



NAMMC

Promoting market access for South African agriculture

Farm to Retail Price Spread



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FARM-TO-RETAIL-PRICE-SPREAD

May 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 first quarter of 2022/23 (February 2022 – April 2022), the real farm value share of fresh whole chicken increased by 1.11%. During the same period, the real FTRPS of fresh whole chicken decreased on average by 1.69%. The real farm value share of fresh whole chicken reached 53.34% in April 2022. From April 2021 to April 2022, year-on-year, the real FTRPS decreased by 27.73%, while the real farm value share increased by 23.24%, respectively.
- **Beef:** The real farm value share of beef increased by 7.09% during the first quarter of 2022/23 (February 2022 – April 2022) and reached 56.86% in April 2022. The real FTRPS of class A2/A3 beef decreased by 7.90%. From April 2022 to April 2022, year-on-year, the real farm value share increased by 8.04%, while the real FTRPS decreased by 6.64%.
- **Lamb:** The real farm value share of class A2/A3 lamb increased by 6.30% and the real FTRPS decreased by 8.10%, respectively during the first quarter of 2022/23 (February 2022 – April 2022). The real FTRPS and real farm value share reached R86.85/kg and 50.51% in April 2022, respectively.
- **Pork:** The real farm value share of pork increased by 2.66% from 30.82% in February 2022 to 31.64% in April 2022. The real FTRPS decreased by 1.88%, on average from R57.47/kg during the same period to reach R56.39/kg in April 2022. From April 2021 to April 2022, year-on-year, the real farm value share increased by 10.60%, while real FTRPS decreased by 28.28%.
- **Milk:** The real FTRPS for full cream milk decreased on average from R9.79/ℓ to R9.47/ℓ representing a 3.34% decrease the first quarter of 2022/23 (February 2022-April 2022). While the real farm value share increased by 5.59% during the same period. From April 2021 to April 2022, year-on-year, the real farm value share increased by 12.07%, while real FTRPS decreased by 12.51%.
- **Maize:** The real farm value share of super maize meal (5kg) increased by 10.81% from 48.45% in February 2022 to 53.69% in April 2022. While the real FTRPS of super maize meal (converted to a price per ton) decreased from R4 836.44/ton in February 2022 to R4 328.41/ton in April 2022, representing a 10.50% decrease. From April 2021 to April 2022, year-on-year, the real FTRPS increased by 3.69% while the farm value share decreased by 1.48%.
- **Wheat:** In April 2022, the real FTRPS for white bread (converted to a price per ton) reached R26 683.26/ton of flour, with brown bread reaching R26 436.16/ton of flour, whilst the real farm value share for white and brown bread reached 21.19% and 20.30%, respectively. From April 2021 to April 2022, real FTRPS for brown and white bread decreased by 5.09% and 3.12%, 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 first quarter of 2022/23 (February 2022 – April 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 first quarter of 2022/23 (February 2022 – April 2022), the real farm value share of fresh whole chicken increased by 1.11%. During the same period, the real FTRPS of fresh whole chicken decreased on average by 1.69%. The real farm value share of fresh whole chicken reached 53.34% in April 2022. The factors such as imports and high world grain prices amongst other factors have widened the gap between real farm value share and FTRPS. From April 2021 to April 2022, year-on-year, the real FTRPS decreased by 27.73%, while the real farm value share increased by 23.24%, respectively. See **Figure 1** below.

