



NAMMC

Promoting market access for South African agriculture

Farm to Retail Price Spread



QUARTER 4:
November 2021–January 2022

Issue: February 2022

FARM-TO-RETAIL-PRICE-SPREAD

February 2022

EXECUTIVE SUMMARY

The farm value share is the value of the farm product's equivalent to the final food product purchased by the consumers. The Farm-to-Retail-Price-Spread (FTRPS) is the difference between what the consumer pays for the food product at retail level and the value of the farm product used in that product. Price spreads measure the aggregate contributions of food manufacturing, distribution, wholesale, and retail firms that transform farm commodities into final products:

- **Poultry:** During the fourth quarter of 2021/22 (November 2021 – January 2022), the real farm value share of fresh whole chicken increased by 0.90%. During the same period, the real FTRPS of fresh whole chicken decreased on average by 2.64%. The real farm value share of fresh whole chicken reached 51.25% in January 2022.
- **Beef:** The real farm value share of beef increased by 3.06% during the fourth quarter of 2021/22 (November 2021 – January 2022) and reached 53.09% in January 2022. The real FTRPS of class A2/A3 beef decreased by 5.28%. From January 2021 to January 2022, year-on-year, the real farm value share increased by 7.13%, while the real FTRPS decreased by 10.09%.
- **Lamb:** The real farm value share of class A2/A3 lamb decreased by 2.87% and the real FTRPS increased by 4.80%, respectively during the fourth quarter of 2021/22 (November 2021 – January 2022). The real FTRPS and real farm value share reached R99.66/kg and 45.93% in January 2022, respectively.
- **Pork:** The real farm value share of pork increased by 3.48% from 31.55% in November 2021 to 32.65% in January 2022. The real FTRPS decreased by 11.13%, on average from R63.86/kg during the same period to reach R56.76/kg in January 2022. From January 2021 to January 2022, year-on-year, the real FTRPS increased by 3.04%, while the real farm value share decreased by 17.36%.
- **Milk:** The real farm value share increased by 3.41% during the fourth quarter of 2021/22 (November 2021 – January 2022). While the real FTRPS for full cream milk decreased on average from R9.02/ℓ to R8.84/ℓ representing a 3.91% decrease during the same period. From January 2021 to January 2022, year-on-year, the real farm value share increased by 3.07%, while the real FTRPS decreased by 13.11%.
- **Maize:** The real FTRPS of super maize meal (converted to a price per ton) decreased from R4 554.08/ton in November 2021 to R4 230.31/ton in January 2022, representing a 7.11% decrease. While the real farm value share of super maize meal (5kg) increased by 1.37% from 50.25% in November 2021 to 50.94% in January 2022. From January 2021 to January 2022, year-on-year, the real FTRPS and real farm value share decreased by 7.99% and 1.65%, respectively.
- **Wheat:** In January 2022, the real FTRPS for white bread (converted to a price per ton) reached R25 635.36/ton of flour, with brown bread reaching R24 888.85/ton of flour. The real farm value share for white and brown bread reached 22.23% and 21.64%, respectively. From January 2021 to January 2022, real FTRPS for white and brown bread decreased by 11.29% and 10.94%, respectively.

Introduction

The Farm-to-Retail-Price-Spread (FTRPS) is the difference between the farm price and the retail price of food, reflecting charges for processing, shipping, and retailing farm goods (also called the marketing spread). This publication attempts to provide insights into the factors driving commodity and food price margins. The purpose of this publication is to reflect on food price spreads during the fourth quarter of 2021/22 (November 2021 – January 2022). The NAMC compares prices paid by consumers for food with prices received by farmers for corresponding commodities, analyses data sets and reports the comparisons for a variety of foods sold through retail food stores such as supermarkets and hypermarkets. The margin between farm gate prices and the price the consumer pays for selected food items is a topic that is frequently debated. To better understand the difference between farm gate and retail prices, farm values of selected products and the FTRPS are calculated. For more detail on the methodology please read [here](#).

