



NAMC

Promoting market access for South African agriculture



SOUTH AFRICAN POULTRY PRODUCTS PRICES MONITOR

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EXECUTIVE SUMMARY

- During September 2021, the international monthly real meat price index was recorded at 111.49 points, and this was 7.5 points lower month-on-month, but 18.73 points higher year-on-year. This could be linked to tight supplies, especially for poultry in Europe which is battling with Avian Influenza.
- During quarter 3 of 2021, South Africa imported a total of 99 701 tons of chicken meat when compared to 101 371 tons imported in Q2 of 2021, representing a decrease of 2%.
- Domestically, during Quarter 3 of 2021, producer prices for IQF had decreased by -0.23% while fresh chicken and frozen chicken producer prices had increased by 4.68% and 1.41%, respectively, when compared to the previous quarter 2 (Q2).
- Between quarter 3 of 2021 and quarter 2 of 2021, retail prices for Chicken portions-fresh per kg, 2kg IQF chicken, chicken portions frozen non-IQF and chicken giblets had increased by 10%, 6%, 4%, and 4%, respectively, when compared to the previous quarter (Q2). The whole chicken fresh per kg retail prices had decreased by 2% for the same period.
- Monthly, a spot price for a ton of sunflower seed and yellow maize had increased by 10% and 3%, respectively, while soybean had decreased by 3%. Year-on-year, a ton of sunflower seed was 35% higher while a ton of soybean and yellow maize declined by 12% and 3%, respectively. Sunflower seed prices were noticeable higher possible due to global market vegetable oils pressure as palm oil supplies remain uncertain on the global markets including soybean prospects from Brazil.
- The real farm value share of fresh whole chicken increased by 15.76% between August and October 2021, while the real FTRPS of fresh whole chicken decreased on average by 23.32% from R25.31/kg during the same period. Between October 2020 and October 2021, the real FTRPS increased by 44.23% from R39.15/kg to R56.46/kg and the real farm value share decreased by 41.58% from 33.23% to 19.41%.



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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 National Agricultural Marketing Council (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 to advise should the national and household food security be threatened. Monthly, international real meat prices are analysed, while chicken imports into South Africa, producer prices, and poultry prices at the retail level are analysed quarterly. Feed prices are also analysed on monthly basis to provide clear price trends of the domestic poultry price against the global market trends.



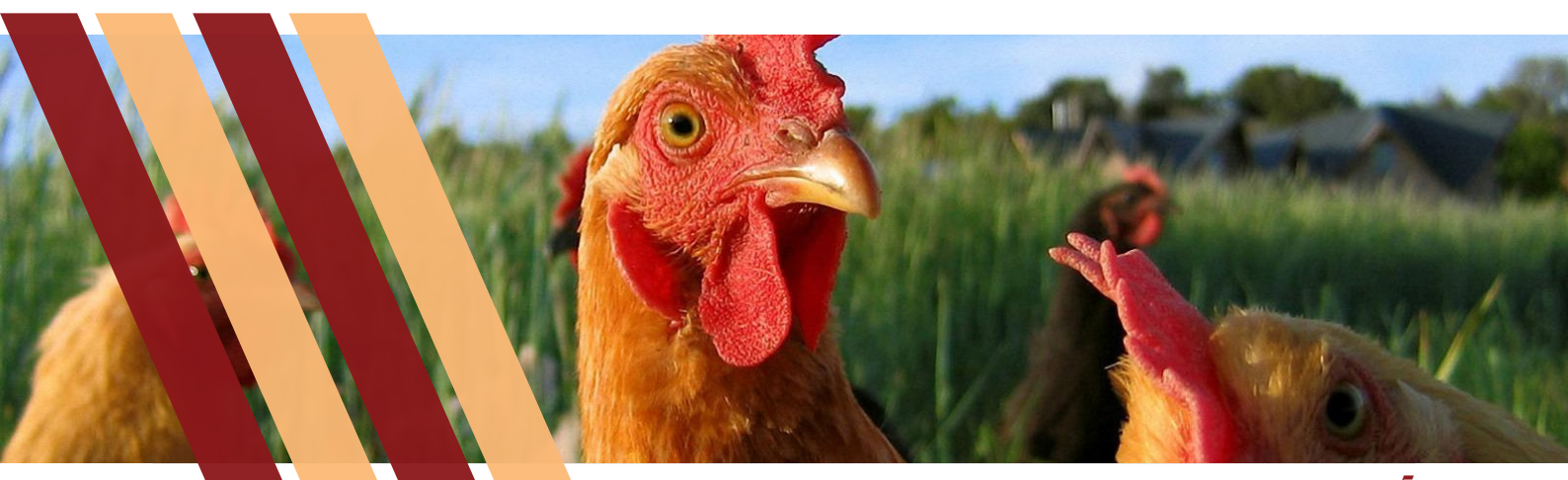
1. International monthly real meat price Index