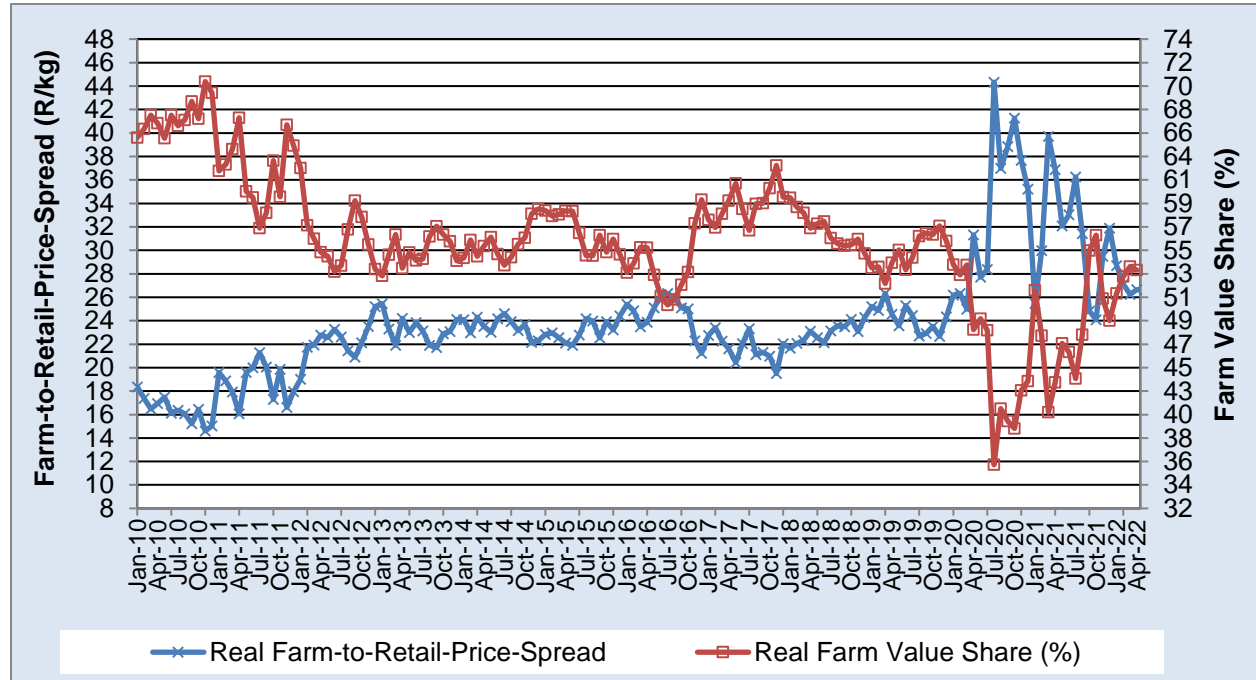


Figure 1: Real farm-to-retail-price-spread and farm value share of poultry

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 7.09% during the first quarter of 2022/23 (February 2022 – April 2022) and reached 56.86% in April 2022. The real FTRPS of class A2/A3 beef decreased by 7.90%. The gap between FTRPS and farm value share might be due to the shifts in retail demand and the shifts in commodity supply. This might be the result of the recent outbreak of foot and mouth disease that disrupted the local red meat production. However, the majority of farmers adhered to the measures to contain the disease, implementing sustainable and controlling disease management to curb foot and mouth disease on their farms. From April 2022 to April 2022, year-on-year, the real farm value share increased by 8.04%, while the real FTRPS decreased by 6.64%. See **Figure 2** below.