Price Trends, Farm Values and Price Spreads

- Poultry:** During the fourth quarter of 2021/22 (November 2021 – January 2022), the real farm value share of fresh whole chicken increased by 0.90%. During the same period, the real FTRPS of fresh whole chicken decreased on average by 2.64%. The real farm value share of fresh whole chicken reached 51.25% in January 2022. The South African poultry industry struggled to stay afloat due to high international grain price's influence on local market. International prices are high because of persistent drought conditions in the southern hemisphere, namely Argentina and Brazil. From January 2021 to January 2022, year-on-year, the real farm value share decreased by 0.56%, while the real FTRPS increased by 12.62%, respectively. See **Figure 1** below.

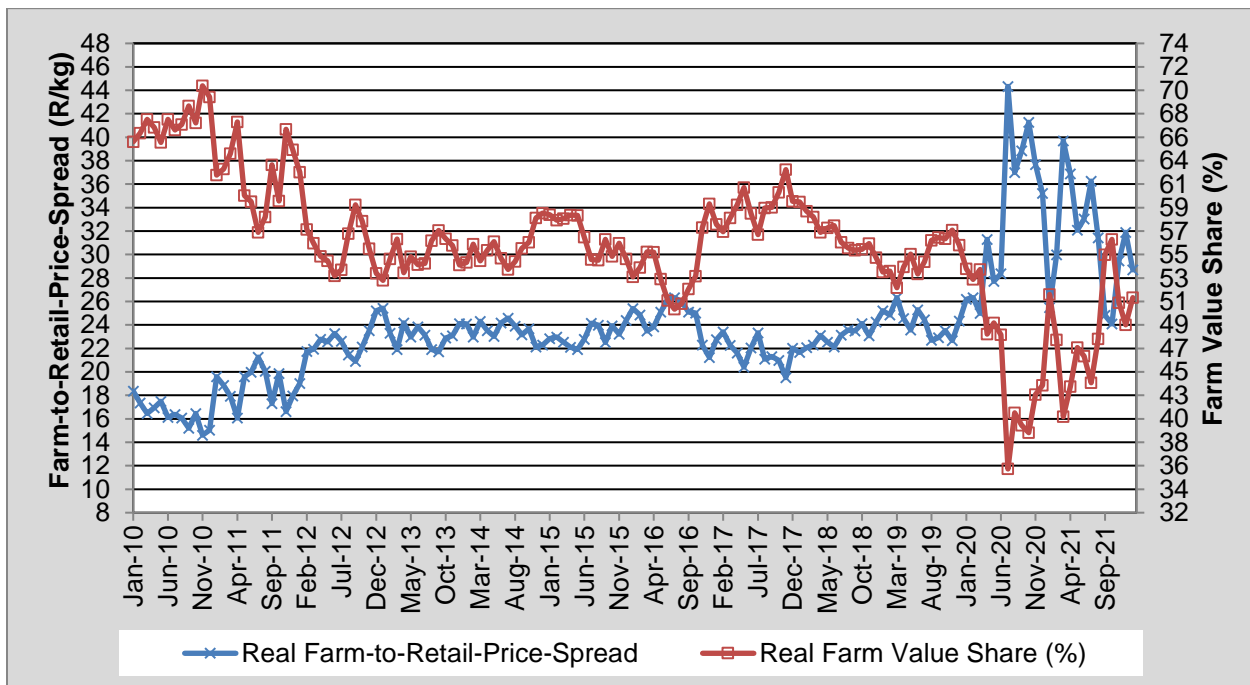


Figure 1: Real farm-to-retail-price-spread and farm value share of poultry

Source: Stats SA, 2022; AMT, 2022 and own calculations

- **Beef:** Due to the inclusion of additional products in the new CPI basket (beef stew and offal) from January 2017, annual comparisons are possible for beef retail prices. The FTRPS of beef will therefore include additional cuts, i.e., sirloin, stew and fillet, in the calculation of the spread from January 2017 onwards, but will exclude beef offal in the calculation of the spread.

The real farm value share of beef increased by 3.06% during the fourth quarter of 2021/22 (November 2021 – January 2022) and reached 53.09% in January 2022. The real FTRPS of class A2/A3 beef decreased by 5.28%. The gap between FTRPS and farm value share might be due to the shifts in retail demand, the shifts in farm commodity supply and the changes in the supply of production input. From January 2021 to January 2022, year-on-year, the real farm value share increased by 7.13%, while the real FTRPS decreased by 10.09%. See **Figure 2** below.

