



FARM-TO-RETAIL-PRICE-SPREAD

November 2023–January 2024
February 2024 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 November 2023 and January 2024, the real farm value share decreased by 1.70%, while the real FTRPS of fresh whole chicken meat increased by 4.79%. The real farm value share of fresh whole chicken meat reached 57.86% in January 2024. From January 2023 to January 2024, year-on-year (y-o-y), the real farm value share increased by 4.05%, while the real FTRPS decreased by 2.23%.
- **Beef:** During the period between November 2023 and January 2024, the real FTRPS of class A2/A3 beef increased by 4.28%, while the real farm value share decreased by 1.07%. The real farm value share reached 49.55% in January 2024. From January 2023 to January 2024 (y-o-y), the real FTRPS decreased by 10.87%, while the real farm value share moderately increased by 0.54%.
- **Lamb:** The real FTRPS of class A2/A3 lamb increased by 2.54% (from 79.40/kg to R81.42/kg), while the real farm value share moderately decreased by 0.88% (from 48.19% to 47.76%) during the period between November 2023 and January 2024. From January 2023 to January 2024 (y-o-y), the real farm value share and real FTRPS decreased by 1.34% and 6.25%, respectively.
- **Pork:** The real FTRPS increased by 8.00%, on average, from R49.47/kg in November 2023 to R53.43/kg in January 2024, while the real farm value share of pork decreased by 11.80%, from 40.51% to 35.73%, during the same period. From January 2023 to January 2024 (y-o-y), the real FTRPS decreased by 17.25%, while the real farm value share increased by 1.57%.
- **Milk:** The real FTRPS for full cream milk decreased on average from R10.53/l to R10.39/l, representing a 1.30% decrease during the period between November 2023 and January 2024. The real farm value share increased by 1.71% during the same period. From January 2023 to January 2024 (y-o-y), the real FTRPS decreased by 3.44% and the real farm value share increased by 8.66%, respectively.
- **Maize:** The real farm value share of maize meal (5kg) increased by 10.53% from 43.13% in November 2023 to 47.67% in January 2024. While the real FTRPS of a maize meal (converted to a price per ton) decreased from R6 104.51/ton in November 2023 to R5 521.12/ton in January 2024, representing a 9.56% decrease. From January 2023 to January 2024 (y-o-y), the farm value share decreased by 19.21%, while the real FTRPS increased by 22.48%.

- **Wheat:** In January 2024, the real FTRPS for white bread (converted to a price per ton) reached R27 967.48/ton of flour, with brown bread reaching R27 942.79/ton of flour, while the real farm value share for white and brown bread reached 20.26% and 19.26%, respectively. From January 2023 to January 2024 (y-o-y), real FTRPS for white bread and brown bread decreased by 4.43% and 1.28%, 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 November 2023 and January 2024. 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 November 2023 and January 2024, the real farm value share decreased by 1.70%, while the real FTRPS of fresh whole chicken increased by 4.79%. The real farm value share of fresh whole chicken meat reached 57.86% in January 2024. From January 2023 to January 2024 (y-o-y), the real farm value share increased by 4.05%, while the real FTRPS decreased by 2.23%. 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.