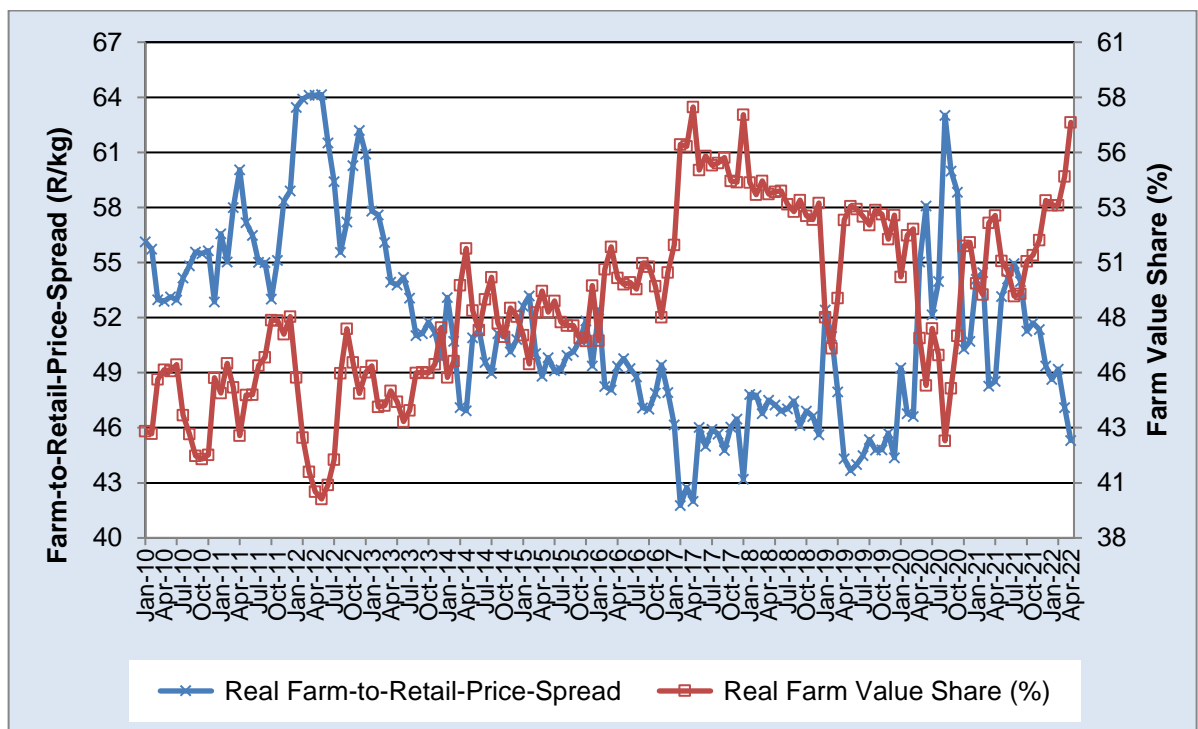


Figure 2: Real farm-to-retail-price-spread and farm value share for beef

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 increased by 6.30% and the real FTRPS decreased by 8.10%, respectively during the first quarter of 2022/23 (February 2022 – April 2022). The real FTRPS and real farm value share reached R86.85/kg and 50.51% in April 2022, respectively. See **Figure 3** below.

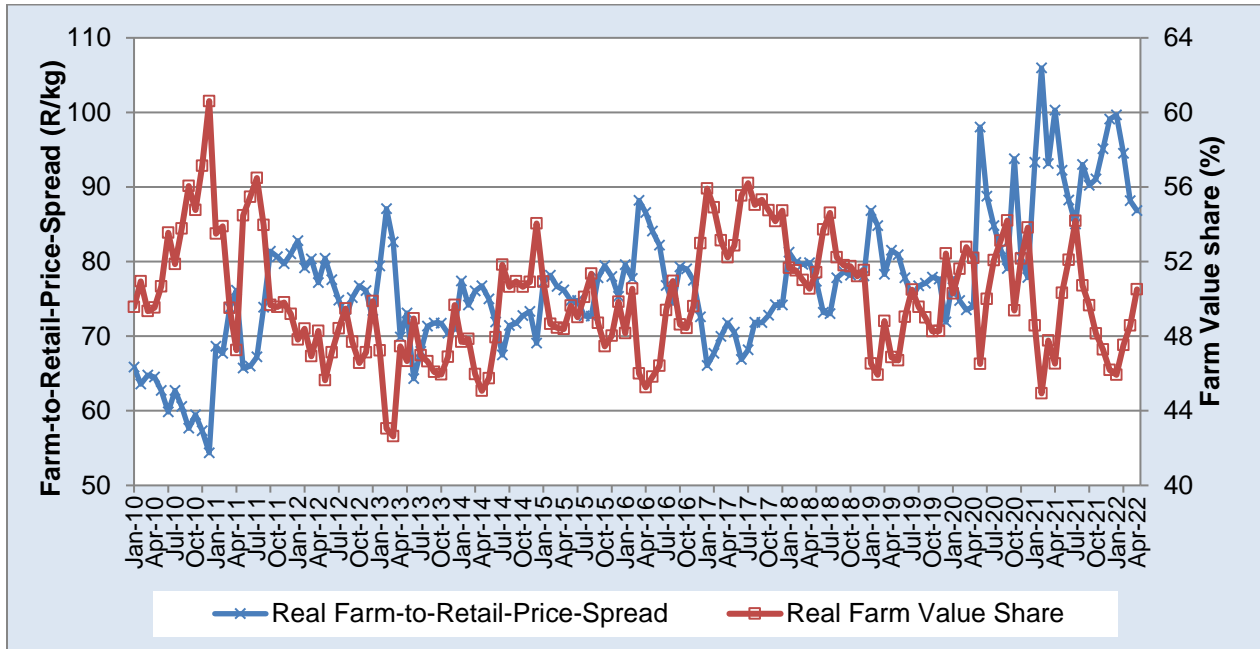


Figure 3: Real farm-to-retail-price-spread and farm value share of lamb

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

- Pork:** Due to the inclusion of additional 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 2.66% from 30.82% in February 2022 to 31.64% in April 2022. The real FTRPS decreased by 1.88%, on average from R57.47/kg during the same period to reach R56.39/kg in April 2022. From April 2021 to April 2022, year-on-year, the real farm value share increased by 10.60%, while real FTRPS decreased by 28.28%. See **Figure 4** below.