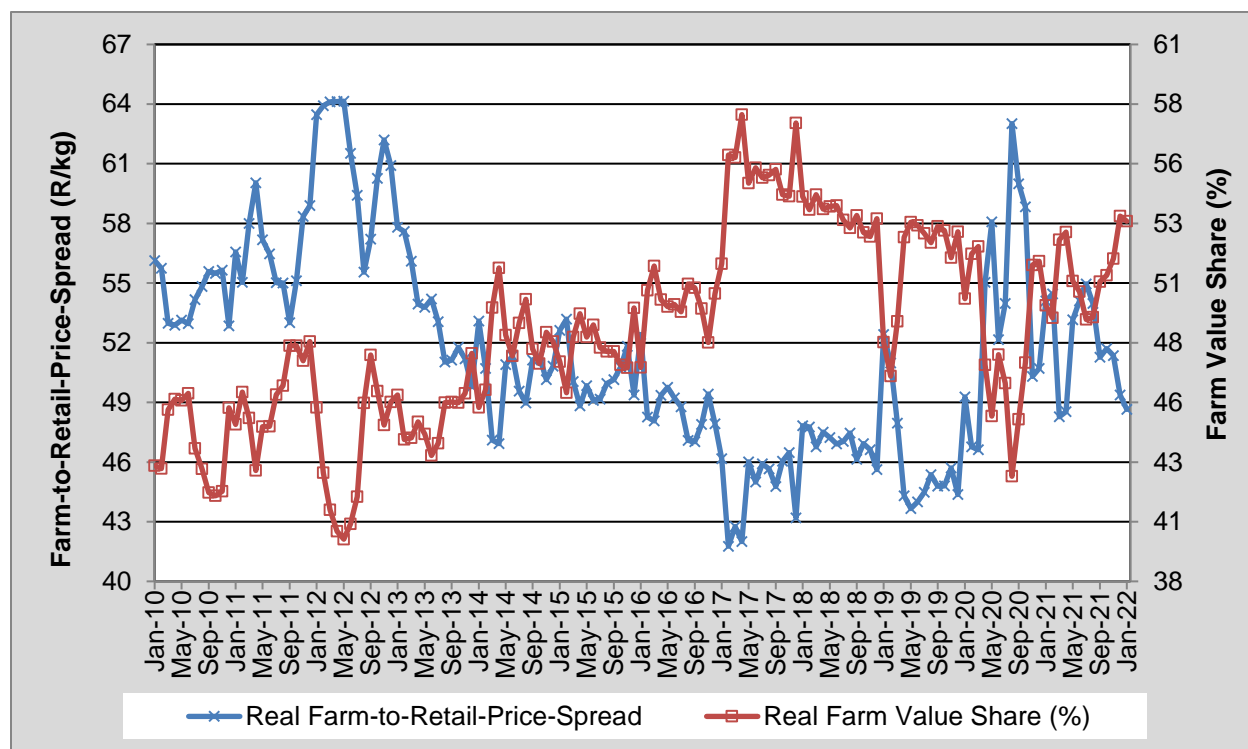


Figure 2: Real farm-to-retail-price-spread and farm value share for beef

Source: Stats SA, 2022; AMT, 2022 and own calculations

- Lamb:** Due to the inclusion of additional products in the new CPI basket (lamb stew and offal) from January 2017, annual comparisons are possible for lamb retail prices. The new FTRPS of lamb will therefore include leg, loin chops (saddle chops), neck, rib chops and stew, but will exclude lamb offal in the calculation of the spread.

The real farm value share of class A2/A3 lamb decreased by 2.87% and the real FTRPS increased by 4.80%, respectively during the fourth quarter of 2021/22 (November 2021 – January 2022). The real FTRPS and real farm value share reached R99.66/kg and 45.93% in January 2022, respectively. See **Figure 3** below.

