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South Africa, Republic of

Poultry and Products

Annual

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Report Highlights:

South Africa's broiler production is still growing with about 760,000 tons produced in 2002 and 790,000 tons expected to be produced in 2003. Meat imports amounted to a paltry 24,000 tons in 2002 although total poultry product imports exceeded 80,000 tons. Seventy percent of the total product imports consisted of offal and Mechanically Removed Meat (MRM). Although the by-product imports could hardly been seen as damaging the local industry, the producers have applied for anti-dumping protection. The application is still pending.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Pretoria [SF1], SF

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Executive Summary

South Africa produced about 760,000 tons of broiler meat, excluding offal, in 2002, up from 730,000 tons in 2001. Expectations are that 2003 production will reach about 790,000 tons. The industry is thus still showing healthy growth in spite of a lackluster economy. Poultry meat imports amounted to 24,000 tons in 2002, up from 17,000 tons in 2001. Total poultry product imports amounted to more than 80,000 tons of which 70% consisted of offal (mainly feet) and Mechanically Removed Meat (MRM). Brazil supplied more than 56% of total imports. In spite of the high percentage by-products in the total import mix, the local poultry producers have applied for additional anti-dumping duties on imports. This application is still being investigated by the new International Trade Administration Commission (ITAC).

www.itac.org.za

Young chicken meat

| PSD Table | | | | | | |
|-----------------------------|---------------------------|---------------------------|------------------------|---------------------------|------------------------|------------------------|
| Country | South Africa, Republic of | | | | | |
| Commodity | Poultry, Meat, Broiler | | | | (1000 MT)(MIL HEAD) | |
| | 2002 | Revised | 2003 | Estimate | 2004 | Forecast |
| | USDA Official [Old] | Post Estimate [New] | USDA Official [Old] | Post Estimate [New] | USDA Official [Old] | Post Estimate [New] |
| Market Year Begin | | 01/2002 | | 01/2003 | | 01/2004 |
| Inventory (Reference) | 0 | 0 | 0 | 0 | 0 | 0 |
| Slaughter (Reference) | 0 | 0 | 0 | 0 | 0 | 0 |
| Beginning Stocks | 0 | 0 | 0 | 0 | 0 | 0 |
| Production | 745 | 760 | 760 | 790 | 0 | 805 |
| Whole, Imports | 0 | 7 | 0 | 5 | 0 | 5 |
| Parts, Imports | 55 | 17 | 45 | 30 | 0 | 35 |
| Intra EC Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Imports | 55 | 24 | 45 | 35 | 0 | 40 |
| TOTAL SUPPLY | 800 | 784 | 805 | 825 | 0 | 845 |
| Whole, Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Parts, Exports | 10 | 9 | 10 | 10 | 0 | 10 |
| Intra EC Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Exports | 10 | 9 | 10 | 10 | 0 | 10 |
| Human Consumption | 790 | 775 | 795 | 815 | 0 | 835 |
| Other Use, Losses | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Dom. Consumption | 790 | 775 | 795 | 815 | 0 | 835 |
| TOTAL Use | 800 | 784 | 805 | 825 | 0 | 845 |
| Ending Stocks | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL DISTRIBUTION | 800 | 784 | 805 | 825 | 0 | 845 |
| Calendar Yr. Imp. from U.S. | 1 | 1 | 1 | 1 | 0 | 1 |

Production

In June 2003 the South African poultry producers launched an anti-dumping tariff application. Obviously accurate data is needed to appraise the supply and demand situation and assess any damage to the local industry caused by imports.

As there are no official figures for broiler production, this was enough to start a production data debate. Taking the figures being bandied around into consideration, 2002 broiler production is estimated at 760,000 tons, about 4% more than the 730,000 tons produced in 2001. This amounts to about 575.8 million birds at 1.32 kg. we, or a little over 11 million per week. Indications are that 2003 production is showing similar growth to reach a total of about 790,000 tons and growth then slowing down to about 2% for 2004 reaching 805,000 tons. The 1.32 kg. carcass weight used excludes giblets.