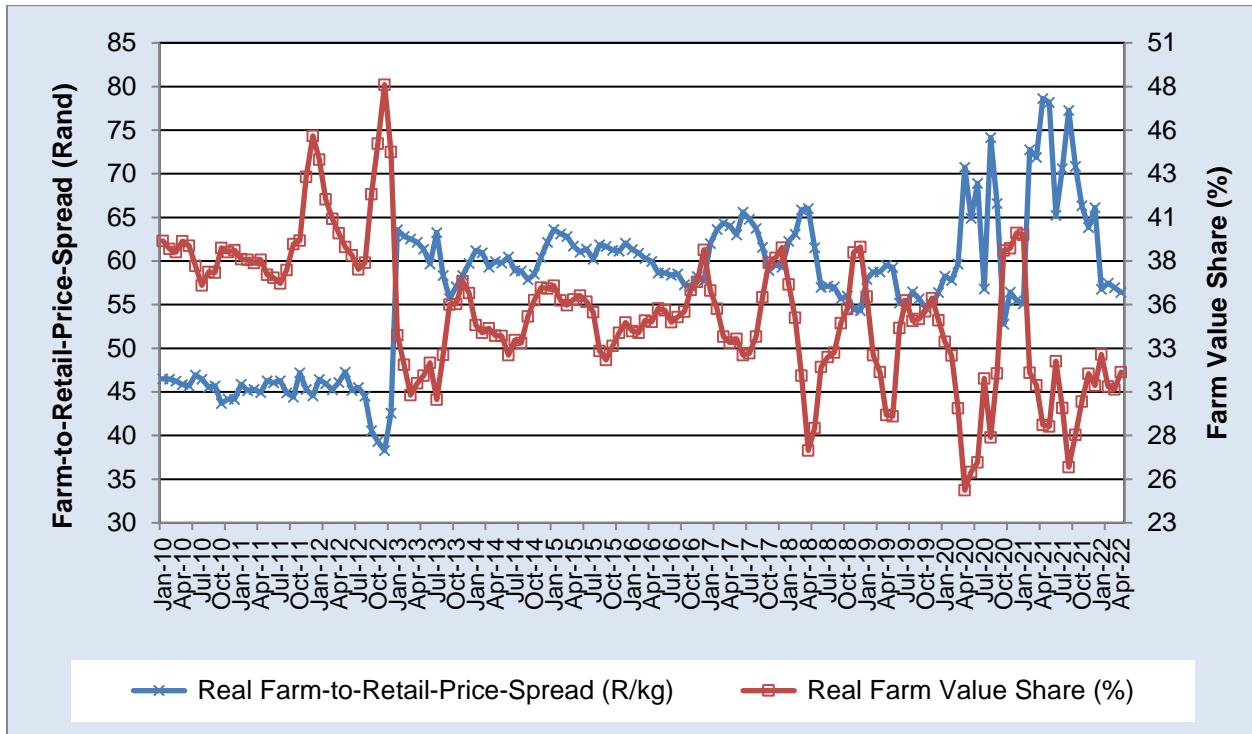


Figure 4: Real farm-to-retail-price-spread and farm value share of pork

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 FTRPS for full cream milk decreased on average from R9.79/l to R9.47/l representing a 3.34% decrease the first quarter of 2022/23 (February 2022-April 2022). While the real farm value share increased by 5.59% during the same period. From April 2021 to April 2022, year-on-year, the real farm value share increased by 12.07%, while real FTRPS decreased by 12.51%. See **Figure 5** below.

