SOUTH AFRICAN POULTRY PRODUCTS PRICE MONITOR

- ISSUE 17 |June 2024

NAMC
Promoting market access for South African agriculture

QUARTERLY POULTRY PRODUCTS PRICE MONITOR

ISSUE 17 – June 2024

EXECUTIVE SUMMARY:

- *According to data provided by the Food and Agricultural Organization (FAO) of the United Nations, the average international poultry meat price index in the first quarter of 2024 stood at 107.86 points, marking a 1.9% decrease compared to the 109.93 points recorded in the fourth quarter of 2023.*

- *During the first quarter (Q1) of 2024: On a year-to-year basis, data obtained from the South African Revenue Service (SARS) indicates that South Africa imported 98 139 tons of chicken meat in quarter 1 of 2024, reflecting a decrease of 19.9% when compared to the 122 460 tons imported in quarter 1 of 2023. The main products contributing to the observed decrease in chicken meat imports during Q1 were boneless chicken (other), which decreased by 71%, followed by frozen chicken leg quarters, frozen chicken feet and frozen chicken thighs, which decreased by 62%, 26% and 22%, respectively.*

- *Comparing quarter 1 of 2024 to quarter 4 of 2023, domestic producer prices for whole fresh chicken, frozen chicken, and IQF chicken pieces increased by 9.40%, 7.54%, and 2.54%, respectively. The recent trends in producer prices can be attributed to several factors. Notably, the recent drought incidents disrupted feed production in numerous places around the world which led to increased cost of certain inputs. For example, global maize export prices rose slightly in March due to logistical challenges in Ukraine, affecting feed prices in South Africa.*

- *When comparing retail prices per kilogram (kg) for the first quarter of 2024 to the first quarter of 2023, the price for whole chicken, non-IQF frozen chicken portions, fresh chicken portions (per kg), chicken giblets (per kg) and IQF chicken portions (2kg) increased by 8.63%, 8.01%, 7.12%, 6.03% and 2.54%, respectively.*

- *During the first quarter of 2024, the average spot price for a ton of yellow maize was R3 889, indicating a 12.09% decline compared to the corresponding period in 2023. The average spot price was 0.78% lower than the fourth quarter of 2023. On the other hand, soybean prices declined to R8 352 per ton during the same quarter, reflecting a 21.95% decrease compared to the previous year and a further 9.77% decline compared to the preceding quarter (Q4 2023). While for sunflower, the average spot price stood at R8631 in the first quarter of 2024 representing a 20.50% and 4.64% decline respectively when compared to the first quarter of 2023 and the fourth quarter of 2023.*

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1. Introduction

The majority of South Africa's population obtains affordable animal protein from poultry products, making it crucial for maintaining and improving the country's food security status. This report tracks the cost of different chicken meat products in South Africa, compares them to current global poultry market trends and makes appropriate recommendations. The former Department of Agriculture, Forestry and Fisheries (DAFF), currently known as the Department of Agriculture, Land Reform and Rural Development (DALRRD), established the Food Price Monitoring Committee (FPMC) which was mandated by the National Agricultural Marketing Council (NAMC) to track and report on food price trends. International poultry meat prices, imports of chicken products into South Africa, producer pricing and retail poultry prices are examined every three months. To provide a more comprehensive comparison between domestic poultry prices and global market prices, the analysis also includes feed prices.

2. International poultry meat price index

Figure 1 presents the global poultry meat price index trends from the first quarter of 2016 (January - March) to the first quarter of 2024 (January - March), with 2014-2016 used as the base years. According to data provided by the Food and Agricultural Organization (FAO), the average international poultry meat price index in the first quarter of 2024 stood at 107.86 points, marking a 1.9% decrease compared to the 109.93 points recorded in the fourth quarter of 2023. When comparing the first quarter of 2024 to the first quarter of 2023, the index decreased by 5.5% from 114.14 points. Poultry meat prices experienced an exceptional increase in March 2024 due to steady import demand from leading importing countries. However, avian influenza outbreak and the current drought remain significant challenges for the South African poultry industry, putting pressure on chicken product prices.

