



# NAMC

Promoting market access for South African agriculture



## SOUTH AFRICAN POULTRY PRODUCTS PRICES MONITOR

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## EXECUTIVE SUMMARY

- During December 2021, the international monthly real meat price index was recorded at 111.75 points, and this was 0.13% lower month-on-month, but 16.58% higher year-on-year. This could be linked to lower production from the USA during quarter 4, the ongoing Avian Influenza and high feed costs which were having a negative effect on the profit margins.
- During quarter 4 of 2021, South Africa imported a total of 98 277 tons of chicken meat when compared to 99 701 tons imported during the previous quarter, representing a decrease of 1%.
- Domestically, during Quarter 4 of 2021, producer prices for IQF had decreased by -10.0% while fresh chicken and frozen chicken producer prices had increased by 7.0% and 3.6%, respectively, when compared to the previous quarter.
- When comparing Q4: 2021 to the previous quarter, chicken giblets increased 2.5%, while chicken portions frozen non-IQF decreased 9%. Chicken portions frozen non-IQF and IQF chicken portions – 2kg decreased marginally by 0.2%, whilst whole fresh chicken remained to the same level observed during the previous Q3.
- Monthly (from November to December of 2021), the spot price for a ton of yellow maize, soybean and sunflower seed had increased by 8%, 5% and 4%, respectively. Year-on-year, a ton of sunflower seed and yellow maize were 32% and 18% higher while a ton of soybean declined by 9%.
- During the fourth quarter of 2021/22 (November 2021 – January 2022), the real farm value share of fresh whole chicken increased by 0.90%. During the same period, the real FTRPS of fresh whole chicken decreased on average by 2.64%. The real farm value share of fresh whole chicken reached 51.25% in January 2022.





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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

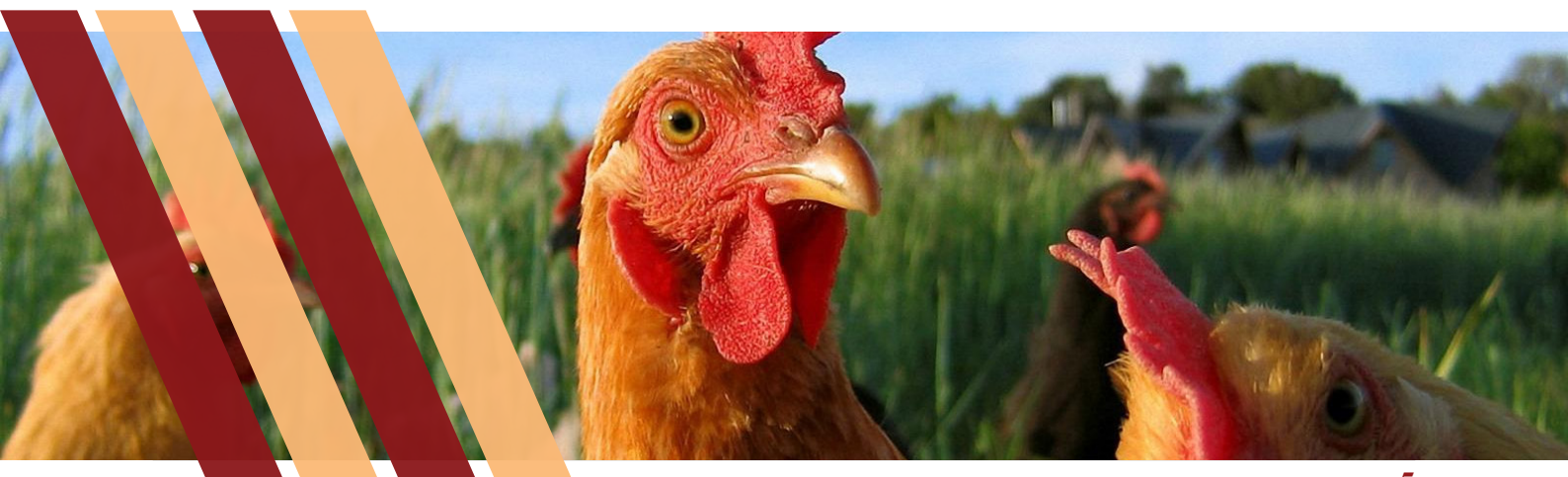
**Figure 1** presents global monthly real meat price index trends between December 2015 and December 2021 with 2014 used as the base year. Based on data from the Food and Agricultural Organization (FAO) of the United Nations, during December 2021, the average international monthly meat real price index slightly declined by 0.13% and was recorded at 111.75 points down from 111.90 points recorded in November 2021. But this was still 16.58% higher year-on-year.