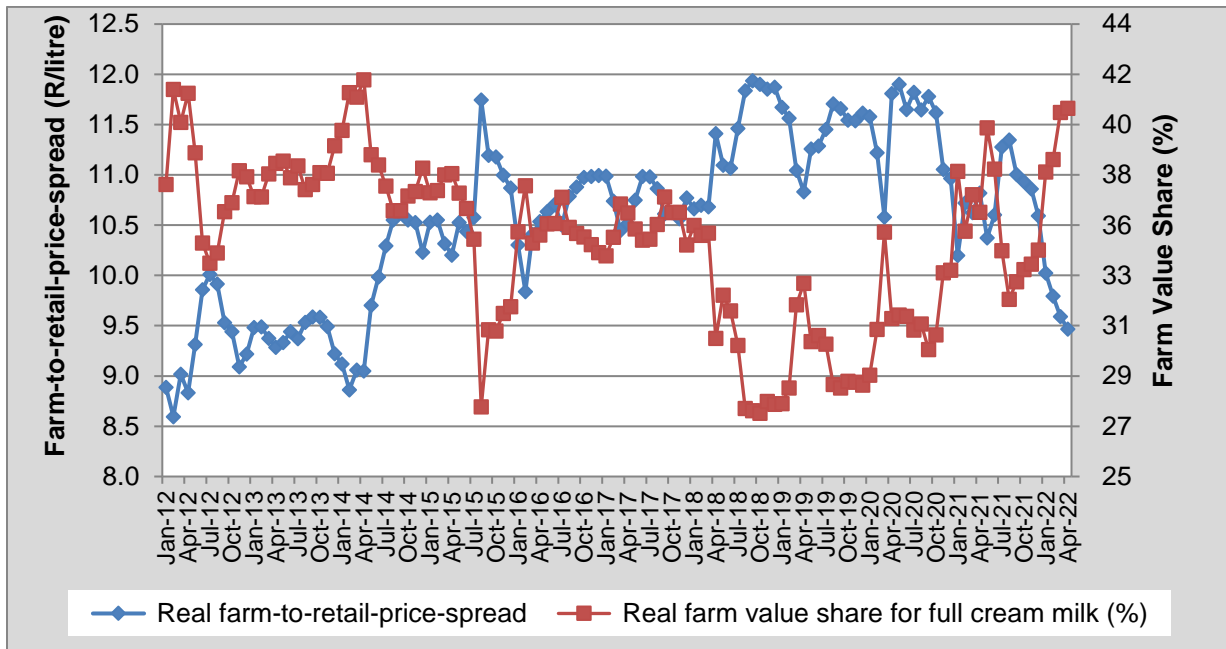


Figure 5: Real farm-to-retail-price-spread and farm value share of milk

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 and thus exclusion from the basket in March 2022, this section will only include the spread for super maize meal (5kg).

The real farm value share of super maize meal (5kg) increased by 10.81% from 48.45% in February 2022 to 53.69% in April 2022. While the real FTRPS of super maize meal (converted to a price per ton) decreased from R4 836.44/ton in February 2022 to R4 328.41/ton in April 2022, representing a 10.50% decrease. From April 2021 to April 2022, year-on-year, the real FTRPS increased by 3.69% while the farm value share decreased by 1.48%. See **Figure 6** below.

