

FARM-TO-RETAIL-PRICE-SPREAD

August 2023–October 2023
November 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 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 period between August 2023 and October 2023, the real farm value share increased by 3.20%, while the real FTRPS of fresh whole chicken meat decreased by 3.86%. The real farm value share of fresh whole chicken meat reached 60.23% in October 2023. From October 2022 to October 2023, year-on-year (y-o-y), the real farm value share increased by 116.74%, while the real FTRPS decreased by 24.46%.
- **Beef:** During the period between August 2023 and October 2023, the real FTRPS of class A2/A3 beef decreased by 1.78%, while the real farm value share increased by 1.35%. The real farm value share reached 49.90% in October 2023. From October 2022 to October 2023 (y-o-y), the real FTRPS and the real farm value share decreased by 6.92% and 5.26%, respectively.
- **Lamb:** The real FTRPS of class A2/A3 lamb moderately increased by 0.99% (from R77.8/kg to R78.67/kg), while the real farm value share decreased by 2.66% (from 49.98% to 48.65%) during the period between August 2023 and October 2023. From October 2022 to October 2023 (y-o-y), the real farm value share increased by 15.89%, while the real FTRPS decreased by 18.30%.
- **Pork:** The real FTRPS decreased by 4.78%, on average, from R50.86/kg in August 2023 to R48.43/kg in October 2023, while the real farm value share of pork increased by 13.51%, from 36.39% to 41.30%, during the same period. From October 2022 to October 2023 (y-o-y), the real FTRPS decreased by 9.90%, while the real farm value share increased by 16.02%.
- **Milk:** The real FTRPS for full cream milk decreased on average from R11.22/ℓ to R10.61/ℓ, representing a 5.39% decrease during the period between August and October 2023. The real farm value share increased by 6.84% during the same period. From October 2022 to October 2023 (y-o-y), the real FTRPS and the real farm value share increased by 3.93% and 3.70%, respectively.
- **Maize:** The real farm value share of maize meal (5kg) increased moderately by 0.99% from 44.84% in August 2023 to 45.28% in October 2023. While the real FTRPS of a maize meal (converted to a price per ton) decreased from R6 032.71/ton in August 2023 to R5 747.32/ton in October 2023, representing a 4.73% decrease. From October 2022 to October 2023 (y-o-y), the farm value share decreased by 22.64%, while the real FTRPS increased by 33.37%.
- **Wheat:** In October 2023, the real FTRPS for white bread (converted to a price per ton) reached R27 763.96/ton of flour, with brown bread reaching R27 709.98/ton of flour, while

the real farm value share for white and brown bread reached 20.45% and 19.46%, respectively. From October 2022 to October 2023 (y-o-y), real FTRPS for white bread decreased by 1.04%, while the FTRPS for brown bread increased by 1.76%.

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 August 2023 and October 2023. The NAMC analyses data sets to compare prices paid by consumers for food with prices received by farmers for corresponding commodities 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, the farm values of selected products and the FTRPS are calculated. For more details on the methodology, please read [here](#).

Price Trends, Farm Values and Price Spreads

- **Poultry:** Figure 1 shows that during the period between August 2023 and October 2023, the real farm value share increased by 3.20%, while the real FTRPS of fresh whole chicken decreased by 3.86%. The real farm value share of fresh whole chicken meat reached 60.23% in October 2023. From October 2022 to October 2023 (y-o-y), the real farm value share increased by 16.74%, while the real FTRPS decreased by 24.46%. This could be due to the competitiveness in the poultry value chain being affected by factors such as imports and high feed prices, among other factors.

