Introduction

Following the onset of the COVID-19 pandemic in March 2020, the Commission began monitoring essential food prices to understand the effects of the pandemic and ensuing economic crisis on the food value chain and food markets. The Commission’s work to date on food prices pointed to concerning price behaviour and market dynamics in South African food markets which led to enforcement actions against price gouging and the initiation of the Fresh Produce Market Inquiry (Inquiry). The Inquiry will examine whether there are any features in the produce value chain which lesson, impedes, restricts or distorts the competitiveness of the South African fresh produce market.

In this report, we briefly highlight some of the drivers of food inflation; expand on our previous analysis by focussing on the sunflower oil value chain extending to the price of cooking oil at the wholesale and retail levels. This analysis of the sunflower value chain is done for the period 2020 to date. The report also considers recent pricing trends for bread, maize meal, and margarine. To ensure consistency, we also present some analysis on key fruit and vegetables pricing to supplement the previous versions of our report.

Global food inflation remains a concern

Inflation and particularly food price inflation has emerged as a cause for concern among policymakers and consumers around the world. The Food and Agricultural Organisation’s (FAO’s) Food Prices Index reached its highest level ever in March 2022 with an index of 156 before slightly declining in April to June 2022.\(^1\) In line with the global developments, South African food prices increased by 9% from June 2021 to June 2022 and are increasing at a rate last seen during the 2016 drought.\(^2\)

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\(^1\) The FAO Food Price Index is a measure of monthly international price changes for a basket of food commodities. It is the average of price indices for cereals, vegetable oils, meat, dairy, and sugar weighted by the average export shares of each food group over 2014 - 2016.

The international conversation about what is driving food price increases has offered several inter-linked explanations, which we briefly traverse below:

- **Eastern European conflict:** Ukraine and Russia jointly supply 30% and 20% of the world’s wheat and maize respectively. Furthermore, the two countries also supply more than 75% of sunflower oil to international markets. However, this conflict appears to have exacerbated an existing trend since the increase in the FAO Food Prices Index above began before March 2022. Following the onset of the conflict, shipments out of Ukraine have grind to a halt while it is increasingly more expensive for vessels to enter the Black Sea, affecting grain exports from the region beyond Ukraine. Figure 2 shows that the Baltic Dry Sea Index (which tracks the average cost of transporting dry goods across over 20 routes) started to rise again in the beginning of 2022 following a sustained decline in the last quarter of 2021. Our previous report showed that South Africa imports food to varying degrees depending on the commodity. However, wheat (51%), oilseeds (39%) were the most imported foods in recent years. Furthermore, despite South Africa being a net exporter of maize, the price effects of global shortages are transmitted to local prices through the SAFEX maize prices.

- **Rising fertilizer prices:** As figure shows, The World Bank Fertilizer Index has increased by 10% since the start of 2022 and by 167% since the beginning of 2021. A key driver of rising fertilizer prices is the natural gas price increase in mid-2021 resulted in a reduction in ammonia production, which is a key input in fertilizer production. The effect of lower ammonia production was further aggravated by the Chinese government imposing a quota on fertilizer exports until June 2022. Russia has recently instituted an export quota on fertilizer, which has further constrained global supply. South Africa is a net importer of fertilizer and is therefore affected by international price events and dynamics.

- **Surging energy prices:** As governments began to lift COVID-19 lockdown measures and economic activity resumed, demand for energy by industry rose faster than supply resulting in higher prices throughout 2021. Indeed, this increase was off the back of much lower prices in 2020. Once more, the international energy prices have been exacerbated by the Eastern European conflict given Russia’s position as the third largest crude oil producer and the second largest natural gas producer.

- **Concentration and competition in value chains:** An increasing amount of attention is being paid to

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5 The World Bank Fertilizer Index is the weighted average price of five common fertilizers (diammonium phosphate, phosphate rock, potassium chloride, triple superphosphate, urea).
As a response to extreme increases in food prices and the Eastern European conflict, several countries have instituted restrictions and bans on key foods and fertilisers. According to Food Export Restrictions Tracker compiled by the International Food Policy Research Institute (IFPRI) 30 countries currently have export restrictions on food and export fertiliser in place.¹¹ These restrictions represent 7.1% of global food trade measured in calories. Grains and grain products account for most of the restricted commodities with 20 countries currently applying export restrictions to these products. These countries are largely in and around the Black Sea region such as Hungary, Serbia, Kyrgyzstan, Azerbaijan, Lebanon, Belarus, Russia, and Ukraine. India’s recent wheat export ban is a notable exception. Argentina has restricted beef exports for two years and Lebanon has also rescripted exports of processed fruits and vegetables. With regards to fertiliser, export restrictions have been imposed by China, Russia, South Korea and Ukraine.¹²