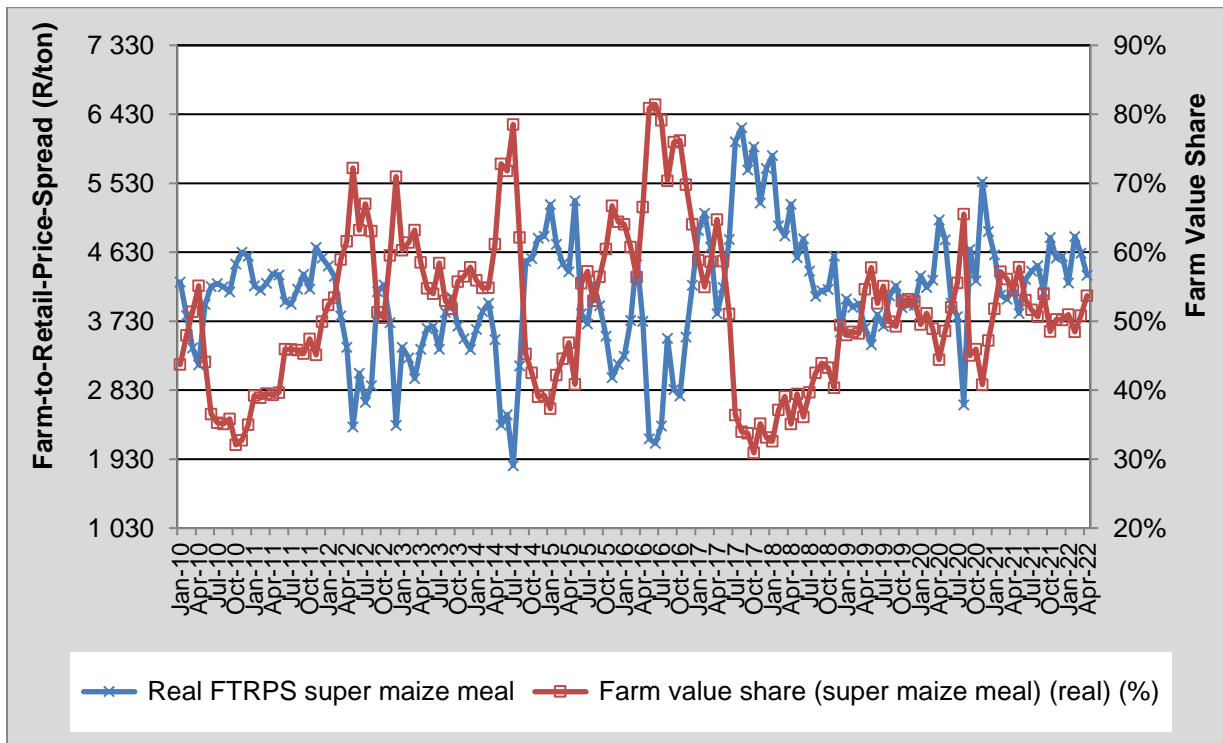


Figure 6: Real farm-to-retail-price-spread and farm value share of super maize meal 5kg
 Source: Stats SA, 2022 and own calculations

- Wheat:** In April 2022, the real FTRPS for white bread (converted to a price per ton) reached R26 683.26/ton of flour, with brown bread reaching R26 436.16/ton of flour, whilst the real farm value share for white and brown bread reached 21.19% and 20.30%, respectively. From April 2021 to April 2022, real FTRPS for brown and white bread decreased by 5.09% and 3.12%, respectively. South Africa is a net importer of wheat in a free-market environment and the local wheat price usually follows the overall trend of the 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.

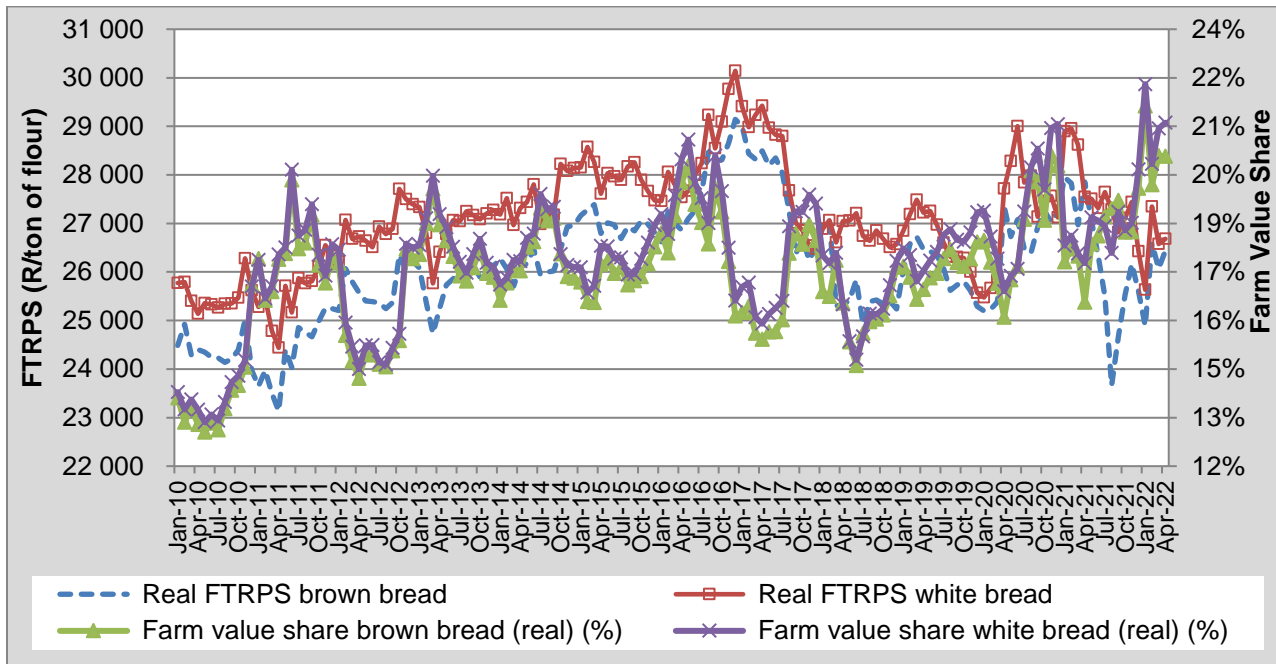


Figure 7: Real farm-to-retail-price-spread and farm value share of wheat
 Source: Stats SA, 2022 and own calculations

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 February 2022 and April 2022. This could be driven by several factors such as global developments, level of competition in the food supply chain and increased levels of food processing, among others.

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