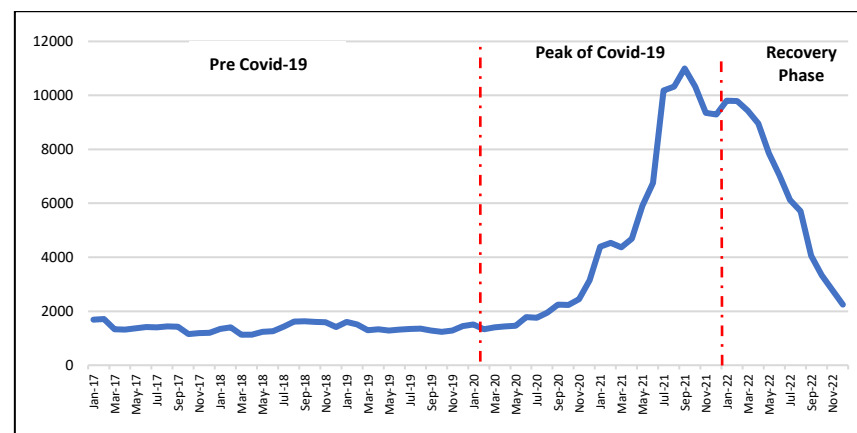
From regions of the world	Pre Covid-19		Peak of the Covid-19	
	20-FEU container	40-FEU container	20-FEU container	40-FEU containers
East Asia (China, Malaysia)	900	1,800	6,650	14,000
Middle East (Dubai, India)	715	1,200	6,100	7,200
Europe (Germany, France)	1,400	2,300	3,660	5,400

Source: Compiled from press on data from Professional Association of Freight Forwarders

According to information reported in the press from the Professional Association of Freight Forwarders (APT), a significant increase in the cost of freights during the Covid-19 pandemic led to higher cost of imports. For example, the route connecting Mauritius and the Middle East region experienced a rise as high as 500.0% for a 40 Foot-Equivalent Unit (FEU) container, from USD 1,200 before Covid-19 to USD 7,200 during the peak of the pandemic.

The Freightos Baltic Index, which is a leading international freight rate index, shows that the increases in freight charges on both local and international fronts are similar.

Figure 4: Evolution of Freightos Baltic Index (USD)



Source: Freightos Baltic Index

A 21.1% decrease in container freight rates was noted before the Covid-19 crisis, from USD 1,686 in January 2017 to USD 1,331 in February 2020. Contrastingly, during the peak of the Covid-19 period, freight rates surged by 563.8%, from USD 1,400 in March 2020 to USD 9,293 in December 2021 on account of supply frictions.

In 2022, freights fell significantly from USD 9,806 in January to USD 2,246 in December, reflecting a recovery in the level of global economic activity. This is

likely to relieve some pressure in the importation costs, and eventually on prices borne by consumers.

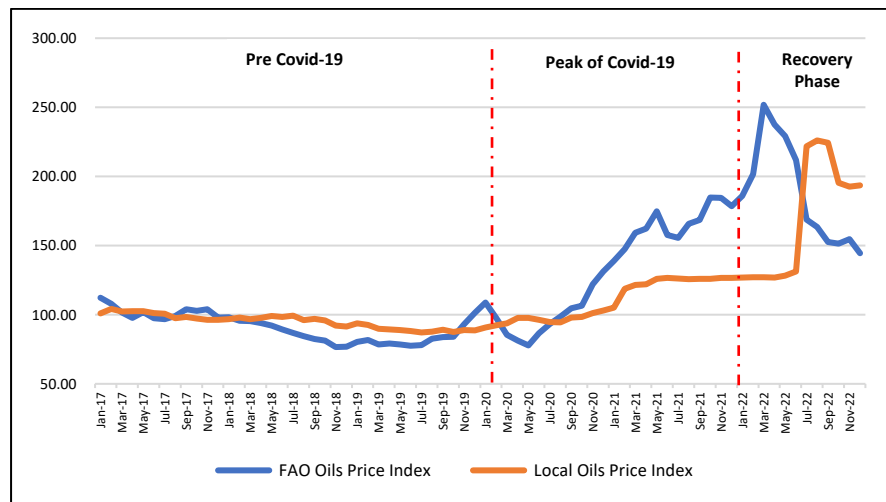
Analysis of prices of selected products

Edible Oils

The prices of the most used vegetable oils in Mauritius, namely, soyabean oil, sunflower oil, and blended vegetable oil experienced substantial increases over the Covid-19 pandemic period. Prices further rose due to the Russo-Ukrainian geopolitical conflict and adverse climatic conditions. Other factors such as high global input prices, trade restrictions, and high freight rates accounted for the upward pressure on edible oil prices in Mauritius.

To assess the magnitude of the price increase in Mauritius, we undertook a comparative analysis of local prices with the FAO international benchmark. Figure 5 shows the evolution of the FAO Oils Price Index and the domestic Oils Price Index.