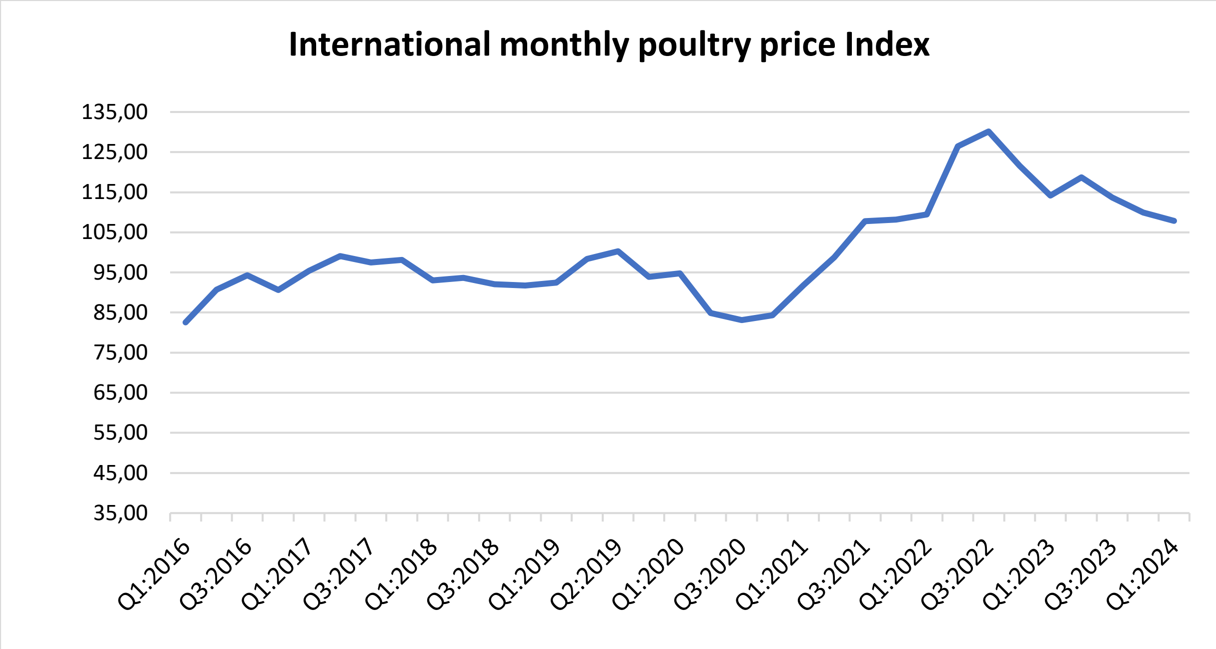

Figure 1: International Poultry Meat Real Price index (IPMRPI)
Source: FAO, 2024

3. Chicken meat imports

First quarter: January-March 2023 and 2024; first quarter 2024 and fourth quarter 2023

This section compares the volume of chicken meat (in tons) imported into South Africa between quarter 1 (January-March) of 2024 and quarter 1 of 2023, as well as quarter 1 (January-March) of 2024 versus quarter 4 (October-December) of 2023. On a year-on-year comparison, data from the South African Revenue Service (SARS) show that South Africa imported 98 139 tons of chicken meat in Q1 of 2024, indicating a 19.9% decline from the 122 460 tons imported in Q1 of 2023. The main products contributing to the observed decrease in chicken meat imports during Q1 were boneless chicken (other), which decreased by 71% followed by frozen chicken leg quarters, frozen chicken feet and frozen chicken thighs, which decreased by 62%, 26% and 22%, respectively (**see Table 1)**.

When comparing the first quarter of 2024 to the previous quarter (Q4:2023), South Africa's chicken meat imports increased by 11.8%, rising from 87 771 tons to 98 139 tons. During this period, frozen chicken thighs, frozen chicken carcasses, and boneless chicken breasts, were the main drivers of the observed rise in imports, increasing by 183%, 139%, and 137%, respectively as illustrated in **Table 1**.

