

FARM-TO-RETAIL-PRICE-SPREAD

QUARTER 4: November 2022–January 2023
February 2023 Issue

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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 fourth quarter of 2022/23 (November 2022 – January 2023), the real farm value share increased by 6.31%, while the real FTRPS of fresh whole chicken decreased by 11.91%. The real farm value share of fresh whole chicken reached 55.61% in January 2023. From January 2022 to January 2023, year-on-year, the real farm value share increased by 8.51%, while the real FTRPS decreased by 12.47%.
- **Beef:** The real FTRPS of class A2/A3 beef increased by 7.63%, while the real farm value share of beef decreased by 5.35% during the fourth quarter of 2022/23 (November 2022 – January 2023) and reached 49.28% in January 2023. From January 2022 to January 2023, year-on-year, the real FTRPS increased by 14.71%, while the real farm value share decreased by 7.19%.
- **Lamb:** The real FTRPS of class A2/A3 lamb increased by 8.64% (from R79.94/kg to R86.85/kg), while the real farm value share decreased by 6.35% (from 51.69% to 48.41%), during the fourth quarter of 2022/23 (November 2022 – January 2023). From January 2022 to January 2023, year-on-year, the real farm value share increased by 5.40% and reached 48.41%, while the real FTRPS decreased by 12.86% and reached R86.85/kg.
- **Pork:** The real FTRPS increased by 26.83%, on average from R50.91/kg in November 2022 to R64.56/kg in January 2023. While the real farm value share of pork decreased by from 39.79% in November 2022 to 35.18% in January 2023. From January 2022 to January 2023, year-on-year, the real FTRPS and the real farm value share increased by 13.75% (from R56.76/kg to R64.56/kg) and 7.73% (from 32.65% to 35.18%), respectively.
- **Milk:** The real FTRPS for full cream milk increased on average from R10.67/ℓ to R10.76/ℓ representing a 0.80% increase in the fourth quarter of 2022/23 (November 2022- January 2023). The real farm value share increased by 0.74% during the same period. From January 2022 to January 2023, year-on-year, the real FTRPS increased by 13.63%, while the real farm value share decreased by 7.46%.
- **Maize:** The real farm value share of maize meal (5kg) increased by 8.16% from 54.55% in November 2022 to 59.01% in January 2023. While the real FTRPS of a maize meal (converted to a price per ton) decreased from R4 921.21/ton in November 2022 to R4 507.71/ton in January 2023, representing an 8.40% decrease. From January 2022 to January 2023, year-on-year, the farm value share increased by 24.77%, while FTRPS decreased by 7.93%.
- **Wheat:** In January 2023, the real FTRPS for white bread (converted to a price per ton) reached R28 894.38/ton of flour, with brown bread reaching R27 958.92/ton of flour, whilst the real farm value share for white and brown bread reached 22.32% and 21.79%, respectively. From January 2022 to January 2023 real FTRPS for white and brown bread increased by 12.71% and 12.34%, 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 fourth quarter of 2022/23 (November 2022 – January 2023). 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:** Figure 1 shows that during the fourth quarter of 2022/23 (November 2022 – January 2023), the real farm value share increased by 6.31%, while the real FTRPS of fresh whole chicken decreased by 11.91%. The real farm value share of fresh whole chicken reached 55.61% in January 2023. From January 2022 to January 2023, year-on-year, the real farm value share increased by 8.51%, while the real FTRPS decreased by 12.47%. This could be due to the competitiveness in the poultry value chain being affected by factors such as imports and high feed prices amongst other factors.

