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Promoting market access for South African agriculture

SOUTH AFRICAN POULTRY PRODUCTS PRICES MONITOR

ISSUE 4

EXECUTIVE SUMMARY

- During June 2021, the international poultry-price index was recorded at 94 points and this was 7 points higher when compared to the same period the previous year, attributed to tightening export supplies from the USA, limited supply of slaughter ready animals from Brazil as well as from the Oceania region.
- In May 2021, South Africa imported a total of 29 723 tons when compared to 37 185 tons imported in April 2021, representing an increase of 25% and 20% m-o-m and y-o-y, respectively.

- Domestically, during May 2021, producer prices for frozen chicken had increased by 1.4% while IQF and fresh chicken producer prices had increased by 0.15% and 0.04% month-on-month, respectively. On Year-on-year basis, frozen chicken, IQF and fresh producer prices had increased by 15%, 14% and 13%, respectively.

- Between May 2021 and June 2021, month-on-month retail prices for whole chicken had increased by 1.7%, Chicken portions frozen non-IQF (0.8%) while 2kg IQF chicken, fresh chicken portions –per/kg, chicken giblets had decreased by 9.1%, 4.1% and 1.7%, respectively.

- On a monthly basis, a spot price for a ton of sunflower seed had decreased by 6.4% while yellow maize and soybean had decreased by 4.7% and 3.1%, respectively. This can be linked to a slight improvement in international food prices end of June. Year-on-year, Sunflower seed spot price was 45% higher in June 2021, while spot price for yellow maize and soybean were 27% and 7.9%, respectively.

- The real farm value share of fresh whole chicken increased by 6.27% from April 2021 to June 2021, while the real FTRPS of fresh whole chicken decreased on average by 2.96% from R29.70/kg in April 2021 to R26.60/kg in June 2021. Between June 2020 and June 2021 real FTRPS increased by 16.5% from R22.83/kg to R26.6 /kg, y-o-y, while the real farm value share decreased by 4.05% from 47.94% to 45.99%.

Contents

1. Introduction

The poultry industry remains the largest single contributor to the agricultural sector in South Africa and provides the affordable animal protein for the majority of South Africa's population. This report tracks the price trends for a selection of poultry products in South Africa and compare them with global poultry price trends. Monitoring these trends is important within South African context where majority of the population depends on poutry for protein and nutrition at affordable prices. This report would assist in making informed policy decisions that are based on actual data from various sources.

2. Monthly international poultry price Index

Figure 1 presents the global poultry prices index trends between 2000 and June 2021, with 2014 used as the base year. During June 2021, the international poultry-price index was recorded at 94 points, and this was 7 points higher when compared to the same period the previous year. Global poultry export prices remained elevated in June attributed to tightening export supplies from the USA, limited supply of slaughter-ready animals from Brazil as well as from the Oceania region. These factors negatively affected the global poultry-price index and results in global export prices from Brazil and the United States of America (USA) to increasing by 26% and 20% year-on-year (y-o-y), while an increase of 4% month-on-month (m-o-m) was registered from Brazil with the USA exports prices declining by 0.4%.

Figure 1: Poultry meat Prices from Brazil, USA and international poultry price index
Source: FAO, 2021

3. Chicken meat imports

Table 1 presents the volume (tons) of chicken meat imported into South Africa between April 2021 and May 2021 for whole chicken and other selected cuts. During May 2021, South Africa imported a total of 29 723 tons down from 37 185 tons recorded in April 2021, representing a decrease of 20% and 25%, m-o-m and y-o-y, respectively. The main contributors to this decline were frozen chicken carcasses, other cuts, frozen chicken offal and boneless chicken thighs. Based on the South African Revenue Services (SARS) data, (m-o-m) (May 2021 vs. April 2021), imports for boneless chicken thighs had decreased by 98% followed by other portions (68%), frozen chicken carcasses (55%), boneless chicken breasts (46%), frozen chicken thighs and wings both at (37%) amongst products that registered a noticeable decline, while boneless chicken other and frozen chicken feet both increased by 71% and 15%, respectively.