Table 1: South Africa's chicken meat imports by volume (tons)

Tariff description	HS Code	Q1: 2023	Q4: 2023	Q1: 2024	Q1: 2024 vs Q1: 2023	Q1: 2024 vs Q4: 2023
		Tons	Tons	Tons	Annually % Change	Quarterly % Change
Frozen chicken MDM	0207.1210	67 485	51 168	53 818	-20	5
Frozen chicken carcasses	0207.1220	3 074	1 658	3 958	29	139
Whole frozen chicken	0207.1290	990	2 491	2 953	198	10
Fresh chicken cuts	0207.1300	4	0	24	451	-
Boneless chicken breasts	0207.1411	638	505	1 198	88	137
Boneless chicken thighs	0207.1413	0	0	0	-	-
Boneless chicken other	0207.1415	643	81	189	-71	133
Frozen chicken livers	0207.1421	1 891	2 169	2 729	44	26
Frozen chicken feet	0207.1423	15 402	12 167	11 389	-26	-6
Frozen chicken heads	0207.1425	0	0	0	-	-
Frozen chicken offal	0207.1429	6 413	4 231	6 674	4	58
Frozen half chicken	0207.1491	0	12	21	-	75
Frozen chicken leg quarter	0207.1493	18 517	6 929	7 020	-62	1
Frozen chicken wings	0207.1495	2 650	1 373	2 713	1	98
Frozen chicken thighs	0207.1497	2 359	648	1 835	-22	183
Frozen chicken Drumsticks	0207.1498	2 068	3 972	3 306	60	-17
Value-added processed	1602.3290	198	2	214	8	10 600
Other	0207.1499	299	365	98	-67	-73
TOTAL IMPORTS		**122 460**	**87 771**	**98 139**	**19.9**	**11.8**

Source: SARS, 2024

4. Average producer price trends

First quarter: January - March 2024 and 2023; first and fourth quarter (October- December) 2023

Figure 2 shows typical producer prices for frozen chicken (maximum brine allowed 10%), whole fresh chicken, and Individual Quick Frozen (IQF) chicken pieces (maximum brine allowed 15%) from the first quarter of 2012 to the first quarter of 2024. When comparing the first quarters (January – March) of 2024 and 2023, producer prices for whole fresh chicken, frozen chicken, and IQF chicken pieces increased by 9.40%, 7.54%, and 2.54%, respectively. When comparing the first quarter of 2024 with the fourth quarter of 2023, producer prices for frozen chicken, whole fresh chicken, IQF chicken pieces and decreased by 4.07%, 2.68%, and 2.45%, respectively. The recent trends in producer prices can be attributed to several factors. Notably, the recent drought incidents disrupted feed production in numerous places around the world which led to increased cost of certain inputs. For example, global maize export prices rose slightly in March due to logistical challenges in Ukraine, affecting feed prices in South Africa.