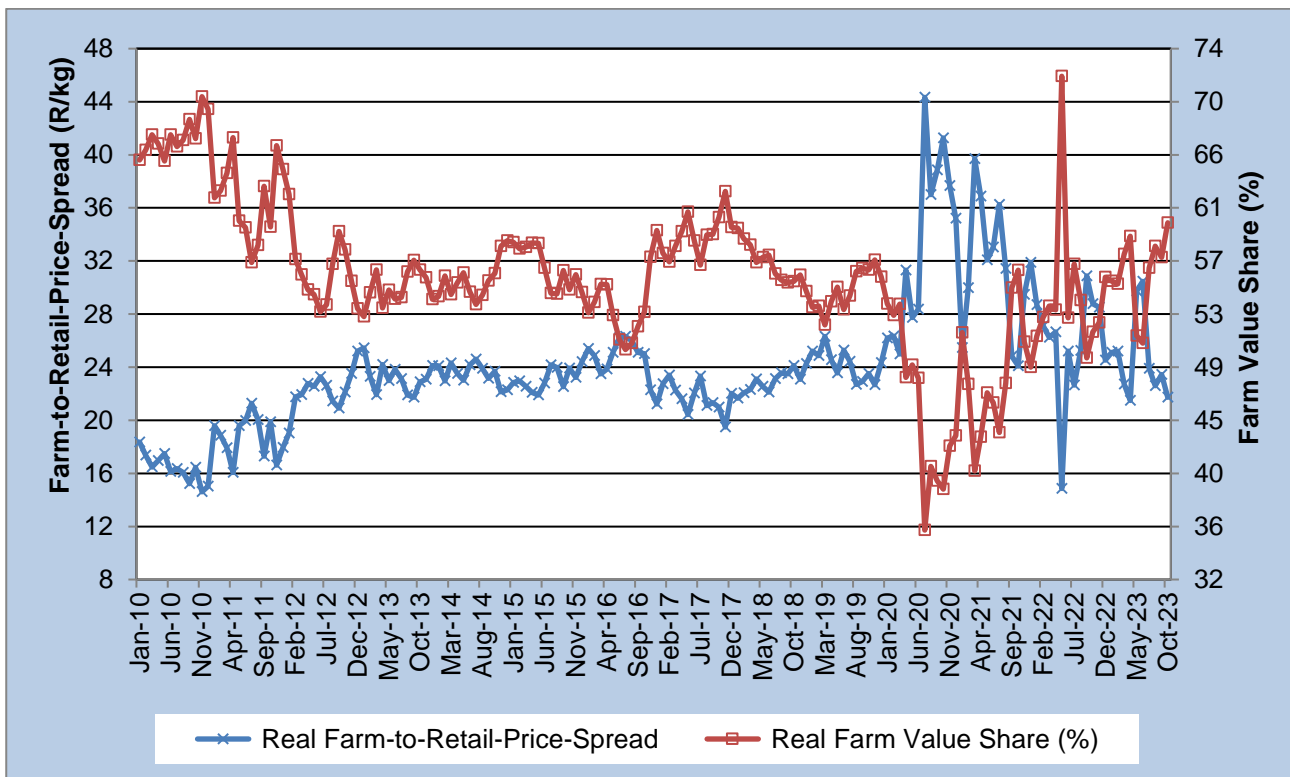


Figure 1: Real farm-to-retail-price-spread and farm value share of poultry

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 therefore includes additional cuts, i.e., sirloin, stew, and fillet, in the calculation of the spread from January 2017 onwards, but excludes beef offal in the calculation of the spread.

Figure 2 shows that during the period between August 2023 and October 2023, the real FTRPS of class A2/A3 beef decreased by 1.78%, while the real farm value share increased by 1.35%. The real farm value share reached 49.90% in October 2023. From October 2022 to October 2023 (y-o-y), the real FTRPS and the real farm value share decreased by 6.92% and 5.26%, respectively. The gap between FTRPS and farm value share can be attributed to the lingering effects of Foot and Mouth Disease (FMD) that disrupted the production of red meat locally, changes in retail demand, and farm commodity supply.