Sunflower Oil Value Chain

The first market that influences the value chain is the market for sowing seeds. Local farmers select the seeds that they choose to grow based factors that maximise the value of their activities. These include high oleic acid content, tolerance to biotic stress and diseases, and overall yield. The global market for sowing seeds was projected to grow from USD 1 337.0 million in 2018 to USD 2 017.8 million by 2024.¹³ In response to this demand, firms have entered joint ventures and made acquisitions to exploit the forecasted growth in demand. For example, Syngenta acquired Monsanto’s sunflower seed business including all germplasm and development and breeding activities of hybrid sunflower seeds in 2010. In 2012, Syngenta also acquired US Based Sunfield Seeds. Pioneer acquired the South African seed producer, Pannar, in 2013. Locally, the Commission's Concentration Tracker Report found that 16 firms own 113 of the approved sunflower seeds in South Africa. Of these, 52.2% are owned by Pioneer/Pannar followed by Agricol and Syngenta which both own 13.3%. Pioneer / Pannar and Agricol are the market leaders in the supply of sunflower seeds with a joint market of 85%.¹⁵ The area under sunflower seed production is currently 670 700 Ha with forecasted yield of 963 000 tons in 2022.¹⁶ There has been a significant decline in the number of sunflower seed farmers in recent years. In 2015, sunflower seeds were grown by 1 604 commercial farmers. In 2019, that number had fallen to 1 389. At the same time, production has become concentrated among fewer farmers. The average sunflower seed farmer produced 414 tons in 2015, rising to 488 tons in 2019.¹⁷

Sunflower seeds are delivered to seed crushers or expressers who process the seed to produce crude oil and oilcake. According to the Department of Agriculture, Land Reform and Rural Development (DALRRD) the three main crushers are Nola Industries, Epic, and Epko. Crude oil forms the basis for various goods including biofuel, cooking oil and margarine. Oilcake is used in the livestock sector as animal feed. South Africa’s estimated crushing capacity is approximately 1 700 000 tons, with a dual capacity (Soybean or Sunflower Dual) of 700 000 tons.


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Figure 4: Oilseeds to fats and oil value chain

Source: Adapted from Chisaro-Dube, Paramore, Jahan, and Klama (2018)

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Cooking oil value chain analysis

In South Africa, the price of cooking oil has been identified as an essential food item whose price has increased significantly in recent months.¹¹ The Commission’s previous two Essential Food Price Monitoring (EFPM) Reports reported on this price increase noting that annual inflation in oils and fats was significantly higher than overall inflation. We further noted that the conflict in Eastern Europe was expected to exacerbate price increase as the region is a major producer and exporter of vegetable oils and seeds. As indicated above, we will focus the analysis on the cooking oil/sunflower oil value chain and pricing.

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Once the crude oil has been extracted by the crushers, it is refined so that any impurities are removed and made suitable for human consumption either as oil or inputs into other products such as margarine and fat spreads. Refineries also import crude oil from Bulgaria, Spain, Argentina, and France to fill the local supply gap. As crushing and refining are closely related, several refiners are vertically integrated and crush their seed. Vertically integrated firms have a competitive advantage over downstream firms that are only refiners as the integrated firms can also sell oilcake to the livestock sector. Indeed, the largest historical players in refinement have been vertically integrated entities such as Willowton, Wilmar Continental, and Epko. Lastly, the refined sunflower oil is sold to industrial customers for further processing into baking fats and margarine or is distributed to wholesalers and retailers for sale to household consumers. Several larger refiners also have their own edible fats and oil brands.

In line with the rest of the agricultural sector, the sunflower oil value appears to be concentrated from the input level right through to the refinery level where the final product is produced for consumption. Large-scale operations and vertical integration may allow refiners to capture efficiencies that stem from economies of scale and scope. For example, an integrated crusher and refinery internalises costs of transporting crude oil while earning revenue from selling a low-value by-product, oilcake. However, a concentrated market with vertical integration also carries risks of anti-competitive conduct as evidenced by previous Commission’s investigations in the agricultural sector such as cartels in bread, maize and wheat milling and storage; exclusionary agreements in poultry breeding; and abuses of dominance in storage.