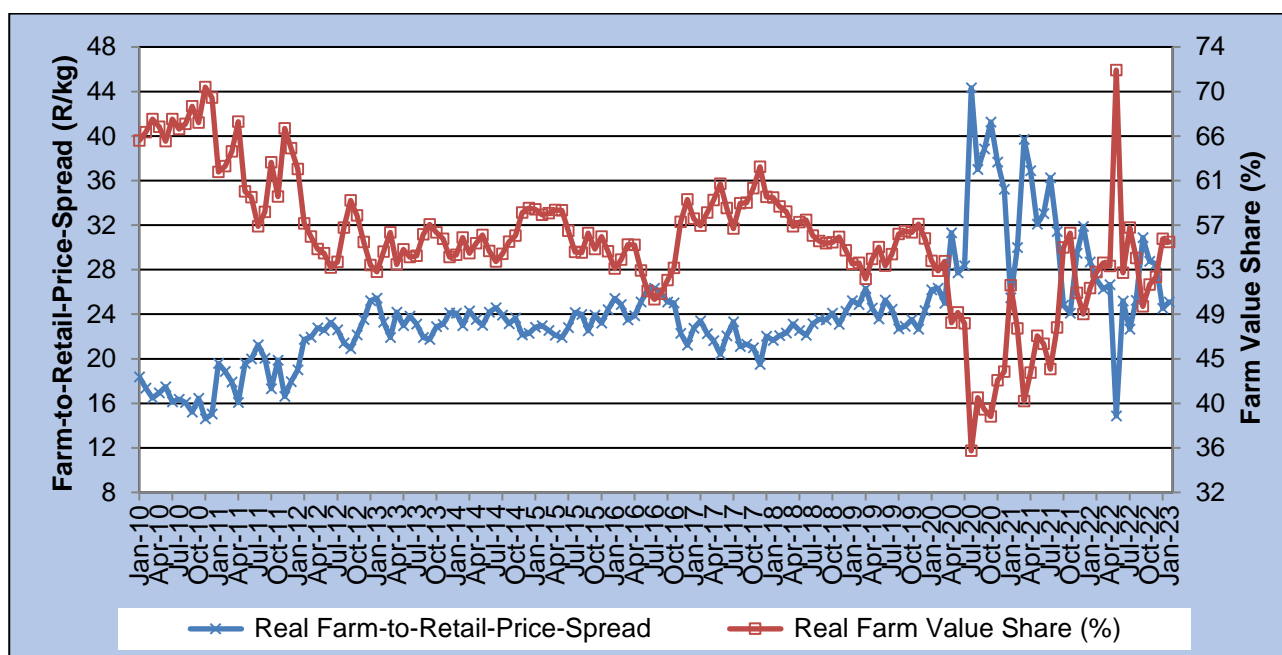


Figure 1: Real farm-to-retail-price-spread and farm value share of poultry

Source: Stats SA, 2023; AMT, 2023 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.

Figure 2 shows that the real FTRPS of class A2/A3 beef increased by 7.63%, while the real farm value share of beef decreased by 5.35% during the fourth quarter of 2022/23 (November 2022 – January 2023) and reached 49.28% in January 2023. From January 2022 to January 2023, year-on-year, the real FTRPS increased by 14.71%, while the real farm value share decreased by 7.19%. The gap between FTRPS and farm value share can be attributed to recent outbreaks of Foot and Mouth Disease (FMD) that disrupted local red meat production, changes in retail demand and farm commodity supply.