Figure 5: Local Oils Price Index v/s FAO Oils Price Index

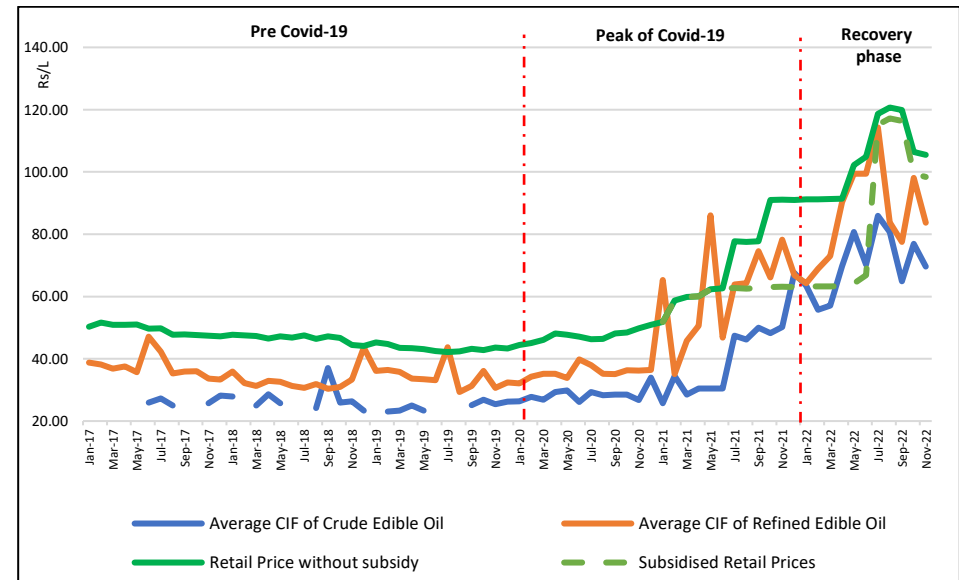


Source: Computed from CPI data of Statistics Mauritius and FAO Food Price Index

From January 2017 to February 2020, the FAO Oils Index decreased by 13.1%. Similar trend was noted in Mauritius with a fall of 8.5% in domestic Oils Price Index. During the peak of Covid-19, a significant rise of 109.0% in FAO Oils Price Index was noted. The local Oils Price Index also increased but by a lesser extent of 35.0%, due to subsidies provided by the Government. In the absence of state intervention, the increase in oil prices would have been around 100.0%.

The increase of around 52.4% in the local Oils Price Index in 2022 is of potential concern particularly as the FAO Oils Price Index fell by 22.4%. To understand the price increase on the domestic front, we have analysed the costs of importation in terms of the average cost, insurance and freight (CIF) of both crude and refined edible oils.

Figure 6: Evolution of edible oil prices



Source: Computed from Statistics Mauritius

Before the Covid-19 pandemic, local prices of edible oils were on a declining trend. These products were being sold at an average price of Rs 50.3 per litre in January 2017 compared to Rs 45.0 per litre in February 2020, that is, a decrease of 10.5%. This fall can be explained by the decline in costs and the prevailing competition dynamics in the market. In fact, the importation costs for crude and refined edible oils fell by 2.6% and 11.8% respectively during that period.

During the peak of the Covid-19, the average retail price of edible oils stood at Rs 63.0 per litre in December 2021 compared to Rs 46.1 per litre in March 2020, representing an increase of 36.7%. It should be noted that the average retail price of edible oils came at Rs 63.0 per litre following subsidy from the Government. Without the subsidy, edible oils would have been sold at around Rs 91.0 per litre in December 2021, representing an increase of 97.5% from March 2020. This can partly be attributed to an increase in CIF values by 151.3% and 89.6% for crude and refined edible oils, respectively. The significant increases in CIF can be explained by multiple external factors. A major proportion of crude edible oils is imported into Mauritius from Argentina which has been subject to prolonged periods of extreme droughts, driving up prices of sunflower and soyabean oils. Similarly, palm oil production in both Indonesia and Malaysia (our main importing countries) were impacted by adverse weather conditions. Restrictive trade policies in these key exporting countries also contributed to escalation in edible oil prices.

The subsidised retail price further increased to Rs 66.8 per litre in June 2022 which, in the absence of the subsidy, would have reached Rs 104.8 per litre. The increase can be explained by higher CIF values for both crude edible oils (10.6%) and refined edible oils (54.8%). As such, Government's subsidy played a key role in keeping edible oil prices relatively stable.

As from July 2022, Government moved from subsidy on designated brands of edible oils supplied by private operators to budgetary provision for the State Trading Corporation to supply subsidised edible oils on the market. Price control in the form of the maximum mark-up of 22% + 2% special allowance was also introduced. The average price of edible oil increased from Rs 66.8 in June 2022 to Rs 117.2 in August 2022. This can partly be explained by the removal of subsidies to wholesale importers and refiners of edible oils. As from August 2022, the

average prices of edible oils started to decline and reached Rs 98.4 in November 2022. This fall in prices can be attributed to decreases in the CIF of crude and refined edible oils registered as from June 2022.

