



NAMMC

Promoting market access for South African agriculture



SOUTH AFRICAN POULTRY

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EXECUTIVE SUMMARY

- During quarter 2 (April-June) of 2022, the international quarterly average real meat price index was recorded at 120.3 percentage points, and this was 12.5% higher when compared to the same period the previous year. This could be linked to the reduction of pork and poultry supply globally, attribute to the continuous presence of Avian Influenza globally and the conflict in Ukraine which induced input costs.
- During quarter 2 of 2022, South Africa imported a total of 108 732 tons of chicken meat when compared to 101 371 tons imported in Q2 of 2021, representing an increase of 6.3%.
- Domestically, during quarter 2 of 2022, producer prices for fresh chicken, IQF chicken portions and frozen chicken producer prices had increased by 21.6%, 11.2%, and 10.8%, respectively, when compared to the previous quarter (Q1 of 2022).
- Between quarter 2 of 2022 and quarter 1 of 2022, retail price for frozen chicken portions non-IQF, IQF chicken portions (2kg), fresh chicken portions per kg and chicken giblets increased by 12.2%, 11.1%, 1.0% and 0.3, respectively. While the whole chicken was down 6.7%.
- During quarterly 2 (April – June) of 2022, the spot price for a ton of sunflower seed, soybean and yellow maize had increased by 24.2%, 24.8% and 35.9%, respectively.
- During the period of May 2022 – July 2022, the real FTRPS increased by 52.3% and the real farm value share of fresh whole chicken decreased by 20.7%. The real farm value share of fresh whole chicken reached 56.96% in July 2022. From July 2021 to July 2022, year-on-year, the real farm value share increased by 30.5%, while the real FTRPS decreased by 37.5%.



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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 significant in addressing national food security the country faces. This report monitors prices for selected poultry products in South Africa and compares them the global poultry market trends and provide some recommendations where possible. The then Department of Agriculture, Forestry and Fisheries (DAFF), now known as the Department of Agriculture, Land Reform, and Rural Development (DALRRD), established the Food Price Monitoring Committee (FPMC) with the mandate of the National Agricultural Marketing Council (NAMC) to track and report on food price trends. 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.



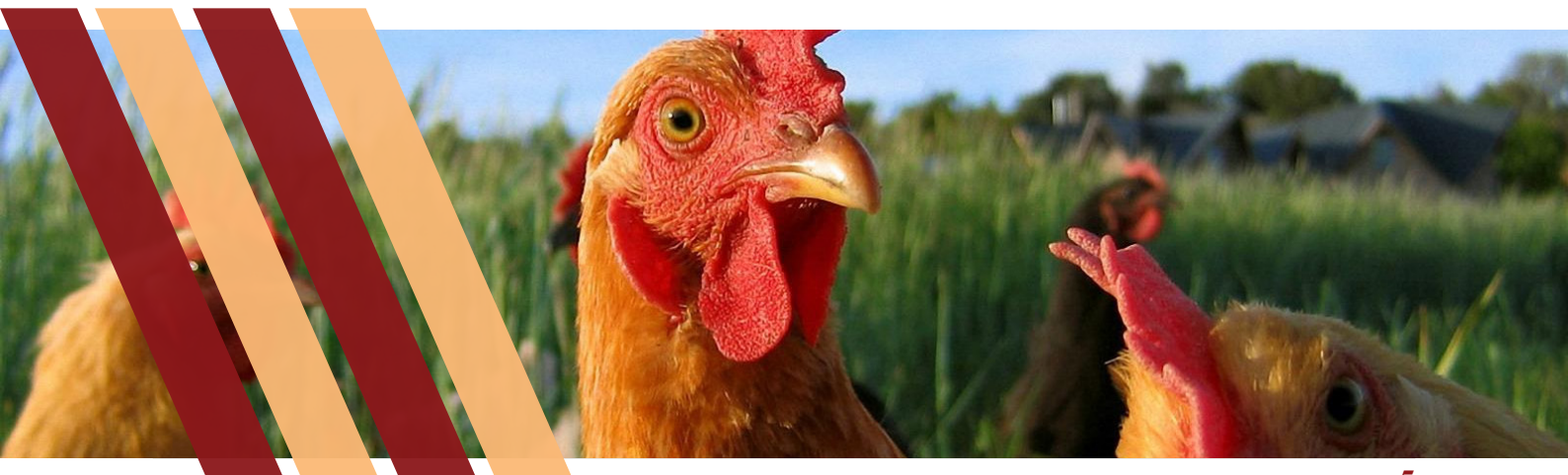
1. International monthly real meat price Index