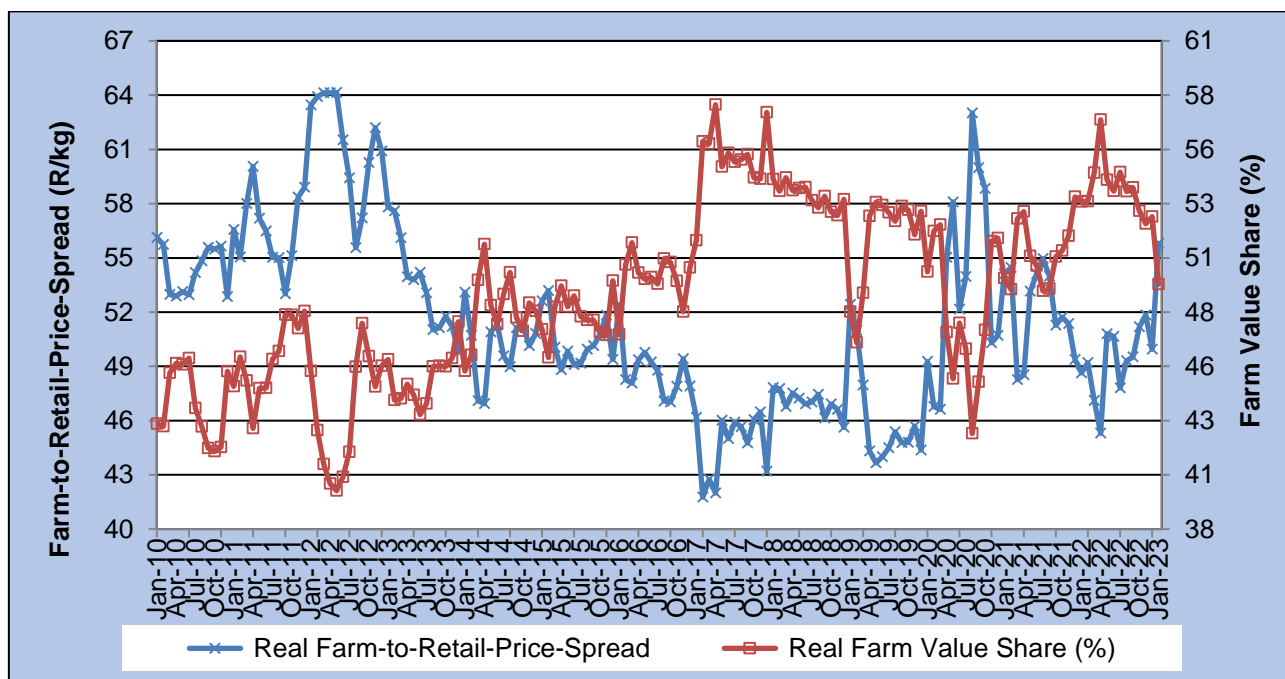


Figure 2: Real farm-to-retail-price-spread and farm value share for beef

Source: Stats SA, 2023; AMT, 2023 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.

Figure 3 shows that the real FTRPS of class A2/A3 lamb increased by 8.64% (from R79.94/kg to R86.85/kg), while the real farm value share decreased by 6.35% (from 51.69% to 48.41%), during the fourth quarter of 2022/23 (November 2022 – January 2023). From January 2022 to January 2023, year-on-year, the real farm value share increased by 5.40% and reached 48.41%, while the real FTRPS decreased by 12.86% and reached R86.85/kg.

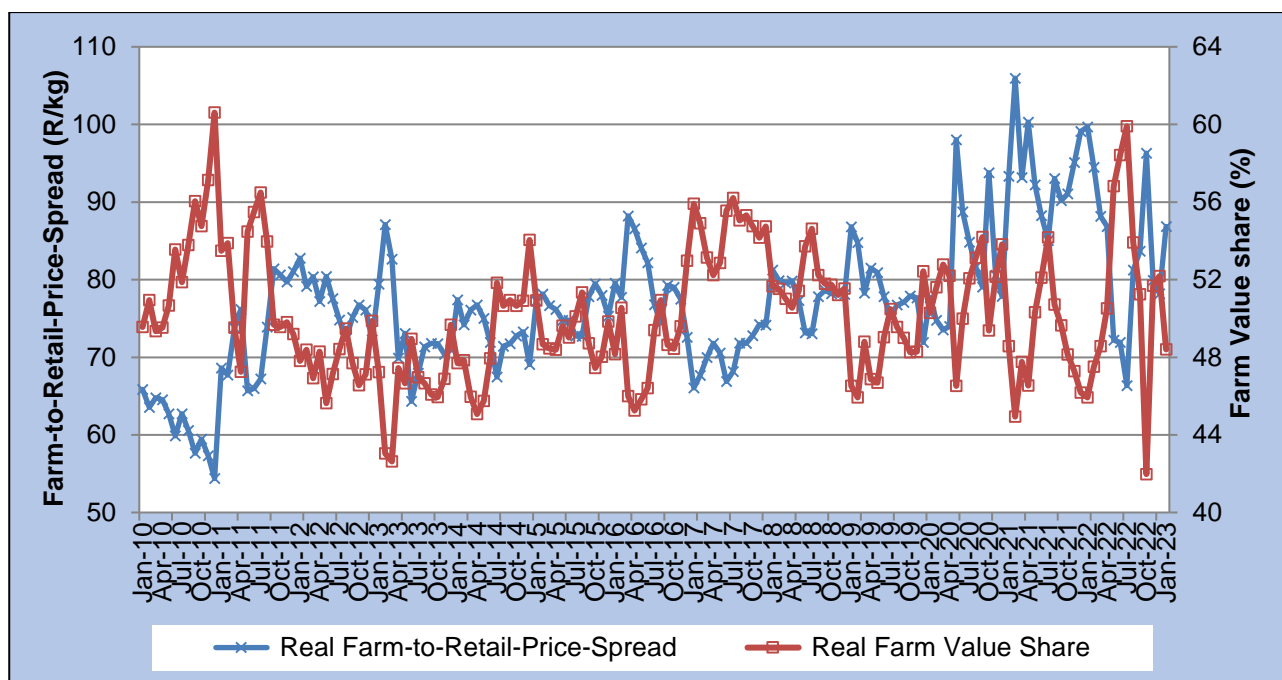


Figure 3: Real farm-to-retail-price-spread and farm value share of lamb

Source: Stats SA, 2023; AMT, 2023 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.