Figure 1 presents global monthly real meat price index trends between October 2010 and October 2021 with 2014 used as the base year. For the third consecutive month, in September the meat price index declined. Based on data from the Food and Agricultural Organization (FAO) of the United Nations, during October 2021, the average international monthly meat real price index was recorded at 111.49 points, and this was 7.5 points lower when compared to the previous month, but 18.73 points higher year-on-year. The US broiler exports in August 2021 totalled 650.4 million pounds (295.356 million kg), representing an increase of 6% (USDA, 2021). This rise is attributed to higher shipments mainly to Mexico, Cuba, Angola, and other diverse markets. In October 2021, the FAO reported that global poultry meat showed an increase due to high demand global while production is under pressure from high feed costs and Avian Influenza which remains rampant in the European Union. The rise in poultry prices was offset by other meat types during September and October 2021.



Figure 1: International monthly meat real price index

Source: FAO, 2021



2. Chicken imports

Quarter 3 of 2021 vs quarter 3 of 2020, and Quarter 3 of 2021 vs quarter 2 of 2021

This section presents the volume (tons) of chicken meat imported into South Africa for quarter three (Q3) of 2020 vs quarter three (Q3) of 2021. Based on data from South African Revenue Services (SARS), during Q3 of 2021 the country imported 99 701 tons of chicken when compared to the 111 133 tons imported in Q3 of the previous year, this represented a decrease of 10% see **Table 1**. When comparing Q3 of 2021 vs Q2 of 2021, chicken imports decreased by 2% from 101 371 Q2 of 2021 to 99 701 Q3 of 2021.

The main contributors to the observed year on year decline were frozen half chicken (-93%), other cuts (-77%), frozen chicken carcasses (-61%), frozen chicken offal, other (-44%) and frozen chicken leg quarters (-19%) see **Table 1** for a detailed analysis.

For all poultry (HS: 0207) imports, during Q3 of 2021, imports from Brazil constituted 62%, followed by the USA (18%), Spain (9%), and Argentina (6%) when compared to 54%, 16%, 7%, and 7%, imported in Q3 of 2020, respectively. Noteworthy, Canada significantly increased its poultry exports to South Africa by 173% from 1 177 tons in Q3 of 2020 to 2 456 tons in Q3 of 2021. Ireland seemed to have stopped exporting to South Africa since February 2021.

Table 1: Chicken meat imports in volume (Tons)

Tariff description	HS Code	Q3 2020	Q2 2021	Q3 2021	Q3 2020 vs Q3 2021	Q3 vs Q2 2021
		Tons	Tons	Tons	% change	% change
Frozen chicken MDM	0207.1210	47 276	38 121	41 617	-12	9
Frozen chicken carcasses	0207.1220	3 785	1 666	1 470	-61	-12
Whole frozen chicken	0207.1290	3 445	5 380	3 976	15	-26
Fresh chicken cuts	0207.1300	0	0	0	-	-
Boneless chicken breasts	0207.1411	870	2 679	1 481	70	-45
Boneless chicken thighs	0207.1413	306	2 774	486	59	-82
Boneless chicken other	0207.1415	108	1 174	1 115	932	-5
Frozen chicken livers	0207.1421	1 964	1 481	1 931	-2	30
Frozen chicken feet	0207.1423	5 801	9 195	8 237	42	-10
Frozen chicken heads	0207.1425	0	0	0	-	-
Frozen chicken offal	0207.1429	7 248	3 604	4 036	-44	12
Frozen half chicken	0207.1491	28	2	2	-93	0
Frozen chicken leg quarter	0207.1493	31 428	21 873	25 358	-19	16
Frozen chicken wings	0207.1495	2 251	4 669	2 328	3	-50
Frozen chicken breasts	0207.1496	0	82	0	-	-
Frozen chicken thighs	0207.1497	1 613	1 277	940	-42	-26
Frozen chicken drumsticks	0207.1498	3 888	6 278	6 469	66	3
Other	0207.1499	1 122	1 116	253	-77	-77
TOTAL IMPORTS		111 133	101 371	99 701	-10	-2

