



competition commission
south africa

Media Statement
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UNJUSTIFIED PRICE INCREASES OF ESSENTIAL FOOD A CONCERN FOR COMMISSION

South African consumers were subjected to unjustified price increases of sunflower oil, white and brown bread, and opportunistic price increases in maize meal over a two-year period. Key trade policy decisions also affected the price of poultry products in 2022. These and other findings are contained in the latest Essential Food Pricing Monitoring (EFPM) report covering 2021 to 2022 and released today by the Competition Commission (Commission).

This is the eighth EFPM report since 2020 and it has a special focus on the feed-to-poultry value chain.

The food sector remains a priority for the Commission as poor consumers spend a significant portion of their income on essential food items. As food inflation remains elevated and loadshedding continues to affect business operations, food price monitoring will remain a priority for the Commission given its importance to the welfare of South Africans.

The EFPM reports to date have pointed to concerning features in several food markets and value chains. Examples include larger differences between what farms get paid for food items and in-store prices, growing margins at the processor and retailer level, and potential opportunistic pricing behaviour for staple food products such as bread and cooking oil. This includes the Commission's August 2022 analysis of steep prices for sunflower oil throughout the value chain. Therefore, the Commission is investigating the price of a range of essential food products (bread, cooking oils, maize meal, rice, flour, margarine, and pasta) at the retail and wholesale levels.

The Commission has also launched a Fresh Produce Market Inquiry to assess if there are features in these markets that impede competition.

This edition of the EFPM report includes the following findings:

- From January 2022 to December 2022 white and brown bread retail prices (20% and 19% respectively) have increased faster than producer prices (15% for white bread and 14% for brown bread) implying that shelf price (R15.47 to R18.62 for white bread and R13.99 to R16.61 for brown bread) increases may not be justified by costs.
- The price of maize meal increased 32% going from R26.62 to R35.29 from January to December 2022 while the South African Futures Exchange (SAFEX) price of white maize increased at a

slower rate, resulting in the price of maize charged by farmers being a lower proportion of the retail price of maize meal over the year. This is concerning and may indicate opportunistic behaviour throughout the value chain and raises questions about the use of export parity pricing throughout the maize value chain.

- The prices of the five fruits and vegetables were generally volatile over 2022 and an in-depth value chain analysis will be conducted by the Fresh Produce Market Inquiry.

Furthermore, this edition has a special focus on the feed-to-poultry value chain, specifically individually quick-frozen (IQF) chicken products. Feed costs account for more than two-thirds of broiler production costs and are therefore a source of upward cost and pricing pressure throughout the poultry value chain. The feed-to-poultry value chain is highly concentrated with five firms making up 70% of total chicken production and the top two firms making up 50% of the market.

Some of the findings in relation to the poultry value chain include:

- The price of grains and oilseeds used to manufacture animal feed namely wheat, maize, soya beans, and sunflower oil, were volatile and increased over 2021 and 2022.
- Over the same period, the price of poultry feed was relatively stable.
- It is forecasted that raw material costs may fall over the first half of 2023. The Commission will monitor the extent and degree to which these reductions are transmitted to feed prices and ultimately to chicken prices at the retail level.
- Feed prices increased faster than the producer price of IQF products, which are the most widely consumed chicken products in South Africa. Despite this cost pressure, producers reported improvements in their financial performance largely driven by high feed prices.

The report also noted that when chicken imports from the European Union were banned in response to the avian flu outbreak, domestic producer prices increased. This anomaly requires further interrogation, and the Commission will closely monitor the developments in the poultry sector to ensure that consumers are not subjected to unjustified price increases.

The full report can be accessed on the Commission's website at https://www.compcom.co.za/wp-content/uploads/2023/03/EFPM-Report_Mar-2023.pdf.

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