

FARM-TO-RETAIL-PRICE-SPREAD

February 2023–April 2023
May 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 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 period between February and April 2023, the real farm value share increased by 6.80%, while the real FTRPS of fresh whole chicken decreased by 14.75%. The real farm value share of fresh whole chicken reached 59.16% in April 2023. From April 2022 to April 2023, year-on-year, the real farm value share increased by 10.92%, while the real FTRPS decreased by 19.35%.
- **Beef:** The real FTRPS of class A2/A3 beef decreased by 2.39%, while the real farm value share of beef marginally increased by 0.01% during the period between February and April 2023) and reached 47.00% in April 2023. From April 2022 to April 2023, year-on-year, the real FTRPS increased by 25.20%, while the real farm value share decreased by 17.35%.
- **Lamb:** The real FTRPS of class A2/A3 lamb decreased by 5.94% (from R84.05/kg to R79.05/kg), while the real farm value share increased by 3.12% (from 48.07% to 49.57%), during the period between February and April 2023). The real FTRPS and real farm value share reached R79.05/kg and 49.57% in April 2023, respectively.
- **Pork:** The real FTRPS increased by 5.20%, on average from R65.17/kg in February 2023 to R68.55/kg in April 2023, while real farm value share of pork decreased by 12.63%, from 33.40% to 29.18%, during the same period. From April 2022 to April 2023, year-on-year, the real FTRPS increased by 21.56%, while the real farm value share decreased by 7.78%.
- **Milk:** The real FTRPS for full cream milk increased on average from R10.17/ℓ to R10.61/ℓ representing a 4.32% increase during the period between February and April 2023. The real farm value share decreased by 4.71% during the same period. From April 2022 to April 2023, year-on-year, the real FTRPS increased by 17.51%, while the real farm value share decreased by 10.24%.
- **Maize:** The real farm value share of maize meal (5kg) decreased by 6.17% from 63.38% in February 2023 to 59.47% in April 2023. While the real FTRPS of a maize meal (converted to a price per ton) increased from R4 063.50/ton in February 2023 to R4 560.65/ton in April 2023, representing a 12.23% increase. From April 2022 to April 2023, year-on-year, the farm value share and the real FTRPS increased by 11.54% and 3.82%, respectively.
- **Wheat:** In April 2023, the real FTRPS for white bread (converted to a price per ton) reached R29 461.14/ton of flour, with brown bread reaching R28 678.69/ton of flour, whilst the real farm value share for white and brown bread reached 20.84% and 20.24%, respectively. From April 2022 to April 2023 real FTRPS for white and brown bread increased by 10.41% and 8.48%, 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 period between February and April 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 period between February and April 2023, the real farm value share increased by 6.80%, while the real FTRPS of fresh whole chicken decreased by 14.75%. The real farm value share of fresh whole chicken reached 59.16% in April 2023. From April 2022 to April 2023, year-on-year, the real farm value share increased by 10.92%, while the real FTRPS decreased by 19.35%. 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.