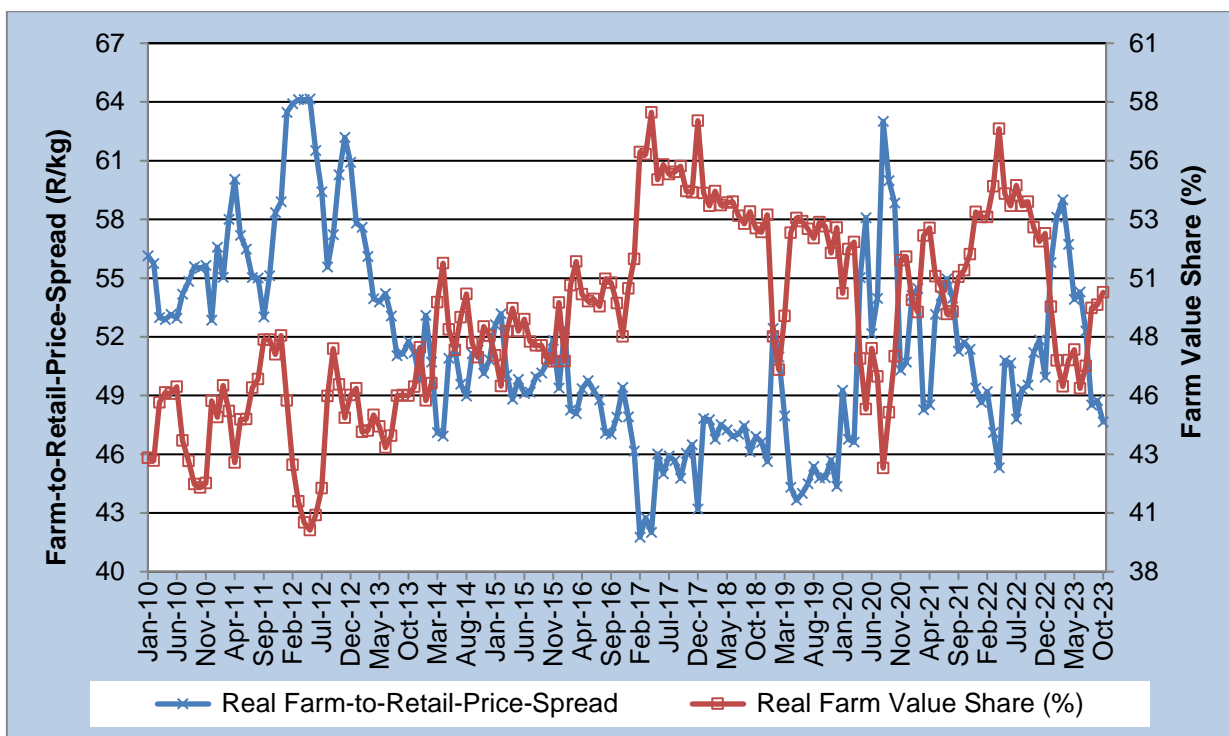


Figure 2: Real farm-to-retail-price-spread and farm value share for beef

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 therefore includes leg, loin chops (saddle chops), neck, rib chops and stew, but excludes lamb offal in the calculation of the spread.

Figure 3 shows that the real FTRPS of class A2/A3 lamb increased moderately by 0.99% (from R77.89/kg to R78.67/kg), while the real farm value share decreased by 2.66% (from 49.98% to 48.65%) during the period between August 2023 and October 2023. From October 2022 to October 2023 (y-o-y), the real farm value share increased by 15.89%, while the real FTRPS decreased by 18.30%.