Figure 1 presents global monthly real meat price index trends between July 2016 and July 2022 with 2014 used as the base year. Based on data from the Food and Agricultural Organization (FAO) of the United Nations, during the second quarter of 2022 (April – June), the average international monthly real meat price index was recorded at 120.3 points 12.5% higher than the 106.9 points recorded during the second quarter of 2021 (April – June). This could be linked to world prices across all meat types that increased, with those of poultry meat rising sharply, reaching an all-time high. This is underpinned by the continued tight global supply conditions impacted by the war in Ukraine and the Avian Influenza outbreaks in the Northern Hemisphere.



Figure 1: International monthly meat real price index

Source: FAO, 2022



2. Chicken imports

Quarter 2 of 2022 vs Quarter 2 of 2021, and Quarter 2 of 2022 vs Quarter 1 of 2022

This section compares the volume (tons) of the main chicken meat imported into South Africa in the second quarter (April - June) of 2022 against the second quarter (April - June) of 2021. According to figures from the South African Revenue Services (SARS), the country imported 108 732 tons of chicken in Q2: 2022, up from 101 371 tons in Q2: 2021. This was a 7.3% increase over the previous year (see **Table 2**). Chicken imports declined by 6.3% in Q2: 2022 compared to Q1: 2022, decreasing from 116 089 tons in Q1: 2022 to 108 732 tons in Q2: 2022.

The main contributors to the observed increase between Q2: 2022 and Q1: 2022 were; other boneless chicken parts (219%), boneless chicken breasts (192%), frozen chicken livers (76%), other chicken parts (73%), frozen chicken wings (64%), frozen chicken carcasses (61%), and frozen chicken leg quarter (19%). Similar to the first quarter of 2022, there were no half chicken imports recorded in the second quarter. Imports of whole frozen chicken declined by 83%, followed by frozen chicken MDM and frozen chicken thighs which recorded a 23% decline each. Frozen chicken feet and frozen chicken offal also declined by 10% and 2%, respectively, as seen in **Table 2**.

For all poultry (HS: 0207) imports, comparing Q2: 2022 to Q2: 2021, total poultry imports for South Africa increased by 6%. Imports from the Argentina surged by 98%, followed by USA (39%) and Brazil (11%). When comparing Q2: 2022 to Q1: 2022, total poultry imports for South Africa had decreased by 7%. The main contributors were Canada (-94%), Brazil (-8%) and the USA (-4%).

Australia is also supplying South Africa with poultry products. During Q1: 2022, about 1 155 tons of poultry originated from Australia but decreased to only 466 tons got into South African in Q2: 2022.

Table 1: Chicken meat imports in volume (Tons)

Tariff description	HS Code	Q2: 2021	Q1: 2022	Q2: 2022	Q2: 2022 vs Q2: 2021	Q2 :2022 vs Q1: 2022
		Tons	Tons	Tons	% change	% change
Frozen chicken MDM	0207.1210	38 121	62 145	47 668	25	-23
Frozen chicken carcasses	0207.1220	1 666	2 010	3 241	95	61
Whole frozen chicken	0207.1290	5 380	659	112	-98	-83
Fresh chicken cuts	0207.1300	0	0	0	0	0
Boneless chicken breasts	0207.1411	2 679	248	643	-76	192
Boneless chicken thighs	0207.1413	2 774	0	0	0	0
Boneless chicken other	0207.1415	1 174	163	518	-56	219
Frozen chicken livers	0207.1421	1 481	1 783	3 128	111	76
Frozen chicken feet	0207.1423	9 195	11 925	10 718	17	-10
Frozen chicken heads	0207.1425	0	0	0	0	0
Frozen chicken offal	0207.1429	3 604	5 619	5 533	54	-2
Frozen half chicken	0207.1491	2	0	0	0	0
Frozen chicken leg quarter	0207.1493	21 873	22 394	26 769	22	19
Frozen chicken wings	0207.1495	4 669	2 095	3 434	-26	64
Frozen chicken breasts	0207.1496	82	52	0	0	0
Frozen chicken thighs	0207.1497	1 277	1 758	1 348	6	-23
Frozen chicken drumsticks	0207.1498	6 278	4 882	5 004	-20	2
Other	0207.1499	1 116	356	618	-45	73
TOTAL IMPORTS		27 827	101 371	108 732	7.3	-6.3