On a year-on-year basis (May 2020 vs. May 2021), South Africa's overall imports registered a significant decrease of 28% in May. While a noticeable decline was observed y-o-y, some products had also increased. Frozen chicken drumstick had increased by 207% followed by boneless chicken other (145%), boneless chicken breast (85%), whole frozen chicken (22%) and frozen chicken wings (17%) as top contributors to the rise in imports in May when compared to the same period last year. While, frozen carcasses, other, frozen chicken offal, frozen chicken mechanical deboned meat (MDM) and chicken leg quarter imports had decreased by 79% and 65%, 64%, 39% and 33%, respectively, when compared to the same period the previous year.

Of the top poultry suppliers for South Africa, monthly imports from Brazil had declined by 22% while declining by 20% and 13% from Argentina and the USA, respectively. While the other top 5 suppliers for South Africa, Spain registered an increase of 2.8% in May when compared to the previous month. Annually, the USA and Spain have both increased their exports to South Africa by 139% and 70%, respectively, while Argentina and Brazil had decelerated by 29% and 28%, respectively.

Table 1: Chicken meat imports in volume (Tons)

Tariff description	HS Code	May 2020	April 2021	May 2021	Y-o-Y	M-o-M
		Tons	Tons	Tons	%change	%change
Frozen chicken MDM	0207.1210	19 074	14 147	11 530	-39	-18
Frozen chicken carcasses	0207.1220	1 752	826	365	-79	-55
Whole frozen chicken	0207.1290	1 367	1 705	1 674	22	-2
Fresh chicken cuts	0207.1300	0	0	0	0	0
Boneless chicken breasts	0207.1411	260	899	481	85	-46
Boneless chicken thighs	0207.1413	0	2 721	53	-	-98
Boneless chicken other	0207.1415	134	192	329	145	71
Frozen chicken livers	0207.1421	500	488	472	-6	-3
Frozen chicken feet	0207.1423	2 934	2 528	2 906	-1	15
Frozen chicken heads	0207.1425	0	0	0	0	0
Frozen chicken offal	0207.1429	2 647	1 220	931	-65	-24
Frozen half chicken	0207.1491	0	0	0	0	0
Frozen chicken leg quarter	0207.1493	8 947	7 978	5 988	-33	-25
Frozen chicken wings	0207.1495	966	54	1 127	17	-37
Frozen chicken breasts	0207.1496	0	54	0	0	0
Frozen chicken thighs	0207.1497	197	354	223	13	-37
Frozen chicken drumsticks	0207.1498	517	1 770	1 588	207	-10
Other	0207.1499	455	497	158	-65	-68

Source: SARS, 2021

Due to a request by the poultry industry on the back of increased imports, the review by International Trade Administration Commission (ITAC) continues and this will hopefully bring some light on whether indeed there is an unfair practice by top poultry suppliers into the South African market.

4. Monthly average producer prices trends

At a glance, producer abattoir door prices have been increasing over the years linked 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 June 2021. During this period frozen chicken, fresh chicken, and IQF chicken portion producer prices have increased by 93.2%, 43.7% and 86.5%, respectively. During June 2021, frozen chicken prices increased by 1.4% when compared to the previous month, while fresh and IQF chicken portions producer prices had increased 0.04% and 0.1% m-o-m, respectively. On a y-o-y basis, frozen chicken producer prices had increased by 15.2% while IQF and fresh producer prices had increased by 13.9% and 13.0%.

