



# NAMMC

Promoting market access for South African agriculture

## Farm to Retail Price Spread



QUARTER 2:  
May 2022–July 2022

*Issue: August 2022*

# FARM-TO-RETAIL-PRICE-SPREAD

## August 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 the 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:

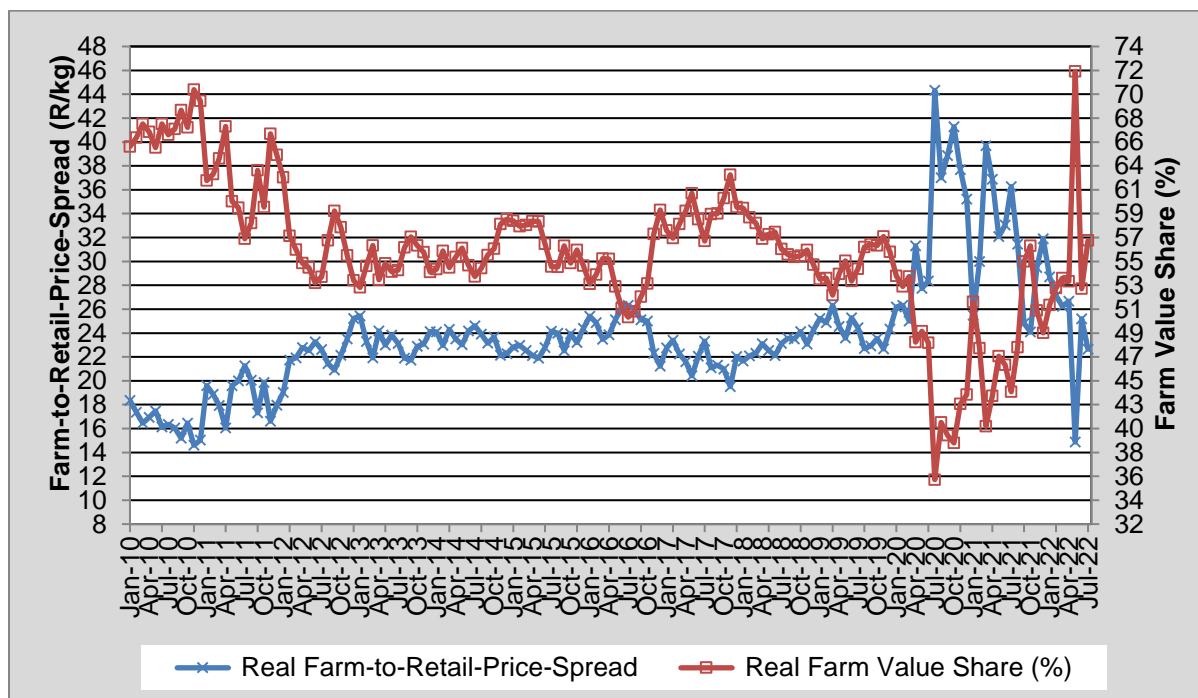
- **Poultry:** During the second quarter of 2022/23 (May 2022 – July 2022), the real FTRPS of fresh whole chicken increased by 52.33%, while the real farm value share decreased by 20.68%. The real farm value share of fresh whole chicken reached 56.96% in July 2022. From July 2021 to July 2022, year-on-year, the real farm value share increased by 30.55%, while the real FTRPS decreased by 37.53%.
- **Beef:** The real farm value share of beef increased by 0.66% during the second quarter of 2022/23 (May 2022 – July 2022) and reached 54.45% in July 2022. The real FTRPS of class A2/A3 beef decreased by 5.89%. From July 2021 to July 2022, year-on-year, the real farm value share increased by 11.19%, while the real FTRPS decreased by 13.03%.
- **Lamb:** The real farm value share of class A2/A3 lamb increased by 5.42%, while the real FTRPS decreased by 8.13%, during the second quarter of 2022/23 (May 2022 – July 2022). The real FTRPS and real farm value share reached R66.34/kg and 59.90%, respectively, in July 2022.
- **Pork:** The real farm value share of pork increased by 16.89% from 27.42% in May 2022 to 32.06% in July 2022. The real FTRPS decreased by 22.45%, on average from R71.33/kg during the same period to reaching R55.31/kg in July 2022. From July 2021 to July 2022, year-on-year, the real farm value share increased by 8.35%, while real FTRPS decreased by 21.66%.
- **Milk:** The real FTRPS for full cream milk increased on average from R10.32/ℓ to R11.86/ℓ representing a 14.95% increase in the second quarter of 2022/23 (May 2022- July 2022). While the real farm value share decreased by 9.17% during the same period. From July 2021 to July 2022, year-on-year, the real FTRPS and the real farm value share increased by 5.18% and 1.17%, respectively.
- **Maize:** The real farm value share of super maize meal (5kg) increased by 6.02% from 51.96% in May 2022 to 55.08% in July 2022. While the real FTRPS of super maize meal (converted to a price per ton) decreased from R4 778.20/ton in May 2022 to R4 488.49/ton in July 2022, representing a 6.06% decrease. From July 2021 to July 2022, year-on-year, the farm value share and the real FTRPS increased by 6.64% and 2.41%, respectively.
- **Wheat:** In July 2022, the real FTRPS for white bread (converted to a price per ton) reached R28 072.68/ton of flour, with brown bread reaching R26 815.69/ton of flour, whilst the real farm value share for white and brown bread reached 22.02% and 21.72%, respectively. From July 2021 to July 2022, real FTRPS for brown and white bread increased by 5.18% and 1.56%, 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 second quarter of 2022/23 (May 2022 – July 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 second quarter of 2022/23 (May 2022 – July 2022), the real FTRPS of fresh whole chicken increased by 52.33%, while the real farm value share decreased by 20.68%. The real farm value share of fresh whole chicken reached 56.96% in July 2022. From July 2021 to July 2022, year-on-year, the real farm value share increased by 30.55%, while the real FTRPS decreased by 37.53%. This could be due to the competitiveness of the poultry market value chain being affected by factors such as imports and high feed prices amongst other factors. See **Figure 1** below.

