



# FARM-TO-RETAIL-PRICE-SPREAD

***QUARTER 3: August 2022–October 2022***  
***November 2022 Issue***

# FARM-TO-RETAIL-PRICE-SPREAD

## November 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:

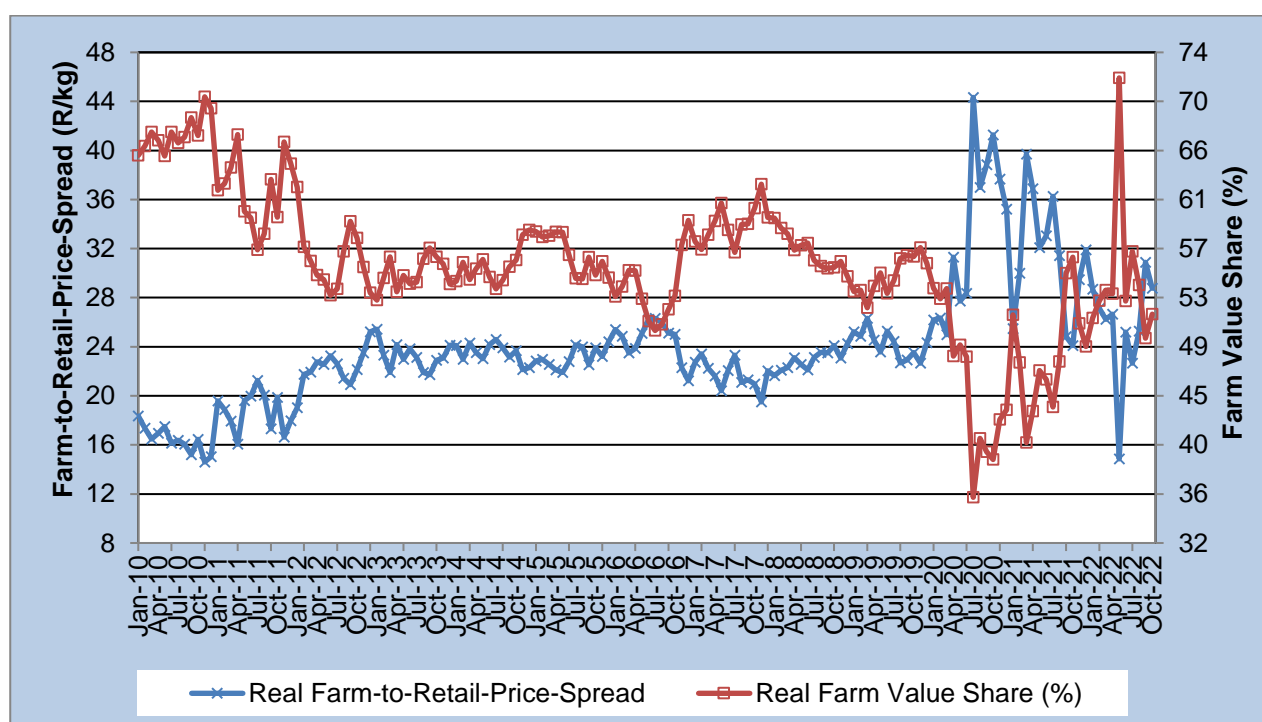
- **Poultry:** During the third quarter of 2022/23 (August 2022 – October 2022), the real FTRPS of fresh whole chicken increased by 13.88%, while the real farm value share decreased by 4.61%. The real farm value share of fresh whole chicken reached 51.60% in October 2022. From October 2021 to October 2022, year-on-year, the real FTRPS increased by 19.36%, while the real farm value share decreased by 8.62%.
- **Beef:** The real FTRPS of class A2/A3 beef increased by 3.81%. The real farm value share of beef decreased by 1.69% during the third quarter of 2022/23 (August 2022 – October 2022) and reached 52.66% in October 2022. From October 2021 to October 2022, year-on-year, the real farm value share increased by 3.61%, while the real FTRPS decreased by 1.01%.
- **Lamb:** The real FTRPS of class A2/A3 lamb increased by 18.53%, while the real farm value share decreased by 22.14%, during the third quarter of 2022/23 (August 2022 – October 2022). The real FTRPS and real farm value share reached R96.28/kg and 41.98%, respectively, in October 2022.
- **Pork:** The real farm value share of pork increased by from 28.29% in August 2022 to 35.60% in October 2022. The real FTRPS decreased by 18.55%, on average from R65.99/kg during the same period to reaching R53.75/kg in October 2022. From October 2021 to October 2022, year-on-year, the real farm value share increased by 18.84%, while real FTRPS decreased by 18.97%.
- **Milk:** The real FTRPS for full cream milk increased on average from R12.96/l to R14.81/l representing a 14.34% increase in the third quarter of 2022/23 (August 2022- October 2022). While the real farm value share decreased by 9.58% during the same period. From October 2021 to October 2022, year-on-year, the real FTRPS increased by 35.48%, while the real farm value share decreased by 13.43%.
- **Maize:** The real farm value share of maize meal (5kg) increased by 6.02% from 55.22% in August 2022 to 58.54% in October 2022. While the real FTRPS of a maize meal (converted to a price per ton) decreased from R4 689.26/ton in August 2022 to R4 309.34/ton in October 2022, representing an 8.10% decrease. From October 2021 to October 2022, year-on-year, the farm value share increased by 20.72%, while FTRPS decreased by 10.62%.
- **Wheat:** In October 2022, the real FTRPS for white bread (converted to a price per ton) reached R28 056.17/ton of flour, with brown bread reaching R27 232.05/ton of flour, whilst the real farm value share for white and brown bread reached 24.51% and 23.89%, respectively. From October 2021 to October 2022, real FTRPS for brown and white bread increased by 6.69% and 3.49%, 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. 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 third quarter of 2022/23 (August 2022 – October 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](#).