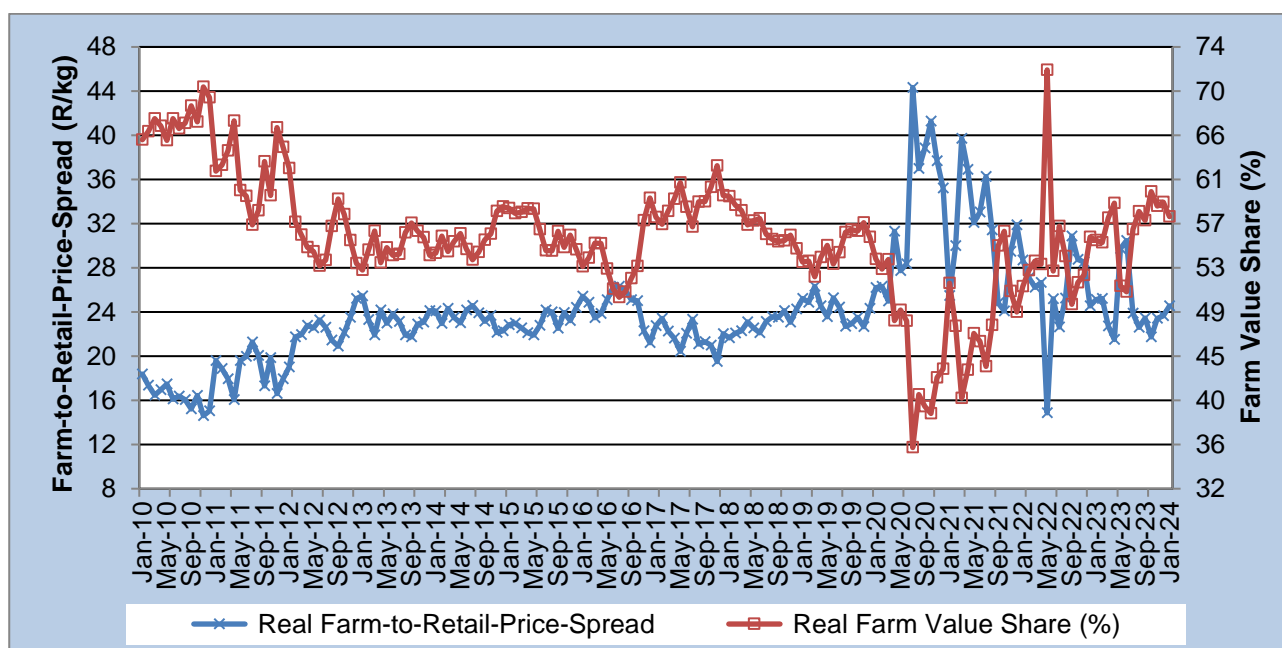


Figure 1: Real farm-to-retail-price-spread and farm value share of poultry

Source: Stats SA, 2024; AMT, 2024 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 November 2023 and January 2024, the real FTRPS of class A2/A3 beef increased by 4.28%, while the real farm value share decreased by 1.07%. The real farm value share reached 49.55% in January 2024. From January 2023 to January 2024 (y-o-y), the real FTRPS decreased by 10.87%, while the real farm value share moderately increased by 0.54%. 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.