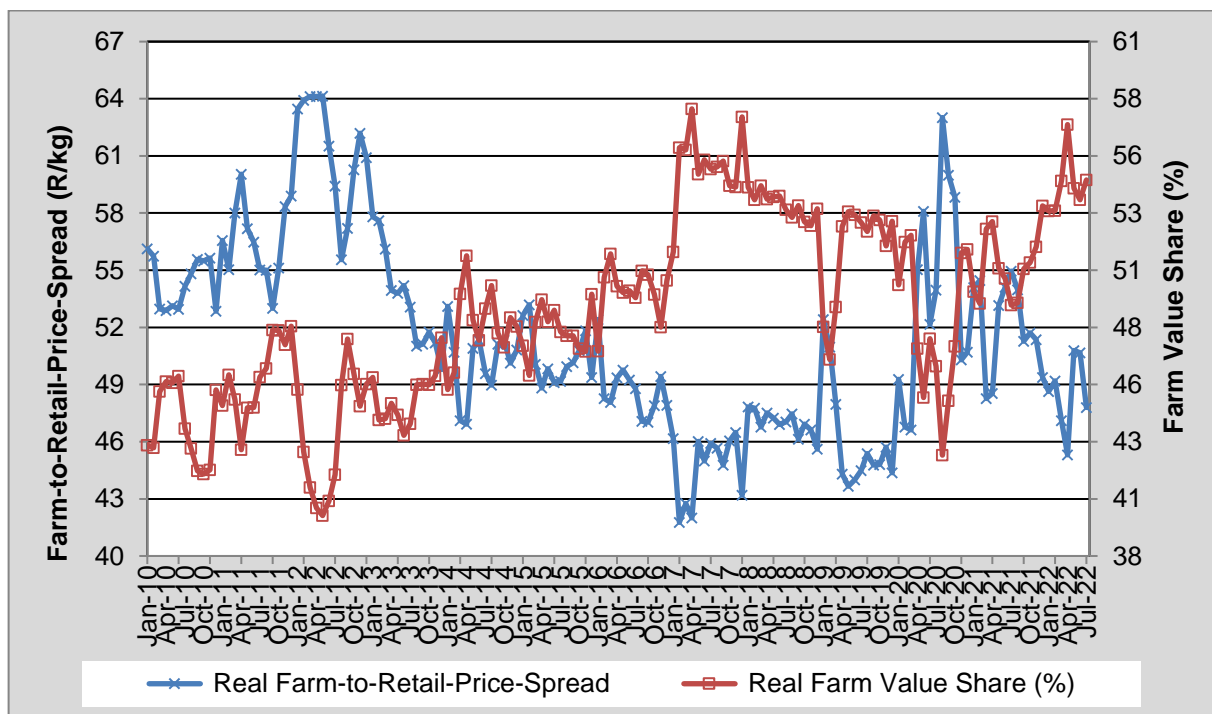


**Figure 1: Real farm-to-retail-price-spread and farm value share of poultry**

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 0.66% during the second quarter of 2022/23 (May 2022 – July 2022) and reached 54.45% in July 2022. The real FTRPS of class A2/A3 beef decreased by 5.89%. From July 2021 to July 2022, year-on-year, the real farm value share increased by 11.19%, while the real FTRPS decreased by 13.03%. The gap between FTRPS and farm value share might be due to the shifts in retail demand and the shifts in farm commodity supply. This might be the result of the recent outbreak of foot and mouth disease that disrupted local red meat production. However, the majority of