Source: SARS, 2022

3. Average producer price trends

Quarter 2 of 2022 vs Quarter 2 of 2021, and Quarter 2 of 2022 vs Quarter 1 of 2022

Figure 2 shows typical producer prices for frozen chicken (maximum brine allowed 10%), fresh chicken and IQF chicken pieces (maximum brine allowed 15%) for July 2019 to July 2022. When comparing Q2: 2022 to Q2: 2021, producer prices for fresh chicken, frozen chicken and Individual Quick Frozen (IQF) portions increased by 21.6%, 11.2% and 10.8%, respectively, based on Agricultural Market Trends (AMT) data.

When comparing Q2: 2022 and Q1: 2022, fresh chicken, IQF chicken portions and frozen chicken producer prices had increased by 8.6%, 4.8% and 4.6%, respectively.

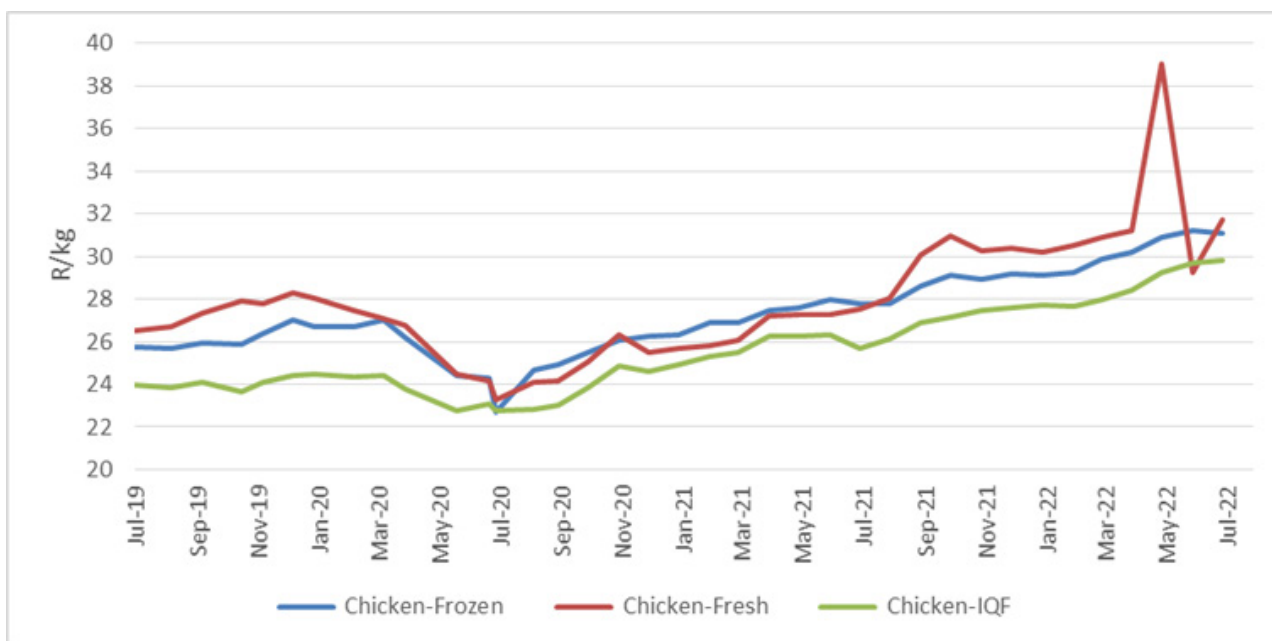


Figure 2: Monthly average producer prices

Source: AMT, 2022



4. Average retail prices for selected poultry products

Quarter 2 of 2022 vs. Quarter 2 of 2021, and Quarter 2 of 2022 vs. Quarter 1 of 2022

Table 3 presents average quarterly retail prices for selected chicken products for Q2: 2021, Q1: 2022 and Q2: 2022 with annual and quarterly changes. When comparing Q2: 2022 to Q2: 2021, the chicken products that had the highest price increases were chicken portions frozen non-IQF (12.2%), 2kg IQF chicken portions (11.1%), chicken portions fresh per kg (1.0%) and chicken giblets (0.3%). The per kilogram price of fresh whole chicken declined by 6.7%.