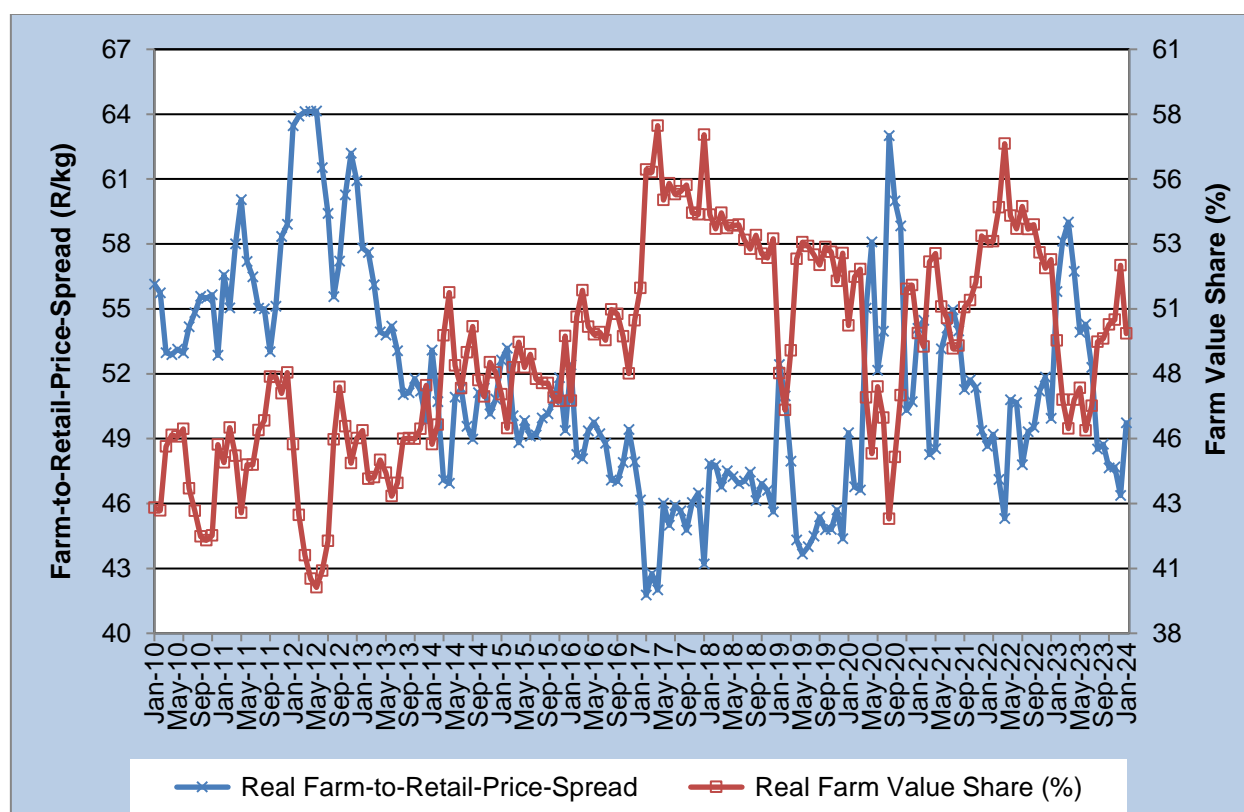


Figure 2: Real farm-to-retail-price-spread and farm value share for beef

Source: Stats SA, 2024; AMT, 2024 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 by 2.54% (from R79.40/kg to R81.42/kg), while the real farm value share moderately decreased by 0.88% (from 48.19% to 47.76%) during the period between November 2023 and January 2024. From January 2023 to January 2024 (y-o-y), the real farm value share decreased by 1.34%, while the real FTRPS decreased by 6.25%.

