



NAMC

Promoting market access for South African agriculture



SOUTH AFRICAN POULTRY PRODUCTS PRICES MONITOR

ISSUE 3 – MAY 2021



EXECUTIVE SUMMARY

- During April 2021, the international poultry-price index remained at 93 points, the same as recorded in March 2021, and this was 4 points up from February 2021. This was due to global poultry prices remaining steady, but still at higher levels due to global balance in supply and demand. Also, the demand for other meats especially bovine meat from East Asia is putting some pressure on global poultry prices thus the index.
- In March 2021, South Africa imported a total of 46 174 tons from 35 019 tons recorded in February 2021, representing an increase of 32%. MDM, chicken thighs, chicken leg quarters and chicken carcasses were main contributors to this rise in imports.
- Domestically, during March 2021, producer prices for frozen chicken remained at same levels when compared to the previous month, while fresh and IQF chicken producer prices had increased by 0.9% and 0.7% month-on-month, respectively. On Year-on-year basis, IQF producer prices had increased by 4.6% while fresh and frozen producer prices had decreased by 3.6% and 0.3%. Amongst other things feed prices contributed to the y/y firm increase in producer prices.
- Between February 2021 and March 2021, month-on-month retail prices for chicken giblets had increased by 23% while fresh chicken portions –per/kg had decreased by 12% with both 1kg & 2kg IQF chicken portions decreasing by 3% each. On year-on-year basis, whole chicken had increased significantly by 28%.
- On a monthly basis, a spot price for a ton of soybean had decreased by 13% while sunflower seed and yellow maize had decreased by 11% and 0.2%, respectively. This can be linked to the strength in Rand against the US Dollar in recent weeks. Year-on-year, Sunflower seed spot price was 41% higher in April 2021, while spot price for yellow maize and soybean were 18% and 11%, respectively.
- The real FTRPS of fresh whole chicken increased on average by 32.47% from R24.15/kg in November 2020 to R31.98/kg in March 2021, while, the real farm value share of fresh whole chicken decreased by 14.44% from February 2021 to March 2021. Between March 2020 and March 2021 real FTRPS increased by 58.87% from R20.13/kg to R31.98/kg year-on-year, while the real farm value share decreased by 24.50% from 53.78% to 40.60%.
- The South African poultry industry, has recently been affected by the Highly Pathogenic Avian Influenza (HPAI). Avian influenza is a viral respiratory disease of birds spread by direct contact between healthy and infected birds or through indirect contact with contaminated equipment or other materials. The industry is currently working closely with the Department and addressing the outbreak and its strain which can affect humans. It is also notable that the outbreak only occurred on layer and breeding farms and to date not on broiler production farms.



Contents

- 1. Monthly international poultry price Index 5
- 2. Chicken meat imports 6
- 3. Monthly average producer prices trends 7
- 4. Average retail prices for selected poultry products 7
- 5. Monthly feed prices 8
- 6. Monthly Real Farm to Real Price Spread 9

Introduction

Poultry provides animal protein for the majority of South Africa's population at affordable prices, and its availability at reasonable prices it's important for national food security. This report aims at monitoring prices for selected poultry products within South Africa and compares them to what is currently happening on the global market and provide some policy suggestions where possible. The then Department of Agriculture, Forestry and Fisheries (DAFF), now known as Department of Agriculture, Land reform and Rural Development, established the Food Price Monitoring Committee (FPMC) at the NAMC to track and report food price trends in South Africa to provide explanations of the observed trends and advise should the national and household food security be threatened. International poultry prices, chicken imports into South Africa, producer prices every month, poultry prices at the retail level and feed prices monthly are analysed to provide a clear picture of the domestic poultry price trends with the global market. This would assist in making informed policy decisions that are based on actual data from various sources.