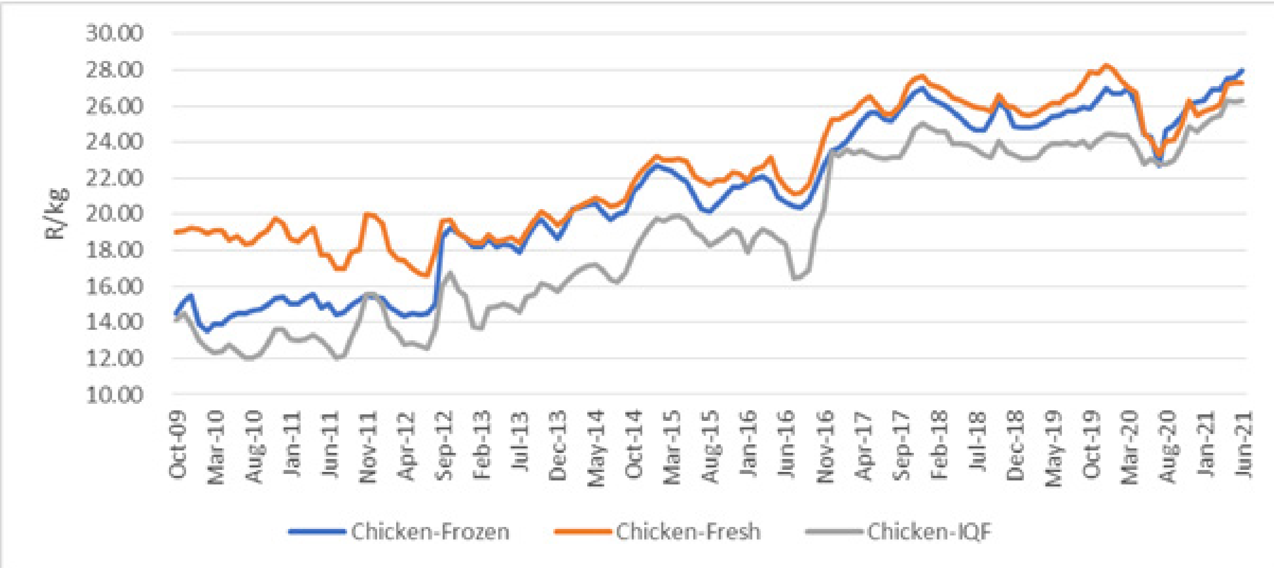

Figure 2: Monthly average producer prices

Source: AMT, 2021

5. Average retail prices for selected poultry products

Table 2 presents average monthly retail prices for selected poultry products for June 2021 vs. June 2020. The poultry cuts/portions that experienced high price inflation annually were whole chicken which increased by 17.7% y-o-y followed by chicken giblets at 8.8%, 2 kg's IQF portions increased by 8.1% and Chicken portions frozen non-IQF at 2.8%%. Fresh chicken portions per kg had decreased by 16.7%. On a monthly basis, whole fresh chicken and chicken portions frozen non-IQF had increased by 1.7% and 0.8%, respectively, while IQF chicken portions – 2kg, chicken portions - fresh per kg and chicken giblets per kg had decreased by 9.1%, 4.1% and 1.7%, respectively. 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	June 2020 R/kg	May 2021 R/kg	June 2021 R/kg	y-o-y % change	m-o-m % change
Chicken giblets per kg	35.42	39.22	39.22	8.8	-1.7
Chicken portions - fresh per kg	82.75	71.18	68.92	-16.7	-4.1
Chicken portions frozen non IQF average	53.02	54.08	54.52	2.8	0.8
IQF chicken portions – 1kg	71.57	85.18	77.40	8.1	-9.1
IQF chicken portions – 2kg	50.39	58.34	59.35	17.7	1.7

Source: Stats SA (2020)

6. Monthly feed prices

Figure 3 ppresents monthly SAFEX spot prices for yellow maize, sunflower seed and soybean. Following a continuous rise in feed prices since September 2020, supported by international prices, however, a noticeable decline was observed in June 2021. On average, the spot price for a ton of sunflower declined by 6.4% (from R8 879 in May to R8 309 in June) while the price of a ton of yellow maize and soybean had declined by 4.7% (from R3 450 in May to R3 288 in June) and 3.1% (R7 376 in May to R7 148 in June), respectively. On a y-o-y basis, the average spot price for a ton of sunflower was 45.5% higher (from R5 708 in June 2020 to R8 309 in June 2021) while a ton of yellow maize was 27% higher (from R2 575 in June 2020 to R3 288 in June 2021). The spot price for a ton of soybeans was 7.9% higher (from R6 621 in June 2020 to R7 148 in June 2021). This again can be attributed to international prices which remain elevated due to uncertainty from key producing areas and a weaker Rand against the US Dollar.