Asymmetric price transmission

Despite renewed interest following the supply chain shocks caused by the COVID-19 pandemic and the Eastern European conflict, the debate about opportunistic pricing practices and asymmetric price transmission, has a long history. This manifests itself when price increases are more rapidly transmitted than decreases in food prices. Locally, the debate goes back at least two decades to the formation of the Food Price Monitoring Committee (FPMC) in 2003. The FPMC was formed in the wake of severe increases in the price basic foods in 2002, at the same as the strong depreciation of the rand. Suspicion about manipulation in the commodity market and the effect of concentration and market power in food manufacturing also motivated the FPMC’s establishment.

The FPMC’s work culminated in a report that analysed the response of 24 food products to the initial sharp increase in basic food commodity prices. A critical finding of the report was that while prices generally levelled off and came down following the initial shock, the decline was not as large as the initial increase. The FPMC offered several explanations for the downward stickiness of prices. These included lead and lag effects; processing costs, wages, and distribution costs continuing to rise while commodity prices fell; and the oligopolistic structure of food industries.

Sunflower oil was among the food products studied by the FPMC. At the time, the FPMC found that there was healthy competition in the sunflower oil value chain. This conclusion was primarily based on evidence that the retail prices of sunflower oil responded similarly to increases in sunflower seed prices as they did to decreases - there was symmetric pricing. Since the FPMC report, the sunflower value chain has changed significantly with increasing levels of concentration and suspected cartel conduct. We assess both the retail and wholesale prices to check trends and determine if the increasing prices are justifiable.

Price Analysis

We now turn our analysis to the contribution of sunflower seeds to the wholesale and retail prices of cooking oil. To do this, we firstly present the SAFEX prices and volumes (local production, imports) for sunflower seeds as reflected in Figure 5 and Figure 6.

From January 2020 to June 2022, the SAFEX price for sunflower seeds has largely tracked the export parity price closely apart from the months when there were sunflower seed imports. As expected, the price of sunflower seeds generally goes down during the harvest months, that is, April to June. However, the SAFEX sunflower seeds price has been below export parity since February 2022. This suggests that international sunflower seed prices have not been fully transmitted to the local sunflower seed market. A possible explanation for this price level is that local sunflower seed stocks are sufficient for local demands.

Figure 6 shows the imports of sunflower seeds against the SAFEX, import parity, and export parity prices of sunflower seeds. The SAFEX prices increase in the months when there are imports of sunflower seeds in 2020 and 2021 but do not reach import parity. However, a significant amount of sunflower seed was imported in May and June 2022 and the SAFEX price continued to fall. This may reflect expectations of a bumper crop of sunflower seeds, which generally keeps producer prices low.

The next step is to calculate the difference between the SAFEX Value of cooking oil and the price at the retail and wholesale level. The SAFEX Value is simply the value of sunflower seeds that are contained in a bottle of cooking oil and is derived from the SAFEX sunflower seed price. This method, shown by Figure 7, is adapted from the common method used by agricultural economists to understand relationship between end products prices and grain prices.25

Subtracting the SAFEX Value of Cooking Oil from the retail and wholesale prices provides the spreads in the figures below. The seed-to-retail spread is the difference between the cost of sunflower seeds used to make 750 ML and its retail price. Similarly, the seed-to-producer spread is the difference between the cost of sunflower seeds used to make 20L of cooking oil and its producer price. Alternatively, the spreads are the contribution of the rest of the value chain’s costs and margins to the retail and producer price of cooking oil. In the extreme event of all costs along the value chain contemporaneously increasing at the same rate as either the retail or producer prices, the spread and by extension, the contribution of sunflower seeds to these prices should remain constant.

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Source: Stats SA, Grain SA, SAFEX

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Figure 5: Sunflower seed production against SAFEX, import parity, and export parity prices

Figure 6: Sunflower seed imports against SAFEX, import parity, and export parity prices

Figure 7: Method for calculating SAFEX Values of wholesale and retail sunflower oil quantities
However, because costs do not increase this way and transmit at different speeds, the spreads will widen and narrow over time. Our analysis begins with retail prices followed by producer prices.