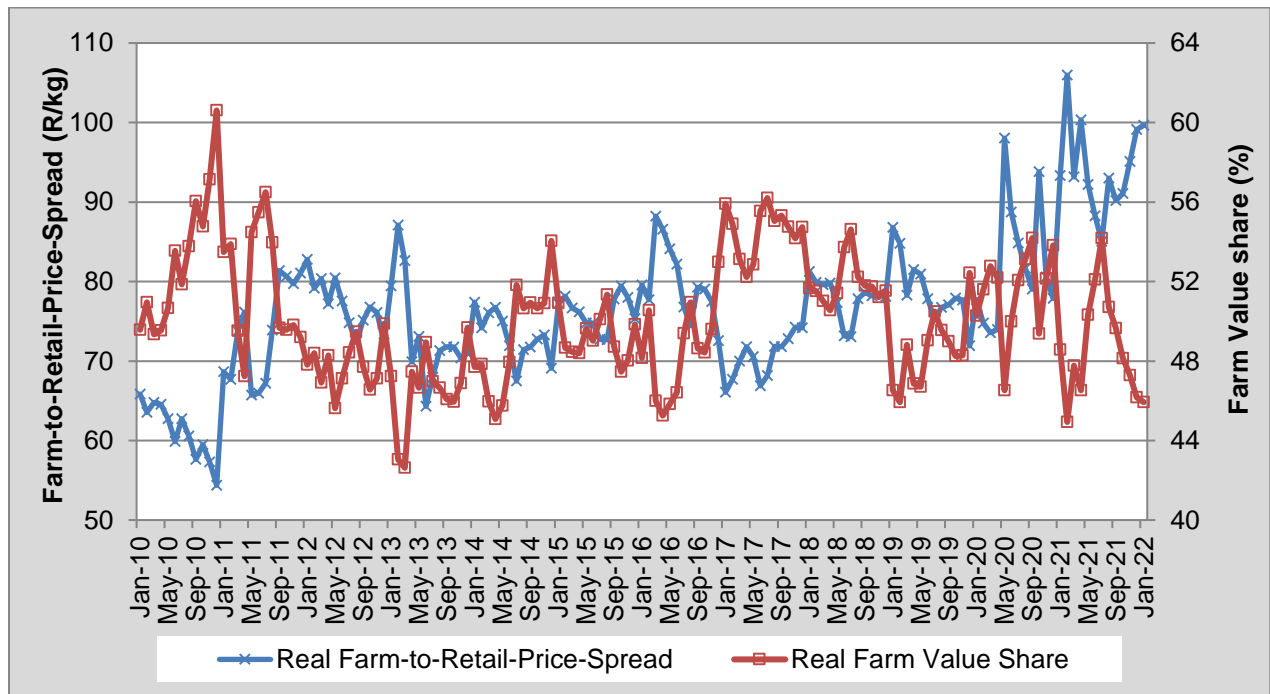


Figure 3: Real farm-to-retail-price-spread and farm value share of lamb

Source: Stats SA, 2022; AMT, 2022 and own calculations

- Pork:** Due to the inclusion of additional of products in the new CPI basket (pork ribs) from January 2013, annual comparisons can now be made for pork retail prices. The new FTRPS of pork will therefore include the pork ribs effective January 2013.

The real farm value share of pork increased by 3.48% from 31.55% in November 2021 to 32.65% in January 2022. The real FTRPS decreased by 11.13%, on average from R63.86/kg during the same period to reach R56.76/kg in January 2022. From January 2021 to January 2022, year-on-year, the real FTRPS increased by 3.04%, while the real farm value share decreased by 17.36%. See **Figure 4** below.