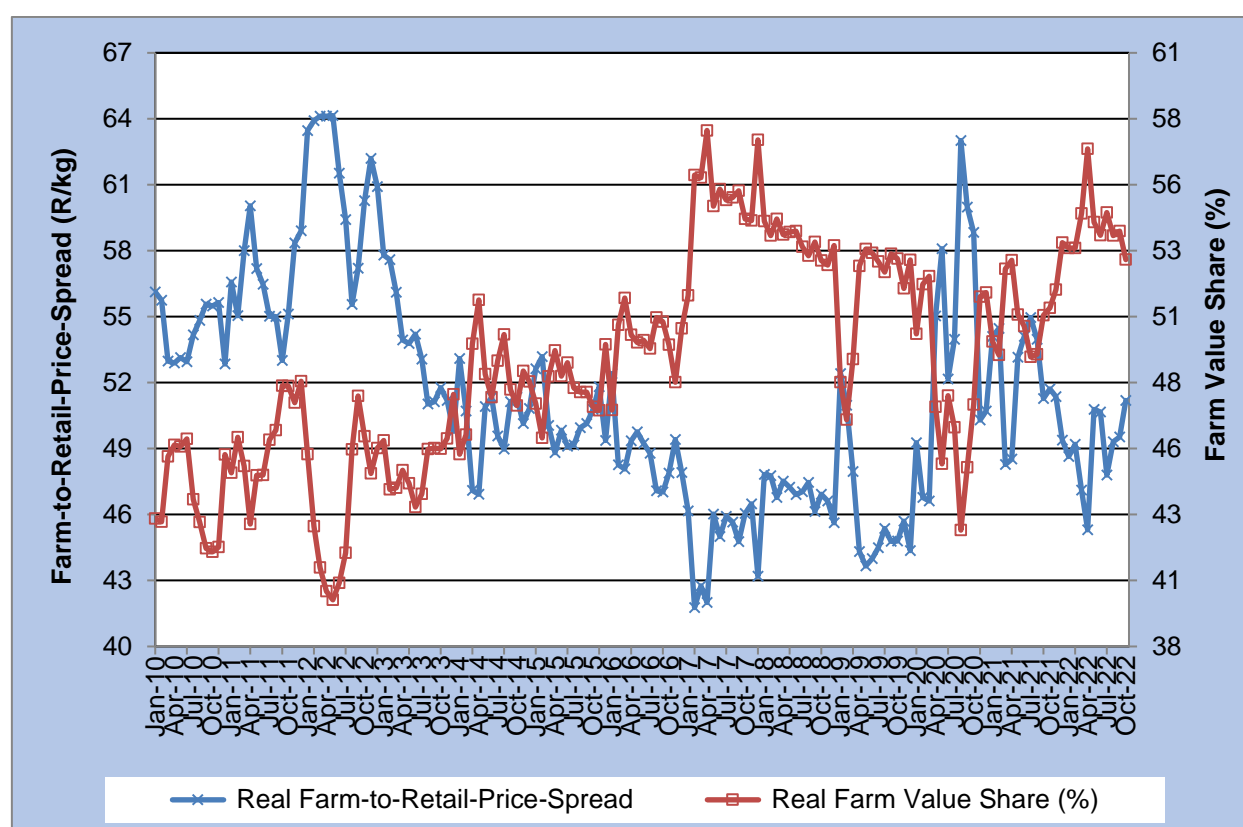
## Price Trends, Farm Values and Price Spreads