The US broiler production was lowered in the fourth quarter of 2021 but still projected up for 2022. The FAO December 2021 report, posited that while poultry production might grow slightly attributed to rapid production expansion from Brazil, this growth was offset by declines in major producing countries such as the USA as well as the ongoing Avian Influenza and high feed costs which were having a negative effect on the profit margins.



**Figure 1:** International monthly meat real price index

Source: FAO, 2022



## 2. Chicken imports

### Quarter 4 of 2021: Quarterly and annual comparison

This section presents the volume (tons) of chicken meat imported into South Africa for quarter four (Q4: 2021) of 2021. Based on data from South African Revenue Services (SARS), during Q4: 2021 the country imported 98 277 tons of chicken when compared to the 117 636 tons imported at the same period in the previous year, this represented a decrease of 16% (see Table 2). When comparing Q4: 2021 with the previous quarter, chicken imports decreased by 1% from 99 701 tons to 98 277 tons.

The main contributors to the observed quarterly decline were frozen chicken mechanical deboned meat (-95%), boneless chicken breasts (-78%), boneless chicken (other) (-65%), and frozen chicken drumsticks (-37%). However, frozen half chicken, frozen chicken thighs and frozen chicken feet had increased by 1 150%, 63% and 37%, respectively, see **Table 2**.

For all poultry (HS: 0207) imports, comparing Q4: 2021 to Q4: 2020, imports from Spain increased by 372%, followed by Argentina (263%), the USA (242%) and Brazil (174%). As of the third quarter of 2021, Ireland didn't export poultry to South Africa.

**Table 1: Chicken meat imports in volume (Tons)**

Tariff description	HS Code	Q4: 2020	Q3: 2021	Q4: 2021	Q4: 2021 vs Q4: 2020	Q3 vs Q2 2021
		Tons	Tons	Tons	% Change	% Change
Frozen chicken MDM	0207.1210	60 282	41 617	1 957	-97	-95
Frozen chicken carcasses	0207.1220	2 760	1 470	1 366	-51	-7
Whole frozen chicken	0207.1290	2 268	3 976	1 957	-14	-51
Fresh chicken cuts	0207.1300	0	0	0	-	-
Boneless chicken breasts	0207.1411	1 456	1 481	332	-77	-78
Boneless chicken thighs	0207.1413	445	486	0	-	-
Boneless chicken other	0207.1415	1 418	1 115	386	-73	-65
Frozen chicken livers	0207.1421	2 056	1 931	0	-	-
Frozen chicken feet	0207.1423	6 947	8 237	11 272	62	37
Frozen chicken heads	0207.1425	0	0	0	-	-
Frozen chicken offal	0207.1429	6 888	4 036	5 013	-27	24
Frozen half chicken	0207.1491	139	2	25	-82	1 150
Frozen chicken leg quarter	0207.1493	25 671	25 358	19 802	-23	-22
Frozen chicken wings	0207.1495	2 180	2 328	2 165	-1	-7
Frozen chicken breasts	0207.1496	0	0	0	0	0
Frozen chicken thighs	0207.1497	1 436	940	1 528	6	63
Frozen chicken drumsticks	0207.1498	3 070	6 469	4 079	33	-37
Other	0207.1499	620	253	231	-63	-9
<b>TOTAL IMPORTS</b>		<b>117 636</b>	<b>99 701</b>	<b>98 277</b>	<b>-16</b>	<b>-1</b>