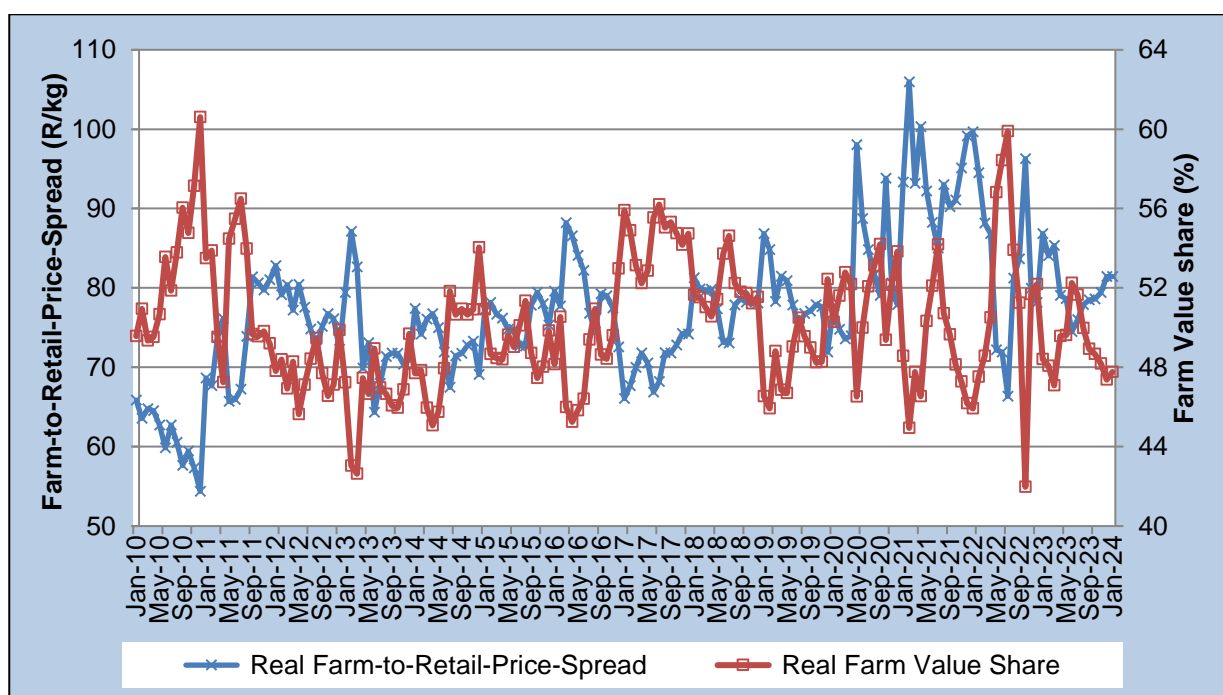


Figure 3: Real farm-to-retail-price-spread and farm value share of lamb

Source: Stats SA, 2024; AMT, 2024 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 increased by 8.00%, on average from R49.47/kg in November 2023 to R53.43/kg in January 2024. While the real farm value share of pork decreased by 11.80% from 40.51% in November 2023 to 35.73% in January 2024. From January 2023 to January 2024 (y-o-y), the real FTRPS decreased by 17.25% (from R64.56/kg to R53.43/kg), while the real farm value share increased by 1.57% (from 35.18% to 35.73%).