- **Poultry:** During the third quarter of 2022/23 (August 2022 – October 2022), the real FTRPS of fresh whole chicken increased by 13.88%, while the real farm value share decreased by 4.61%. The real farm value share of fresh whole chicken reached 51.60% in October 2022. From October 2021 to October 2022, year-on-year, the real FTRPS increased by 19.36%, while the real farm value share decreased by 8.62%. 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.



- **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 FTRPS of class A2/A3 beef increased by 3.81%, while the real farm value share of beef decreased by 1.69% during the third quarter of 2022/23 (August 2022 – October 2022) and reached 52.66% in October 2022. From October 2021 to October 2022, year-on-year, the real farm value share increased by 3.61%, while the real FTRPS decreased by 1.01%. 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.

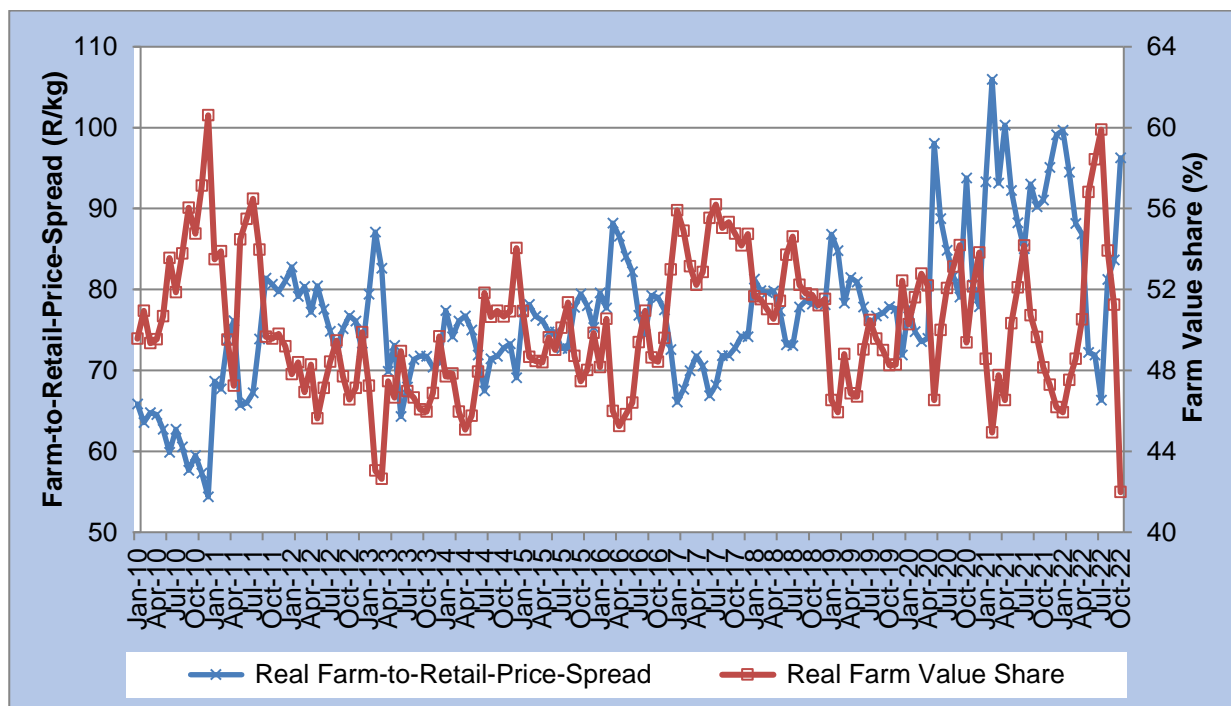


**Figure 2: Real farm-to-retail-price-spread and farm value share for beef**

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

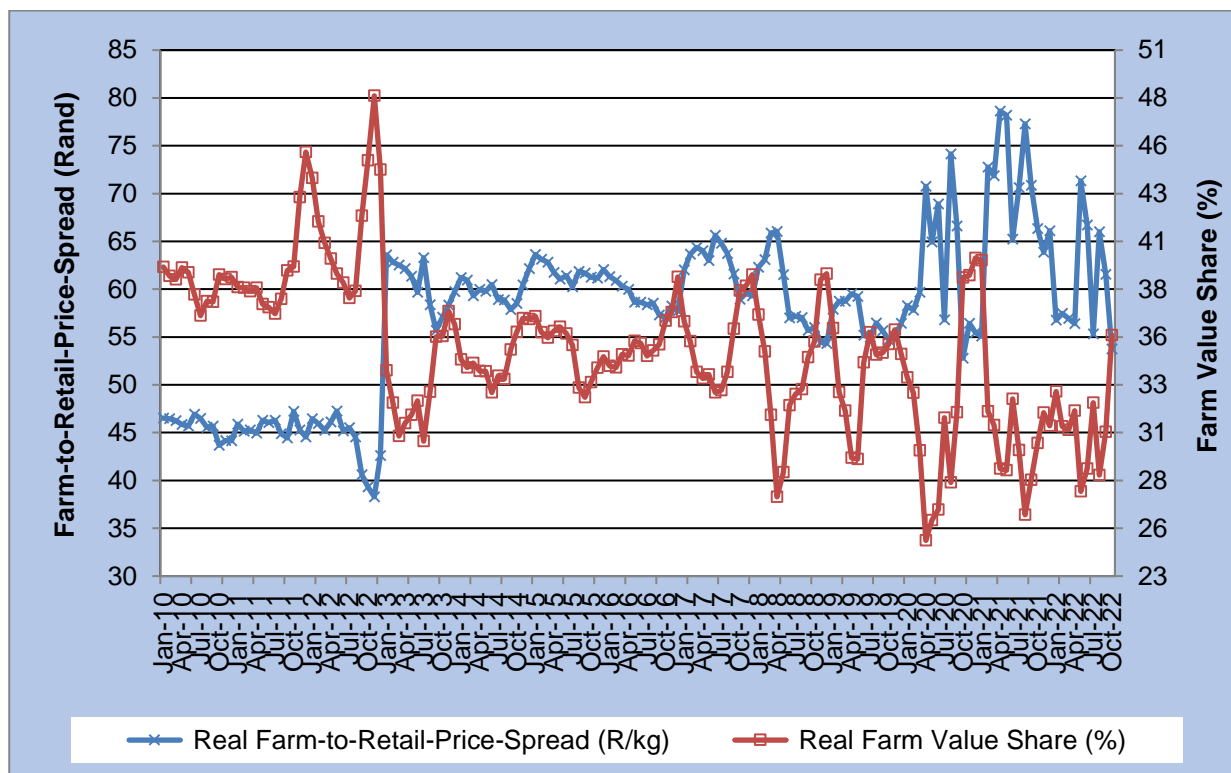
- Lamb:** Due to the inclusion of additional products (lamb stew and offal) the new CPI basket from January 2017, annual comparisons are possible for lamb retail prices. The new FTRPS of lamb will therefore include leg, loin chops (saddle chops), neck, rib chops and stew, but will exclude lamb offal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