farmers reacted responsibly to this outbreak, implementing sustainable and controlling disease management to curb foot and mouth disease on their farms. See **Figure 2** below.

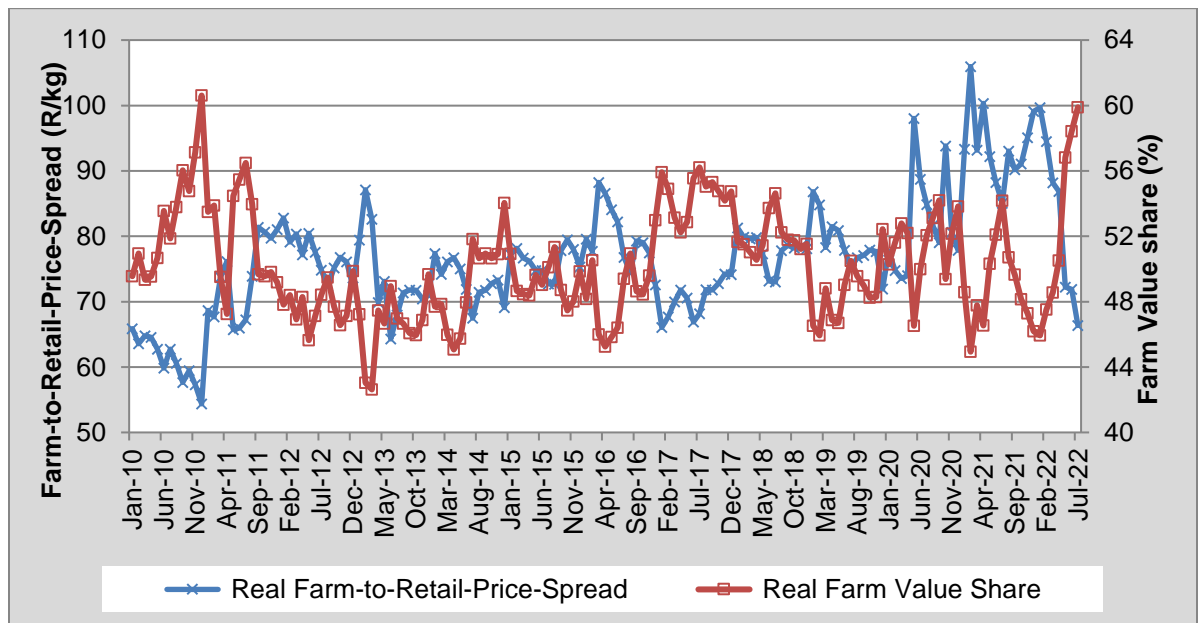


**Figure 2: Real farm-to-retail-price-spread and farm value share for beef**

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

- **Lamb:** Due to the inclusion of additional products (lamb stew and offal) the new CPI basket 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 5.42%, while the real FTRPS decreased by 8.13%, during the second quarter of 2022/23 (May 2022 – July 2022). The real FTRPS and real farm value share reached R66.34/kg and 59.90%, respectively, in July 2022. See **Figure 3** below.

