

MEAT AND MEAT PRODUCT PRICES REMAIN HIGH ACROSS SOUTH AFRICA: WHAT ARE THE KEY DRIVERS?

In general, the demand and supply forces are key price determinants of almost all agricultural products, be they processed or not. For meat and its products, the average purchase price can be also influenced by the tonnage of other types of meat sold at a particular time and other factors. For example, demand for a particular part of the meat that is considered high quality, factors such as tenderness, healthiness, or consumer budget plays a crucial role in prices. Also, the origin of the meat or its product is amongst the factors that influence prices. Lamb is normally more expensive when compared to beef, chicken, pork, and processed meat and that has to do with its characteristics such as the ones mentioned above.



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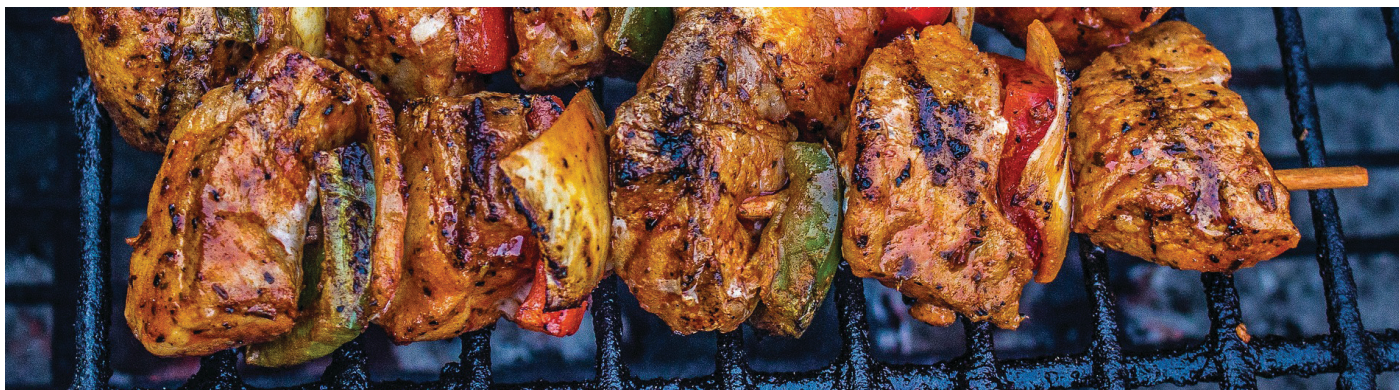
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Meat is seen as a major protein source with products such as eggs and dairy products. Protein forms a valuable input in anyone's diet. The question to be asked. Is there any relation between the increase in the price of meat products and the increase in food inflation, and what are possible reasons for this?

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Concerning the overall food inflation prices which are currently noticeable high both domestically and globally, in South Africa meat is the third highest weighted food group after processed and unprocessed foods. For that reason, the meat price trend impact on the overall food price inflation will be noticeable.

Meat and meat product production is highly dependent on basic production costs such as the price of soybean and maize which account for at least 70% of the feed cost in the case of poultry. The higher the price of these commodities, the more expensive the production of meat or its products are. All other inputs to producing the product which includes feed cost, transport cost, the cost of capital, the availability of land etc., affect the supply. The demand is dependent

on how consumers see the necessity of meat and other factors like the availability and household income

It is also noticeable that the poultry sector is the biggest agricultural sector in South Africa. Figure 1 presents producer prices for lamb, beef, pork, and poultry (chicken) from January 2019 to August 2021. In August 2021, lamb, beef, pork, and poultry producer prices were noticeable higher when compared to the same period the previous year. Beef class A2/A3, chicken-fresh portions (although only about 10% of poultry is sold as fresh), lamb class A2/A3 and pork baconer were 17%, 16%, 10% and 2% higher in August 2021 when compared to August 2020. More than 60% of poultry sold in South Africa is IQF.