**Retail pricing of cooking oils**

The retail level findings of our analysis, covering January 2020 to July 2022, are presented in figure 8. There has been a general increase in the retail price of cooking oil over this period. In January 2020, 750 ML of cooking oil cost R21.95 and by January 2022 it cost R31.12, an increase of 41%. CPI over this period increased by 9%. There was a modest increase in the price of cooking oil from January 2022 to March 2022 of a few cents. However, April 2022 marked the beginning of a series of steep increases in the cooking oil price. From March to June 2022, the cooking prices increased by R12.72 going from R31.24 to R43.96. This represents a 41% price increase. It appears the cooking oil price in July26 came down slightly to R42.45.

At the retail level, we find that the contribution of sunflower seeds to the retail price increased consistently during 2020 and reached 63% in January 2021. This pattern suggests that other costs increased by less than the price of sunflower seeds or that they were absorbed by retailers. As expected, this means that the seed-to-retail spread was narrow. The seed-to-retail spread started to widen in the first half of January 2021 as seed prices stabilised before falling slightly from May to June 2021. However, the retail price continued to increase. Again, this may have driven by increases in other costs and margins as well as lag effects. The June 2021 seed-to-retail spread was the highest since January 2021 at R15.72. Sunflower seed prices started to rise again in July 2021 and the seed-to-retail spread narrow for the rest of 2021 meaning that the seed contribution to the retail price increased.

The beginning of 2022 brought some volatility to seed prices, which is shown by the spike in February/March 2022. Retail prices did not show the same volatility, hence the seed-to-retail spread moved with the price of sunflower seeds. The seed-to-retail spread therefore widened and the seed contribution fell. While retail prices were rising, the sunflower seed prices were quite stable. We can reasonably conclude that retail prices increase cannot be explained by sunflower seed prices in 2022. Rather, other costs and margins have been the cause of the changes observed by consumers.

**Producer price analysis**

We now turn our analysis to one step up the value chain, producers, to understand whether retail prices may be the result increasing producer prices. Since they are the major input into production, sunflower seed prices account for a larger proportion of producer prices than do retail prices. As figure 9 shows, producer prices for cooking oil increased over the first half of 2020, while the price of sunflower seeds remained stable.

The seed-to-producer spread therefore widened until June 2020 and the seed contribution to producer prices fell. As the price of seeds rose from July 2020 to March 2021, the seed-to-producer spread narrowed until it was virtually zero. This counterintuitive result is likely because using contemporaneous seed and producer prices does not accurately measure the time between when processors purchase seeds and when they sell cooking oil. The seed-to-producer spread then widened from March 2021 before falling again in October, November, and December 2021 when it was virtually zero again. At that time, producer prices were stable only increasing by R6.67 from April 2021 to December 2021. At the same time, seed prices were increasing and therefore account for increasing share of the producer price.

The producer price of cooking oil has increased dramatically in the first half of 2022 going from R506.67 in January 2022 to R873.33 in June 2022 and increase of 72%. By contrast, the retail price has increased by 41%. The producer price is, therefore, driving the increase in the retail price. As already discussed, seed prices in beginning of 2022 have been stable. The seed contribution to producer prices fell to 53%, which is the average of the period and much lower than average contribution of 82%. Therefore, the increase in the producer price is being driven by other production costs or expanding margins.

Our previous report noted that the margin between the producer and retail prices of cooking oil have been increasingly volatile with 2020 margins being more volatile than those in 2019 and 2018. This volatility appears to have continued in 2021, as evidenced by Figure 10. However, the retailers’ margin has dropped in 2022 going from 40% in February 2020 to 22% in March 2022. This is the first time that it has fallen below 30% since 2020. This shows that prices increases at the retail level have been fed through from the producer level. Crucially, retailer appear to have absorbed some of the upward pricing pressure coming through from the producer level. Had retailers not done so, one might expect that the prices paid by consumers would be even higher than they currently are.

26 At the time of drafting Stats SA had not released CPI data July 2022. Therefore, the July 2022 price is the average of 11 750ML sunflower oil brands collected from the websites of Shoprite, Checkers, Pick ‘n Pay, and Game.

**Influence of lagging effects**

To better mimic the purchasing patterns of processors, the SAFEX prices in the analysis that follows are lagged by two months. For instance, retail and producer prices in March are assumed to be a function of sunflower seed prices in January. This analysis account for the fact that some processors often purchase seed in advance of processing and keep it in storage until processing or purchase seeds using futures contracts in advance to hedge against price changes.
Beginning with retail prices again, we see that the overall pattern does not change as seed-to-retail spread is widening. However, the seed-to-retail spread and seed contribution using a two-month lag is less volatile in 2022 than in the contemporaneous analysis above. Specifically, the decline in seed contribution to the retail price that occurs in 2022, is less steep. This suggests a slightly closer relationship to seed prices than in the contemporaneous analysis.