1. Monthly international poultry price Index

Figure 1 presents the global poultry prices index trends between January 2020 and April 2021, with 2014 used as the base year. During April 2021, the international poultry-price index remained at 93 points, the same as recorded in March 2021, and this was 4 points up from February 2021. On annual basis, however, the index is 4.6 points higher on average when compared to 2020. Global poultry prices remained steady, but still at higher levels due to the global balance in supply and demand. Demand for other meats, especially bovine meat from East Asia, is putting some pressure on global poultry prices. Also, global pork prices remained firm in April 2021 largely attributed to Germany which is still banned to export due to African swine fever. These factors negatively affected the global poultry-price index even though global export prices looked stabilizing from Brazil as observed in **Figure 1**. Export prices from Brazil declined by 0.1% while an increase of 0.7% was recorded from the USA when compared to the previous month. Y-o-y, export prices are 8.5% up in the USA and 1.3% up from Brazil.

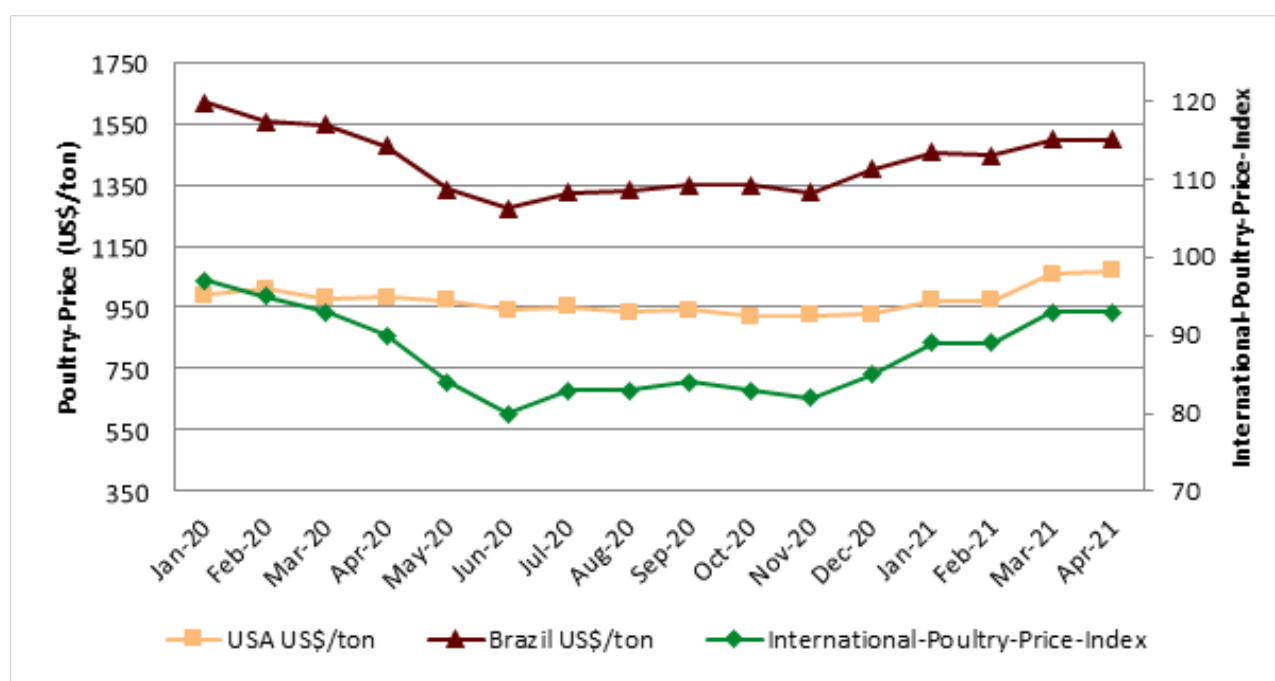
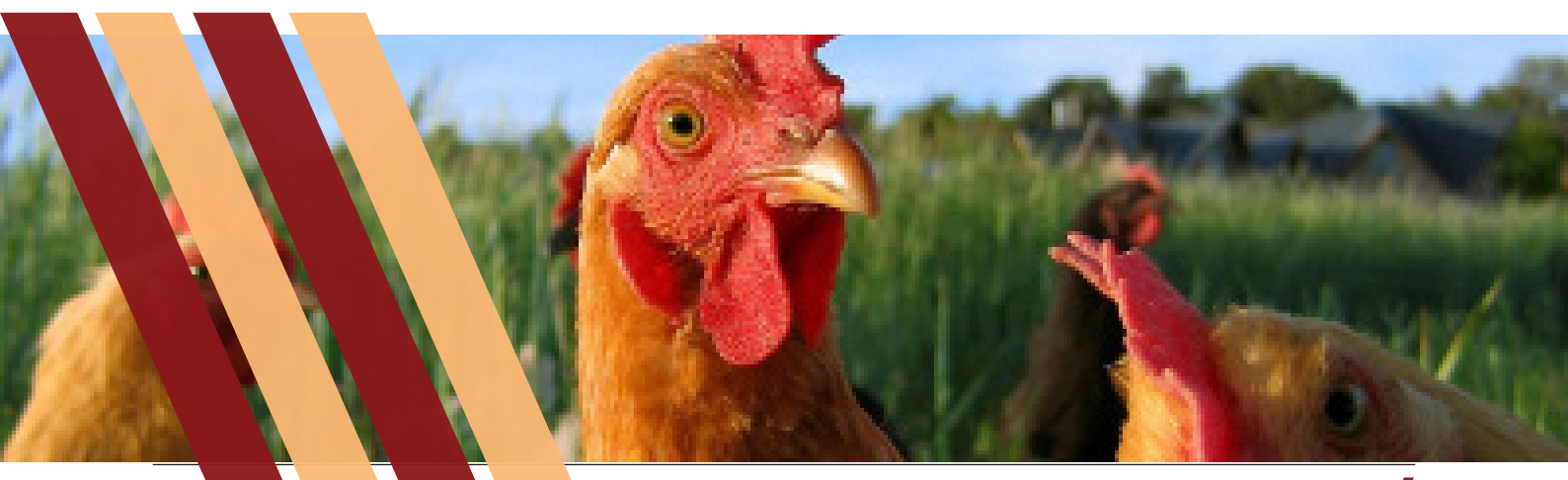