Comparing Q2: 2022 to Q1: 2022, frozen chicken portions non-IQF, IQF chicken portions and fresh chicken portions increased by 4.7%, 3.5% and 0.9%, respectively. While whole fresh chicken and chicken giblets were down 3.5% and 1.0%, respectively, during the same period.

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

Processed & unprocessed meat	Q2: 2021 R/kg	Q1: 2022 R/kg	Q2: 2022 R/kg	Q2: 2022 vs Q1: 2022 % Change	Q2: 2022 vs Q2: 2021 % Change
Chicken giblets per kg	37.72	38.21	37.83	-1.0	0.3
Chicken portions - fresh per kg	70.34	70.36	71.01	0.9	1.0
Chicken portions frozen non-IQF	52.78	56.54	59.19	4.7	12.2
IQF chicken portions – 2kg	78.04	83.78	86.72	3.5	11.1
Whole chicken – fresh per kg	60.19	58.15	56.13	-3.5	-6.7

Source: Stats SA, 2022



5. Average feed prices

Figure 3 presents monthly SAFEX spot prices for yellow maize, sunflower seed and soybeans. Grains and oilseeds prices remain elevated since the second half of 2020 after production glitches across the world, although they have softened from the historically high levels reached in March of 2022. On average, during the second quarter of 2022 (April - June), the spot price for a ton of sunflower seed was R10 634, up 24.2% when compared to the same period in 2021, while a ton of soybean and yellow maize was R9 020/ton (24.8% up) and R4 554/ton (35.9% up), respectively.

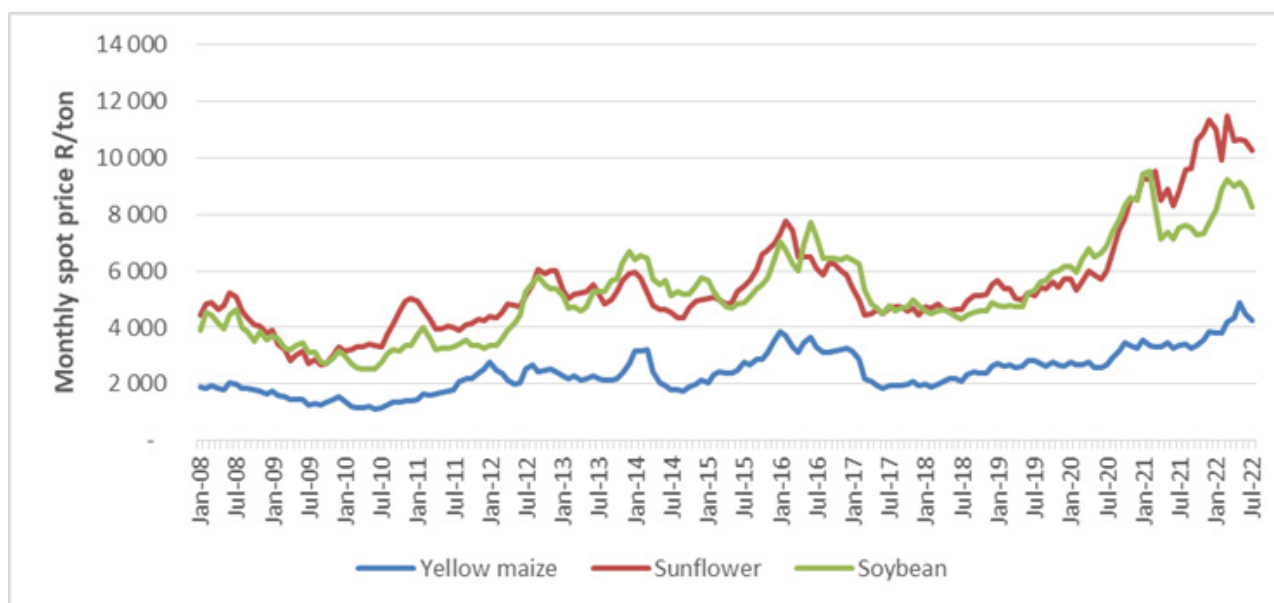


Figure 3: Monthly spot prices per ton

Source: JSE-SAFEX, 2022



6. Quarterly Real Farm to Retail Price Spread

Figure 4 presents the quarterly real farm-to-retail price spread (FTRPS) and the real farm value share. 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.