Similarly, the overall picture at the producer level does not change especially concerning the dramatic divergence in producer prices and sunflower seed prices in 2022. However, the two-month lag does appear to be better correlated with producer prices overall. For example, the volatility in sunflower seed prices experienced in the beginning on 2022, is reflected in the seed-to-producer spread and seed contribution to retail prices in May and June 2022.

Our analysis shows that wholesale prices have increased much faster than retail prices and have placed upward pressure on the latter. We found that the seed-to-retail spread for cooking oil widened, which shows that the costs and margins along the value chain have driven up the price of sunflower oil, rather than price of seeds. However, the seed-to-wholesale spread also widened, and by a larger degree. Therefore, activities related to crushing and refining appear to have driven the widened of both spread.

As aggregated retail prices have not increased at the same rate as wholesale prices, this caused the retail margin fall significantly in 2022. This suggests that retailers have opted to absorb some of the price increases coming from the wholesale level. Had the margin remained the same as February 2022 (40%), then retail prices for sunflower oil would be at least 14% higher than their current levels.

There are several reasons why the wholesale price of sunflower oil may have increased to the degree show above, these include increased transport and energy costs which are likely to be a significant contributor to the overall cost of production. However, a definitive view can only be reached by analysis of firm level prices against costs. Given the concentrated and integrated market structure of crushing and refining activities in South Africa, exercising market power may also play a role in driving up wholesale prices.

In conclusion, while the analysis is based on aggregated numbers for prices and the extraction ratio the picture clearly shows that recent price increases are abnormal and are driven by producer/wholesale price increases. Our analysis justifies the Commission’s continued scrutiny of the oil and fats industry, including the current investigation into the margin changes in the value chain for edible oils and other basic foodstuffs.
Recent pricing developments for essential foods

As the prices continue to be a concern, we consider the recent pricing movements in key fresh product markets and other essential food items identified by the public and market commentary. These include margarine, bread, and maize meal.

**Bread**

Figure 13 and Figure 14 show the producer and retail prices of white and brown bread (700g) together with the respective price spreads. As of June 2022, the retail price of a loaf of white bread was R15.90 in June 2022 while the producer price was R12.73. The resulting spread was R3.18. The respective retail and producer prices of brown bread increased from R13.99 and R11.67 in January 2022. As such, retail prices have increased by 13% and producer prices by 9%. This differing degree of price increases between the retail and wholesale prices caused the spread to widen from R2.32 in January 2022 to R3.18 in June 2022, a 30% increase.

The spread for brown bread has been more volatile than the spread for white bread since January 2019. However, it is also lower and has not exceeded R3.30. In percentage terms, the spread for white bread has fluctuated between 16% and 29% whereas the spread for brown bread has been between 9% and 20%. This suggest that retailers regard the consumers of white bread and brown bread differently in terms of price sensitivity, with brown bread consumers likely viewed as more price sensitive than white bread consumers. However, the margin has increased for white and brown bread going from an average of 20% in 2019 to 29% in 2021. The current average for 2022 is 28%. Similarly, the margin for brown bread went from an average of 12% in 2019 to 18% in 2021. The 2022 average is 19%. These increases in the margin may be indicative of increases in the costs faced by retailers or retailers simply not reducing the price when costs decreased in 2019 and maintaining those higher margins subsequently.

As the prices continue to be a concern, we consider the recent pricing movements in key fresh product markets and other essential food items identified by the public and market commentary. These include margarine, bread, and maize meal.

**Maize meal**

We lag this analysis by 2 months to have a realistic view of purchasing patterns of processors. Using this methodology we find that the price of 2.5kg of maize meal in June 2022 was R33.61 and has increased from R26.65 in January 2022, a significant increase of 27%. Maize meal retail prices have become more volatile since June 2020 following a period of relative stability. For example, from January 2019 to December 2019, the retail price of maize meal increased from R18.62 to R21.70 (16%) and over the same period in 2020, retail prices went from R22.11 to R25.51 (15%). However, in 2021 prices fell by 8% going from R26.72 to R24.54 over the year. As South Africa is a net exporter of maize, this volatility is unlikely to stem from international price changes and may be explained by a combination of changes in production costs and price setting behaviour along the value chain. The grain value of special maize, as shown below fell slightly over the course of 2021, resulting in the widening of the spread. The spread narrowed over the latter half of 2021 as white prices rose and retail prices fell. In 2022, the price of white maize has increased since May and has fallen until July. At the same time, the retail price of super maize has increased resulting in the widening of the spread from R17.43 to R22.26. However, the contribution of grain to the retail price has remained steady in the 40% to 42% range since January 2022. This confirms that some of the retail price is indeed tied to maize prices. However, we cannot conclude as to the role that producer prices have played given the lack of wholesale price data. We further note that our analysis used daily SAFEX spot prices for white maize and that it may not fully capture the effect of long-term contracts on the maize meal prices. Despite this, the general trend points to increasing spread which may be a concern.