Source: SARS, 2022

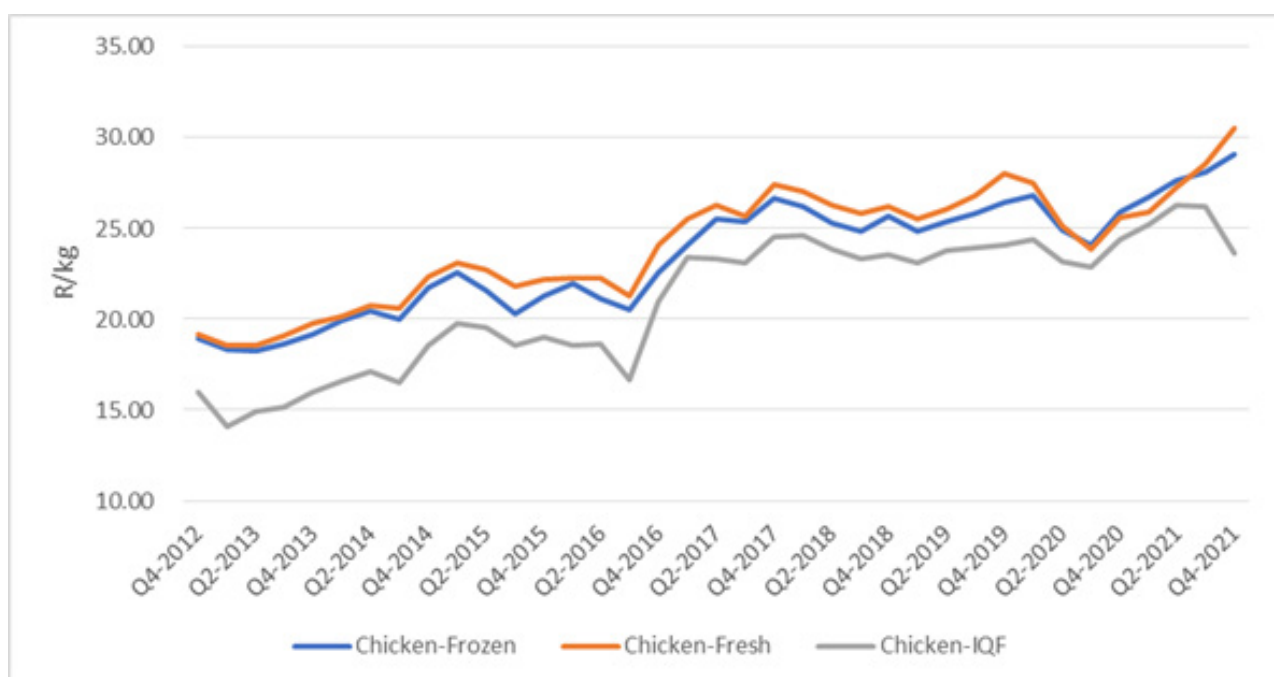


### 3. Average producer price trends

Quarter 4 of 2021: Quarterly and annual comparison

**Figure 2** presents average producer prices for frozen chicken (maximum brine allowed 10%), fresh chicken, and IQF chicken portions (maximum brine allowed 15%) from Q4: 2012 to Q4: 2021. Using Agricultural Market Trends (AMT) data, an annual comparison of Q4: 2021 shows that the producer prices for fresh chicken and frozen chicken had increased by 19.2% and 12.2%, respectively. Individual Quick Freezing (IQF) declined by 3.3%.

When comparing Q4: 2021 with the previous quarter, fresh chicken and frozen chicken producer prices had increased by 7.0% and 3.6%, respectively, while IQF chicken portions decreased by 10.0% (see **Figure 2**).



**Figure 2: Quarterly average producer prices**

Source: AMT, 2022



## 4. Average retail prices for selected poultry products

*Quarter 4 of 2021: Quarterly and annual comparison*

**Table 3** presents average quarterly retail prices for selected poultry products for Q4: 2021. When comparing Q4: 2021 to the same period the previous year, the poultry products that experienced high price inflation were chicken portions frozen non-IQF and 2kg IQF chicken portions, increasing by 11.0% and 10.7%, followed by chicken giblets (8.7%) and chicken portions-fresh per kg (1.6%). Whole chicken fresh per kg decreased by 4.3%.

Comparing Q4: 2021 to Q3: 2021, chicken giblets increased 2.5%, while chicken portions frozen non-IQF decreased 9%. Chicken portions frozen non-IQF and IQF chicken portions – 2kg decreased marginally by 0.2%, whilst whole fresh chicken remained to the same level observed during the previous Q3 see **Table 3**.