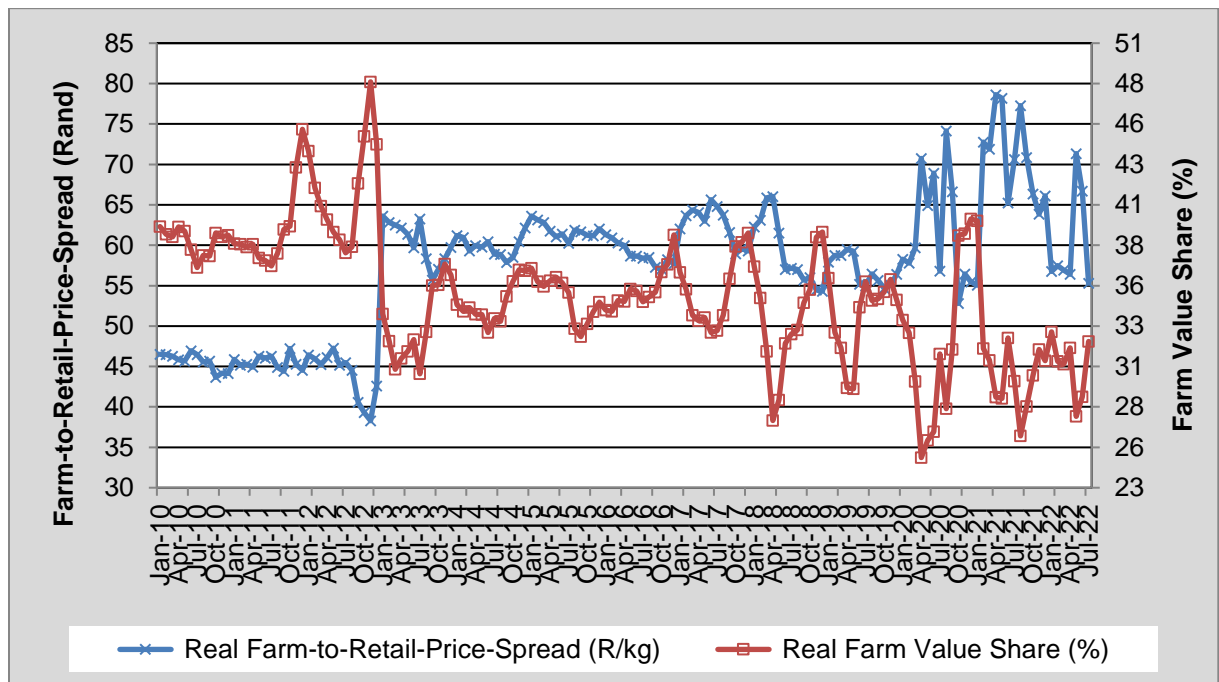


**Figure 3: Real farm-to-retail-price-spread and farm value share of lamb**

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 16.89% from 27.42% in May 2022 to 32.06% in July 2022. The real FTRPS decreased by 22.45%, on average from R71.33/kg during the same period to reaching R55.31/kg in July 2022. From July 2021 to July 2022, year-on-year, the real farm value share increased by 8.35%, while real FTRPS decreased by 21.66%. See **Figure 4** below.