It can also be noted that the difference between the CIF of crude edible oils and the retail price without subsidy has increased in 2022. Before the Covid-19 pandemic (January 2017-February 2020), this difference amounted to an average of Rs 20.1 per litre, whereas during the recovery phase (as from January 2022), it amounted to Rs 31.3 per litre, that is a 55.6% increase.

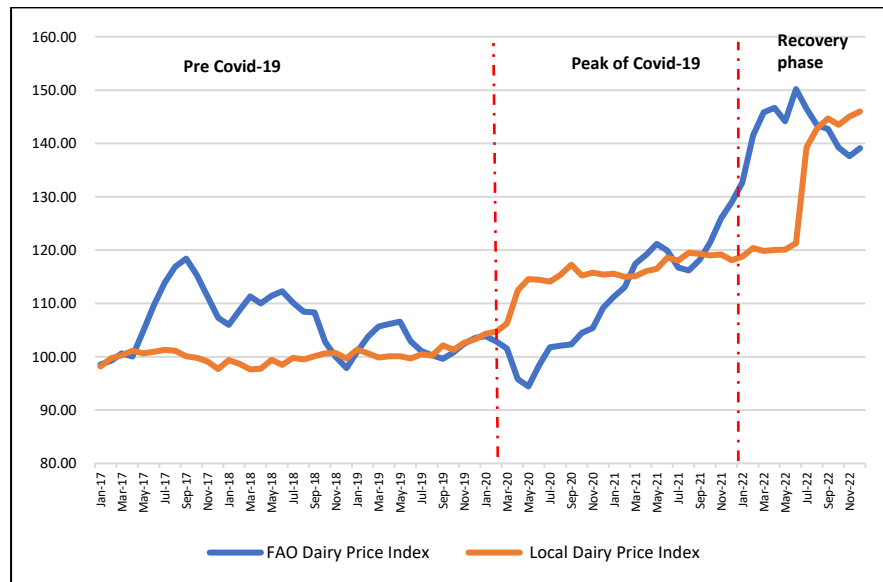
Local prices of edible oils are on a declining path. However, the magnitude of the decrease is inferior compared to the sharp decline in the FAO Oils Price Index from 251.8 points in March 2022 to 114.4 points in December 2022 or by 42%. While the price of edible oil is regulated in terms of maximum mark-up, sound competition is expected to drive prices to competitive levels.

Milk Powder

Milk powder is an essential product that is subject to price control, in the form of a maximum mark-up (24% + 2% special allowance). During the pandemic, prices of milk powder increased considerably. In the absence of price regulation, the price increases of milk powder would have been higher.

The increase in local prices of milk powder and other dairy products during the Covid-19 pandemic is not different from the situation on the international front. Figure 7 depicts movements in the local and FAO Dairy Price Index.

Figure 7: Local Dairy Price Index v/s FAO Dairy Price Index

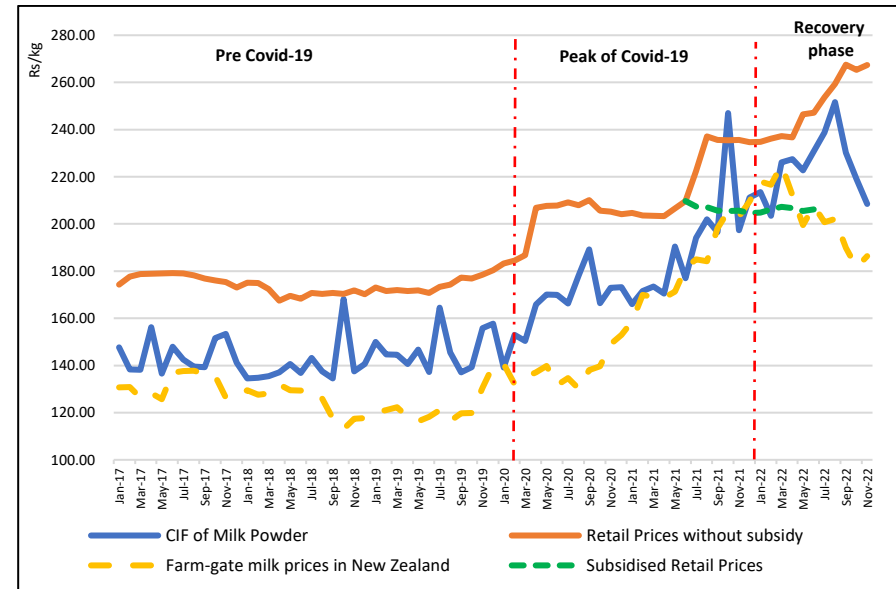


Source: Computed from CPI data of Statistics Mauritius and FAO Food Price Index

The increase in the prices of dairy products stemmed from higher costs at source. In this regard, we carried out an analysis of the price of milk powder in relation to

the CIF and movements in fresh milk price in New Zealand, which is our main source of importation.