Source: SARS, 2021

3. Average producer price trends

Quarter 3 of 2021 vs Quarter 3 of 2020, and Quarter 3 of 2021 vs Quarter 2 of 2021

Producer abattoir door prices have been increasing over the years, which can be connected to rising 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 Q1 of 2010 to Q3 of 2021. Using Agricultural Market Trends (AMT) data, when comparing Q3 of 2021 vs Q3 of 2020, producer prices for chicken fresh, chicken frozen, and Individual Quick Freezing (IQF) had all increased by 19.7%, 16.5%, and 14.8%, respectively.

When comparing Q3 of 2021 vs Q2 of 2021, fresh chicken and frozen chicken producer prices had increased by 4.7% and 1.4%, respectively. IQF chicken portions slightly decreased by 0.2% see **Figure 2**.

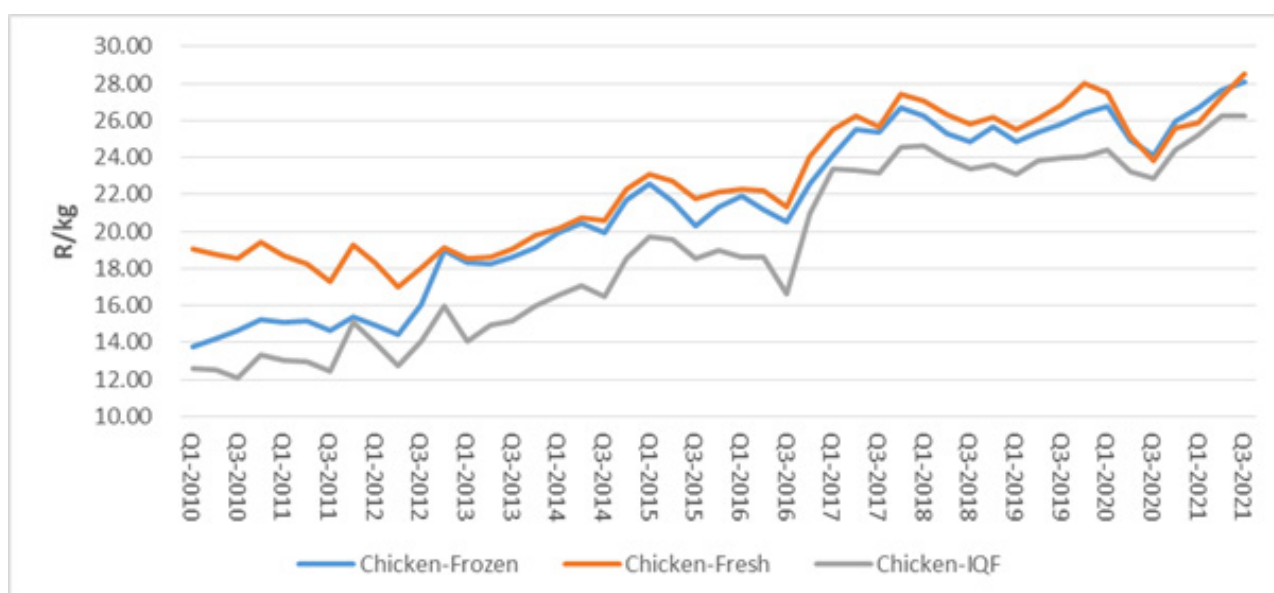


Figure 2: Quarterly average producer prices

Source: AMT, 2021



4. Average retail prices for selected poultry products

Quarter 3 of 2021 vs. Quarter 3 of 2020, and Quarter 3 of 2021 vs. Quarter 2 of 2021

Table 2 presents average quarterly retail prices for selected poultry products for Q3 2021 vs Q3 2020 and Q3 2021 vs Q2 2021. When comparing Q3 of 2021 to Q3 of 2020, the poultry products that experienced high price inflation were chicken giblets and 2kg IQF chicken portions, each increasing by 14%, followed by chicken portions frozen non-IQF at 11%. Whole chicken and chicken portions – fresh per kg had decreased by 4% and 1%, respectively.