Figure 1: Poultry meat Prices from Brazil, USA and international poultry price index

Source: FAO, 2021



2. Chicken meat imports

Table 1 presents the volume (tons) of chicken meat imported into South Africa from February 2021 to March 2021 for whole chicken and other selected cuts. During March 2021, South Africa imported a total of 46 174 tons up from 35 019 tons recorded in February 2021, representing an increase of 32%. Brazil, the USA and Ireland remain the biggest suppliers with Spain and Argentina closing the top five list of poultry suppliers. Of these countries, the USA, Spain, Argentina and Ireland had a noticeable decline in their exports into the South African market while Brazil remains a firm supplier.

Mechanically deboned meat (MDM), frozen chicken leg quarters, frozen chicken offal, frozen chicken drumsticks, chicken feet and frozen chicken thighs amongst others constituted the largest quantity. Month-on-month (m-o-m) (March 2021 vs. February 2021), using data from South African Revenue Services (SARS),

imports for some cuts had decreased while others had increased during March 2021. Frozen chicken thighs imports had increased by 314% followed by drumsticks (218%), whole frozen chicken (113%), leg quarters (96%), frozen chicken carcasses (90%), boneless other cuts (86%), chicken wings (82%), chicken livers (59%), chicken feet (49%), boneless chicken breasts (26%) and chicken offal (4%). Frozen chicken MDM imports had decreased by 13% when compared to February.