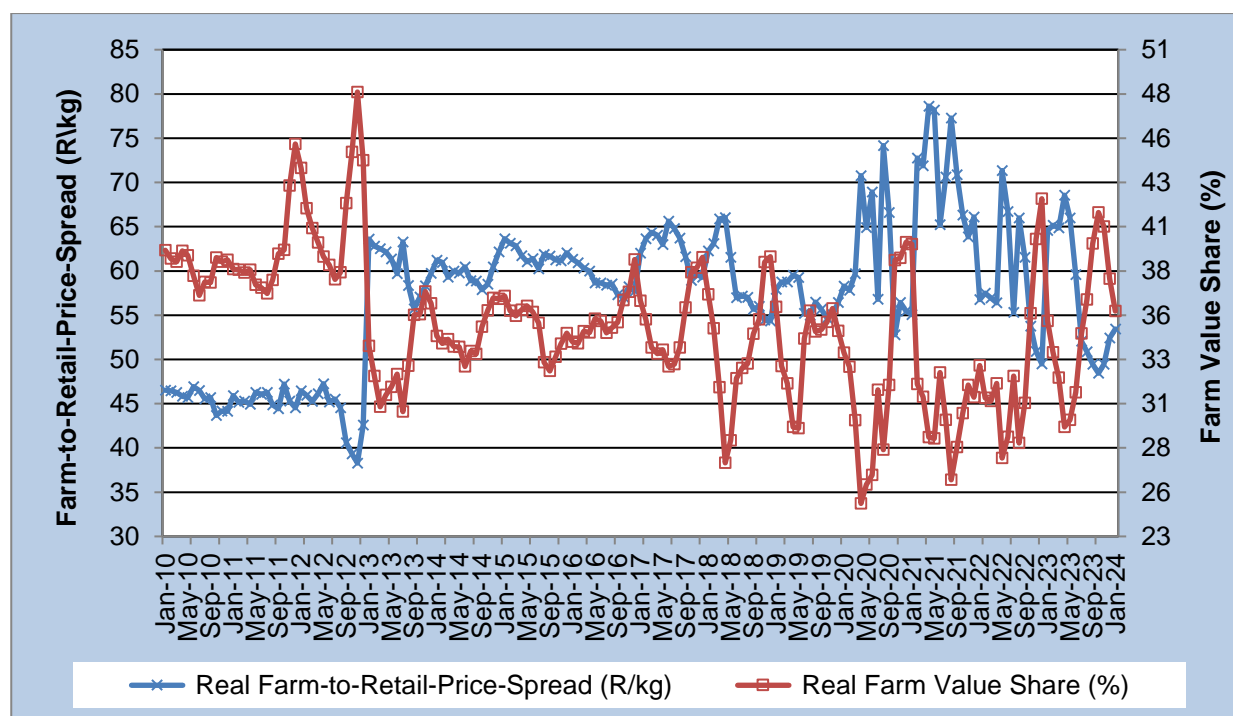


Figure 4: Real farm-to-retail-price-spread and farm value share of pork

Source: Stats SA, 2024; AMT, 2024 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 R10.53/ℓ to R10.39/ℓ, representing a 1.30% decrease during the period between November 2023 and January 2024. The real farm value share increased by 6.84% during the same period. The real farm value share increased by 1.71% during the same period. From January 2023 to January 2024 (y-o-y), the real FTRPS decreased by 3.44% and the real farm value share increased by 8.66%, respectively.