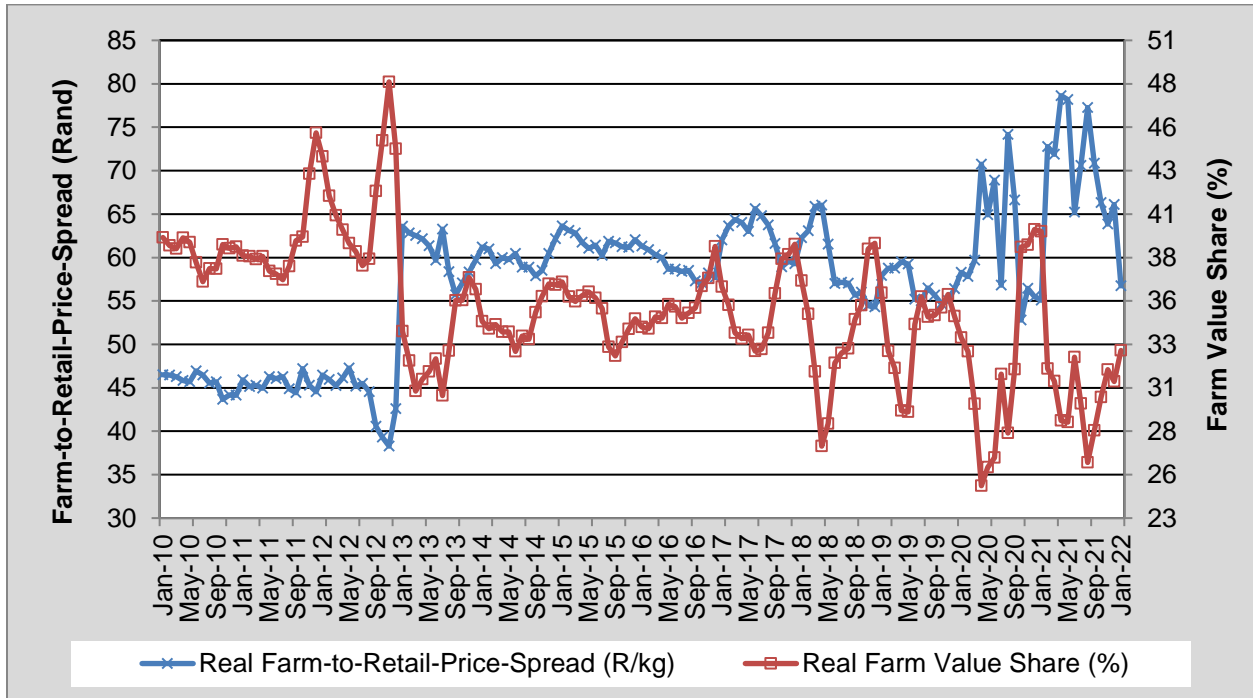


Figure 4: Real farm-to-retail-price-spread and farm value share of pork

Source: Stats SA, 2022; AMT, 2022 and own calculations

- Milk:** Milk is an essential food product and forms part of the consumer basket. Furthermore, milk is one of the top 10 food expenditure items for low-income households in South Africa. The real farm value share increased by 3.41% during the fourth quarter of 2021/22 (November 2021 – January 2022). While the real FTRPS for full cream milk decreased on average from R9.02/l to R8.84/l representing a 3.91% decrease during the same period. From January 2021 to January 2022, year-on-year, the real farm value share increased by 3.07%, while the real FTRPS decreased by 13.11%. See **Figure 5** below.