On year-on-year basis (March 2020 vs. March 2021), imports that showed a significant increase were thighs (401%), wings (214%), boneless chicken other (206%), frozen chicken carcasses (185%), drumstick (57%) and chicken feet (55%). Whole frozen chicken and chicken leg quarter imports had decreased by 43% and 15%, respectively when compared to the previous year.

Table 1: Chicken meat imports in volume (tons)

| Tariff description | HS Code | Mar 2020 | Feb 2021 | Mar 2021 | Y-o-Y | M-o-M |
|----------------------------|-----------|----------|----------|----------|---------|---------|
| | | Tons | Tons | Tons | %change | %change |
| Frozen chicken MDM | 0207.1210 | 13 606 | 19 311 | 16 771 | 23 | -13 |
| Frozen chicken carcasses | 0207.1220 | 495 | 741 | 1 411 | 185 | 90 |
| Whole frozen chicken | 0207.1290 | 1 705 | 448 | 955 | -43 | 113 |
| Fresh chicken cuts | 0207.1300 | 0 | 0 | 0 | 0 | 0 |
| Boneless chicken breasts | 0207.1411 | 443 | 633 | 797 | 79 | 26 |
| Boneless chicken thighs | 0207.1413 | 0 | 0 | 117 | - | - |
| Boneless chicken other | 0207.1415 | 132 | 217 | 405 | 206 | 86 |
| Frozen chicken livers | 0207.1421 | 640 | 394 | 630 | -2 | 59 |
| Frozen chicken feet | 0207.1423 | 1 847 | 1 926 | 2 870 | 55 | 49 |
| Frozen chicken heads | 0207.1425 | 0 | 0 | 0 | 0 | 0 |
| Frozen chicken offal | 0207.1429 | 1 424 | 1 753 | 1 822 | 28 | 4 |
| Frozen half chicken | 0207.1491 | 0 | 0 | 0 | 0 | 0 |
| Frozen chicken leg quarter | 0207.1493 | 14 264 | 6 130 | 12 022 | -15 | 96 |
| Frozen chicken wings | 0207.1495 | 646 | 1 116 | 2 033 | 214 | 82 |
| Frozen chicken breasts | 0207.1496 | 0 | 0 | 0 | 0 | 0 |
| Frozen chicken thighs | 0207.1497 | 233 | 282 | 1 168 | 401 | 314 |
| Frozen chicken drumsticks | 0207.1498 | 3 015 | 1 491 | 4 747 | 57 | 218 |
| Other | 0207.1499 | 392 | 577 | 426 | 8 | -26 |

Source: SARS, 2021

With regards to imports, the industry is in talks with relevant stakeholders regarding anti-dumping measures in the South African market. This follows the industry's outcry about the dumping of cheaper products into South Africa by larger highly subsidised global poultry producers. This is after an increase in tariffs in March 2020, but despite this, some countries seem to have been increasing their exports into South Africa irrespective of that. Dumping occurs when larger producers sell their produce at a price lower than the cost of production in their markets or below the price they sell it to their consumers thus making it cheaper and corrode competition on the market. This is against the World Trade Organization rules. Currently, there is an investigation on the matter.

3. Monthly average producer prices trends

The general picture is that producer abattoir door prices have been increasing over the years attributed to increasing production costs such as feed, electricity and fuel prices. **Figure 2** presents average producer prices for frozen chicken (maximum brine allowed 10%), fresh chicken and IQF chicken portions (maximum brine allowed 15%) from October 2009 to March 2021. For this period frozen chicken, fresh chicken, and IQF chicken portion producer prices have increased by 85.8%, 80.8% and 37.3%, respectively. During March 2021, frozen chicken prices remained the same when compared to the previous month, while fresh and IQF chicken portions producer prices had increased 0.9% and 0.7% m-o-m. On a y-o-y basis, IQF producer prices had increased by 4.6% while fresh and frozen producer prices had decreased by 3.6% and 0.3%.