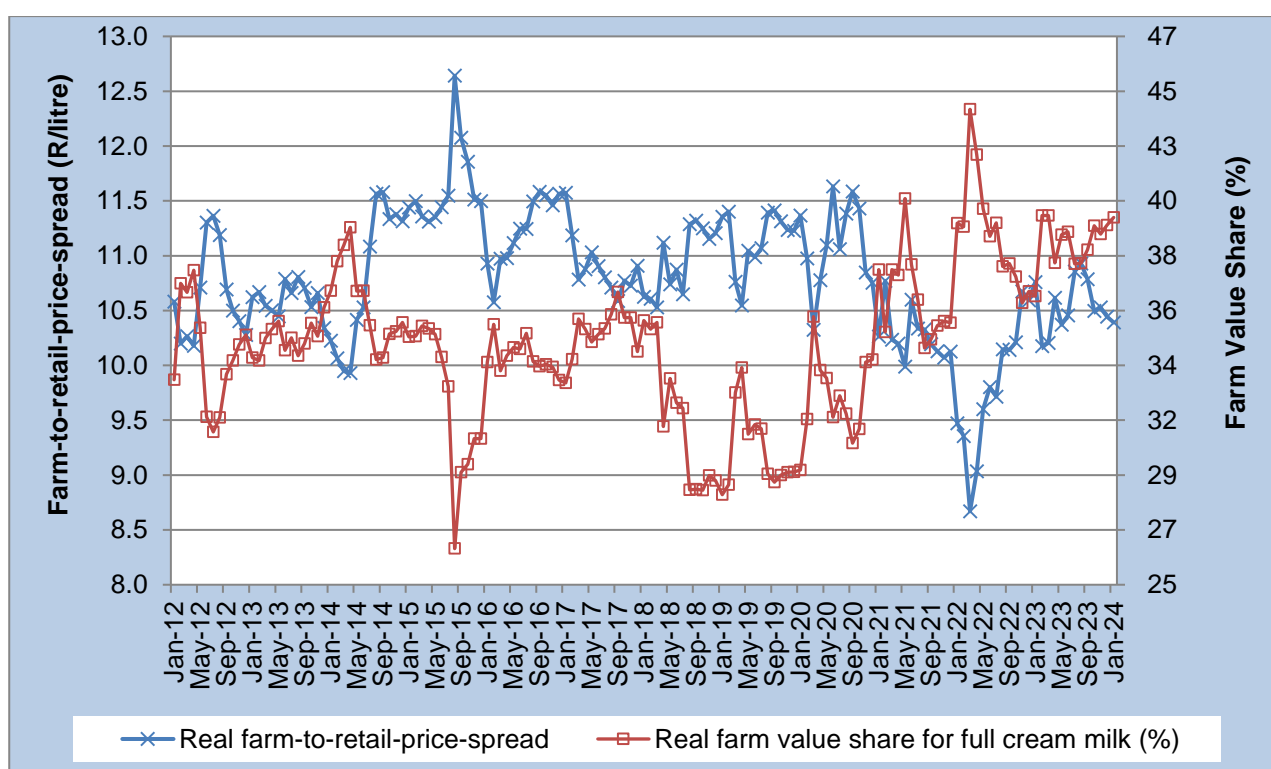


Figure 5: Real farm-to-retail-price-spread and farm value share of milk

Source: Stats SA, 2024; AMT, 2024 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 by 10.53% from 43.13% in November 2023 to 47.67% in January 2024. While the real FTRPS of maize meal (converted to a price per ton) decreased from R6 104.51/ton in November 2023 to R5 521.12/ton in January 2024, representing a 9.56% decrease. From January 2023 to January (y-o-y), the farm value share decreased by 19.21%, while the real FTRPS increased by 22.48%.

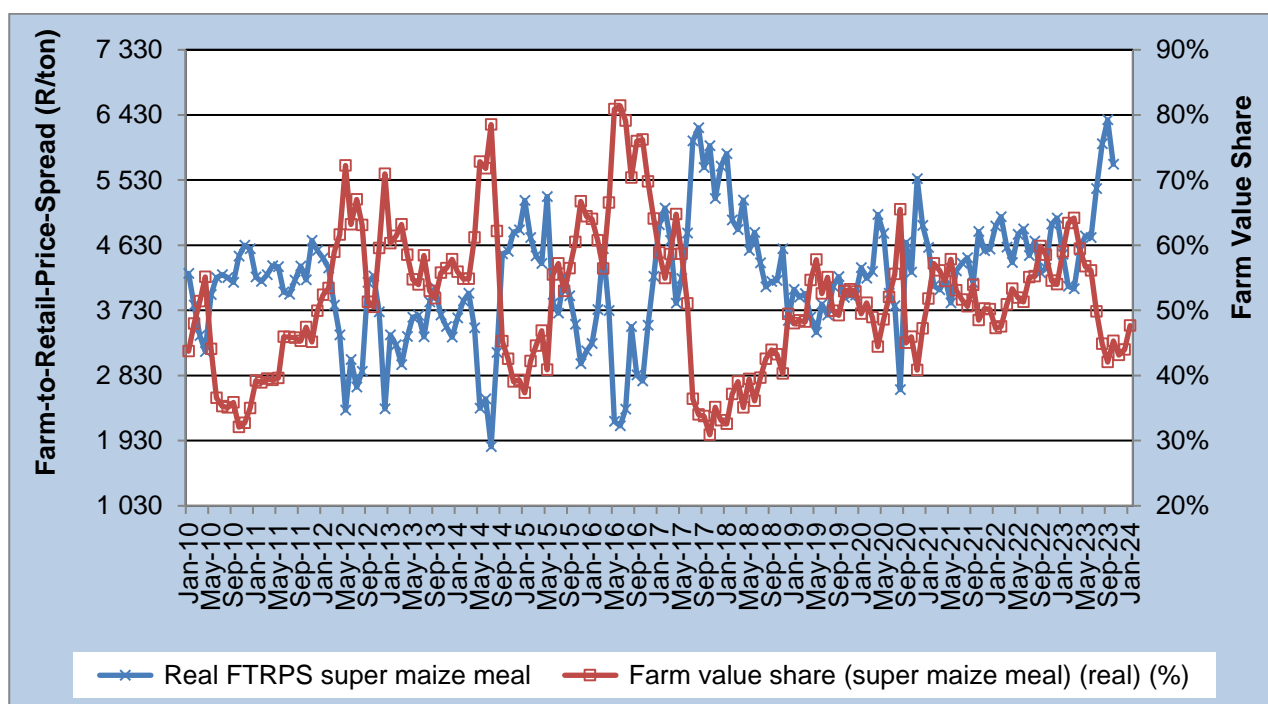


Figure 6: Real farm-to-retail-price-spread and farm value share of maize meal 5kg