The real FTRPS of class A2/A3 lamb increased by 18.53%, while the real farm value share decreased by 22.14%, during the third quarter of 2022/23 (August 2022 – October 2022). The real FTRPS and real farm value share reached R96.28/kg and 41.98%, respectively, in October 2022. See **Figure 3** below.



- **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.

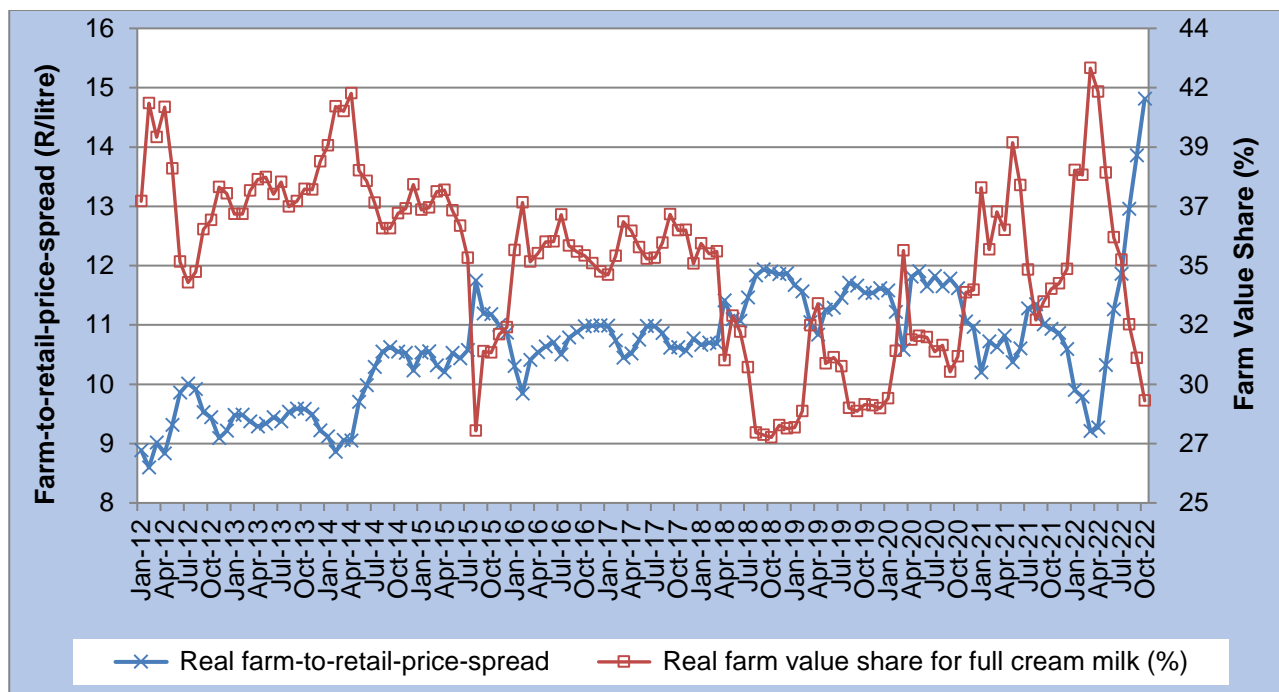
The real farm value share of pork increased by from 28.29% in August 2022 to 35.60% in October 2022. The real FTRPS decreased by 18.55%, on average from R65.99/kg during the same period to reaching R53.75/kg in October 2022. From October 2021 to October 2022, year-on-year, the real farm value share increased by 18.84%, while real FTRPS decreased by 18.97%. 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 R12.96/ℓ to R14.81/ℓ representing a 14.34% increase in the third quarter of 2022/23 (August 2022- October 2022). While the real farm value share decreased by 9.58% during the same period. From October 2021 to October 2022, year-on-year, the real FTRPS increased by 35.48%, while the real farm value share decreased by 13.43%. See **Figure 5** below.