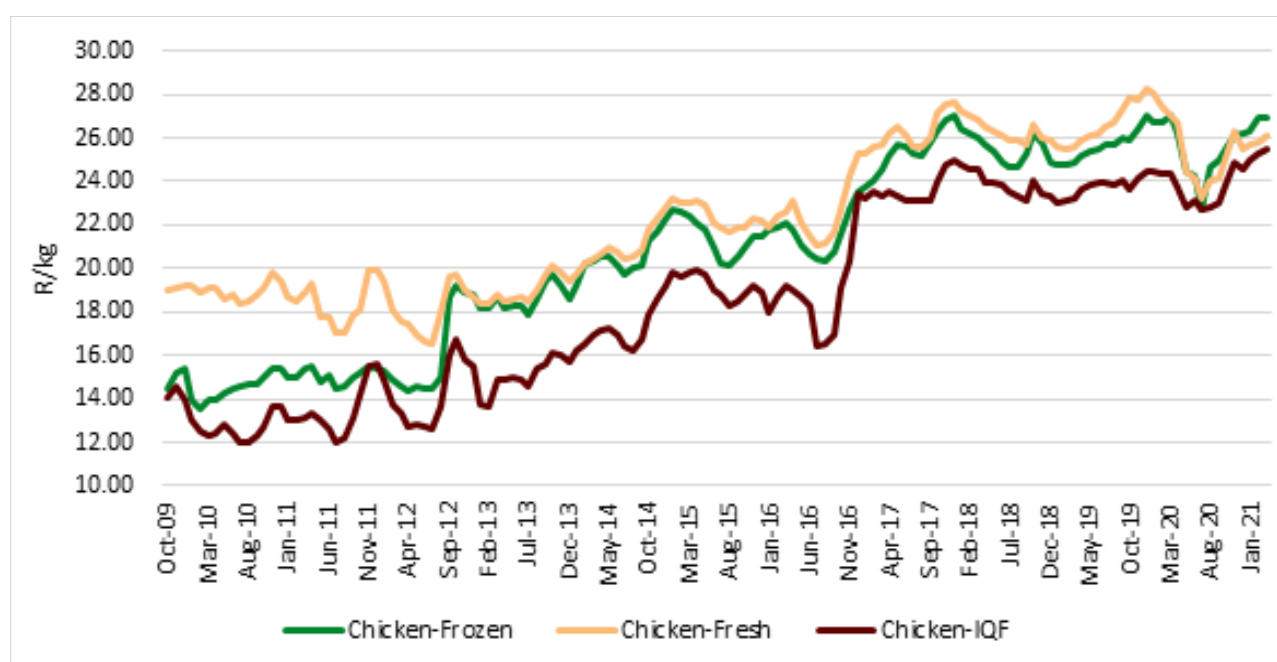


Figure 2: Monthly average producer prices

Source: AMT, 2021

4. Average retail prices for selected poultry products for March 2021 vs. March 2020

Table 2 presents average monthly retail prices for selected poultry products for March 2021 vs. March 2020. The poultry cuts/portions that experienced high price inflation annually were whole chicken which increased by 27.5% y-o-y followed by chicken giblets at 10.2%, 2 kg's IQF portions increased by 4.0%. Fresh chicken portions per kg and frozen chicken portions non-IQF had decreased by 3.6% and 3.3%, respectively. M-o-m, chicken giblets prices increased by 23.8% in March 2021 while whole fresh chicken had increased by 17.9% when compared to the previous month. In March 2021, poultry prices for a couple of poultry products had decelerated. Fresh chicken portions per kg, frozen chicken portions non-IQF as well as 2 kg's IQF portions had decreased by 12.4%, 6.8%, and 2.8%, respectively when compared to the previous month. The increase can be attributed to higher feed prices.