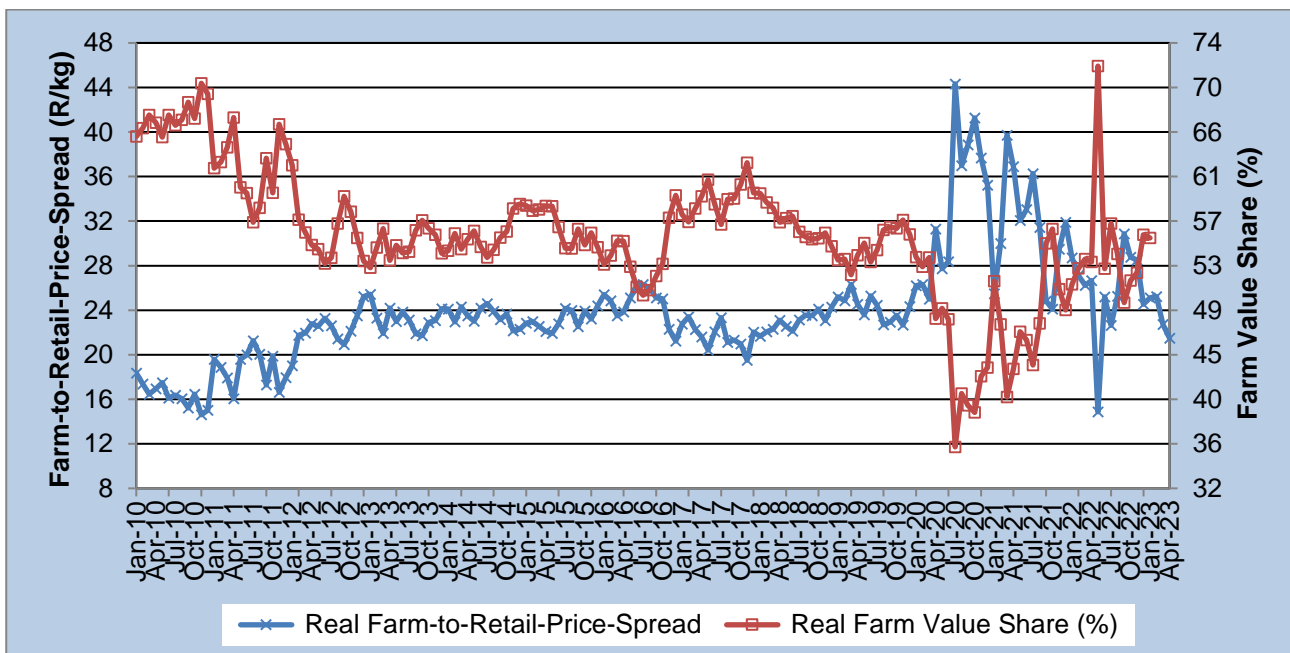


Figure 1: Real farm-to-retail-price-spread and farm value share of poultry

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 decreased by 2.39% to R56.73/kg, while the real farm value share of beef marginally increased by 0.01% during the period between February and April 2023 and reached 47.00% in April 2023. From April 2022 to April 2023, year-on-year, the real FTRPS increased by 25.20%, while the real farm value share decreased by 17.35%. The gap between FTRPS and farm value share can be attributed to recent outbreaks of Foot and Mouth Disease (FMD) that disrupted the production of red meat locally, changes in retail demand and farm commodity supply.