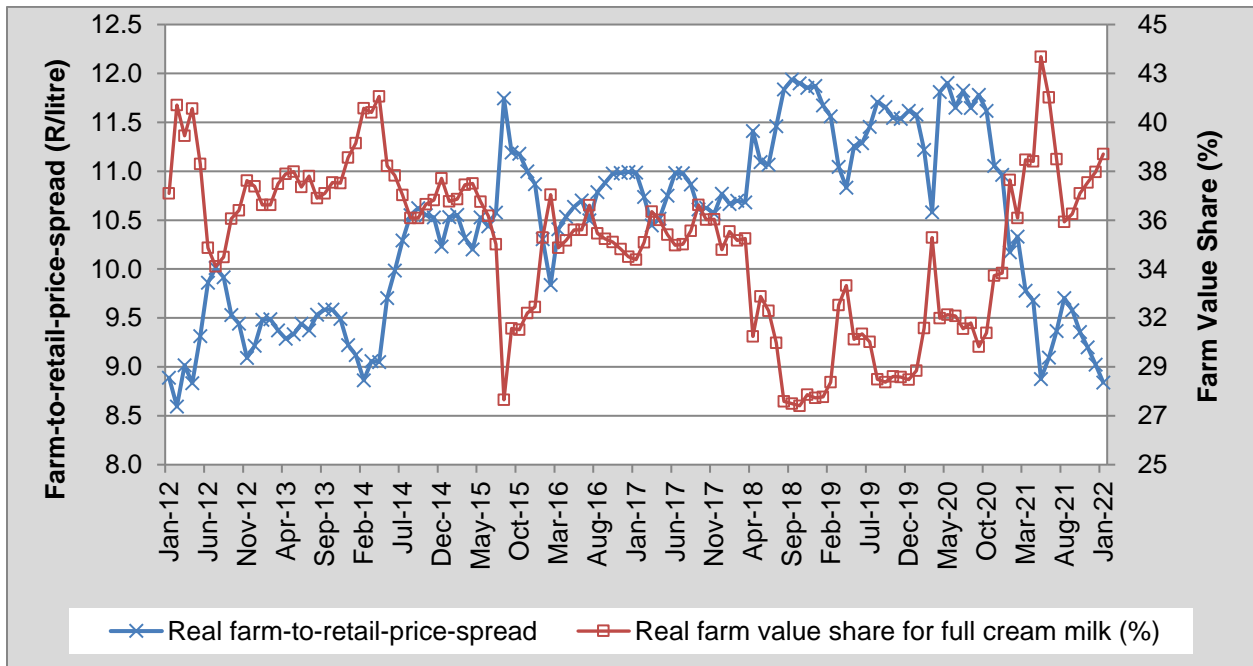


Figure 5: Real farm-to-retail-price-spread and farm value share of milk

Source: Stats SA, 2022; AMT, 2022 and own calculations

- Maize: Due to data limitations for the monitoring of an average retail price for special maize meal (5kg) by Stats SA for the period February 2015 to December 2016, this section will only include the spread for super maize meal (5kg).

The real FTRPS of super maize meal (converted to a price per ton) decreased from R4 554.08/ton in November 2021 to R4 230.31/ton in January 2022, representing a 7.11% decrease. While the real farm value share of super maize meal (5kg) increased by 1.37% from 50.25% in November 2021 to 50.94% in January 2022. From January 2021 to January 2022, year-on-year, the real FTRPS and real farm value share decreased by 7.99% and 1.65%, respectively. See **Figure 6** below.

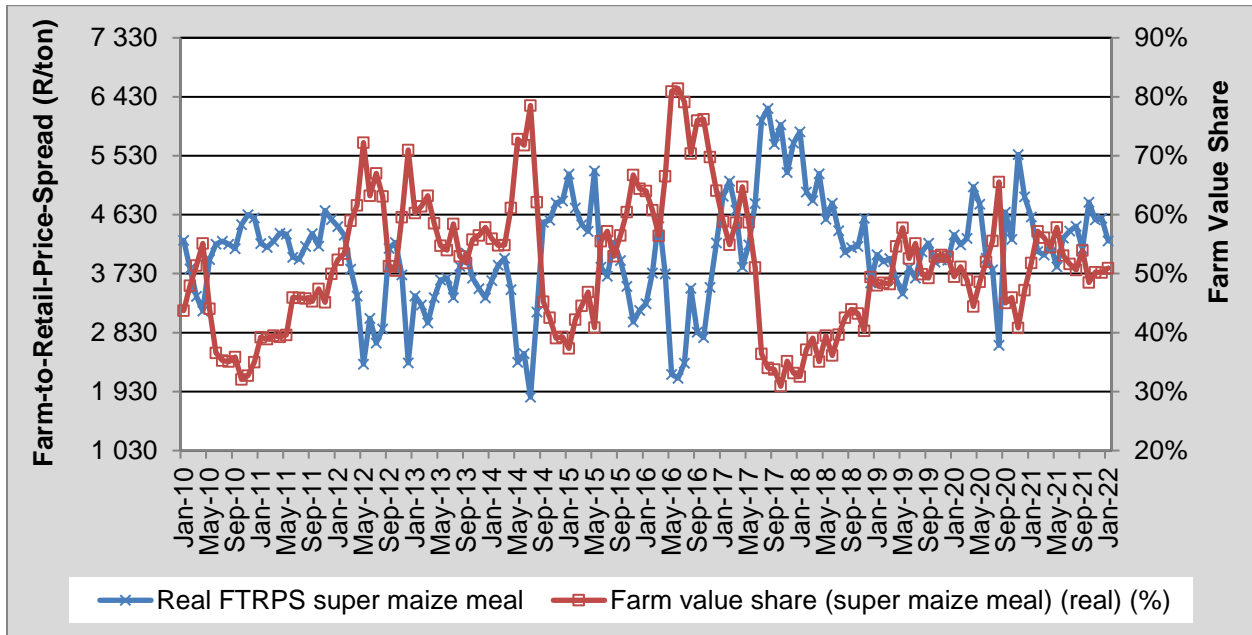


Figure 6: Real farm-to-retail-price-spread and farm value share of super maize meal 5kg