An indication of the carcass harvest can be given:

| Cut | % of carcass | Weight, gram. |
|------------------------------|--------------|---------------|
| 2 wings | 8 | 153 |
| 2 thighs | 11 | 210 |
| 2 breasts | 29 | 554 |
| 2 drumsticks | 10 | 191 |
| back bone | 11 | 210 |
| Total chicken meat | 69 % | 1,318 gram |
| 1 gizzard | 2.5 | 48 |
| 1 liver& heart | 1.5 | 29 |
| 1 neck | 3.0 | 57 |
| 2 feet | 3.0 | 57 |
| Total offal | 10 % | 191gram |
| Feathers, entrails and blood | 21% | 401 |
| Total live weight | 100% | 1,910 gram |

If annual slaughter for 2002 is taken as 575.8 million birds at 1.91 kg. live and 1.32 kg. carcass weight;

Total live weight was 1,100,000 tons

Chicken meat production amounted to about 760,000 tons,

Offal production amounted to 110,000 tons.

and feathers, entrails and blood to 230,000 tons.

Offal production included;

| | |
|-----------------|-------------|
| Gizzards | 27,600 tons |
| Livers & hearts | 16,700 tons |
| Necks | 32,800 tons |

Feet 32,800 tons
 Total offal 110,000 tons

Consumption

Young chicken meat consumption is estimated at 755,000 tons for 2002, compared to the 790,000 tons estimated in our previous annual report. The previous estimate included offal and mechanical removed meat (MRM). The offal picture is skewed by big imports of chicken feet, which could hardly be included with whole birds or high quality cuts. MRM is not sold in the retail market.

The following table gives an indicating of local producer or wholesale prices.

| Prices Table | | | |
|---------------|------------------------------|----------------------------|----------|
| Country | South Africa, Republic of | | |
| Commodity | Poultry, Meat, Broiler | | |
| Prices in | SA Rand | per uom | Kg. |
| Year | 2002 | 2003 | % Change |
| Jan | 9.6 | 10.7 | 11.46% |
| Feb | 9.3 | 9.5 | 2.15% |
| Mar | 9 | 9.2 | 2.22% |
| Apr | 9 | 8.9 | -1.11% |
| May | 9 | 9.1 | 1.11% |
| Jun | 8.3 | 9 | 8.43% |
| Jul | 8.7 | 9 | 3.45% |
| Aug | 9.7 | 9.1 | -6.19% |
| Sep | 11 | | -100.00% |
| Oct | 11.3 | | -100.00% |
| Nov | 11.1 | | -100.00% |
| Dec | 11 | | -100.00% |
| Exchange Rate | R7.50 | Local currency/US \$ | |

It is the decline and/or slow increase in domestic prices which is claimed to be caused by the imports which has accelerated this year.

Trade

| Import Trade Matrix | | | |
|---------------------|---------------------------|-----------|------------|
| Country | South Africa, Republic of | | |
| Commodity | Poultry, Meat, Broiler | | |
| Time period | Jan-Dec | Units: | Metric ton |
| Imports for: | 2001 | | 2002 |
| U.S. | 0 | U.S. | 0 |
| Others | | Others | |
| Brazil | 3994 | Brazil | 9912 |
| Canada | 804 | Canada | 5665 |
| Australia | 4051 | Australia | 2209 |
| France | 804 | France | 240 |
| Argentina | 0 | Argentina | 986 |
| Thailand | 24 | Thailand | 1461 |
| China | 7048 | China | 1053 |
| | | | |
| | | | |
| | | | |
| Total for Others | 16725 | | 21526 |
| Others not Listed | 366 | | 2262 |
| Grand Total | 17091 | | 23788 |

As a result of the furore created by the anti dumping duty on American bone-in portions (Tariff # 0207.1490) and the recent application for further tariff protection for the local industry, the trade situation needs highlighting.

The problem lays with the definition of chicken meat. When offal and Mechanically Removed Meat (MRM) is excluded from 2002 imports, only 23,788 tons of chicken meat was imported. Total poultry product imports amounted to 80,434 tons, meat amounted to 23,788 tons or 30% of the total, offal amounted to 19,516 tons or 24%

and MRM to 37,130 tons or 46%. Offal and MRM together amounted to 46,646 tons or 70% of imports. Offal imports consists of feet, skins, liver, necks, hearts and stomach, (chicken heads may not be imported), of which 65% was chicken feet.

