



NAMC

Promoting market access for South African agriculture



SOUTH AFRICAN POULTRY PRODUCTS PRICES MONITOR

ISSUE 5 | SEPTEMBER 2021



EXECUTIVE SUMMARY

- During July 2021, the international poultry-price index was recorded at 95 points and this was 8 points higher when compared to the same period the previous year, this could be linked to higher than usual demand from East Asia countries.
- In quarter two of 2021, South Africa imported a total of 101 371 tons of poultry meat when compared to 109 779 tons imported in Q1 of 2021, representing a decrease of 7.2%.
- Domestically, in Quarter 2 2021, producer prices for IQF had increased by 13.25% while fresh chicken and frozen chicken producer prices had increased by 8.52% and 3.61% month-on-month, respectively, when compared to the previous quarter (Q1).
- Between June 2021 and July 2021, month-on-month (m-o-m) retail prices for 2kg IQF chicken had increased by 14% followed by chicken portions frozen non-IQF (13%) chicken giblets (10%), while fresh chicken portions—per/kg, and whole chicken fresh had decreased by 6% and 3, respectively.
- On a monthly basis, a spot price for a ton of yellow maize had decreased by 3% while sunflower and soybean had both increased by 6% each. International market prices for grains and oilseed are still under pressure due uncertainty around global key producers. As a result, a ton of sunflower seed, yellow maize and soybean are 46%, 25% and 9% higher year-on-year (y-o-y).
- The real FTRPS of fresh whole chicken increased on average by 9.78% from R26.60/kg in June 2021 to R29.20/kg in July 2021, while, the real farm value share of fresh whole chicken decreased by 5.13% from June 2021 to July 2021. Between July 2020 and July 2021, the real farm value share increased by 21.50% from 35.91% to 43.63%, while the real FTRPS decreased by 18.16% from R35.68/kg to R29.20/kg year-on-year.



Contents

1. Introduction.....4

2. Monthly international poultry price Index.....5

3. Chicken meat imports.....6

4. Monthly average producer price trends.....8

5. Average retail prices s for selected poultry products.....9

6. Monthly feed prices.....10

7. Monthly Real Farm to Retail Price Spread.....10

8. Concluding Remarks.....11

1. Introduction

Poultry provides animal protein for the majority of South Africa's population at affordable prices, and its availability at reasonable prices makes it 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) with the mandate by the NAMC to track and report on food price trends in South Africa as well as providing possible analyses of the observed trends with the aim advise should the national and household food security be threatened. On a quarterly basis, international poultry prices, chicken imports into South Africa, producer prices every month, poultry prices at the retail level and feed prices are analysed to provide an outlook of the domestic poultry price trends against the global market trends.



2. Monthly international poultry price Index

Figure 1 presents the global poultry prices index trends between 2000 and July 2021, with 2014 used as the base year. During July 2021, the average international poultry-price index was recorded at 95 points, and this was 8 points higher when compared to the previous year. Global poultry exports prices remained high in July 2021. This could be attributed to strong imports from East Asian countries according to the United Nations Food and Agricultural Organization (FAO).