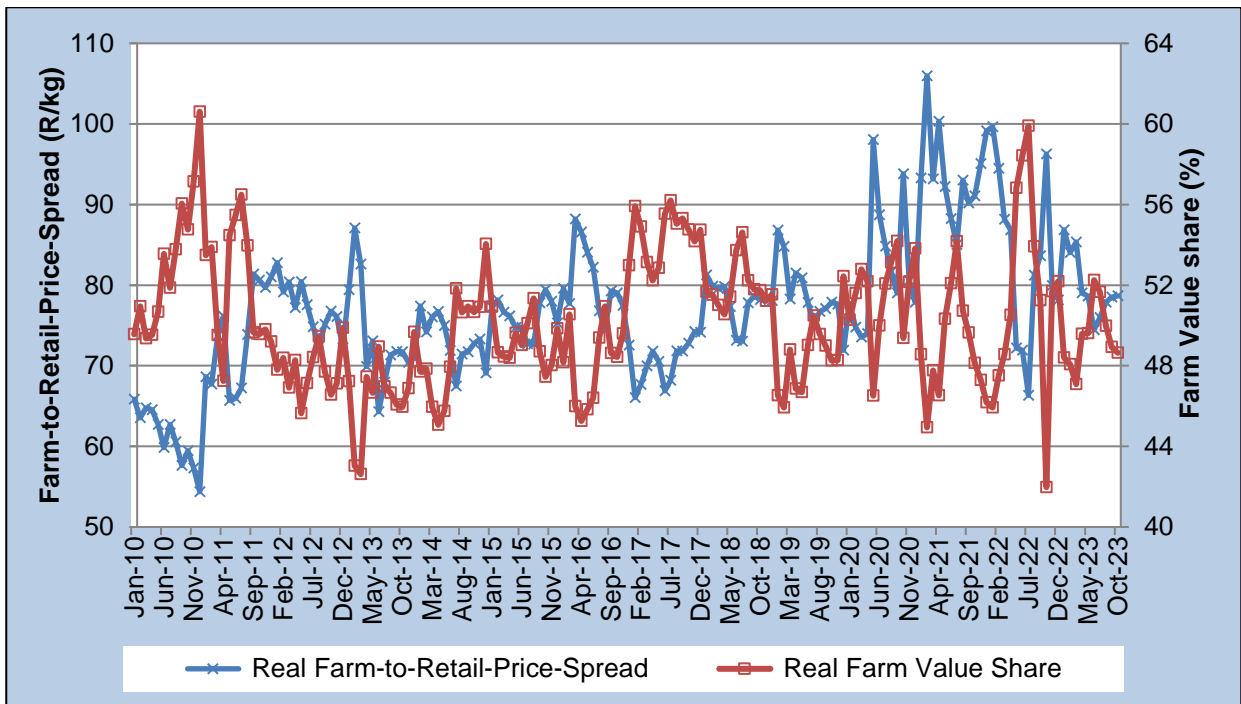


Figure 3: Real farm-to-retail-price-spread and farm value share of lamb

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

- Pork:** Due to the inclusion of additional 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 therefore includes the pork ribs effective January 2013.

Figure 4 shows that real FTRPS decreased by 4.78%, on average from R50.86/kg in August 2023 to R48.43/kg in October 2023. While the real farm value share of pork increased by 13.51% from 36.39% in August 2023 to 41.30% in October 2023. From October 2022 to October 2023 (y-o-y), the real FTRPS decreased by 9.90% (from R53.75/kg to R48.43/kg), while the real farm value share increased by 16.02% (from 35.60% to 41.30%).