Comparing Q3 of 2021 to Q2 of 2021, chicken portions - per kg, IQF chicken portions – 2kg, chicken portions frozen non-IQF, and chicken giblets had increased by 10%, 6%, 4% and 4%, respectively. The whole chicken – fresh per kg had decreased by 2% see **Table 2**.

Table 2: Average quarterly retail prices for selected processed and unprocessed chicken

Processed & unprocessed meat	Q3 2020	Q2 2021	Q3 2021	Q3 2021 vs Q3 2020	Q3 vs Q2 2021
	R/kg	R/kg	R/kg	% Change	% Change
Chicken giblets per kg	34.42	37.72	39.09	14	4
Chicken portions - fresh per kg	77.59	70.34	77.12	-1	10
Chicken portions frozen non-IQF	49.82	52.78	55.15	11	4
IQF chicken portions – 2kg	72.20	78.04	82.47	14	6
Whole chicken – fresh per kg	61.44	60.19	58.89	-4	-2

Source: Stats SA, 2021



5. Monthly feed prices October 2021 vs September 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 sunflower seed increased by 10% (R9 672 in September to R10 633 in October) followed by a ton of yellow maize at 3% (from R3 273 in September to R3 360 in October). A ton of soybeans decreased by 3% (R7 535 in September to R7 277 in October).

On a year-on-year basis, the average spot price for a ton of sunflower seed was 35% higher (from R7 859 in October 2020 to R10 633 in October 2021) while a ton of soybeans and yellow maize decreased by 12% (from R8 292 in October 2020 to R7 177 in October 2021) and 3% (R3 479 in October 2020 to R3 360 in October 2021), respectively.

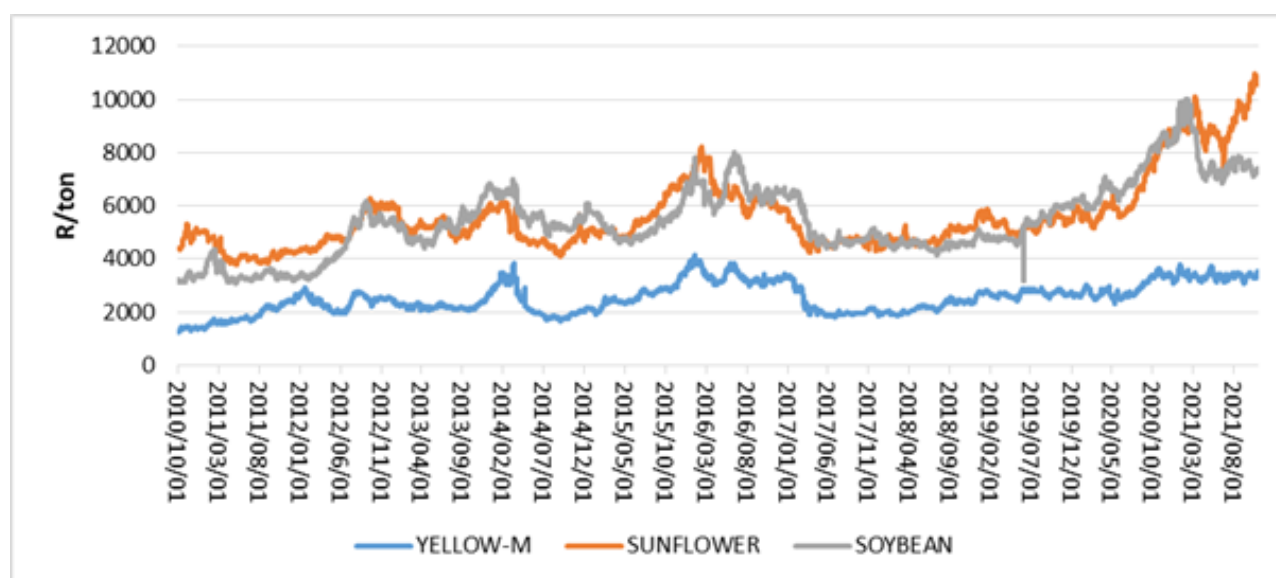


Figure 3: Monthly spot prices per ton

Source: JSE-SAFEX, 2021



6. Monthly Real Farm to Retail Price Spread

Figure 4 presents the farm-to-retail price (FTRPS) 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 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 farm value share of fresh whole chicken increased by 15.76% between August and October 2021, while the real FTRPS of fresh whole chicken decreased on average by 23.32% from R25.31/kg during the same period. Between October 2020 and October 2021, the real FTRPS increased by 44.23% from R39.15/kg to R56.46/kg and the real farm value share decreased by 41.58% from 33.23% to 19.41%. The rising gap between farm price and retail price is negative affecting farmer profits and the food security status of the country.