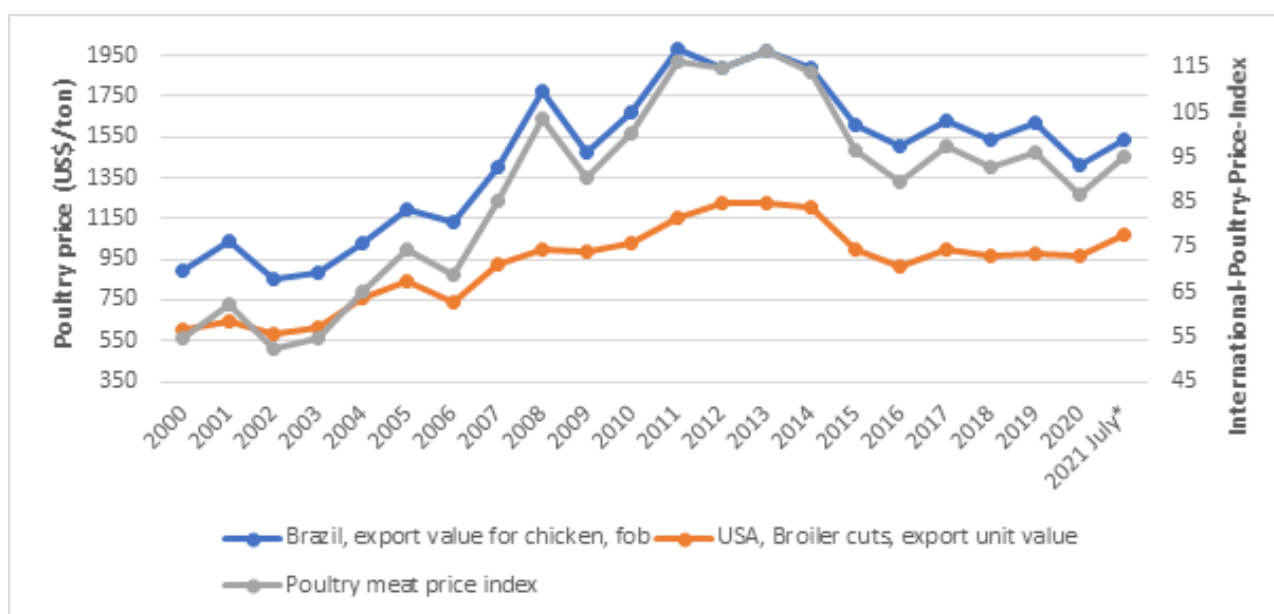
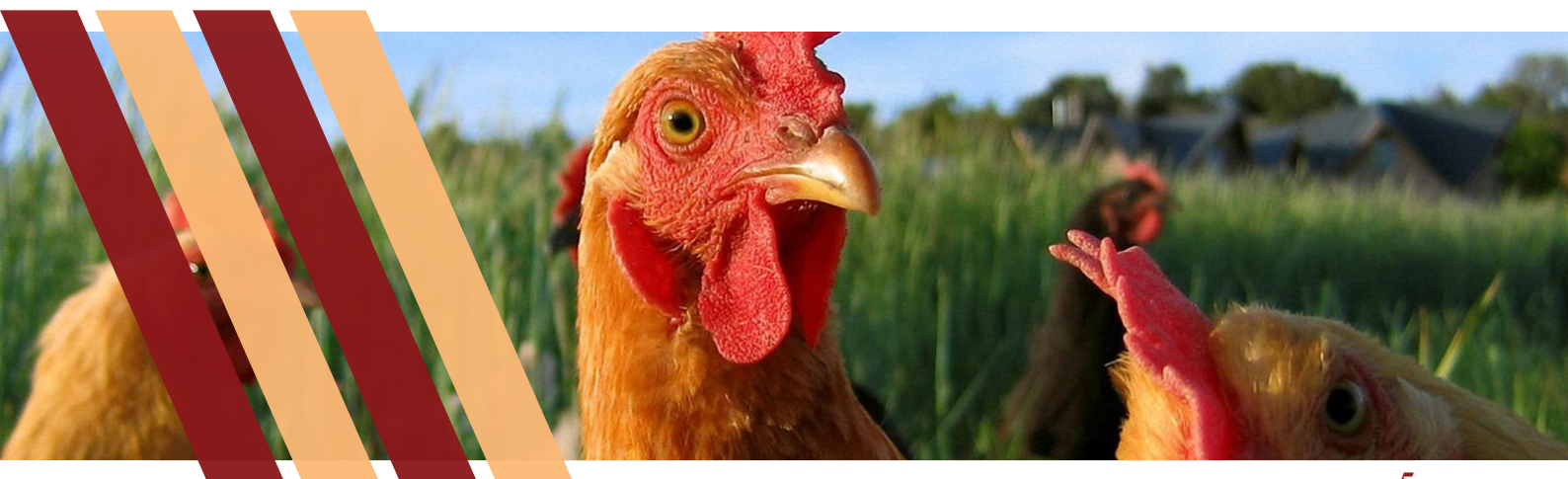


Figure 1: Poultry meat prices from Brazil, USA and international poultry price index

Source: FAO, 2021



3. Chicken meat imports

Table 1 presents the volume (tons) of chicken meat imported into South Africa for quarter two (Q2) of 2020 vs quarter two (Q2) of 2021, and quarter two (Q2) of 2021 vs quarter one (Q1) of 2021. During Q2 of 2021 the country imported 104 831 tons of poultry when compared to the 128 815 tons imported in Q2 of the previous year, this represented a decrease of 8%. When comparing Q2 of 2021 vs Q1 of 2021 imports had decreased by 9%. Brazil remains by far the largest supplier of poultry into South Africa constituting well above 50% of poultry imports as shown in **Table 1**.