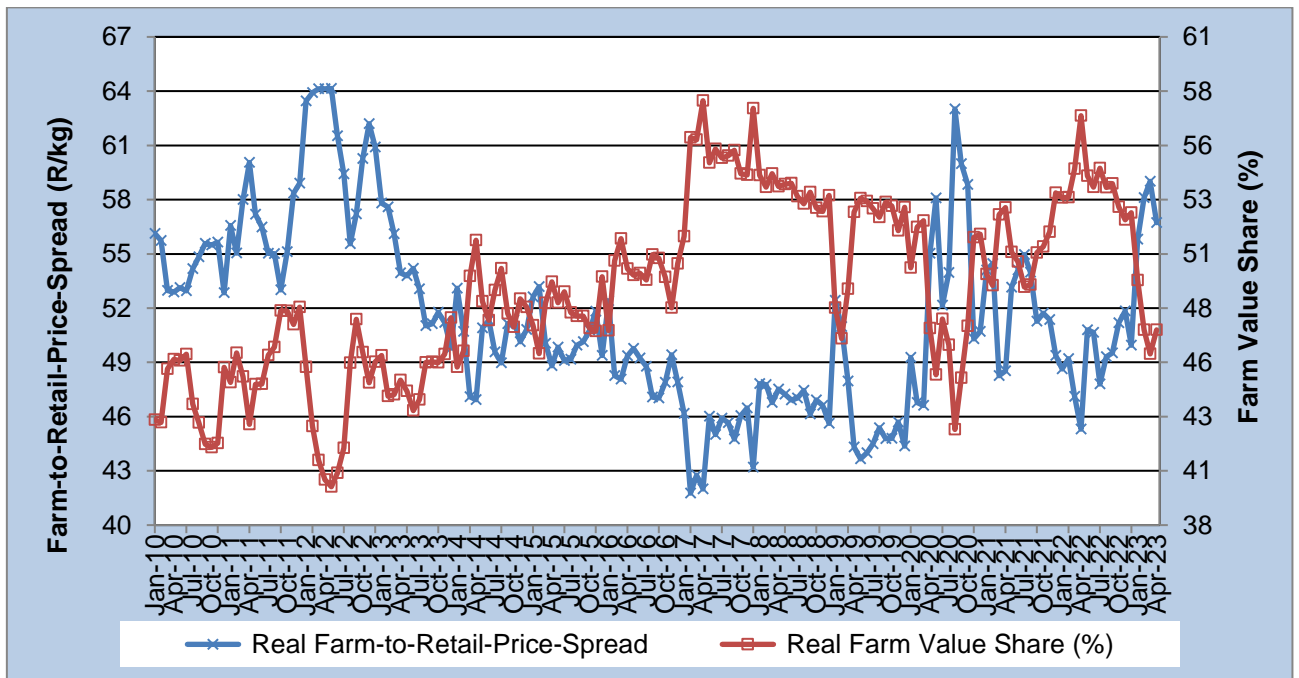


Figure 2: Real farm-to-retail-price-spread and farm value share for beef

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 decreased by 5.94% (from R84.05/kg to R79.05/kg), while the real farm value share increased by 3.12% (from 48.07% to 49.57%), during the period between February and April 2023. The real FTRPS and real farm value share reached R79.05/kg and 49.57% in April 2023, respectively.

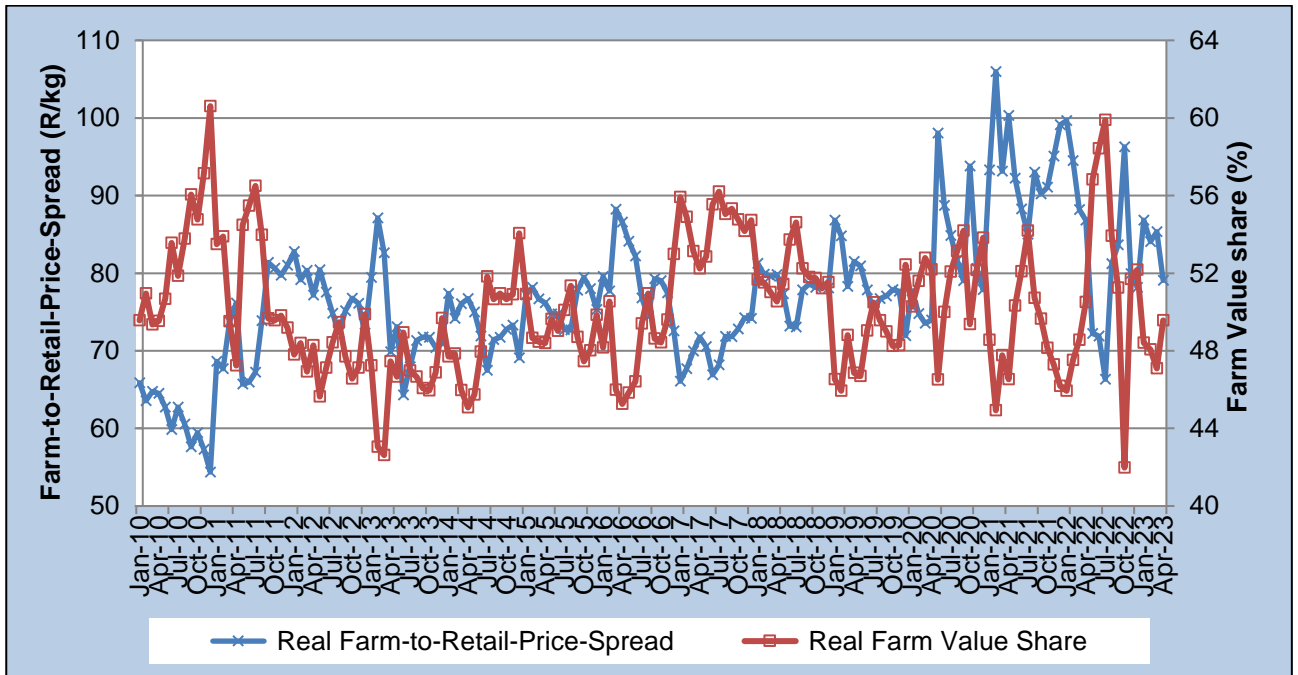


Figure 3: Real farm-to-retail-price-spread and farm value share of lamb

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 5.20%, on average from R65.17/kg in February 2023 to R68.55/kg in April 2023. While the real farm value share of pork decreased by 12.63% from 33.40% in February 2023 to 29.18% in April 2023. From April 2022 to April 2023, year-on-year, the real FTRPS increased by 21.56% (from R56.39/kg to R68.55/kg), while the real farm value share decreased by 7.78% (from 31.64% to 29.18%).