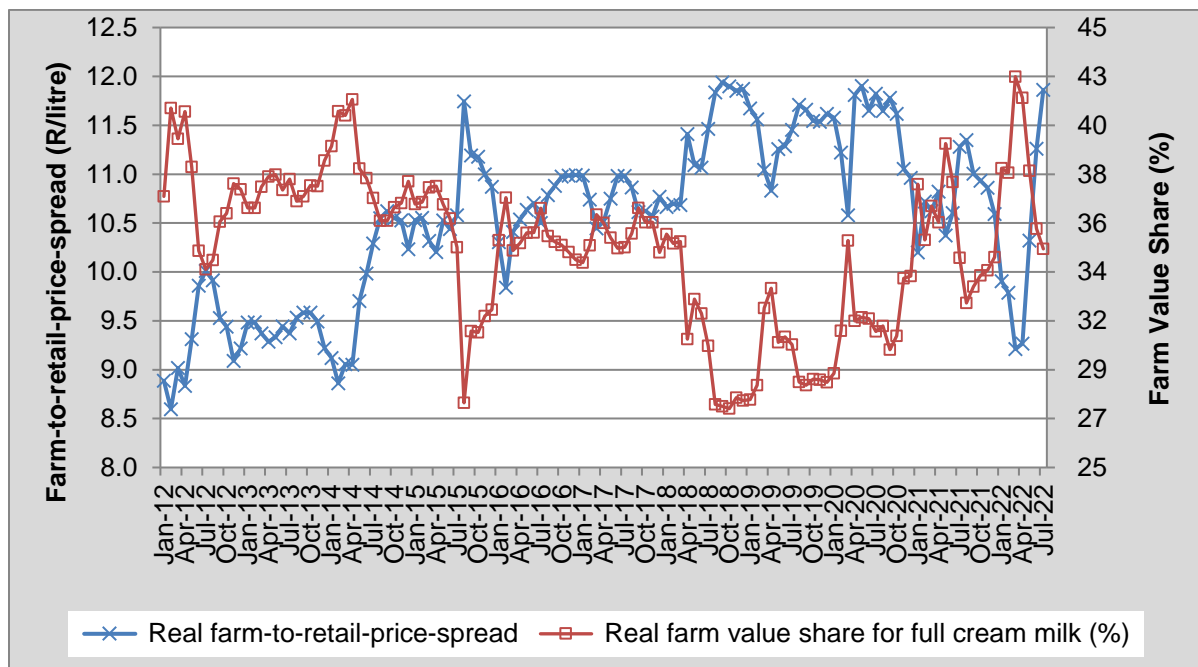


**Figure 4: Real farm-to-retail-price-spread and farm value share of pork**

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 increased on average from R10.32/l to R11.86/l representing a 14.95% increase in the second quarter of 2022/23 (May 2022- July 2022). While the real farm value share decreased by 9.17% during the same period. From July 2021 to July 2022, year-on-year, the real FTRPS and the real farm value share increased by 5.18% and 1.17%, respectively. See **Figure 5** below.