Figure 8: Evolution of milk powder prices and costs



Source: Computed from Statistics Mauritius, and CLAL

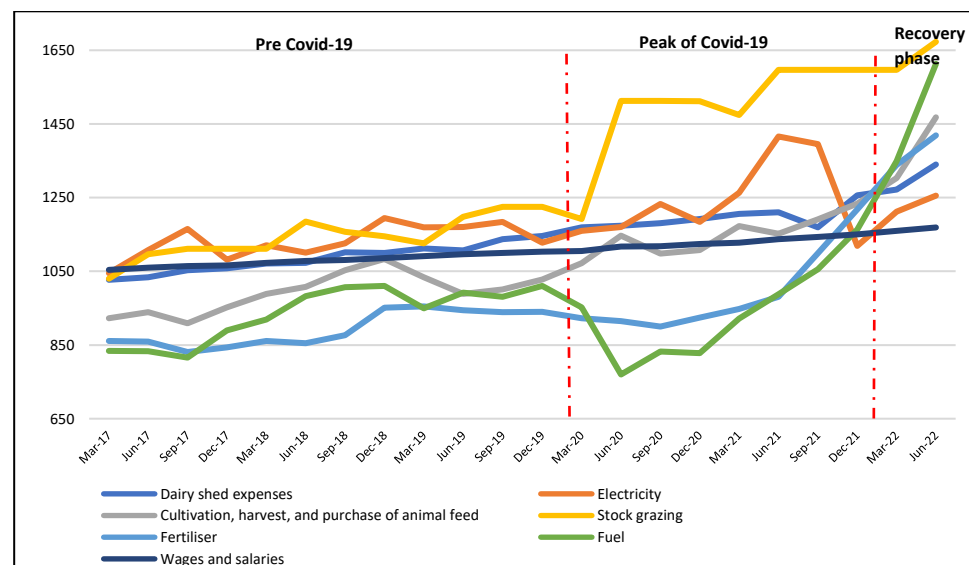
During the period January 2017 to February 2020, retail prices of milk powder in Mauritius increased by 5.8%. This was consistent with the global trend in milk prices which is reflected by the increase of 4.4% in the FAO Dairy Price Index over the same period, from 98.6 points to 102.9 points. Likewise, the price of fresh milk in New Zealand, our main source of importation, rose by 9.1% during that period. Fresh milk is the key input in the production of powdered milk and hence used as a benchmark to assess the cost of importation. Prices of milk powder in Mauritius have thus been impacted by higher importation costs (as shown by the CIF value). The combined effects of the higher costs in the source country and depreciation of the MUR explain the higher prices of milk powder.

The retail price of milk powder in December 2021 amounted to Rs 204.6 per kg (subsidised price) compared to Rs 186.7 per kg (non-subsidised price) in March 2020, representing an increase of 9.6% for the period. Without subsidy, milk powder would have been sold at Rs 234.6 per kg, that is, a rise of 25.6% from March 2020 level. This is in line with the global evolution of dairy products' prices demonstrated in the 27.0% rise in FAO Dairy Price Index. Similarly, the prices of fresh milk in New Zealand registered an increase of 22.7% from March 2020 to December 2021, which partly explains the rise of 40.4% in CIF values for imported powdered milk. Higher input costs (shown in Figure 9) incurred by farmers in New Zealand accounted for the hike in prices of dairy products. Furthermore, the MUR depreciated by 13.4% against the USD over that period. As such, the 9.6% rise in local prices of milk powder stemmed from the elevated importation costs due to higher prices in the source country.

From January 2022 to June 2022, the subsidised prices of milk powder increased by 0.7%. Without subsidy, this increase would have amounted to 5.3%. The higher domestic prices resulted from the increase in CIF by 8.2%, despite the fall in fresh milk prices in New Zealand by 1.1%. Without subsidy, the surge in domestic prices of milk powder would have corresponded to the FAO Dairy Price Index. The latter amounted to 150.2 points in June 2022 compared to 132.6 points in January 2022, representing an increase of 13.3%.

Nevertheless, it can also be observed that after reaching its peak in June 2022, the FAO Dairy Price Index has declined by 8.4%, reaching 137.6 points in November 2022. Similarly, the price of fresh milk in New Zealand fell by 5.3% from June 2022 to November 2022. In contrast, the local Dairy Price Index increased from 121.3 points in June 2022 to 145.0 points in November 2022. This 19.6% rise can be explained by the removal of subsidies which has led to a 29.7% increase in the domestic prices of milk powder over the period June 2022 to November 2022.