Figure 4 shows that real FTRPS increased by 26.83%, on average from R50.91/kg in November 2022 to R64.56/kg in January 2023. While the real farm value share of pork decreased by from 39.79% in November 2022 to 35.18% in January 2023. From January 2022 to January 2023, year-on-year, the real FTRPS and the real farm value share increased by 13.75% (from R56.76/kg to R64.56/kg) and 7.73% (from 32.65% to 35.18%), respectively.

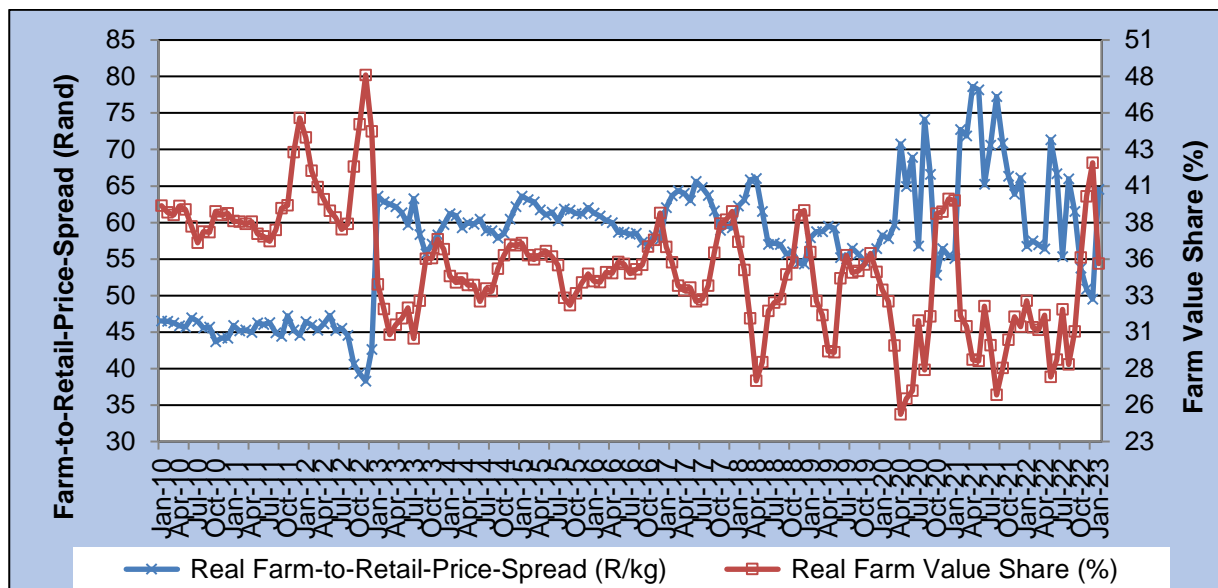


Figure 4: Real farm-to-retail-price-spread and farm value share of pork

Source: Stats SA, 2023; AMT, 2023 and own calculations

- Milk:** Milk is an essential food product in consumer's basket. Furthermore, milk is one of the top 10 food expenditure items for low-income households in South Africa. Figure 5 shows that the real FTRPS for full cream milk increased on average from R10.67/ℓ to R10.76/ℓ representing a 0.80% increase in the fourth quarter of 2022/23 (November 2022- January 2023). The real farm value share increased by 0.74% during the same period. From January 2022 to January 2023, year-on-year, the real FTRPS increased by 13.63%, while the real farm value share decreased by 7.46%.