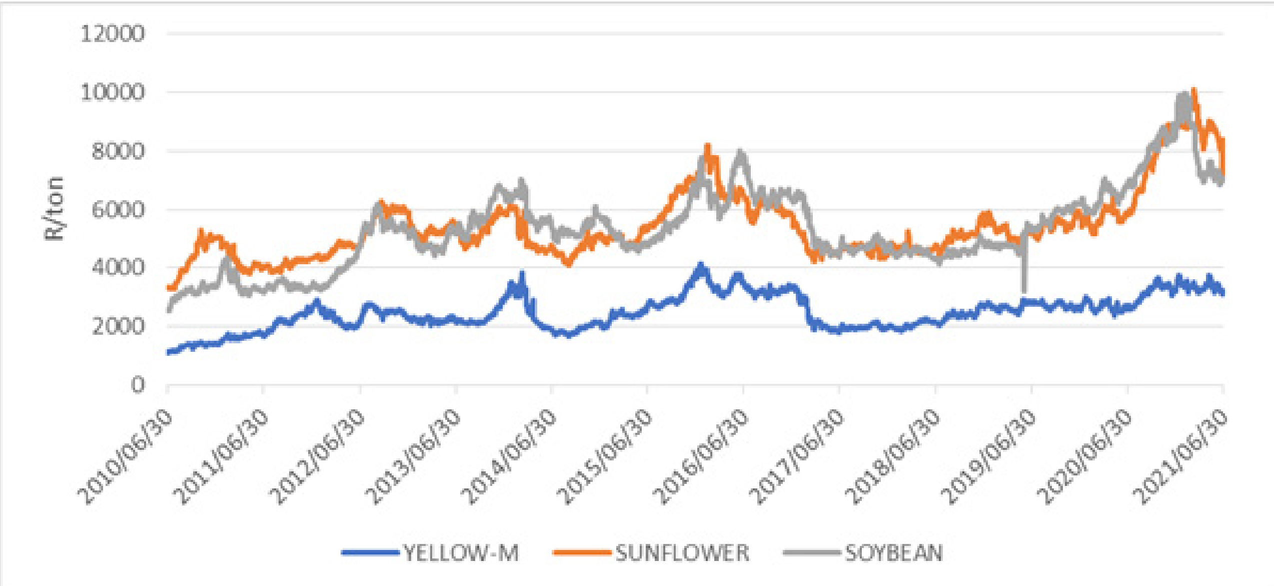

Figure 4: Monthly spot prices per ton
Source: JSE-SAFEX, 2021

7. Real Farm to Retail 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.

The real farm value share of fresh whole chicken increased by 6.27% from April 2021 to June 2021, while the real FTRPS of fresh whole chicken decreased on average by 2.96% from R29.70/kg in April 2021 to R26.60/kg in June 2021. Between June 2020 and June 2021 real FTRPS increased by 16.5% from R22.83/kg to R26.60/kg, y-o-y, while the real farm value share decreased by 4.05% from 47.94% to 45.99%. Widening in spread could be an indicator that competition issues are emerging within a supply chain. South Africa is indeed an efficient producer of broiler meat, however, cheap poultry imports entering the country might attribute to the imperfect competition in the food markets.