Source: Stats SA, 2022 and own calculations

- Wheat:** In January 2022, the real FTRPS for white bread (converted to a price per ton) reached R25 635.36/ton of flour, with brown bread reaching R24 888.85/ton of flour. The real farm value share for white and brown bread reached 22.23% and 21.64%, respectively. From January 2021 to January 2022, real FTRPS for white and brown bread decreased by 11.29% and 10.94%, respectively. South Africa is a net importer of wheat in a free-market environment and local wheat price usually follows the overall trend of import parity price. The local wheat price is primarily influenced by developments in the global market, the strength of the South African Rand against the US Dollar as well as the fluctuations in transport costs and to a lesser extent by changes in local production. See **Figure 7** below.

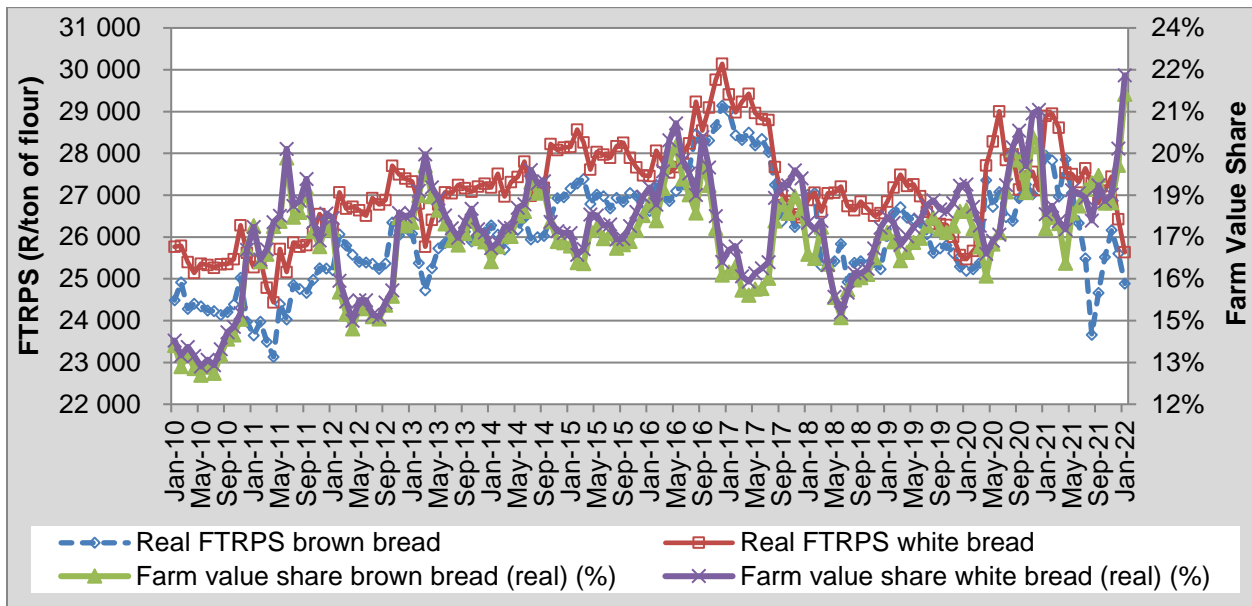


Figure 7: Real farm-to-retail-price-spread and farm value share of wheat

Source: Stats SA, 2022 and own calculations

Conclusion

This publication attempts to define the different farm values and farm-to-retail price spreads of selected commodities. It is important to monitor the margins between producer and retailer prices level, at least for the more essential products such as maize, wheat, dairy, poultry, lamb and beef. The updated producer and retailer prices for these selected commodities, show the fluctuation between FTRPS and farm value between November 2021 and January 2022. This could be driven by several factors such as openness of international trade, level of competition in the food supply chain and increased levels of food processing, among others.

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