Table 2: Average monthly retail prices for selected processed and unprocessed poultry meat items

| Processed & unprocessed meat | Mar 2020 R/kg | Feb 2021 R/kg | Mar 2021 R/kg | y-o-y % change | m-o-m % change |
|---|------------------|------------------|------------------|-------------------|-------------------|
| Chicken giblets per kg | 34.18 | 30.43 | 37.70 | 10.2 | 23.8 |
| Chicken portions - fresh per kg | 65.63 | 72.20 | 63.22 | -3.6 | -12.4 |
| Chicken portions frozen non IQF average | 48.83 | 50.67 | 47.19 | -3.3 | -6.8 |
| IQF chicken portions – 2kg | 68.95 | 73.90 | 71.77 | 4.0 | -2.8 |
| Whole chicken – fresh per kg | 50.35 | 54.45 | 64.24 | 27.5 | 17.9 |

Source: Stats SA (2020)

5. Monthly feed prices

Figure 3 presents monthly SAFEX prices for maize, sunflower seed and soybean. As it can be seen from **Figure 3** that commodity prices have been increasing since November 2020. The increase can be attributed to the rising demand from the global market and a weaker Rand against the Dollar. Soybean prices significantly increased towards the end of 2020, reaching new records in over two decades. A ton of soybean was selling at R8 075 end of October 2020 and increased to R9 900 on the 14th of January 2021. The main contributor to this increase was the limited supply from Brazil which had shipped most of its soybean (1.7 million tons) earlier to China which was restocking its pig herd. This had direct implications for South Africa as it is a net importer of soybean. In January 2021, sunflower seed, soybean, and yellow maize prices increased by 63.25%, 45.7%, and 19.25%, y-o-y, respectively. Between December 2020 and January 2021, the JSE spot price for soybean, yellow maize and sunflower seed prices increased by 10.9%, 7.8%, and 7.6%, respectively. Soybean and sunflower seed were trading at R9 427.95/ton and R9 272.95 49/ton, respectively, while a ton of yellow maize traded at R3 542.47. The increase in commodity prices hurts poultry farmers as they are primary users of yellow maize and soybeans as feed. It is estimated that in the next few weeks, yellow maize will be trading at R3 610/ton due to the Chicago Board of Trade (CBOT) that is rising. International Grain Council (IGC) also predicts an increase in grain prices due to a decrease in stock levels from the USA, China and European Union (EU).