Figure 9: Dairy farm expenses price index in New Zealand



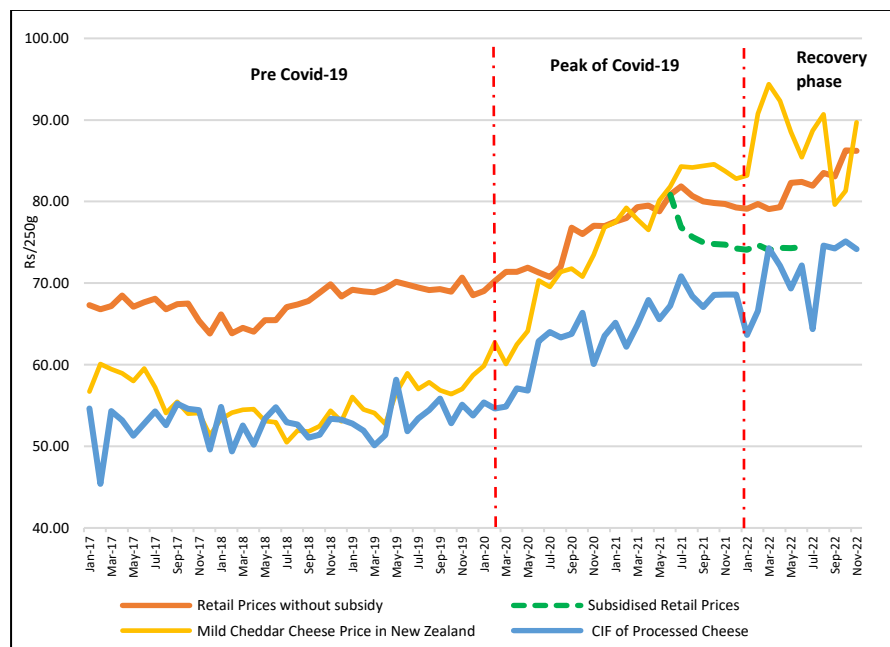
Source: Statistics New Zealand

The rise in prices of milk powder is therefore related to multiple factors, some of which are beyond the control of Mauritian authorities, such as the cost of milk in main import markets and higher costs of importation.

Processed Cheese

Processed cheese, a milk derivative, is part of the list of essential food items that is subject to maximum mark-up regulations (20% + 1% special allowance). Figure 10 illustrates the evolution of average domestic prices and CIF values for processed cheese for the period January 2017 to November 2022. It also provides the evolution of average price of mild cheddar cheese in New Zealand which is used as a cost benchmark.

Figure 10: Evolution of processed cheese prices



Source: Computed from Statistics Mauritius and Statistics New Zealand

Retail prices of processed cheese in Mauritius increased by 4.4% from January 2017 to February 2020, which tallied with the rise in the FAO Dairy Price Index.

In comparison, the average price of mild cheddar cheese in New Zealand rose by 19.4%.

Subsidised prices of processed cheese in December 2021 amounted to Rs 74.3 per 250g compared to Rs 71.4 per 250g in March 2020. Without subsidies, retail prices would have risen by 11.0%; while the FAO Dairy Price Index went up by 27.0%. Over the same period, the average price of mild cheddar cheese in New Zealand rose by 9.0%. In Mauritius, importation costs (CIF) rose by 25.0%, implying that, had the Government not intervened, the increase in retail prices of processed cheese might have been higher. Instead, a 4.0% increase in domestic prices was noted during that period. As such, the inflationary trend in retail prices of cheese during the Covid-19 pandemic was not specific to Mauritius.

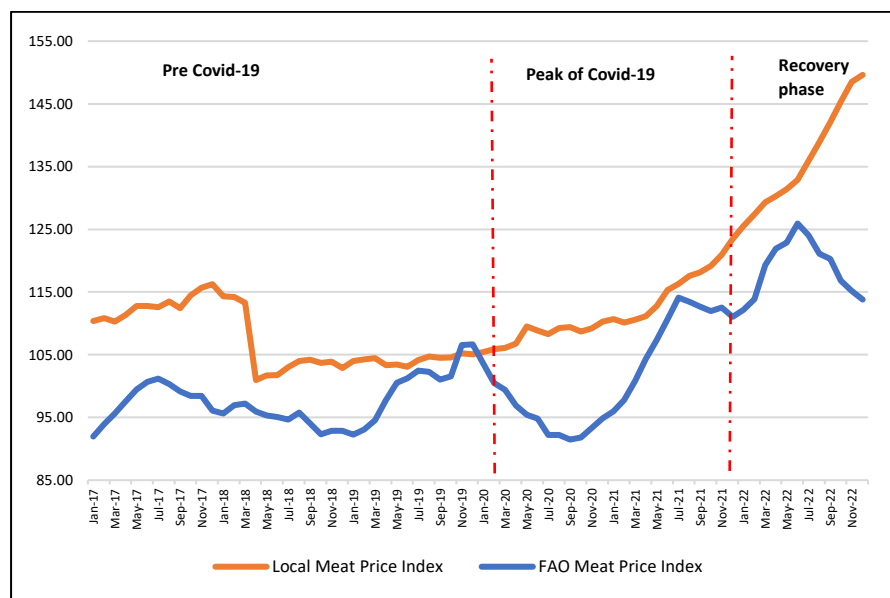
A slight increase of 0.4% in the retail subsidised prices of processed cheese was registered between January 2022 and June 2022. Without subsidies, prices would have gone up by 4.2%, which would have been aligned with the FAO Dairy Price Index. During that span of time, importation costs rose by 13.3%. The burden of this rise in CIF did not fall entirely on consumers owing to Government subsidies. Factors such as global shortages in dairy products causing higher prices of inputs (including fresh milk) have adversely impacted on worldwide prices of processed cheese. For instance, the mild cheddar cheese price in New Zealand increased by 6.6% between January 2022 and June 2022. From June 2022 to November 2022, retail prices of cheese increased by 15.9%, in-line with the increase of the FAO Dairy Price Index. Likewise, the price of mild cheddar cheese in New Zealand registered a 10.9% increase over the same period. Besides the elevated costs at source, factors such as the depreciating MUR and exorbitant freights should also be factored in. As such, the combined effect of these factors may explain the rise in retail prices of processed cheese.