Table 1: Chicken meat imports Q2-2020 vs Q2-2021 and Q2-2021 vs Q1-2021

	Q2 2020	Q1 2021	Q2 2021	Q2-2020- vs-Q2-2021	Q2-vs-Q1 2021
	Tons	Tons	Tons	% change	% change
Total imports	128 815	114 629	104 831	-8	-9
Brazil	67 470	79 791	72 754	8	-9
USA	15 427	8 449	12 753	-17	51
Spain	5 975	18 037	10 959	83	-39
Argentina	6 350	5 159	5 384	-15	4

Source: ITC, 2021

Table 2 presents the volume (tons) of chicken meat imported into South Africa from June 2021 to July 2021 and July 2021 vs July 2020 for whole chicken and other selected cuts. Based on data from South African Revenue Services (SARS), during July 2021, South Africa imported a total of 34 951 tons down from 36 359 tons recorded in June 2021, representing a decrease of 4% m-o-m and an increase of 13% y-o-y. The main contributors to the observed decline were other cuts (76%), frozen chicken thighs (46%), frozen chicken wings (45%), boneless chicken breasts (44%), boneless chicken other (26%) and whole frozen chicken (13%) m-o-m see **Table 2**.

On a year-on-year basis (July 2021 vs. July 2020), South Africa's overall imports registered a decrease of 4% in July 2021. Even though imports had slightly decreased when compared to the same period



the previous year, some products had also increased. Frozen chicken livers had increased by 70% followed by frozen chicken offal (17%), frozen chicken carcasses (10%), frozen chicken leg quarters (4%) and frozen chicken mechanically deboned meat (MDM) (3%), see **Table 2**.

On monthly basis (Jul vs Jun) 2021, imports from the USA had increased by 68% followed by Argentina (49%), Brazil (24%) and Spain (12%). Annually, Spain recorded the highest increase of 119% followed by Brazil 34% and the United States of America (USA) at 8% see **Table 2**.

Table 2: Chicken meat imports in volume (Tons)

Tariff description	HS Code	Jul 2020	Jun 2021	Jul 2021	Y-o-Y	M-o-M
		Tons	Tons	Tons	% change	% change
Frozen chicken MDM	0207.1210	13 323	12 444	12 865	-3	3
Frozen chicken carcasses	0207.1220	1 329	475	522	-61	10
Whole frozen chicken	0207.1290	846	2 001	1 731	105	-13
Fresh chicken cuts	0207.1300	0	0	0	0	-
Boneless chicken breasts	0207.1411	160	1 299	733	358	-44
Boneless chicken thighs	0207.1413	52	0	486	835	-
Boneless chicken other	0207.1415	54	653	486	800	-26
Frozen chicken livers	0207.1421	743	521	885	19	70
Frozen chicken feet	0207.1423	1 772	3 761	3 794	114	1
Frozen chicken heads	0207.1425	0	0	0	-	0
Frozen chicken offal	0207.1429	1 678	1 453	1 698	1	17
Frozen half chicken	0207.1491	0	0	0	-	0
Frozen chicken leg quarter	0207.1493	8 197	7 907	8 219	0	4
Frozen chicken wings	0207.1495	777	1 737	957	23	-45
Frozen chicken breasts	0207.1496	0	28	0	0	-
Frozen chicken thighs	0207.1497	724	700	379	-48	-46
Frozen chicken drumsticks	0207.1498	690	2 920	2 085	202	-29
Other	0207.1499	515	460	111	-78	-76

Source: SARS, 2021



4. Monthly average producer price trends

Producer abattoir door prices have been increasing over the years. This increase is 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 November 2009 to July 2021. Using Agricultural Market Trends (AMT) data, when comparing Q2 of 2021 vs Q2 of 2020, producer prices for IQF and Chicken frozen, chicken fresh had all increased by 17.49%, 10.92% and 10.15%, respectively.