Source: Stats SA, 2024 and own calculations

- **Wheat:** Figure 7 shows that in January 2024, the real FTRPS for white bread (converted to a price per ton) reached R27 967.48/ton of flour, with brown bread reaching R27 942.79/ton of flour, while the real farm value share for white and brown bread reached 20.26% and 19.26%, respectively. From January 2023 to January 2024 (y-o-y), the real FTRPS for white bread and brown bread decreased by 4.43% and 1.28%, 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 United States (US) Dollar as well as fluctuations in transport costs and, to a lesser extent, changes in local production.

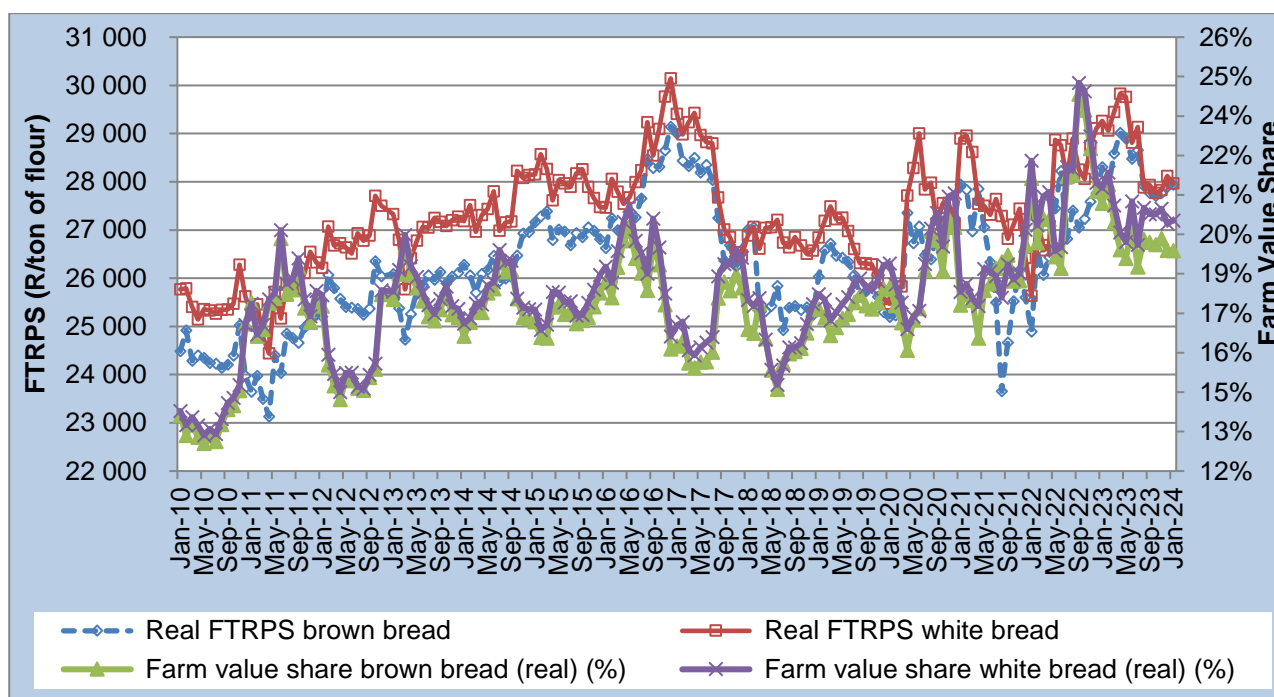


Figure 7: Real farm-to-retail-price-spread and farm value share of wheat

Source: Stats SA, 2024 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 November 2023 and January 2024. 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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