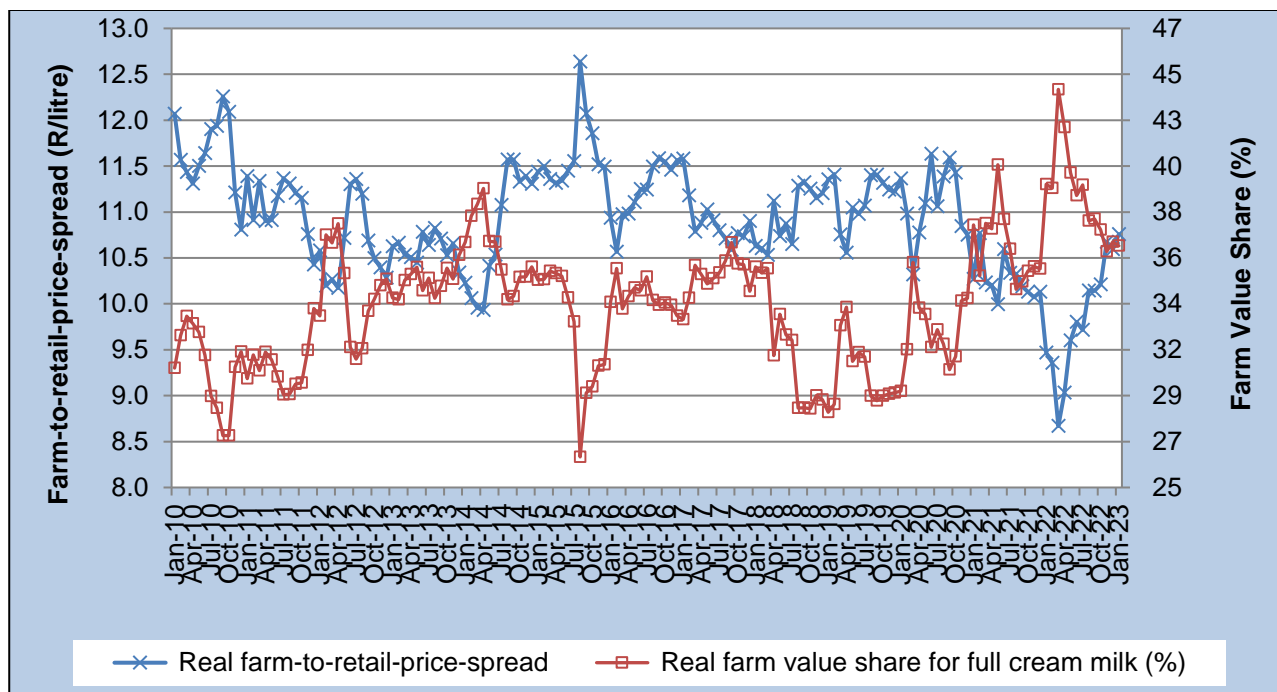


Figure 5: Real farm-to-retail-price-spread and farm value share of milk

Source: Stats SA, 2023; AMT, 2023 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).

Figure 6 shows that the real farm value share of maize meal (5kg) increased by 8.16% from 54.55% in November 2022 to 59.01% in January 2023. While the real FTRPS of maize meal (converted to a price per ton) decreased from R4 921.21/ton in November 2022 to R4 507.71/ton in January 2023, representing an 8.40% decrease. From January 2022 to January 2023, year-on-year, the farm value share increased by 24.77%, while FTRPS decreased by 7.93%.