When comparing Q2 of 2021 vs Q1 of 2021, IQF, fresh chicken and frozen chicken producer prices had all increased by 13.25%, 8.52% and 3.61%, respectively.

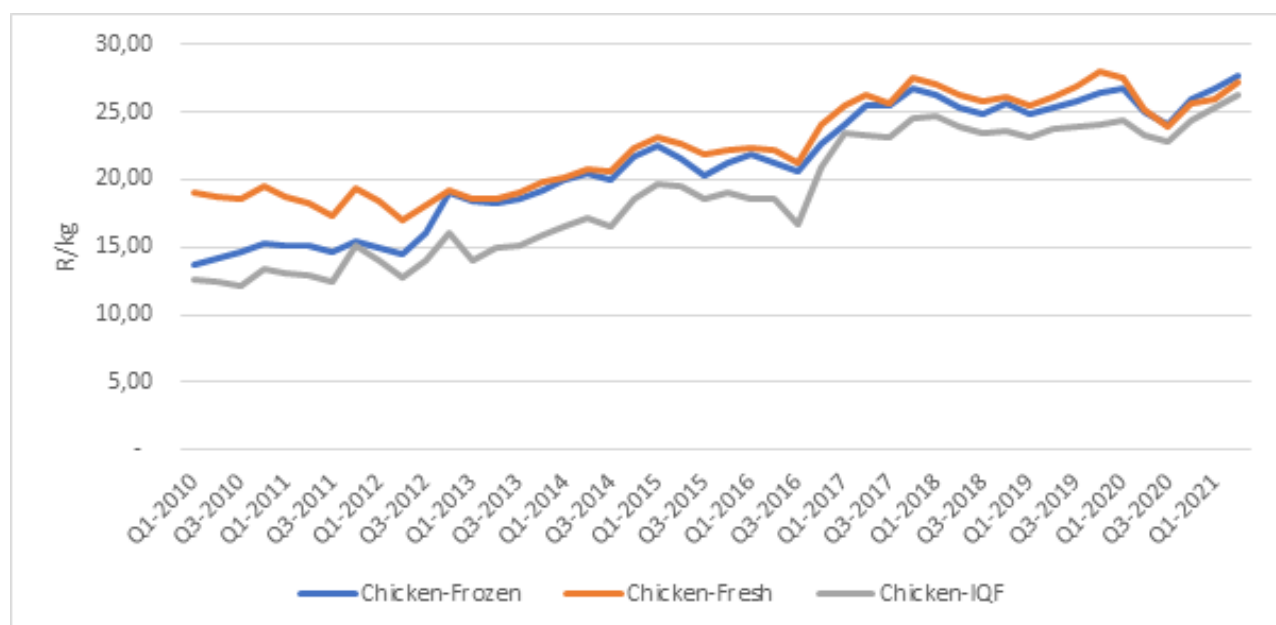


Figure 2: Quarterly average producer prices

Source: AMT, 2021



5. Average retail prices for selected poultry products for July 2021 vs. July 2020 & July 2021 vs. June 2021

Table 3 presents average monthly retail prices for selected poultry products for July 2021 vs. July 2020 and July 2021 vs June 2021. Poultry products that experienced high price inflation annually were chicken portions which increased by 13% y-o-y followed by 2kg IQF chicken portions at 8%, whole chicken fresh per kg at 6% and chicken portions frozen non-IQF at 3%. This rise can be attributed to several factors such as an increase in feed costs which have increased when compared to the same period the previous year. On a monthly basis, chicken portions - fresh per kg and whole fresh chicken decreased by 6% and 3%, respectively see **Table 3**.

