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Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

THE NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NO. 1763

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Mr Inkosi R N Cebekhulu (IFP) to ask the Minister of Trade, Industry and Competition:

Whether, with the price of cooking oil having risen by 70%, he intends to introduce a price ceiling or to take any action to protect South Africans from the increasing cost; if not, why not; if so, what are the relevant details? [NW1974E]

REPLY

Price controls on cooking oil is not part of the country's legal framework. However, we are concerned at spikes in food prices, including what was witnessed recently. For this reason, the Competition Commission has been monitoring prices to determine whether these increases are a result of the existence of monopolies or dominant firms abusing market power or through cartels colluding to raise prices.

The Competition Commission has recently noted global reports relating to oil producing crop shortages internationally, including sunflower, palm, soya and canola. It has provided me with a briefing on its observations, which I reflect in this reply.

In the Competition Commission's preliminary view, the increases currently seen in the prices for cooking oil in the local market could be influenced by the global developments. Domestic wholesale prices for vegetable oil and retail prices for cooking oil (sunflower and canola), as seen from StatsSA data, shows a recent increasing trend in these prices.

Various commodity outlook reports have cited reasons for the recent surge in global oil prices including slow production and supply shortages in the large oil crop production regions including Malaysia and Indonesia (driven by poor weather and pandemic-led worker shortages), as well as stronger-than-expected consumption patterns from the main consumer nations of oil seed products such as China and India, further adding to global supply strains. In terms of soy oil, prices have risen off the back of global soybean shortages and shipment delays mainly due to the drought being experienced in the primary soybean crop areas like Argentina and Brazil. Furthermore, reports note that some countries have also lowered import tariffs or raised export tariffs on domestically produced vegetable oils in order to lessen the higher costs for vegetable oils.

Within the context of oil crop prices rising in global markets for the reasons outlined above, these price increases are feeding into domestic markets which appears to be flowing through into higher retail prices for cooking oil as South Africa imports a substantial portion of its oil seed requirements. In this regard, the Competition Commission will continue to monitor developments and may institute enforcement action should the information point to abuse of market power in the pricing.

In addition to the above, I have also asked the Consumer Commission to consider the rising prices and provide me with a report on its causes and any remedial action that may be required.

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