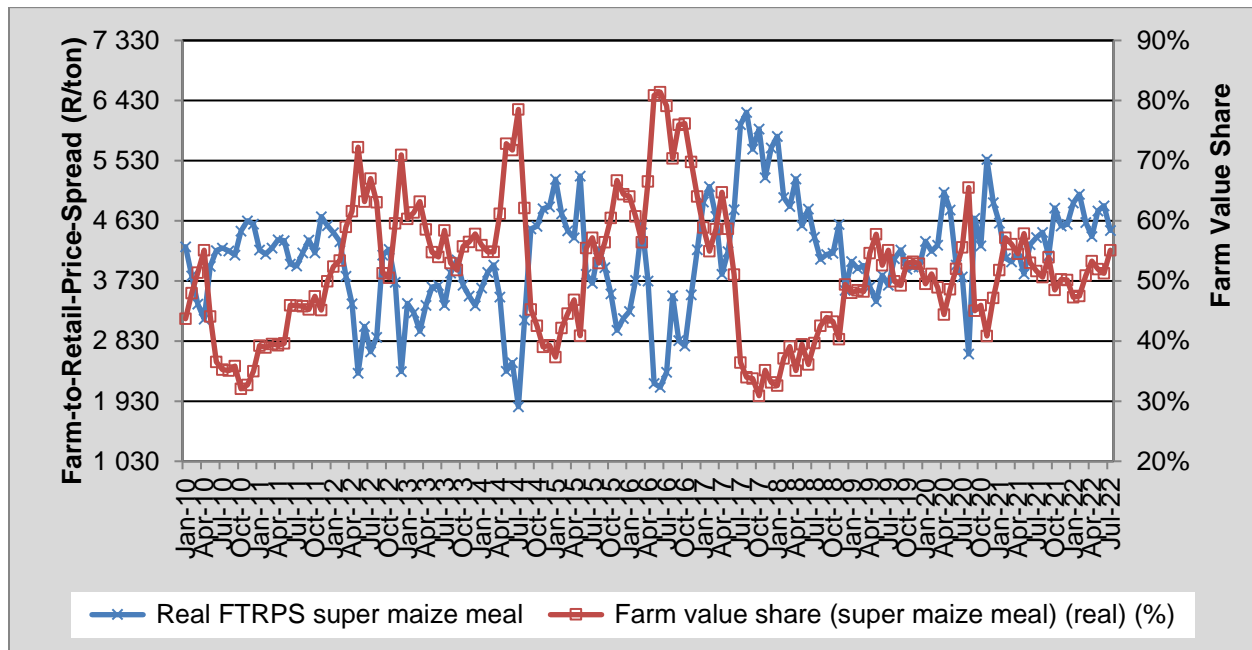


**Figure 5: Real farm-to-retail-price-spread and farm value share of milk**

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 6.02% from 51.96% in May 2022 to 55.08% in July 2022. While the real FTRPS of super maize meal (converted to a price per ton) decreased from R4 778.20/ton in May 2022 to R4 488.49/ton in July 2022, representing a 6.06% decrease. From July 2021 to July 2022, year-on-year, the farm value share and the real FTRPS increased by 6.64% and 2.41%, respectively. See **Figure 6** below.

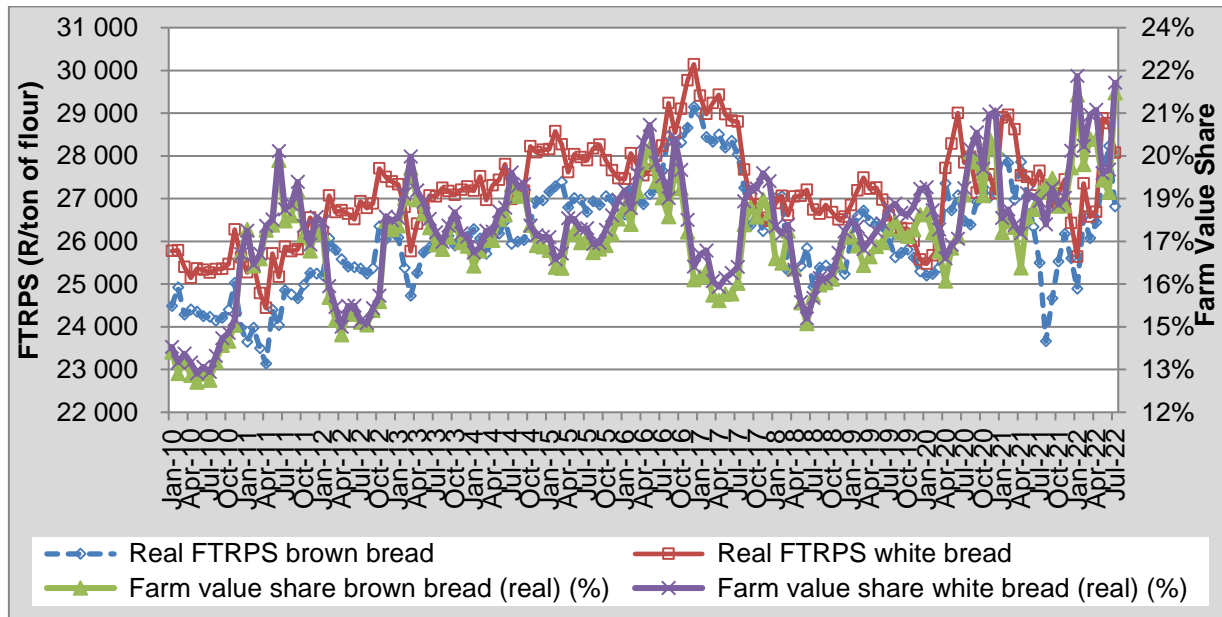


**Figure 6: Real farm-to-retail-price-spread and farm value share of super maize meal 5kg**

Source: Stats SA, 2022 and own calculations



- Wheat:** In July 2022, the real FTRPS for white bread (converted to a price per ton) reached R28 072.68/ton of flour, with brown bread reaching R26 815.69/ton of flour, whilst the real farm value share for white and brown bread reached 22.02% and 21.72%, respectively. From July 2021 to July 2022, real FTRPS for brown and white bread increased by 5.18% and 1.56%, 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 provides margins for different farm values and farm-to-retail price spreads of selected 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 May 2022 and July 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. Further in-depth study on selected commodities will provide the factors behind these fluctuations.

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