Table 3: Average monthly retail prices for selected processed and unprocessed poultry meat items

Processed & unprocessed meat	Jul 2020 R/kg	Jun 2021 R/kg	Jul 2021 R/kg	y-o-y % change	m-o-m % change
Chicken giblets per kg	33.65	38.55	36.87	-4	10
Chicken portions - fresh per kg	82.47	68.92	77.63	13	-6
Chicken portions frozen non IQF average	49.53	54.52	56.18	3	13
IQF chicken portions – 2kg	73.26	77.40	83.28	8	14
Whole chicken – fresh per kg	64.81	59.35	63.10	6	-3

Source: Stats SA, 2021



6. Monthly feed prices July 2021 vs June 2021

Figure 3 presents monthly SAFEX spot prices for yellow maize, sunflower seed and soybeans. On average, the monthly spot price for a ton of yellow maize had declined by 3% (from R3 450 in June to R3 351 in July) while a ton of sunflower and soybeans each increased by 6%. On a y-o-y basis, the average spot price for a ton of sunflower seed was 46% higher (from R5 708 in June 2020 to R8 309 in July 2021) followed by a ton of yellow maize at 25% (from R2 679 in July 2020 to R3 351 in July 2021) and a ton of soybeans at 9% (R6 904 in July 2020 to R7 542 in July 2021), respectively.

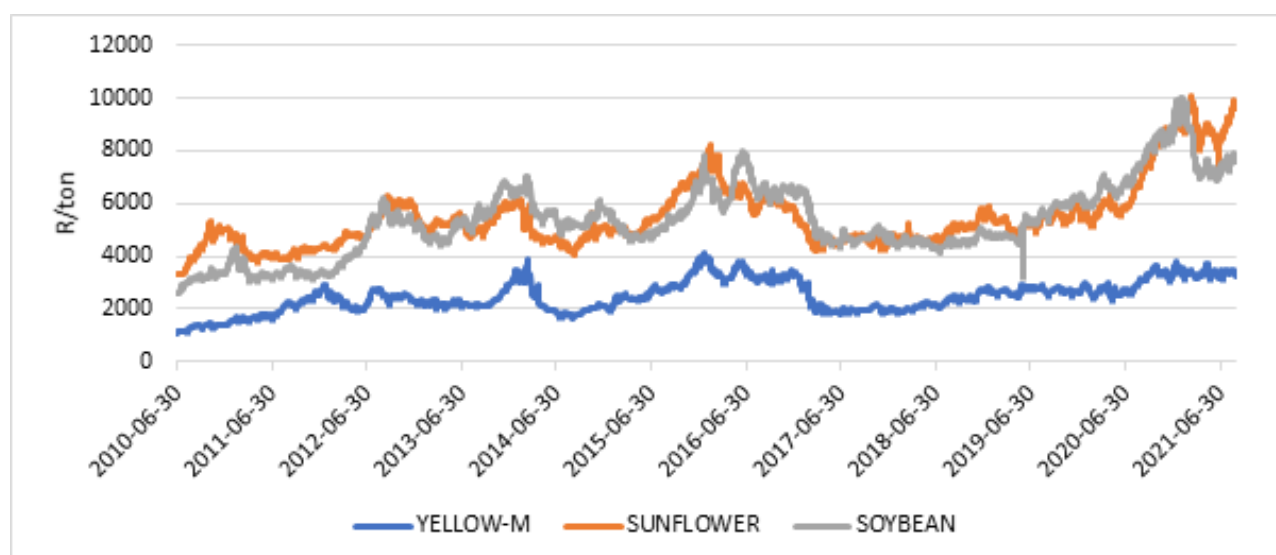


Figure 3: Monthly spot prices per ton
Source: JSE-SAFEX, 2021

7. Monthly Real Farm to Retail Price Spread

Figure 4 presents the real farm-to-retail price (FTRPS) transmission (at abattoir level), as well as real farm value behaviour for the broiler industry in South Africa. The real farm value share is the value of the farm product's equivalent to the final food product purchased by the consumers. The real 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 9.78% from R26.60/kg in June 2021 to R29.20/kg in July 2021, while, the real farm value share of fresh whole chicken decreased by 5.13% from June 2021 to July 2021. Between July 2020 and July 2021, the real farm value share increased by 21.50% from 35.91% to 43.63%, while the real FTRPS decreased by 18.16% from R35.68/kg to R29.20/kg year-on-year. The rising gap between farm price and retail price is negative affecting farmer profits and food security status of the country.