Mechanically Deboned Meat (MDM) or Mechanically Removed Meat (MRM), is meat and fat extracted from deboned chicken and turkey carcasses by the use of hydraulic presses. It is not sold in the retail market and is only used in the production of processed and canned meat products. Chicken skins are also mainly used in processing. In theory offal and MRM (mainly by products) should thus be excluded from broiler meat imports, but could, for clarity, be included in total poultry imports.

The following tables contain the details:

Import of chicken by cut, (metric tons)
Basically Tariff # 0207.1 and 1602.32

| Metric tons. | 1998 | 1999 | 2000 | 2001 | 2002 |
|--------------------|-------|-------|-------|-------|-------|
| Whole birds | 2228 | 10047 | 7266 | 2615 | 6953 |
| Boneless cuts | 8251 | 10070 | 10518 | 8473 | 5098 |
| Bone in cuts | 33654 | 31901 | 21352 | 6003 | 11737 |
| Total meat | 44133 | 52018 | 39136 | 17091 | 23788 |
| | | | | | |
| Offal | 3712 | 2921 | 5552 | 13387 | 19516 |
| MRM | 21645 | 24566 | 27476 | 33079 | 37130 |
| Grand total | 69130 | 79505 | 72164 | 63557 | 80434 |

The following table contains chicken product and by-product imports by country over the past three years:

| Metric tons | 2000 | 2001 | 2002 |
|----------------|--------|--------|--------|
| USA | 19 549 | 1 245 | 2 052 |
| Brazil | 14 795 | 29 742 | 45 271 |
| Canada | 11 753 | 5 689 | 12 776 |
| Australia | 4 693 | 8 958 | 6 098 |
| United Kingdom | 5 796 | 6 870 | 5 617 |
| China | 9 355 | 7 048 | 1 053 |

| | | | |
|-----------|--------|--------|--------|
| Argentina | 994 | 931 | 4 603 |
| Others | 5 229 | 3 074 | 2 084 |
| Total | 72 164 | 63 557 | 80 434 |

It is obvious from the table above that the only significant growth in chicken product imports in 2002 was from Brazil, Canada and Argentina.

We can now look at the imports of the different categories.

Whole birds: Tariff # 0207.11 and .12

| Imports: Metric tons | 2000 | 2001 | 2002 |
|----------------------|------|------|------|
| Brazil | 3869 | 1049 | 5264 |
| Argentina | 0 | 0 | 960 |
| Zimbabwe | 0 | 88 | 402 |
| France | 1985 | 804 | 240 |
| Others | 1412 | 674 | 86 |
| Total | 7266 | 2615 | 6953 |

Boneless cuts, (mainly white meat), Tariff # 0207.14.10

| Imports: Metric tons | 2000 | 2001 | 2002 |
|----------------------|-------|------|------|
| Brazil | 973 | 1358 | 2450 |
| Thailand | 0 | 24 | 1461 |
| China | 9355 | 7048 | 1053 |
| Others | 190 | 43 | 134 |
| Total | 10518 | 8473 | 5098 |

Bone-in chicken cuts, mainly dark meat, Tariff # 0207.1490 (US Anti dumping duty category).

| Imports, metric tons | 2000 | 2001 | 2002 |
|----------------------|-------|------|-------|
| United States | 16523 | 97 | 74 |
| Canada | 2546 | 780 | 5615 |
| Brazil | 409 | 1587 | 2198 |
| Australia | 1538 | 3401 | 2172 |
| Argentina | 0 | 47 | 1566 |
| Others | 336 | 91 | 112 |
| Total | 21352 | 6003 | 11737 |

The other poultry products, other than whole meat, imports follow:

Offal, Tariff # 0207.1420

| Imports, metric tons | 2000 | 2001 | 2002 |
|----------------------|------|-------|-------|
| United States | 845 | 276 | 1048 |
| Brazil | 2565 | 10236 | 16369 |
| Australia | 1071 | 2012 | 1337 |
| Argentina | 428 | 112 | 456 |
| Canada | 515 | 247 | 110 |
| Others | 128 | 504 | 196 |
| Total | 5552 | 13387 | 19516 |