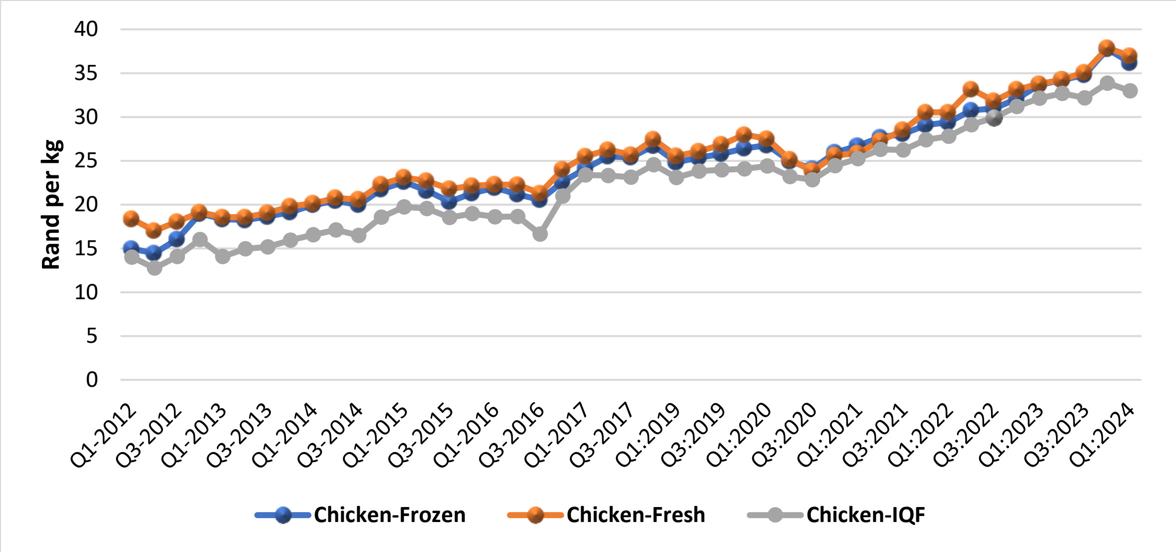

Figure 2: Quarterly average producer prices

Source: AMT, 2024

5. Average retail prices for selected poultry products

First quarter: January - March 2024 and 2023; first and fourth quarter (October-December) 2023

Figure 3 presents average quarterly retail prices for selected chicken products from the first quarter: January- March 2021 to the first quarter: January – March 2024. Over this period, prices of chicken giblets per kg, non-IQF frozen chicken portions, IQF chicken portions (2kg), fresh chicken portions and whole chicken increased by 35.78%, 33.52%, 25.87%, 22.44% and 16.16%, respectively. Between the first quarter of 2024 and the first quarter of 2023, poultry retail prices experienced exceptional increases. The price for whole chicken, non-IQF frozen chicken portions, fresh chicken portions (per kg), chicken giblets (per kg) and IQF chicken portions (2kg) increased by 8.63%, 8.01%, 7.12%, 6.03% and 2.54%, respectively. When comparing the first quarter of 2024 to the fourth quarter of 2023, prices of whole chicken, chicken giblets, non-IQF frozen chicken portions, fresh chicken portions and IQF chicken portions (per 2kg) increased by 2.38%, 1.72%, 1.65%, 1.50% and 1.22%, respectively.