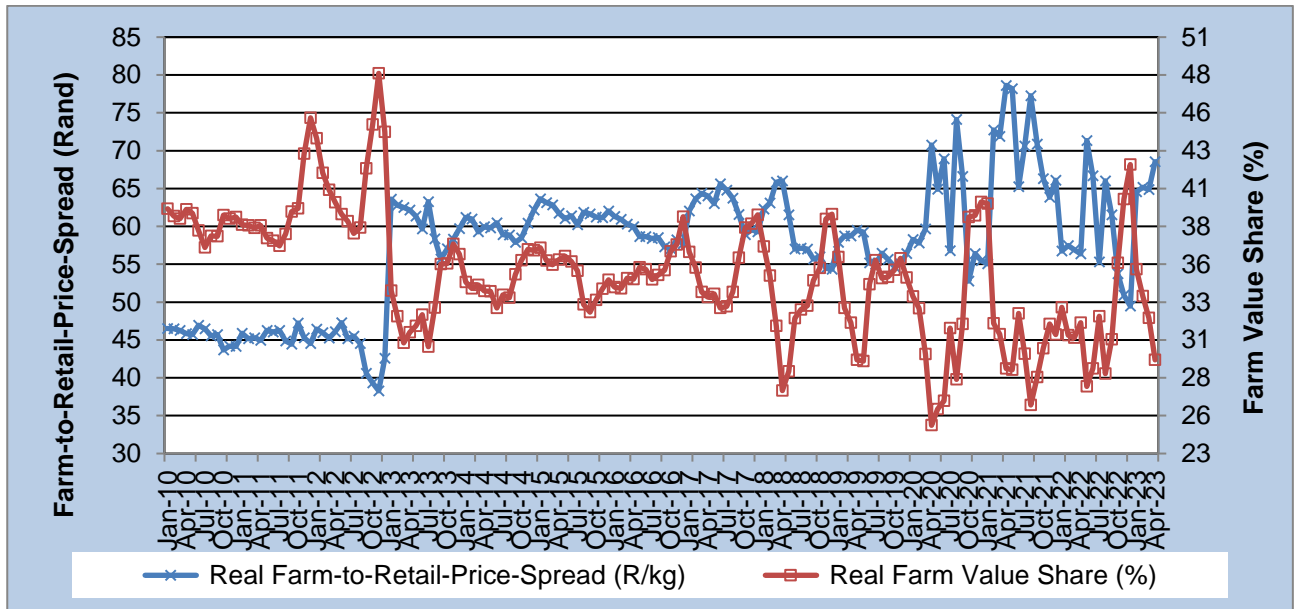
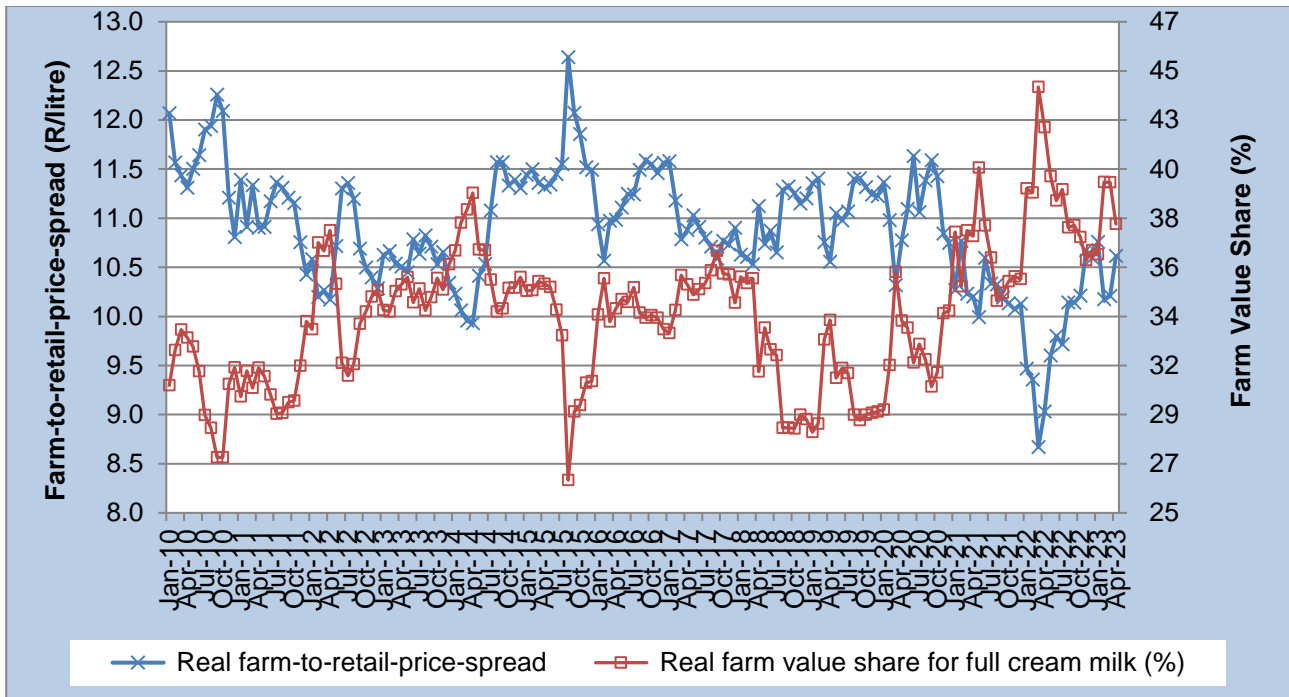