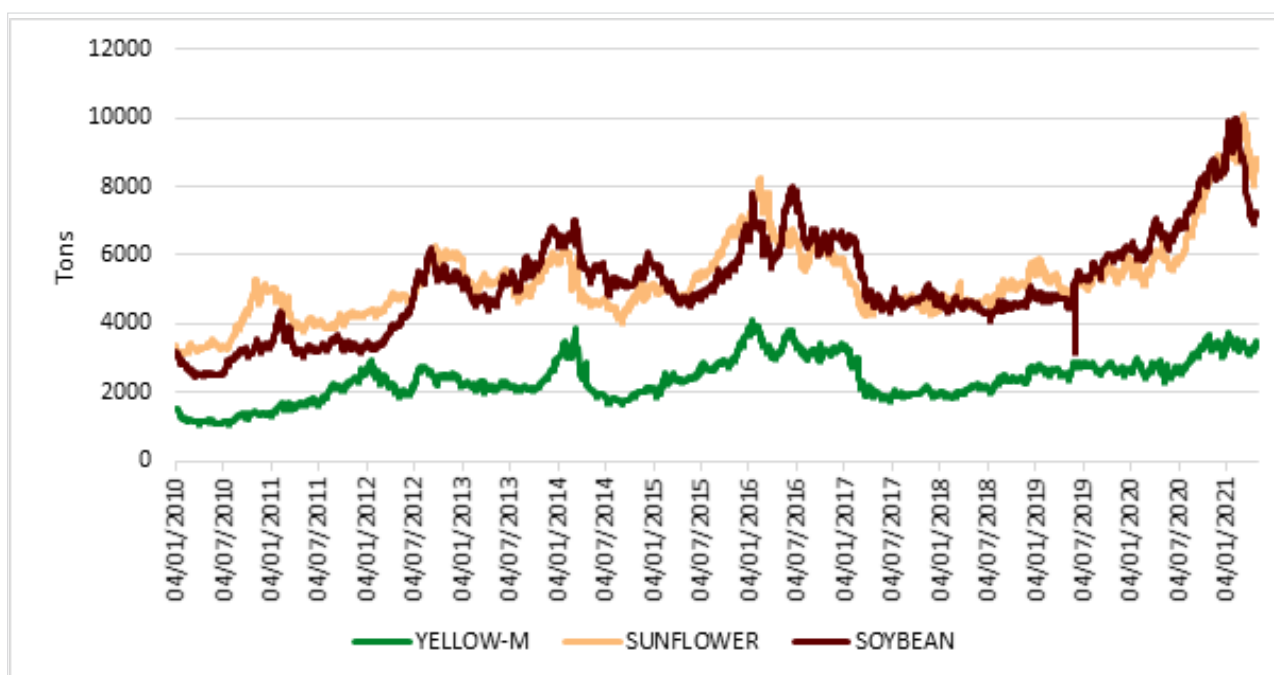


Figure 3: Monthly spot prices per ton

Source: JSE-SAFEX, 2021

6. Monthly Real Farm to Real Price Spread

Figure 4 presents the farm to-retail price transmission (at abattoir level), as well as farm value behaviour for the broiler industry in South Africa. 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 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. Kindly note that the farm price is the abattoir front door price level that is inclusive of other costs such as packages and processing prices.

The real FTRPS of fresh whole chicken increased on average by 32.47% from R24.15/kg in February 2021 to R31.98/kg in March 2021, while, the real farm value share of fresh whole chicken decreased by 14.44% from February 2021 to March 2021. Between March 2020 and March 2021 real FTRPS increased by 58.87% from R20.13/kg to R31.98/kg year-on-year, while the real farm value share decreased by 24.50% from 53.78% to 40.60%. The rising gap between farm price and retail price is negative affecting farmer profits and food security status of the country.