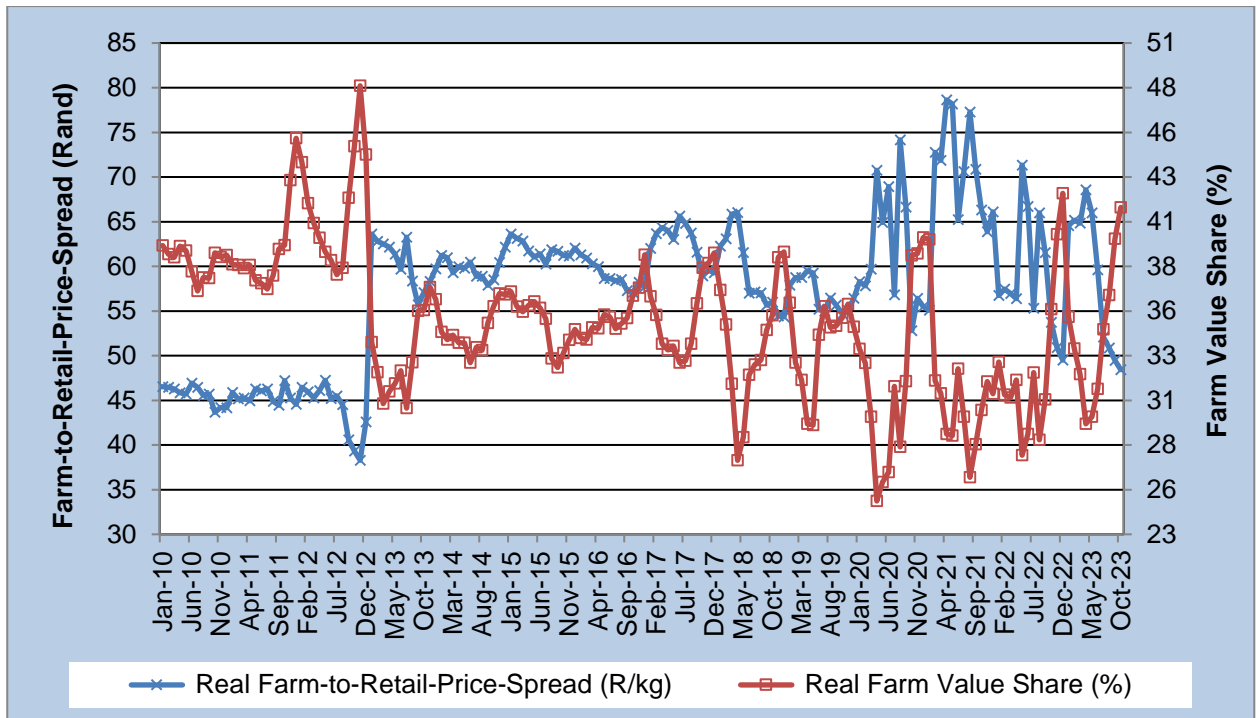


Figure 4: Real farm-to-retail-price-spread and farm value share of pork

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

- **Milk:** Milk is an essential food product in a 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 decreased on average from R11.22/l to R10.61/l, representing a 5.39% decrease during the period between August and October 2023. The real farm value share increased by 6.84% during the same period. From October 2022 to October 2023 (y-o-y), the real FTRPS and the real farm value share increased by 3.93% and 3.70%, respectively.

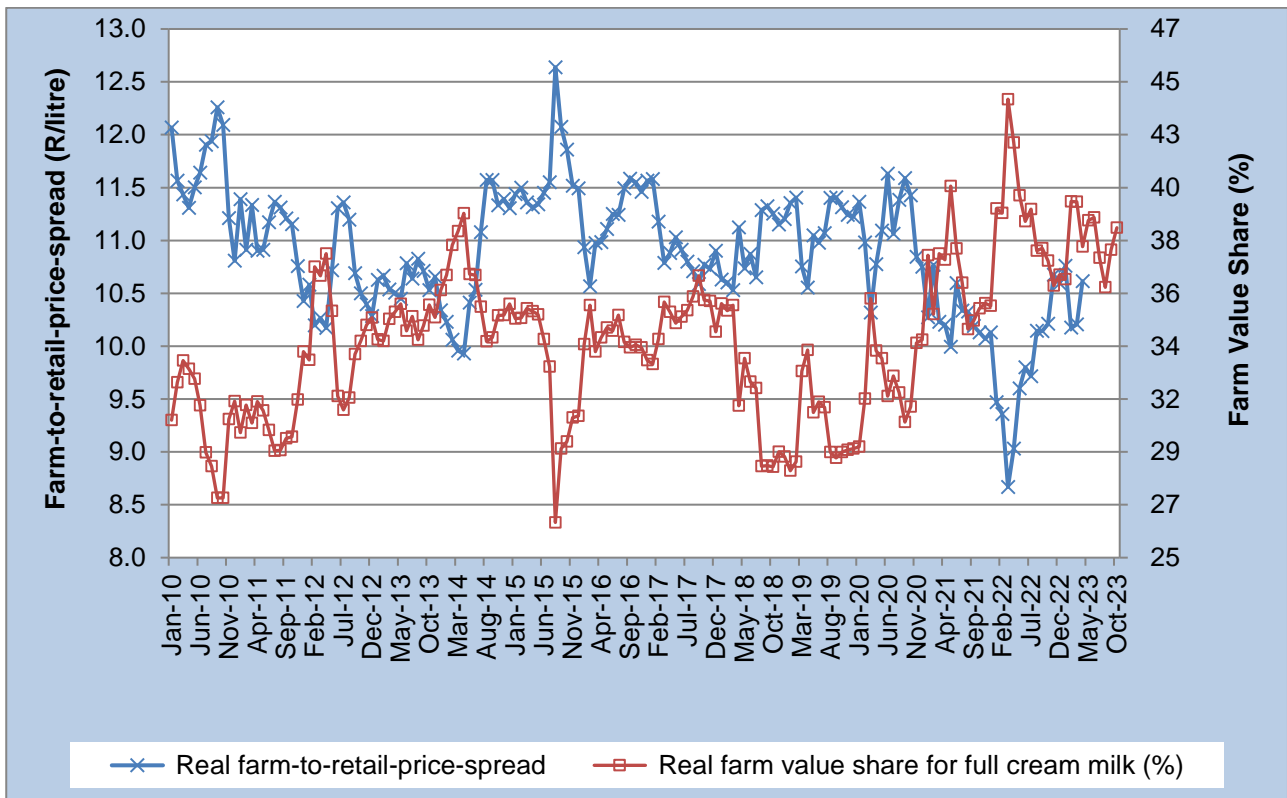


Figure 5: Real farm-to-retail-price-spread and farm value share of milk

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

- **Maize:** Due to data limitations for the monitoring of the 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 only includes the spread for maize meal (5kg).