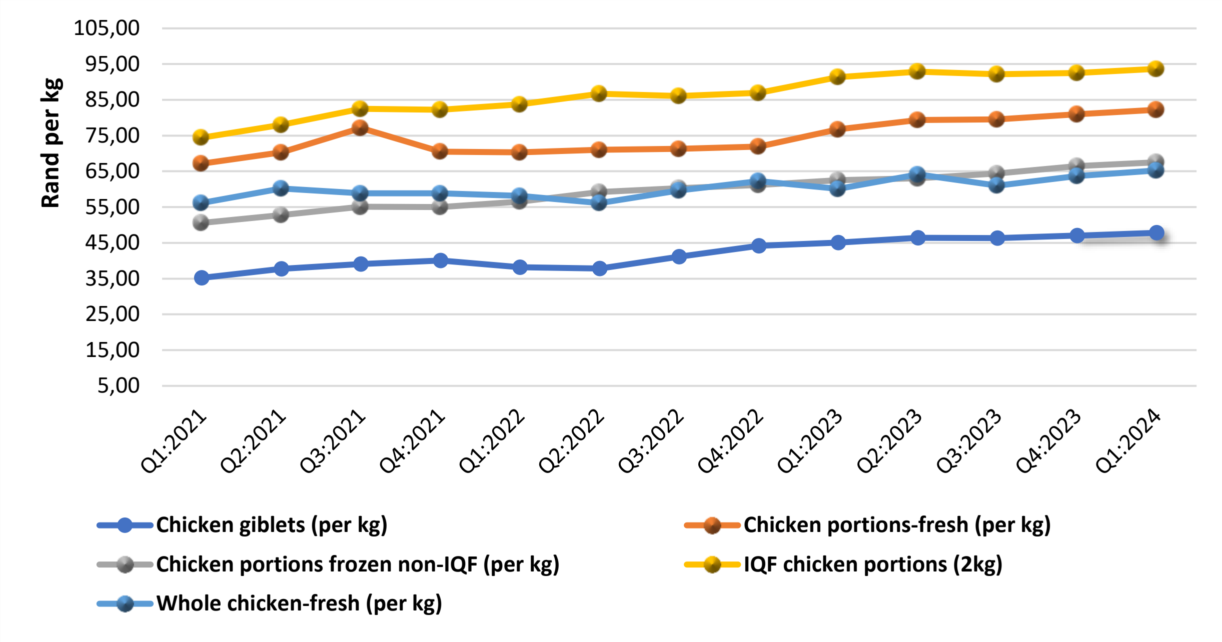

Figure 3: Average quarterly retail prices for selected processed and unprocessed chicken products.

Source: Stats SA, 2024

6. Feed prices

Figure 4 presents the quarterly SAFEX spot prices for yellow maize, sunflower seed and soybeans. As of March 2024, the FAO global food price index stood at 9.24 points (7.2%) lower compared to March 2023. This decrease is linked to global price reductions; for example, the cereal price index registered a significant decrease of 19.9%, the dairy price index dropped by 8.3% while the oil price index registered a minor drop of 0.9% between March 2023 and March 2024. The month-on-month change highlights that between March 2024 and February 2024 the FAO cereal price index dropped by 2.6%. The global wheat export prices fell during this period due to intense competition among the European Union (EU), Russia, and the United States of America (USA), with China's cancelled purchases highlighting the trend. Maize export prices rose slightly in March due to logistical challenges in Ukraine.

In the first quarter of 2024, the average spot price for a ton of yellow maize was R3 889, indicating a 12.09% decline compared to the corresponding period in 2023. The average spot price was 0.78% lower than the fourth quarter of 2023. On the other hand, soybean prices declined to R8 352 per ton during the same quarter, reflecting a 21.95% decrease compared to the previous year and a further 9.77% decline compared to the preceding quarter (Q4 2023). While for sunflower, the average spot price stood at R8 631 in the first quarter of 2024 representing a 20.50% and 4.64% decline respectively when compared to the first quarter of 2023 and the fourth quarter of 2023.