**Margarine**

The price of a margarine brick has increased from R25.21 in January 2022 to R26.88 in June 2022. A lack of producer price data for margarine means that we cannot assess whether the price spread has behaved in the same way as cooking oil over the past few months, i.e., fell steeply. This is likely to be the case considering that sunflower oil forms a large part of the input costs for margarine production. However, it is noteworthy that the increase of 6% is significantly lower than the increase in the retail or producer price of cooking oil discussed above.

**Top Five Fruits**

Figure 17 shows the average daily wholesale price of the top five fruits tracked by the Commission from 23 May 2022 to 28 July 2022. Over these two months, avocado was the time of drafting Stats SA had not released CPI data July 2022. Therefore, the July 2022 price is the average of 5 prices for 2.5kg of super maize from Pick ‘n Pay, Shoprite, Checkers, and Woolworths.

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27 There is no producer price data for maize meal, therefore we cannot analyse the trends in the producer prices or the spreads.
28 We use an extraction rate of 78.7% to calculate the grain value of special maize.
the most expensive fruit and oranges were the cheapest. The price of all fruits has been volatile from day-to-day, but there hasn’t been an increasing trend in the price of any of the fruits that the Commission tracks. Our previous report found that South Africa has low import exposure to fresh fruit and vegetables, therefore these prices aren’t expected to be heavily influenced by global shocks.

**Top Five Vegetables**

Lastly, we consider the prices of the vegetables that the Commission tracks over the same period. While the price of four vegetables have been fairly stable over the last 2 months, there has been a clear increase in the wholesale average price of tomatoes. Over the entire period, tomatoes increased from R5.95 to R12.48 from 23 May to 28 July 2022. An increase of 10%. The price of tomatoes was also the most volatile over period and reached R13.76. As we have noted in previous reports, the tomato value chain has been under strain following heavy rains in 2021. The rain caused a spike in the price of tomatoes since supply outstripped demand.

In April 2022, industry players noted an oversupply of poor-quality tomatoes which drove the price down. The observed increase may be the result of value chain stabilised following this negative price shock.

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Source: Thukwana, N. 2022. Why tomatoes are half the price compared to a year ago? Available online: https://www.freshplaza.com/article/9422737/south-african-tomatoes-at-half-the-price-compared-to-one-year-ago/

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Closing remarks

Since 2020, global and local events have disrupted food markets causing uncertainty and constraints in food value chains. In our previous report, which focused on South Africa’s exposure to international trade in food, we noted that price increases in imported products should not be unduly exploited by intermediaries or processors by imposing greater price increases than warranted. Following the onset of the Eastern European conflict, there were several news reports of an increase in the price of cooking oil. While this was to be expected given the importance of grains from Eastern European to global food markets, it may have presented an opportunity for retailer and wholesalers to raise prices in anticipation of sunflower seed price increases rather than in response to them. While the Commission appreciates the difficulties imposed by an uncertain global environment, the steep divergence of the sunflower seed SAFEX price and the wholesale and retail prices of cooking oil may be demonstrative of such pricing behaviour, specifically at the producer level of the supply chain. Growing retailer spreads in bread and overall producer and retail maize meal are equally of concern, warranting the current investigation into margins for basic foodstuffs.

Given the impact of food price inflation on all consumers, but the poorest households in particular, the Commission will continue to monitor food prices and probe essential food price increases that appear to be abnormal or excessive. The Commission has initiated investigations into price transmission and margins in the value chains of the major basic food items. Further, as events such as the recent grain export deal concluded by Russia and Ukraine begin to ease supply global supply constraints and prices, the Commission will also monitor and assess the transmission of cost reductions to the local market.

ECONOMIC RESEARCH BUREAU