Figure 6 shows that the real farm value share of maize meal (5kg) increased moderately by 0.99% from 44.84% in August 2023 to 45.28% in October 2023. While the real FTRPS of maize meal (converted to a price per ton) decreased from R6 032.71/ton in August 2023 to R5 747.32/ton in October 2023, representing a 4.73% decrease. From October 2022 to October 2023 (y-o-y), the farm value share decreased by 22.64%, while the real FTRPS increased by 33.37%.

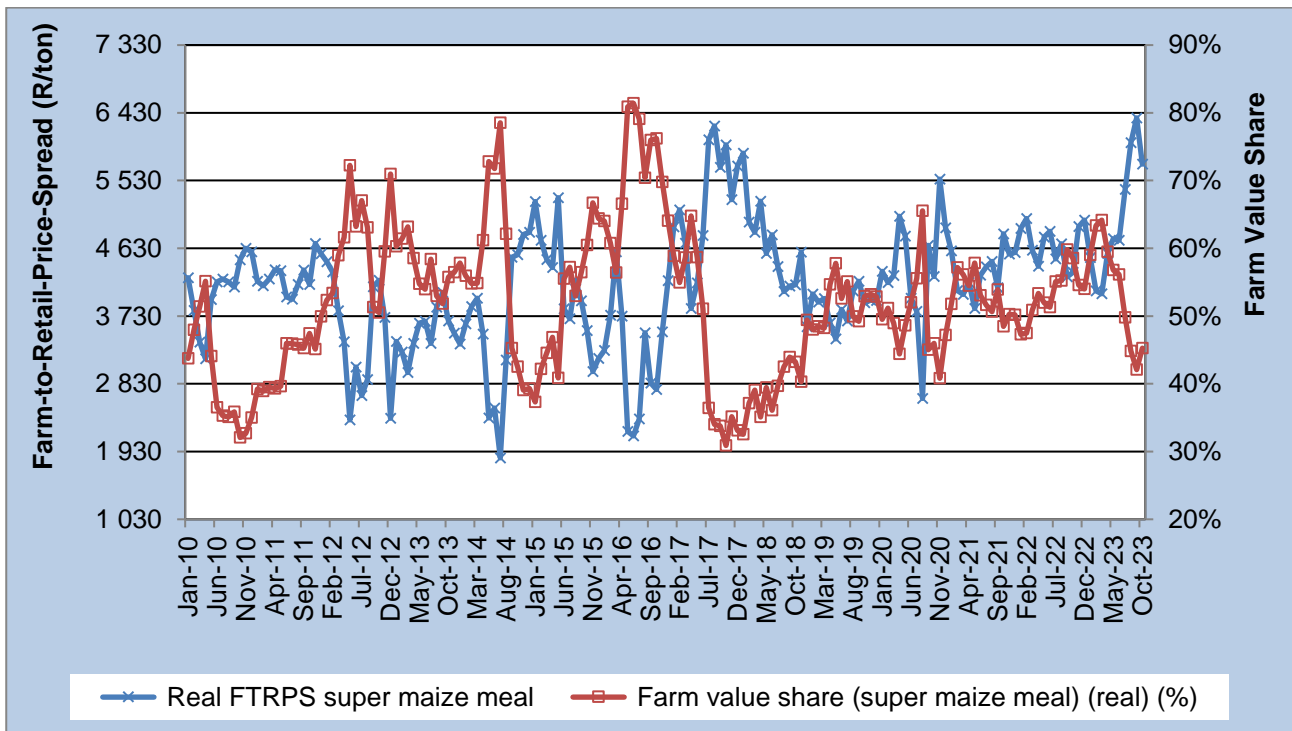


Figure 6: Real farm-to-retail-price-spread and farm value share of maize meal 5kg
Source: Stats SA, 2023 and own calculations

- Wheat:** Figure 7 shows that in October 2023, the real FTRPS for white bread (converted to a price per ton) reached R27 763.96/ton of flour, with brown bread reaching R27 709.98/ton of flour, while the real farm value share for white and brown bread reached 20.45% and 19.46%, respectively. From October 2022 to October 2023 (y-o-y), the real FTRPS for white bread decreased by 1.04%, while the FTRPS for brown bread increased by 1.76%.