In conclusion, there are objective justifications in relation to increase in prices of cheddar cheese in Mauritius during the peak of the Covid-19 pandemic. These factors principally are in relation to rising costs at source which have been compounded by higher freights and depreciating MUR. Government has relieved pressure on consumers by providing subsidies and regulating the mark-up.

Chicken

Chicken is the most consumed meat in Mauritius with a per capita consumption of around 39 kg in 2020. Given its significance, it has a weight of around 50% in the local Meat Price Index (MPI). Figure 11 illustrates the evolution of the local and the FAO Meat Price Index. It provides an indication of changes in domestic meat price relative to global trend.

Figure 11: Local Meat Price Index v/s FAO Meat Price Index

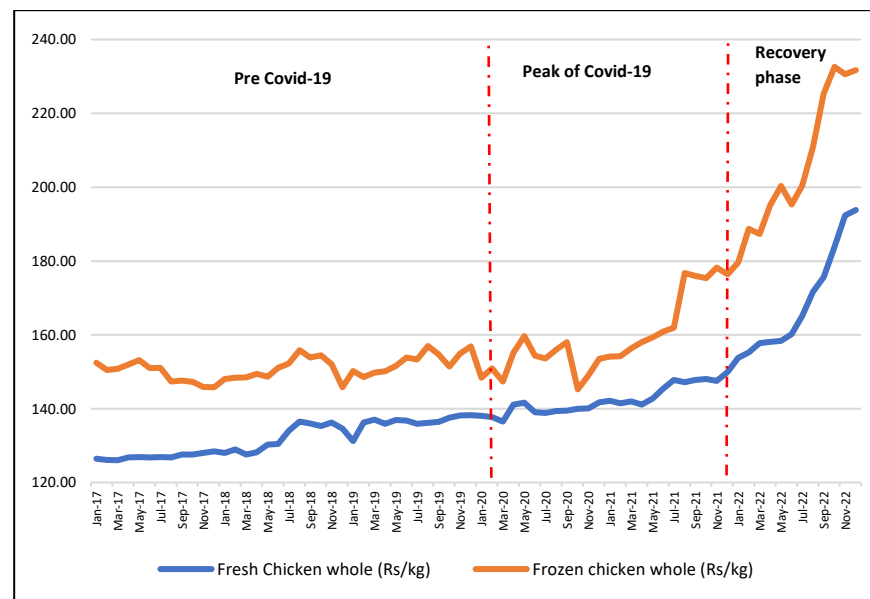


Source: Computed from CPI data of Statistics Mauritius and FAO Food Price Index

From Figure 11, a steep rise in the domestic Meat Price Index can be observed for the period January 2017 to December 2022, representing an increase of around 50%. Over this period, the FAO Meat Price Index also increased but by lesser extent from 92.0 points to 113.8 points or by 23.8%. Meat prices in Mauritius have, therefore, witnessed significant price hikes compared to the situation internationally.

Figure 12 depicts movements in prices of fresh and frozen whole chicken between January 2017 and December 2022. In the pre-Covid period January 2017 to February 2020, retail prices of fresh chicken rose by 8.9% while that of frozen chicken fell by 1.0%.