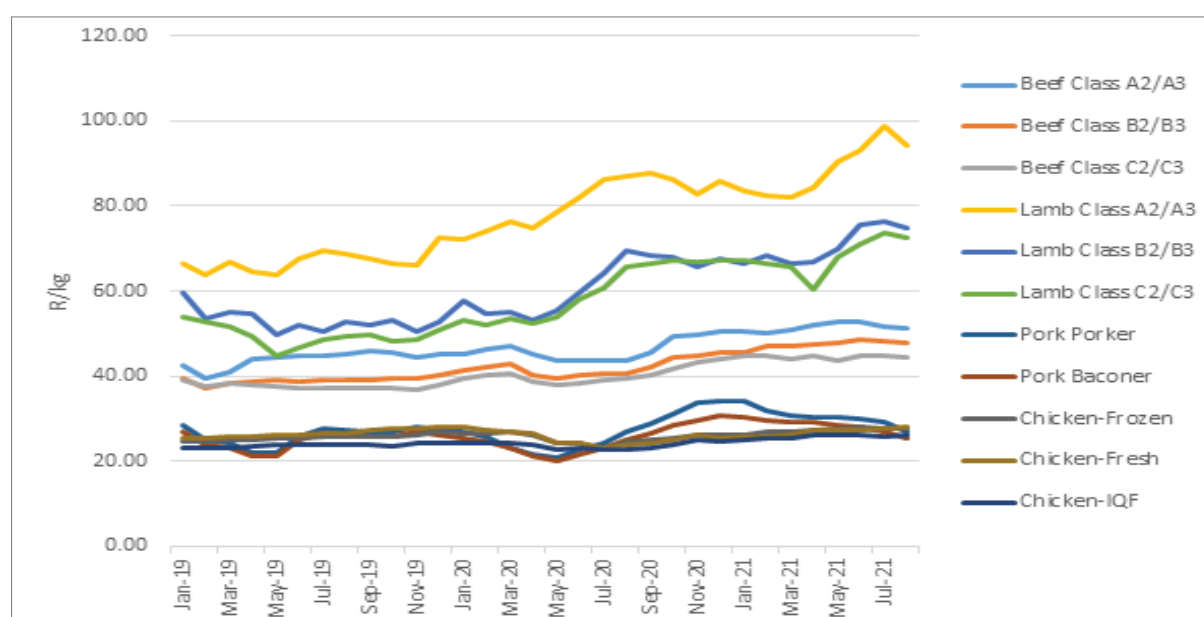


Figure 1: Producer prices for lamb, beef, pork, and poultry (chicken)
Source: AMT (2021)



Slaughter numbers which can be associated with the supply of meat are generally lower this year since June 2021, when compared to the same period the previous year. Beef prices are currently high because of elevated feeds costs. More than 70% of beef consumed in SA is produced in feedlots. The demand for South Africa's beef domestically and globally is significantly higher this year. This can be attributed to preferences and trends from COVID 19. More households tend to do home cooking. It is also noticeable to see that cheaper cuts tend to increase in demand across the spectrum. Beef exports for the first seven months of 2021, were 211% higher when compared to the first seven months of 2020 and 381% higher compared to 2019. The country has recorded the highest beef exports in 20 years which is the largest ever. Additionally, to this, cattle slaughter numbers were lower from June to August 2021 (620 708 units) when compared to June-August 2020 (642 968 units). For 2021, this was 22 260 units lower which is 3.5% less.

Like beef, the number of slaughtered sheep were lower between July and August 2021 (918 848 units) when compared to the same period in 2020 (954 947 units). This resulted in 36 099 units or 4% less for 2021. This can be attributed to a dryer environment in the main sheep producing areas.

For pork, slaughtered numbers had slightly increased for the period June-August 2021 (908 145 units) when compared to the same period for 2020 (860 891 units). This was 5.5% higher, but pork retail prices remain high mainly due to feeding costs and substitution towards cheaper protein products.

Poultry, which can be considered as the preferential protein source in South Africa as it is consumed by most consumers and is the cheapest source of animal protein, followed the same path as the other

meat products. Retail prices for chicken giblets and Individual quick-frozen (IQF) per kg were 19% and 17% higher, respectively, in August 2021, when compared to August 2020. This rise can be attributed to several factors such as broiler production prices which have increased when compared to the same period the previous year, and the decreasing poultry imports while the local supply is not necessarily sufficient. These factors resulted in more pressure on retail prices for chicken meat.

Prices of processed meat products

As a result of the above-mentioned issues related to livestock and meat production, meat product prices have significantly increased in recent months. Retail prices for Ham 500g, polony per kg, sausage 500g and cheddar cheese were 20%, 16%, 11% and 5% higher in August 2021, respectively, when compared to the same period the previous year.

Based on data from the Red Meat Abattoir Association, normally, the supply of meat increases from November to December of every year, due to the festive season. This is due to demand fuelled by the festive season. Under normal circumstances, lower feed costs and an increased supply tend to ease retail prices for meat and meat products. But commodity prices for soybean and yellow maize in the global market will continue determining meat prices due to global market forces which are currently unpredictable due to production shocks from major producing regions. For that reason, meat prices during this festive season are likely to be higher when compared to other seasons which bodes well with producers' aspirations as opposed to consumers. But the next few weeks will be crucial as we approach Christmas and how the current global market situation unfolds, especially for vegetable oils and yellow maize.