During the period of May 2022 – July 2022, the real FTRPS increased by 52.3% and the real farm value share of fresh whole chicken decreased by 20.7%. The real farm value share of fresh whole chicken reached 56.96% in July 2022. From July 2021 to July 2022, year-on-year, the real farm value share increased by 30.5%, while the real FTRPS decreased by 37.5%. This could be due to the competitiveness of the poultry market value chain being affected by factors such as imports and high feed prices amongst other factors.

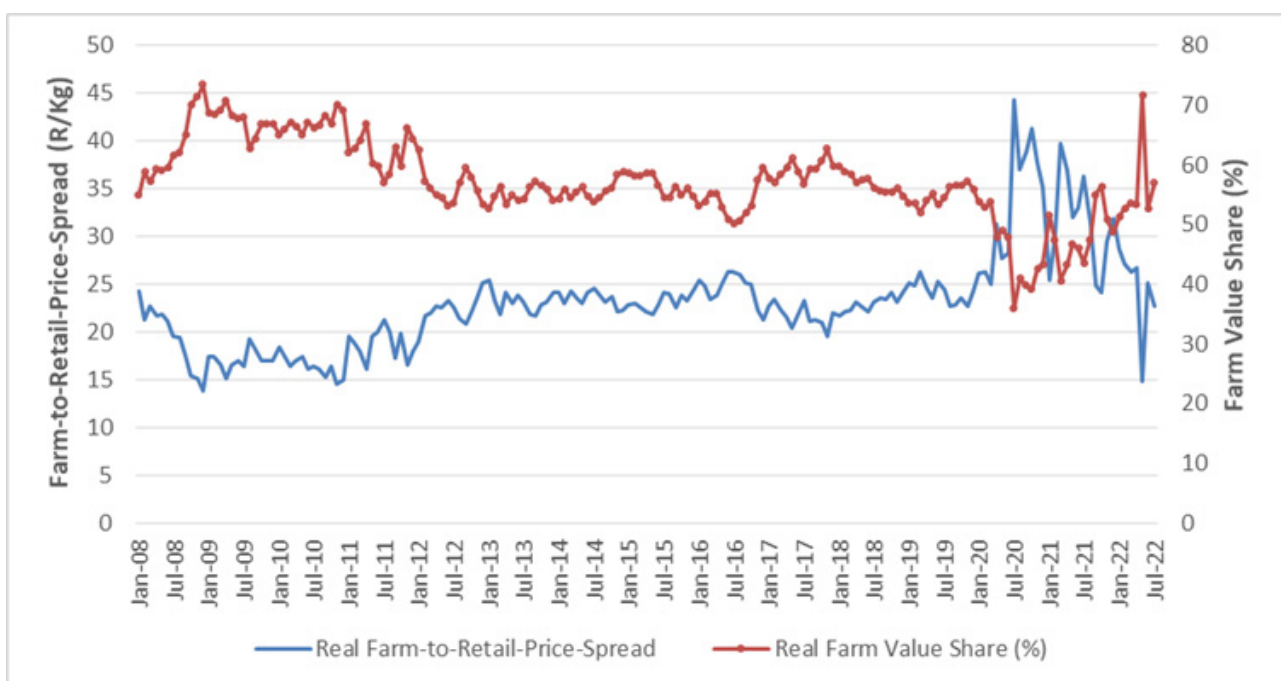


Figure 4: Real farm-to-retail-price-spread and farm value share of poultry

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

7. Concluding remarks

The global meat index increased due to a rapid increase in the global prices of pork, chicken and beef. The supply shortfalls of slaughter pigs in Western Europe and the reduction of poultry meat because of Avian Influenza outbreaks that occurred influenced meat prices worldwide. Domestically, South Africa's chicken imports continued an increasing trend in 2022, increasing by 6.5% in the first six months of 2022 compared to the first six months of 2021. Chicken meat retail prices remained elevated in response to High Pathological Avian Influenza and the Ukraine conflict-induced feed costs which are both negatively affecting production expansion. Local production needs to pick up to curb the rising demand for the most affordable source of animal protein, but this will depend on a number of factors such as bio security, global commodity prices improving and local feed prices declining in the medium term.



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