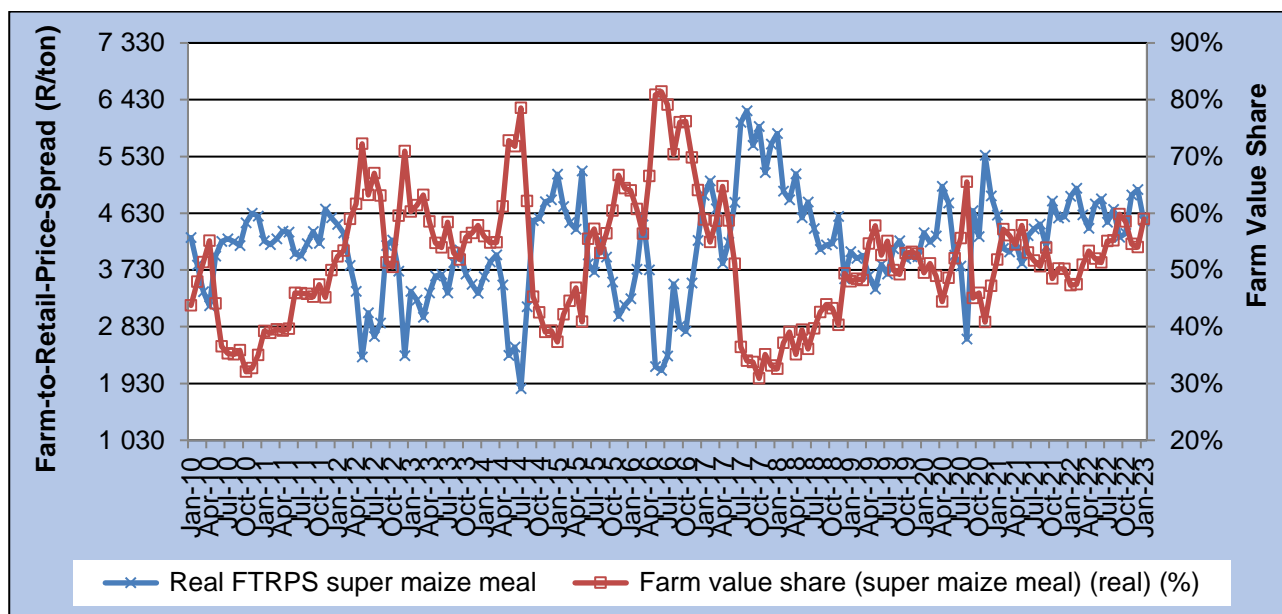


Figure 6: Real farm-to-retail-price-spread and farm value share of maize meal 5kg

Source: Stats SA, 2023 and own calculations

- Wheat:** Figure 7 shows that in January 2023, the real FTRPS for white bread (converted to a price per ton) reached R28 894.38/ton of flour, with brown bread reaching R27 958.92/ton of flour, whilst the real farm value share for white and brown bread reached 22.32% and 21.79%, respectively. From January 2022 to January 2023 real FTRPS for white and brown bread increased by 12.71% and 12.34%, 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.

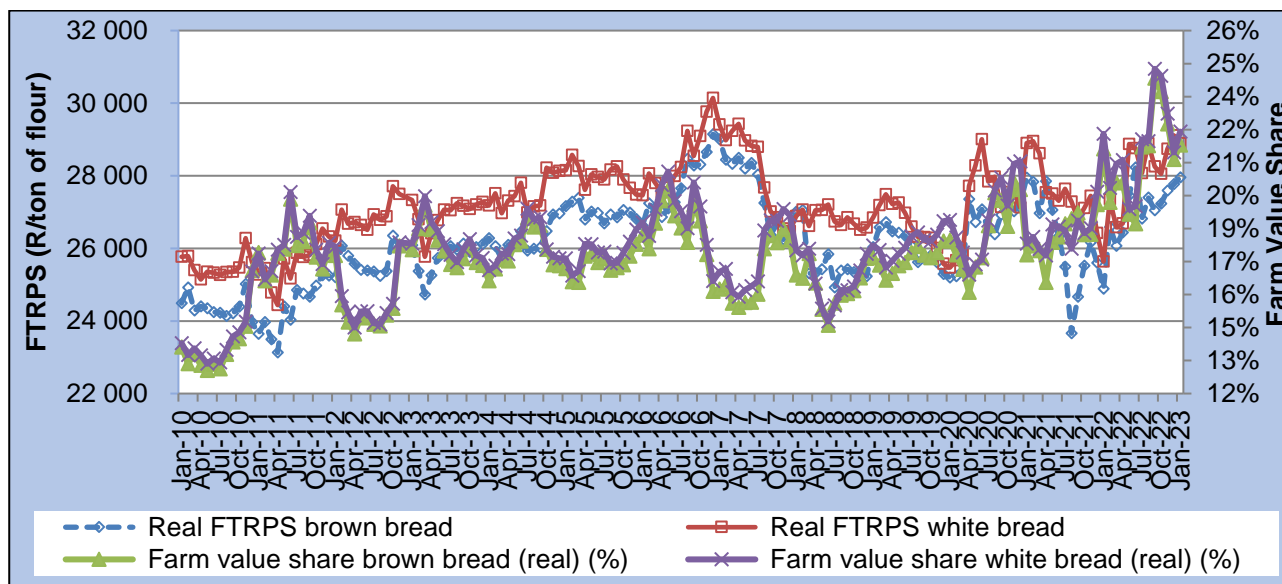


Figure 7: Real farm-to-retail-price-spread and farm value share of wheat

Source: Stats SA, 2023 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 November 2022 and January 2023. 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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