Figure 4: Real farm-to-retail-price-spread and farm value share of pork

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

- Milk:** Milk is an essential food item 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 R10.17/ℓ to R10.61/ℓ representing a 4.32% increase during the period between February and April 2023. The real farm value share decreased by 4.71% during the same period. From April 2022 to April 2023, year-on-year, the real FTRPS increased by 17.51%, while the real farm value share decreased by 10.24%.



- **Maize:** Due to data limitations for the monitoring of an average retail price for special maize meal (5kg) by Statistics South Africa (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) decreased by 6.17% from 63.38% in February 2023 to 59.47% in April 2023. While the real FTRPS of maize meal (converted to a price per ton) increased from R4 063.50/ton in February 2023 to R4 560.65/ton in April 2023, representing a 12.23% increase. From April 2022 to April 2023, year-on-year, the farm value share and real FTRPS increased by 11.54% and 3.82%, respectively.

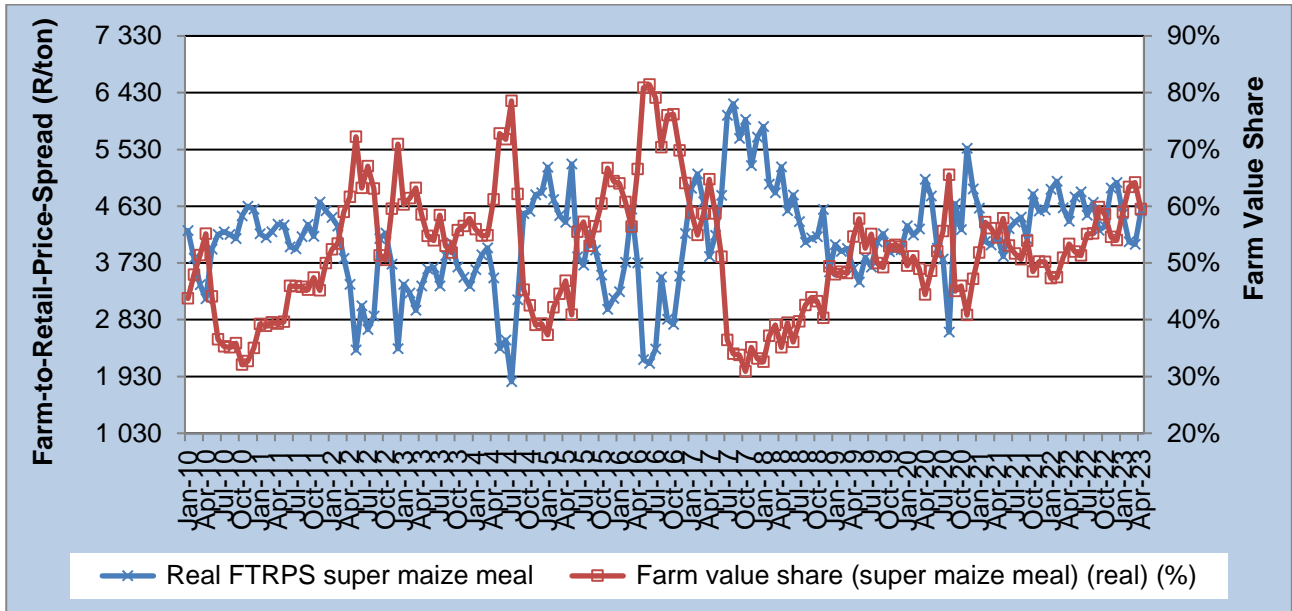