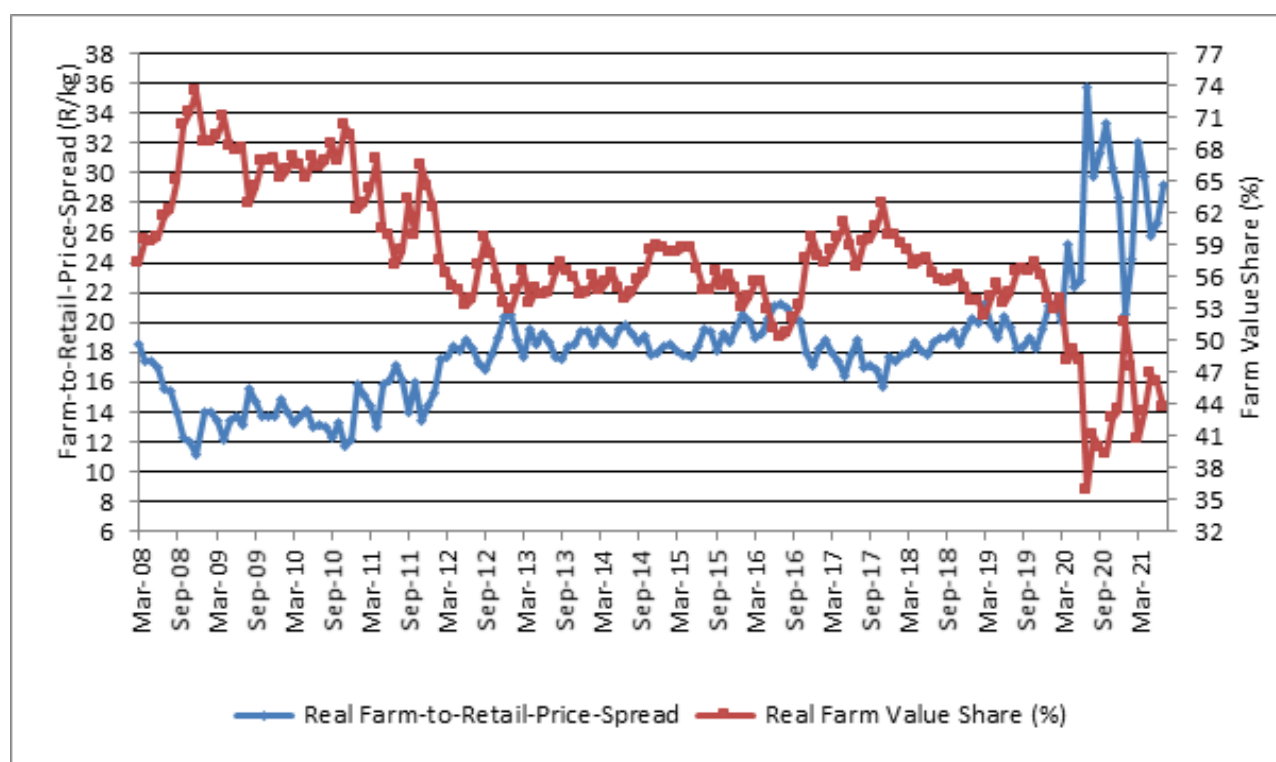


Figure 4: Real farm-to-retail-price-spread and real farm value share of poultry

Source: Stats SA, AMT and own calculations, 2021

8. Concluding remarks

Globally, chicken meat prices during the second quarter of 2021 remained high due to persistence in demand from East Asian countries. In the next few months, pressures from other types of meats are likely to weigh on poultry export prices due to varying production constraints across the global market while the demand is modestly growing. However, constant monitoring on both local and international outlook will be crucial for intervention by policy makers.

Domestically, poultry retail prices are showing an increasing trend for various poultry products as observed in **Table 3**. This rise can be attributed to several factors ranging from broiler production costs which have increased when compared to the same period the previous year. An increase in supply might reduce some pressure on local prices, but production costs will remain an issue and that will weigh in on the price as well. Noteworthy is that the recent outbreak of Avian Influenza has not caused as much of a loss to the poultry industry as the previous large-scale outbreaks of 2015 and 2017, due to lessons learnt previously (SAPA, 2021). There is a need of implementing transformation commitments in the poultry masterplan, to close the production gap and bring in new entrants in the domestic industry.

Compiled by:

Trends and discussion on selected chicken portions by:

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