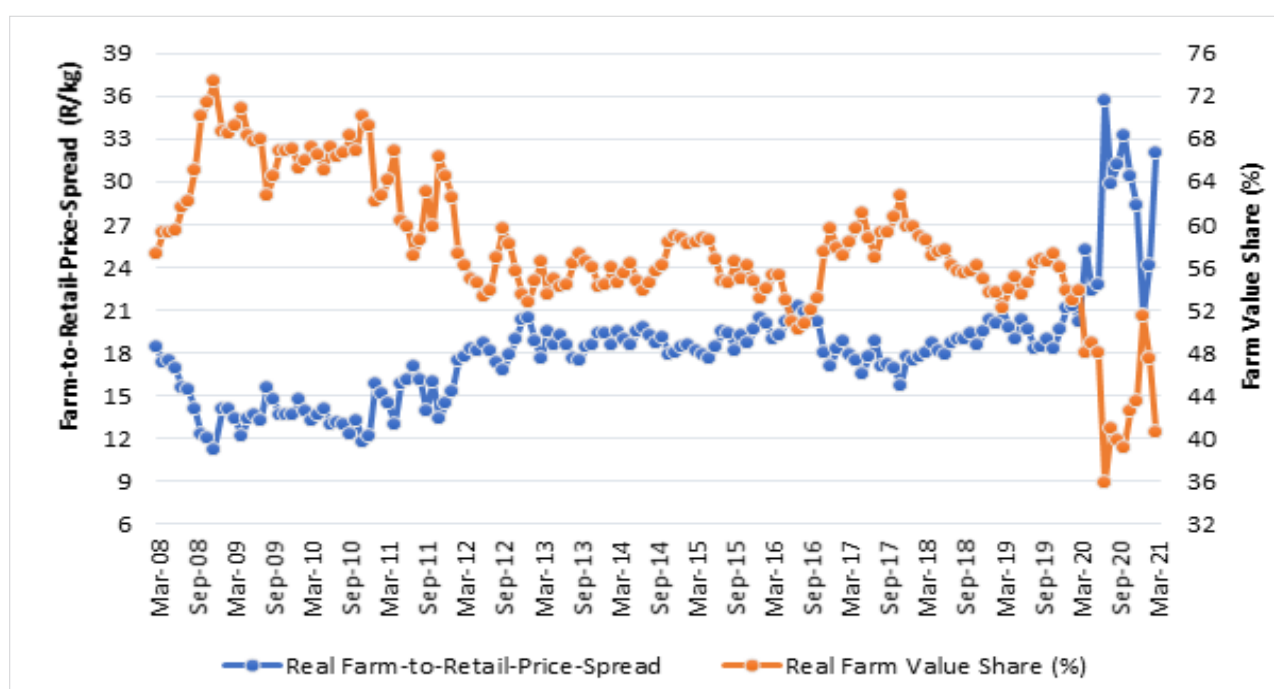


Figure 4: Real farm-to-retail-price-spread and farm value share of poultry

Source: Stats SA, AMT and own calculations, 2021

Concluding remarks

Globally, chicken meat production is recovering from the HPAI outbreaks in the EU, but the supply and demand are tightly balanced thus global prices remain elevated. Poultry prices are likely to stay firmly tight during May 2021 due to increasing demand for other meats especially bovine meat from East Asia underpinned by limited supply from the Oceania region. Also, pork prices remain high due to a rising demand in Asian countries such Philippines, China and others after another African Swine Fever outbreak which reduced local supply, especially because Germany is still limited to export to Asia following African Swine Fever late in 2020.

Domestically, poultry prices seem to have declined for various poultry products in March 2021 as observed in Table 2 above. This can be attributed to the increase in local poultry production and the large feed supply entering the market. However, it should be noted that the larger stocks entering the market might not reduce feed prices due to elevated global grains and oilseeds prices resulting from tighter stocks. In March 2021, yellow maize prices had somewhat softened, but sunflower seed and soybean prices remain considerably higher following the same trend as the global market.

Perhaps when global feed prices stabilise and improve from the current situation, feed prices are likely to decrease which normally bonds well with producer and later retail prices. However, the current Avian Influenza situation threatens the industry stability if it is not contained. Any further outbreaks might significantly reduce local flocks which will then reduce production and possible affect local prices. So far the disease has not affected the industry yet and the situation is being carefully monitored.

Compiled by:

Trends and discussion on selected chicken portions by:

1. Fezeka **Matebeni**
2. Thabile **Nkunjana**
3. Corné **Dempers**
4. Ndumiso **Mazibuko**
5. Christo **Joubert**
6. Ndiadivha **Tempia**

Enquiries:

Ndumiso Mazibuko at ndumiso@namc.co.za, Christo Joubert at christo@namc.co.za

Stats SA is acknowledged for assistance provided to the NAMC in terms of food price data.

© 2021. Published by the National Agricultural Marketing Council (NAMC).

Disclaimer:

Information contained in this document results from research funded wholly or in part by the NAMC acting in good faith. Opinions, attitudes and points of view expressed herein do not necessarily reflect the official position or policies of the NAMC. The NAMC makes no claims, promises, or guarantees about the accuracy, completeness, or adequacy of the contents of this document and expressly disclaims liability for errors and omissions regarding the content thereof. No warranty of any kind, implied, expressed, or statutory, including but not limited to the warranties of non-infringement of third-party rights, title, merchantability, fitness for a particular purpose or freedom from computer virus is given with respect to the contents of this document in hardcopy, electronic format or electronic links thereto. Reference made to any specific product, process, and service by trade name, trade mark, manufacturer or another commercial commodity or entity are for informational purposes only and do not constitute or imply approval, endorsement or favouring by the NAMC.