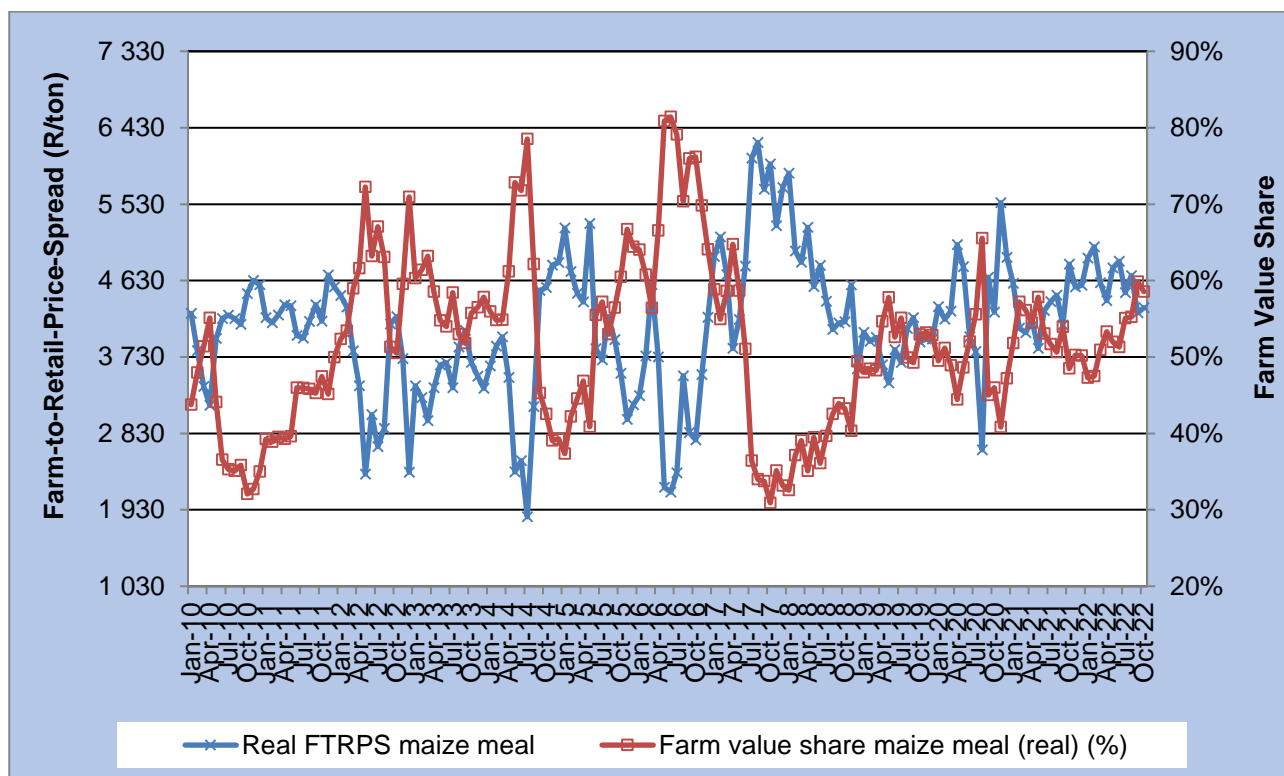


**Figure 5: Real farm-to-retail-price-spread and farm value share of milk**

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 maize meal (5kg).