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 United States (US) Dollar as well as fluctuations in transport costs and, to a lesser extent, changes in local production.

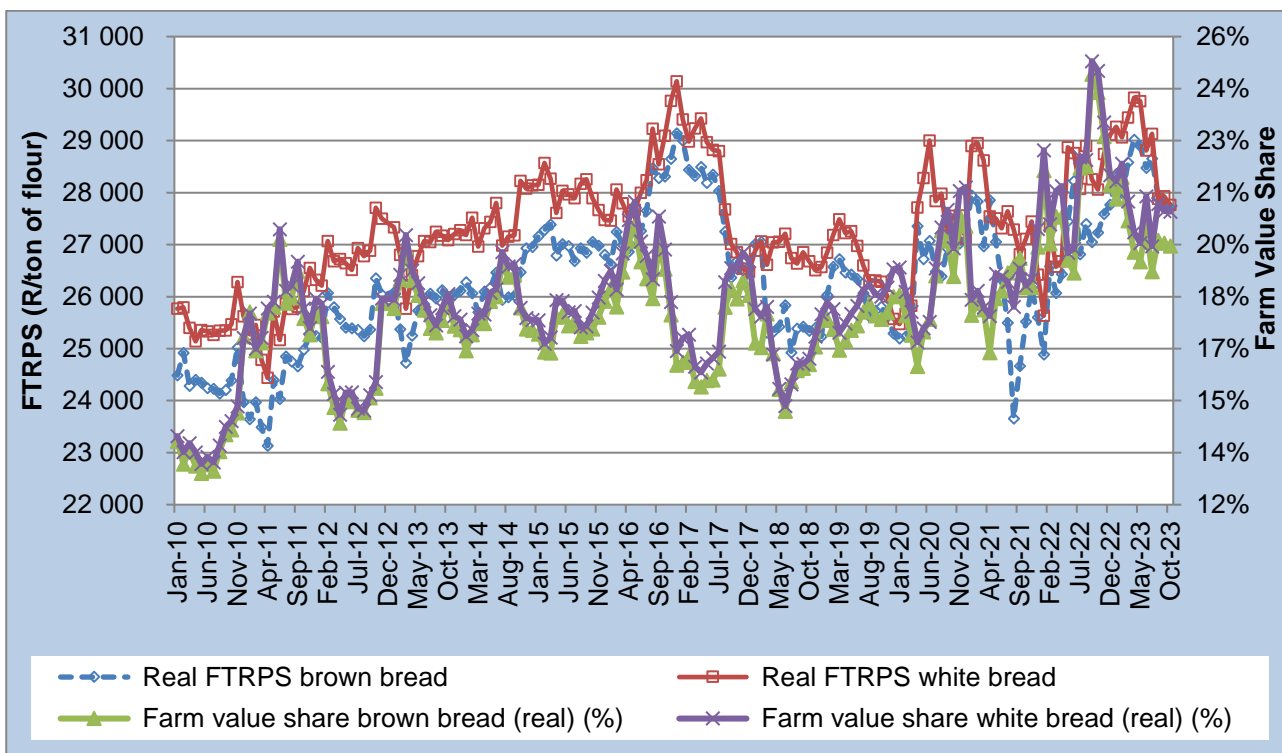


Figure 7: Real farm-to-retail-price-spread and farm value share of wheat

Source: Stats SA, 2023 and own calculations

Conclusion

This publication provides margins (farm values and farm-to-retail price spreads) for 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 2023 and October 2023. Price fluctuations were driven by several factors, such as the openness of international trade, the level of competition in the food supply chain, and increased levels of food processing, among others. A further in-depth study of selected commodities will provide the factors behind these fluctuations.

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