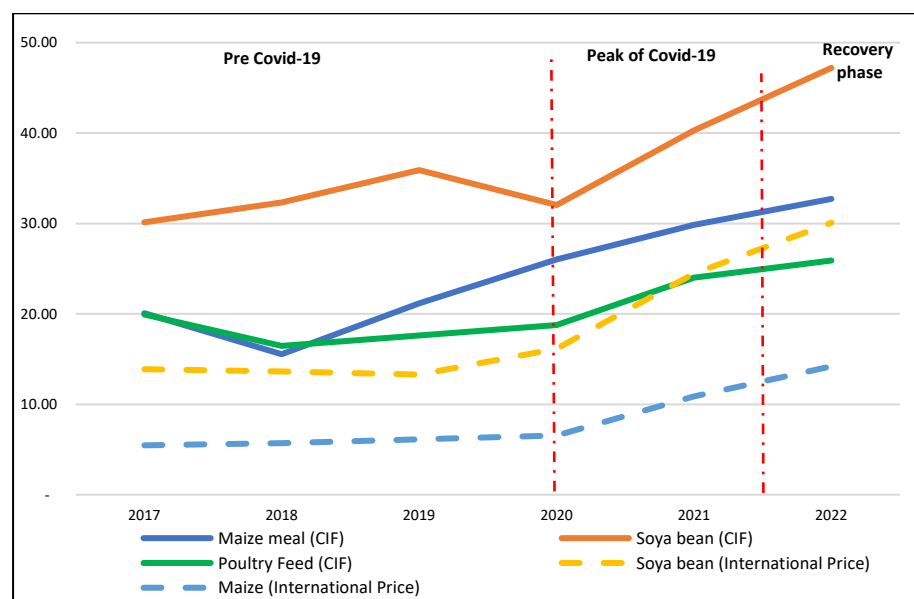
Figure 12: Prices of fresh and frozen chicken in Mauritius



Source: Statistics Mauritius

The rise in prices of fresh chicken was in-line with the global trend as illustrated by the FAO Meat Price Index. One of the major factors explaining for this upsurge in fresh chicken prices is the cost of feed (maize meal, soya bean and poultry feed), which accounts for a significant amount of the production costs. Feed costs followed an upward trend during the period under consideration, as shown in Figure 13.

Figure 13: Feed Costs



Source: Compiled from Statistics Mauritius and World Bank Commodity Price

From January 2017 to December 2022, soya bean prices have increased by 116% and maize prices have gone up by 160%. Around 80% of the world’s demand for soya bean and over 50% for global maize are used for animal feed.

The price of soya bean has been impacted by adverse climatic conditions in South American countries, including Argentina and Brazil. Argentina's soya bean output is concentrated in regions which have experienced severe drought in 2021. In 2022, intense rains flooded farms and impeded harvests in these countries, thereby driving up prices of soya bean and its derivatives.

The international increases in the prices of maize, soya bean and their derivatives have impacted on importation costs. In fact, the CIF incurred by Mauritian importers for these key inputs have displayed similar patterns to the global evolution in input prices during and after the Covid-19 pandemic.

Increase in feed costs and local inflation have affected prices of chicken. From March 2020 to December 2021, the retail price of fresh chicken in Mauritius increased by 9.8% and that of frozen chicken by 19.7%. The rise could be related to cost factors, including a surge in maize meal by 14.7%, soya bean by 25.7% and poultry feed by 27.9%.

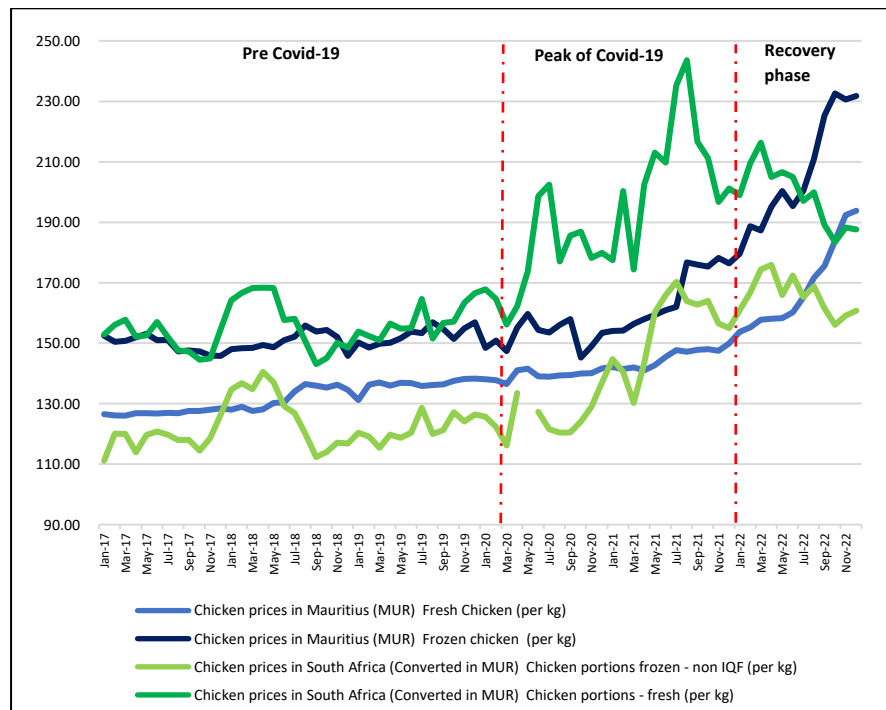
From January 2022 to December 2022, the retail prices of fresh chicken rose by 26.1% whilst those of frozen chicken rose by 29.1%. While the importation costs of key inputs also increased (maize meal +9.6%, soya bean +17.2%, and poultry feed +7.9%), the quantum did not reflect the significant increase in fresh and frozen chicken prices. It is to be highlighted that the FAO Meat Price Index registered a much lower increase of 1.5%, from 112.2 points in January 2022 to 113.8 points in December 2022. Moreover, the FAO Meat Price Index has been on the declining path since June 2022 while meat prices in Mauritius have been continuously rising throughout the period under consideration.