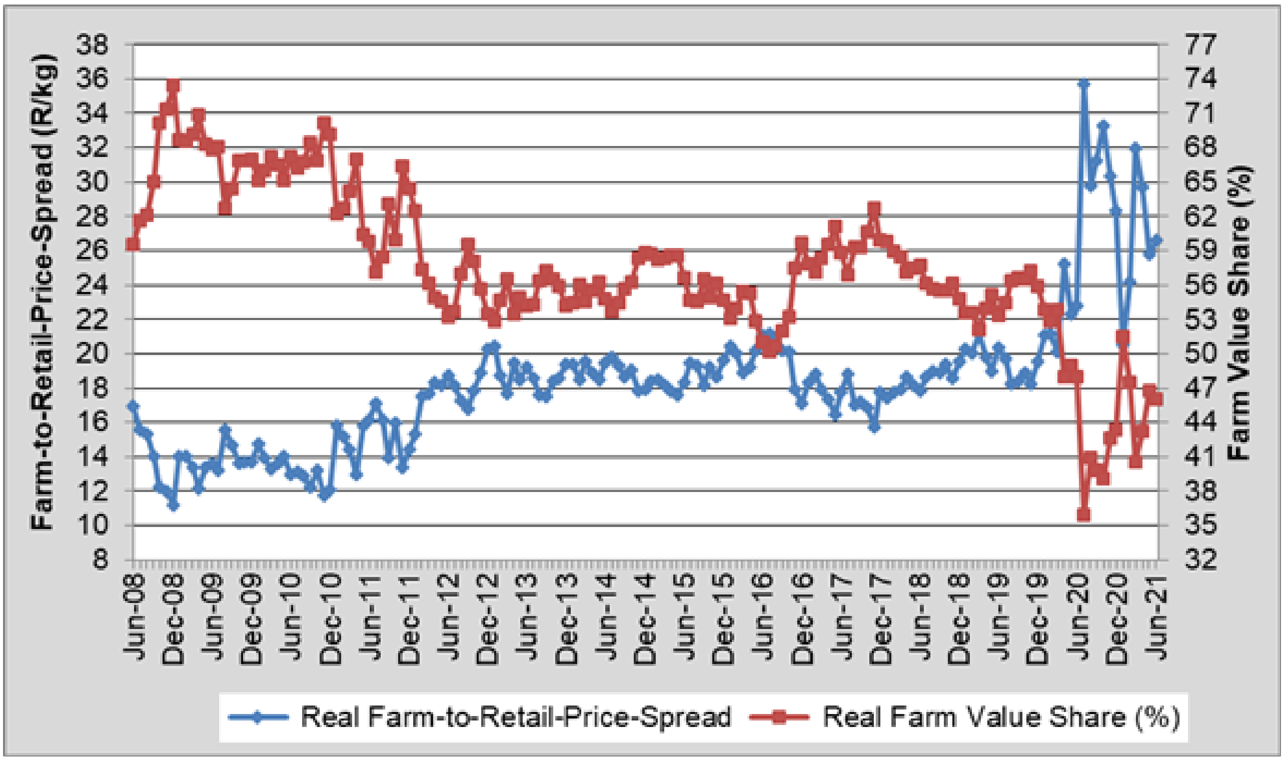

Figure 4: Real farm-to-retail-price-spread and farm value share of poultry

Source: Stats SA, AMT and own calculations, 2021

8. Concluding remarks

As highlighted in **Figure 1**, global poultry export prices remained elevated in June 2021, this will remain elevated largely due to rising demand from Asian countries which offset the decline from China, as well as the rising demand from the global market. Lower inventories from the USA and limited supply from Brazil are also putting more pressure on international prices. Domestically, poultry prices have declined for various poultry products in June 2021 as observed in **Table 2** above. The decline can be linked to a slight improvement observed from the global market which positively affected domestic feed prices as highlighted by the Food and Agricultural Organization (FAO) of the United Nations in June. However, domestic poultry prices are anticipated to remain high in July in response to an increase from the global grains prices attributed to persisting drought from key producing areas across the globe. Feed prices are likely to continue putting pressure on domestic poultry prices in response to global market shocks in the short run. Furthermore, the wide gap between FTRPS and real value share could be interpreted by several factors such as openness to international trade, farm reform policy and increased levels of food processing, among others. In the case of South Africa, agricultural trade policy reforms can influence the price margins and all relevant policy makers should ensure the inclusivity in the poultry industry.

Compiled by:
Trends and discussion on selected chicken portions by:

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

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

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