**Table 3: Average quarterly retail prices for selected processed and unprocessed chicken**

Processed & unprocessed meat	Q4: 2020 R/kg	Q3 2021 R/kg	Q4 2021 R/kg	Q4: 2021 vs Q4: 2020 % Change	Q4 vs Q3 2021 % Change
Chicken giblets per kg	36.83	39.09	40.05	8.7	2.5
Chicken portions - fresh per kg	69.36	77.12	70.46	1.6	-8.6
Chicken portions frozen non-IQF	49.56	55.15	55.02	11.0	-0.2
IQF chicken portions – 2kg	74.33	82.47	82.27	10.7	-0.2
Whole chicken – fresh per kg	61.52	58.89	58.88	-4.3	0.0

Source: Stats SA, 2022

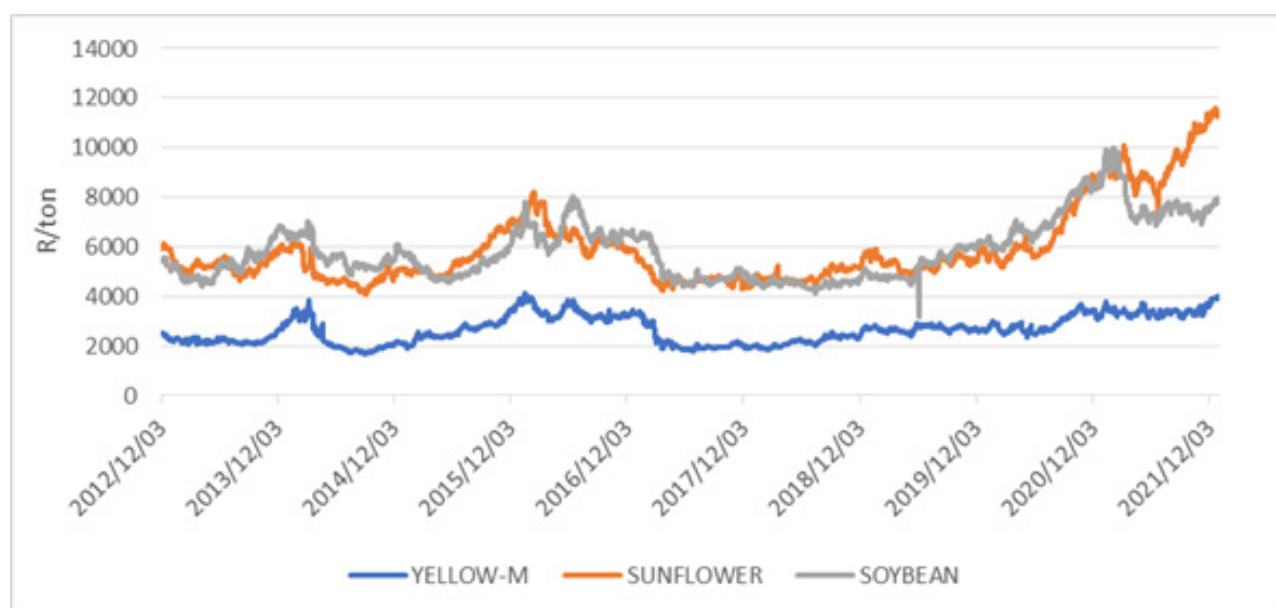




## 5. Monthly feed prices December 2012 to December 2021

**Figure 3** presents monthly SAFEX spot prices for yellow maize, sunflower seed and soybeans. On average, when comparing November 2021 and December 2021, the average monthly spot price for a ton of yellow maize increased by 8% followed by soybean (5%), and sunflower (4%).

On a year-on-year basis, the average spot price for a ton of sunflower seed was 35% higher and reached a record of R11 600, while a ton of yellow maize was 18% higher. Soybeans decreased by 9% from R8 501 in December 2020 to R7 740 in December 2021.