Figure 6: Real farm-to-retail-price-spread and farm value share of maize meal 5kg

Source: Stats SA, 2023 and own calculations

- Wheat:** Figure 7 shows that in April 2023, the real FTRPS for white bread (converted to a price per ton) reached R29 461.14/ton of flour, with brown bread reaching R28 678.69/ton of flour, whilst the real farm value share for white and brown bread reached 20.84% and 20.24%, respectively. From April 2022 to April 2023 real FTRPS for white and brown bread increased by 10.41% and 8.48%, 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, volatility of South African Rand against the United States (US) Dollar, fluctuations in transport costs and changes in local production.

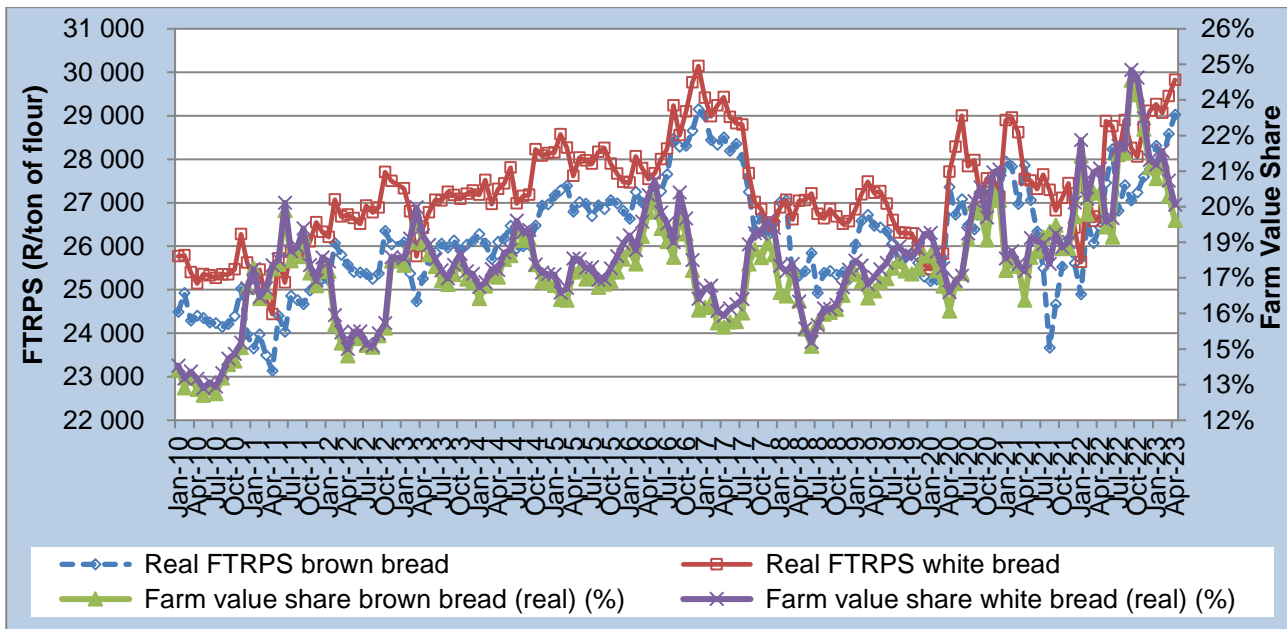


Figure 7: Real farm-to-retail-price-spread and farm value share of wheat
 Source: Stats SA, 2023 and own calculations

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 February 2023 and April 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. The further in-depth study on selected commodities will provide the factors behind these fluctuations.

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