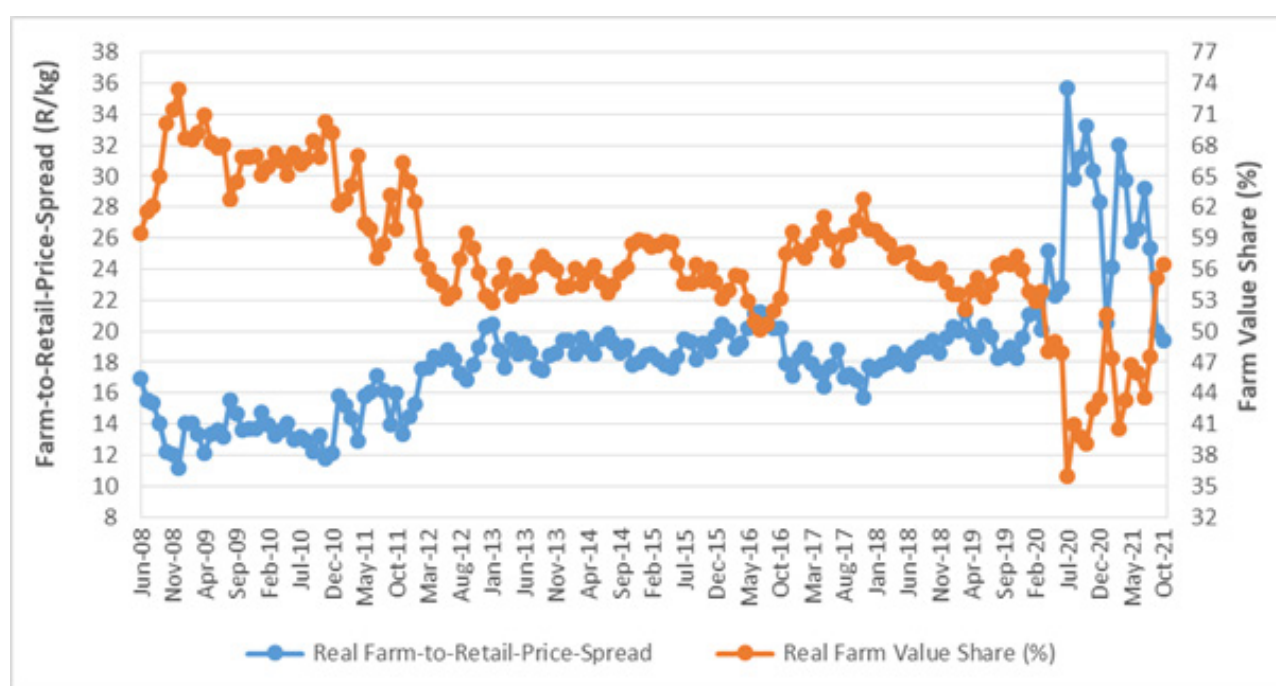


Figure 4: Real farm-to-retail-price-spread and farm value share of poultry

Source: Stats SA, AMT, and own calculations, 2021

7. Concluding remarks

Poultry production continues to be under pressure both domestically and globally. The Food and Agricultural Organisation (FAO) of the United Nations in its latest meat review report stated that, global poultry prices in contrast to other meat types showed an upward trend. This is currently being fuelled by high demand while production expansion remains stagnant because of high feed costs and Avian Influenza (AI) outbreaks which are currently rampant within the European Union.

Domestically, poultry production hence prices remain under pressure due to feeding costs as is currently the situation globally, the persisting AI and the electricity problems to some degree. Moreover, chicken imports continue to decline which might weigh in on the current weak production expansion due to the above-mentioned problems. However, in the short-run chicken imports prices might be somewhat elevated due to high demand, productions costs and AI outbreaks both domestically and globally.

The gap between FTRPS and farm share value is noticeable high which might indicate abnormalities along the supply chain cost structures. This could be an early indicator of emerging issues within the supply chain, and that might need further research to confirm whether this is the case or not.



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