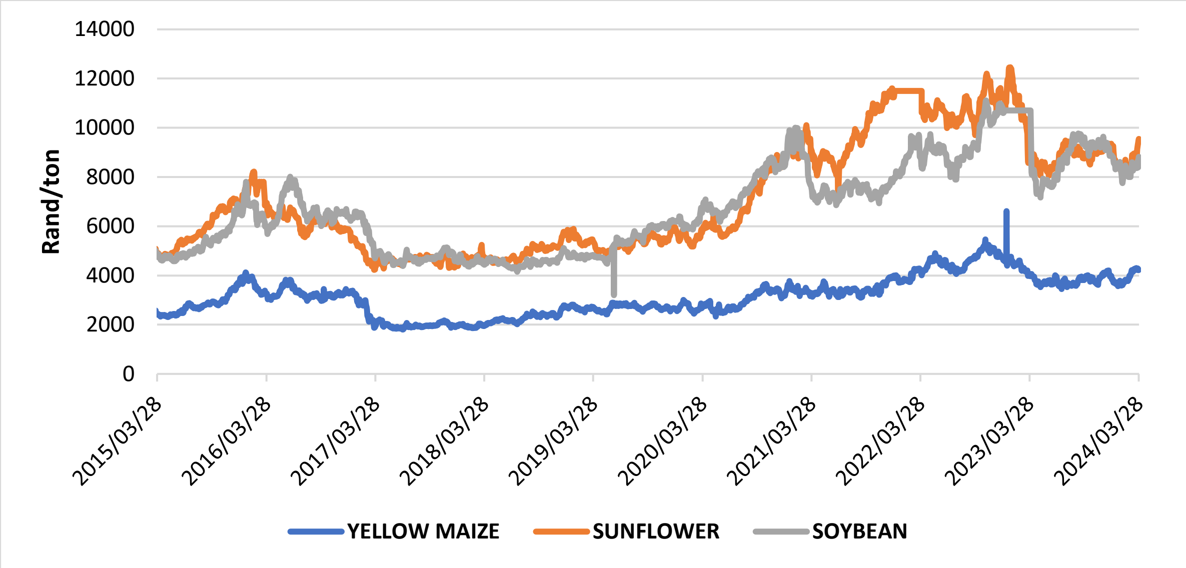

Figure 4: Quarterly spot prices per ton
Source: JSE-SAFEX, 2024

7. Real Farm to Retail Price Spread

Figure 5 presents quarterly changes in the real farm-to-retail price spread (FTRPS) and the proportion of real farm value. The FTRPS represents the difference between what consumers pay for a food product at retail and the actual value of the farm product used in its production.

Analysing the period from January to March 2024, there is a 4.44% decrease in the real farm value proportion, with an 5.92% increase in the real FTRPS for whole fresh chicken. The real farm value share for whole fresh chicken reached 54.74% in March 2024. Over the year-on-year span from March 2023 to March 2024, the real farm value share saw a decrease of 5.20%, while the real FTRPS increased by 13.22%. This shift may be attributed to various factors influencing competitiveness within the poultry value chain, including elements such as import restrictions and the escalation of feed prices.

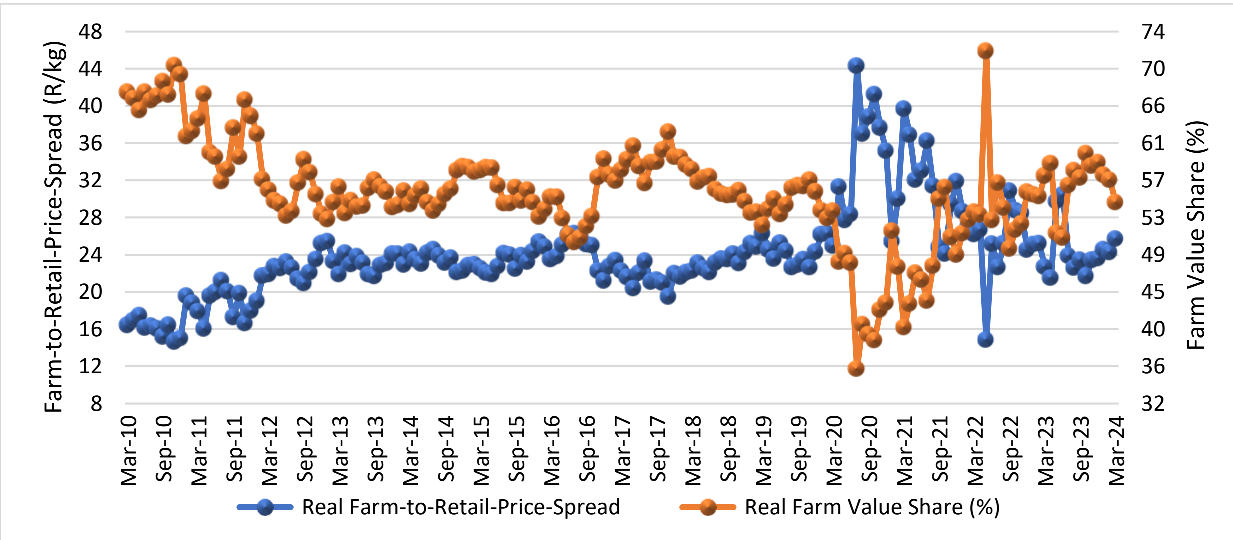

Figure 5: Real farm-to-retail-price-spread and farm value share of poultry
Source: Stats SA, AMT, and own calculations, 2024

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Stats SA is acknowledged for assistance provided to the NAMC in terms of food price data.

Cover page photos: Pexels, Pixabay, Freepik, Unsplash and Vecteezy

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