**Figure 3: Monthly spot prices per ton**

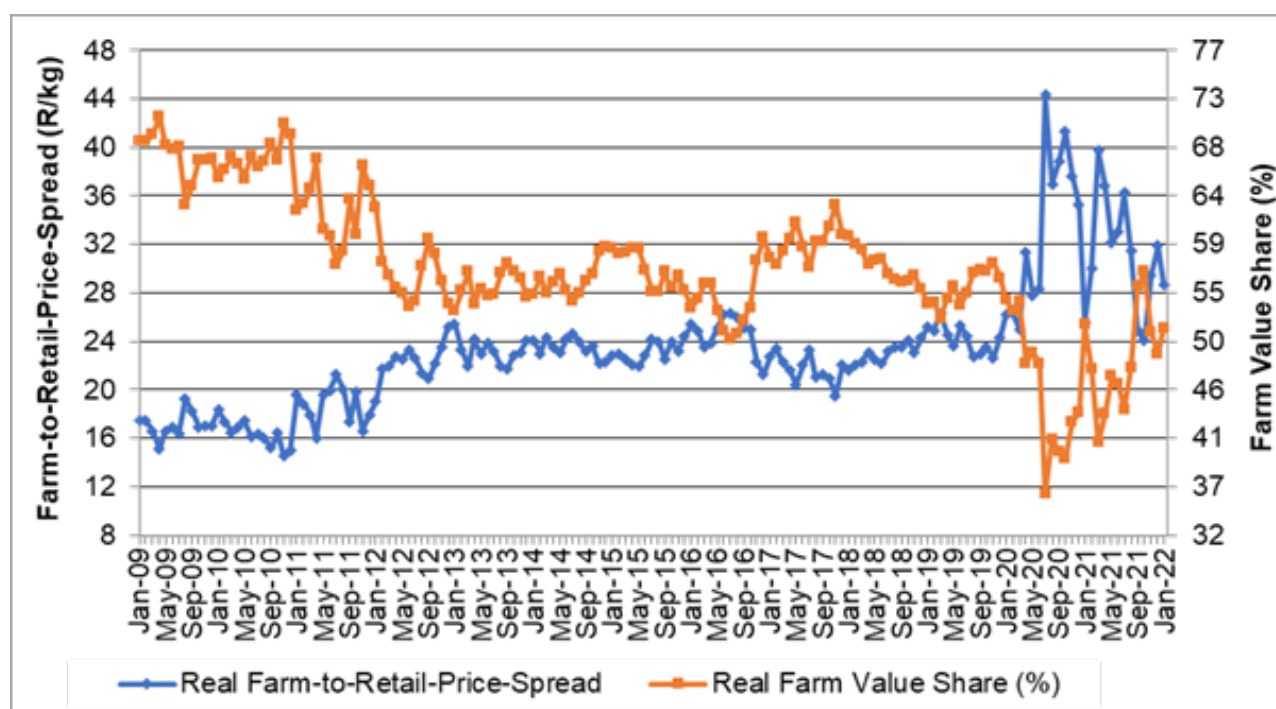
Source: JSE-SAFEX, 2022



## 6. Monthly Real Farm to Retail Price Spread

This section presents the quarterly real farm-to-retail price spread (FTRPS) and the real farm value share as shown in **Figure 4**. The FTRPS is measured as a difference between what the consumer pays for the food product at the retail level and the value of the farm product used in that product. The price spread measures the aggregate contributions of food manufacturing, distribution, wholesale, and retail firms that transform farm commodities into final products.

During the fourth quarter of 2021/22 (November 2021 – January 2022), the real farm value share of fresh whole chicken increased by 0.90%. During the same period, the real FTRPS of fresh whole chicken decreased on average by 2.64%. The real farm value share of fresh whole chicken reached 51.25% in January 2022. Among other factors, these changes could be attributed to high international grain prices mainly Brazil and Argentina which supply around 50% of the world's soybean. From January 2021 to January 2022, year-on-year, the real farm value share decreased by 0.56%, while the real FTRPS increased by 12.62%, respectively see **Figure 3**.



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

Source: Stats SA, AMT, and own calculations, 2022



## 7. Concluding remarks

Globally, towards the end of 2021 (quarter 4), global poultry production was under pressure from various factors. The Food and Agricultural Organisation (FAO) of the United Nations showed that global poultry prices were on an upward trend. This was fuelled by high shipping costs, high feed costs and Avian Influenza (AI) outbreaks from a number of key producing areas, as well as the lower production from countries such as the USA during Q4: 2021.

Domestically, South Africa's total poultry imports continued with their decreasing trend. This could be linked to the imposed provisional anti-dumping duties on poultry from Brazil, Ireland, Poland, Denmark and Spain which has affected supply. As a result, countries such as Ireland appeared to have stopped exporting poultry into South Africa since early 2021. The anti-dumping duties will reduce the pressure on South African producers who are also under pressure from higher production costs, and this will partly support local production which so far falls short to sustain local demand. But South Africa's current economic challenges are likely to exacerbate consumers' inability to afford poultry which is one of the most affordable and most consumed source of animal protein by the country's household majority.

The narrowing gap between the real FTRPS and the real farm value share indicates that the retail prices are increasing at a higher rate relative to the producers' prices. This further indicates higher production costs, coupled with the aggregate costs in the entire value chain before the final product that could be linked to factors such as feed, transport, as well as supply and demand (trade) issues.



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