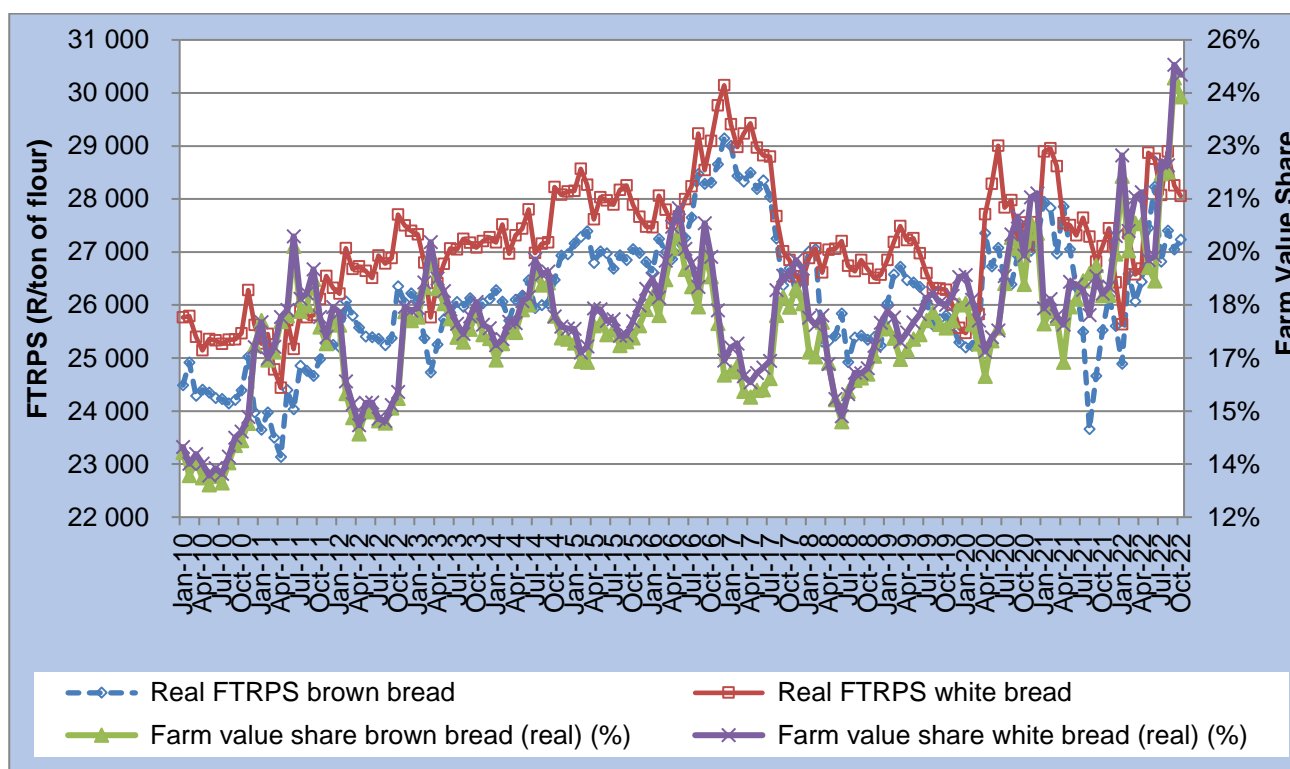
The real farm value share of maize meal (5kg) increased by 6.02% from 55.22% in August 2022 to 58.54% in October 2022. While the real FTRPS of a maize meal (converted to a price per ton) decreased from R4 689.26/ton in August 2022 to R4 309.34/ton in October 2022, representing an 8.10% decrease. From October 2021 to October 2022, year-on-year, the farm value share increased by 20.72%, while FTRPS decreased by 10.62%. See **Figure 6** below.



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

Source: Stats SA, 2022 and own calculations

- Wheat:** In October 2022, the real FTRPS for white bread (converted to a price per ton) reached R28 056.17/ton of flour, with brown bread reaching R27 232.05/ton of flour, whilst the real farm value share for white and brown bread reached 24.51% and 23.89%, respectively. From October 2021 to October 2022, real FTRPS for brown and white bread increased by 6.69% and 3.49%, 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 (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 August 2022 and October 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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