It can also be noted that the average price differential between fresh chicken and frozen chicken has increased significantly. Prior the Covid-19 pandemic (January 2017-February 2020), the price differential amounted to an average of Rs 18.7 per kg, while in 2022, it reached Rs 37.7 per kg, a substantial increase of 101.2%.

The domestic cost component in Mauritius, in terms of increased wage cost, can be useful in understanding the rising chicken prices. For instance, a 10.0% increase in the Wage Rate Index for the “Agriculture, forestry and fishing” sector was recorded during the first three quarters of 2022. External factors such as higher feed costs have also impacted on production costs in Mauritius, a country which is much reliant on such imports.

While increases in the prices of frozen and fresh chicken seem to have some cost justifications, further analysis had to be carried out to understand whether the price levels are within the norm. In this regard, we have compared prices of fresh and frozen chicken in Mauritius with those in South Africa (as a benchmark). Both countries are in the upper middle-income group category with a GDP per capita of USD 8,812 for Mauritius and USD 6,994 for South Africa for the year 2021.

Figure 14: Chicken prices in Mauritius and in South Africa



Source: Statistics Mauritius and Statistics South Africa

As can be observed from Figure 14, for the period January 2017 – February 2020 (pre-pandemic), prices of fresh chicken in Mauritius increased from Rs 127 per kg to Rs 138 per kg, representing a rise of about 8.9%. During the same period, prices of fresh chicken increased by about 7.7% in South Africa to reach Rs 116 per kg in February 2020. Regarding prices of frozen chicken, a fall of 1.0% was noted in Mauritius, from Rs 153 per kg in January 2017 to Rs 151 per kg in February 2020. Over the same period, prices of frozen chicken in South Africa increased by 10.1%. It can be observed that fresh chicken was cheaper than frozen chicken in Mauritius, whereas the opposite holds for South Africa.

For the period March 2020 – December 2021, prices of fresh chicken and frozen chicken increased by 9.8% and 19.7% respectively in Mauritius. During the same period, fresh and frozen chicken were more expensive in South Africa by 28.8% and 33.4% respectively.

From January 2022 up to December 2022, prices of fresh and frozen chicken in Mauritius rose by 26.1% and 29.1%, respectively. During the same timeframe, prices of fresh chicken and frozen chicken fell by 5.7% and 0.1%, respectively, in South Africa.

In a nutshell, increases in prices of chicken in Mauritius before January 2022 somehow reflect chicken price movements internationally on account of higher feed costs. As from January 2022, chicken prices have been on a declining path internationally. However, in Mauritius, chicken prices are still increasing. This requires further analysis to understand the competition dynamics underlying the local chicken market and causes of the price increases.

Conclusion

The domestic prices of the four essential commodities, namely edible oils, milk powder, processed cheese, and chicken, have witnessed significant price increases over the last 2 years. The upwards commodity price movements, especially during the peak of the Covid-19 pandemic period, have been observed globally for the products under consideration. Several exogenous factors such as supply-side distortions, adverse climatic conditions and higher freight charges accounted for the price surge. Depreciation of the MUR also contributed to price increases. In 2021, the Government intervened through a series of measures, such as the imposition of maximum prices, subsidies and control of mark ups, to contain the impact of these external factors on the retail prices of essential commodities.

In 2022, economic activities regained momentum and prices internationally for certain commodities fell substantially. Whilst local prices of processed cheese and milk powder were aligned with global trends, prices of edible oils and frozen chicken did not follow the same evolution as internationally. In June 2022, the budgetary provision for the supply of subsidised edible oils kept prices of edible oils stable to a certain extent, thereby protecting consumers from the harsher impacts of inflationary pressures. However, the analysis demonstrates that the steep rise in local retail prices of edible oil does not fully correspond to the declining input costs.

As far as chicken is concerned, increasing retail prices can be justified by increasing input costs only to a certain extent. Prices of feed such as maize meal and soya bean rose but by lesser extent than the increase in chicken prices. In comparison to South Africa where chicken prices are on declining trends, in Mauritius prices have remained elevated. Further analysis into the causes of the increased domestic prices of chicken in Mauritius is warranted.

The Competition Commission will continue the monitoring of food prices. It will broaden the scope of this exercise into other essential commodities such as construction materials.