Tariff number 0207.14.05 Boneless portions, excluding cuts, or MRM trade follows:

| MRM imports, mt. | 2000 | 2001 | 2002 |
|------------------|------|-------|-------|
| United States | 2181 | 872 | 910 |
| Brazil | 6979 | 15512 | 18990 |
| Canada | 8692 | 4662 | 7051 |
| United Kingdom | 5796 | 6870 | 5617 |
| Australia | 2084 | 3545 | 2589 |

| | | | |
|-----------|-------|-------|-------|
| Argentina | 566 | 772 | 1621 |
| Others | 1178 | 846 | 352 |
| Total | 27476 | 33079 | 37130 |

Tariffs

In July 2000 a provisional payment in relation to an anti-dumping duty was instituted against US poultry products. The duty on tariff # 0207.1490 bone-in cuts amounted to R2.24/kg. on products from Tyson Foods, R2.45 c/kg. on products from Gold Kist Inc. and R7.25/kg. on products from other manufacturers. This was promulgated in December 2000 and is still applicable.

In addition to the anti-dumping duty , current duties are:

| Tariff # | Description | General | EU | SADC |
|-----------|------------------|-----------|-----------|-----------|
| 0207.11 | Whole, fresh | free | free | free |
| 0207.12 | Whole, frozen | 27% | 27% | 5% |
| 0207.13 | Cuts etc. fresh | free | free | free |
| 0207.14 | Cuts etc. frozen | | | |
| 0207.1405 | MRM | free | free | free |
| 0207.1410 | Boneless cuts | 5% | 5% | free |
| 0207.1420 | Offal | free | free | free |
| 0207.1490 | Bone in cuts | R2.20/kg. | R2.20/kg. | R0.44/kg. |
| | | | | |

In June 2003 the South African poultry producers launched another anti-dumping application. The request is for an increase in the duty on whole birds (0207.12) from 27% to 40% and on bone-in chicken portions (0207.1490) from R2.20 to R4.40/kg. In addition, a new duty on offal (0207.1420) of R2.20/kg. is requested. The duty application is for product from all sources and not only the US. The application is still being investigated by the new International Trade Administration Commission (ITAC), which replaced the former Board on Tariffs and Trade (BTT). The ITAC website is at www.itac.org.za

Turkey meat

| PSD Table | | | | | | |
|-----------------------|---------------------------|---------------------------|------------------------|---------------------------|------------------------|------------------------|
| Country | South Africa, Republic of | | | | | |
| Commodity | Poultry, Meat, Turkey | | | | (1000 MT)(MIL HEAD) | |
| | 2002 | Revised | 2003 | Estimate | 2004 | Forecast |
| | USDA Official [Old] | Post Estimate [New] | USDA Official [Old] | Post Estimate [New] | USDA Official [Old] | Post Estimate [New] |
| Market Year Begin | | 01/2002 | | 01/2003 | | 01/2004 |
| Inventory (Reference) | 0 | 0 | 0 | 0 | 0 | 0 |
| Slaughter (Reference) | 0 | 0 | 0 | 0 | 0 | 0 |
| Beginning Stocks | 0 | 0 | 0 | 0 | 0 | 0 |
| Production | 5 | 3 | 5 | 4 | 0 | 5 |
| Whole, Imports | 1 | 1 | 1 | 1 | 0 | 1 |
| Parts, Imports | 14 | 13 | 14 | 14 | 0 | 14 |
| Intra EC Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Imports | 15 | 14 | 15 | 15 | 0 | 15 |
| TOTAL SUPPLY | 20 | 17 | 20 | 19 | 0 | 20 |

| | | | | | | |
|-----------------------------|----|----|----|----|---|----|
| Whole, Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Parts, Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Intra EC Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Human Consumption | 20 | 17 | 20 | 19 | 0 | 20 |
| Other Use, Losses | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Dom. Consumption | 20 | 17 | 20 | 19 | 0 | 20 |
| TOTAL Use | 20 | 17 | 20 | 19 | 0 | 20 |
| Ending Stocks | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL DISTRIBUTION | 20 | 17 | 20 | 19 | 0 | 20 |
| Calendar Yr. Imp. from U.S. | 2 | 1 | 0 | 2 | 0 | 2 |

General:

Domestic turkey production is small but growing. Although turkey product imports are allowed in duty free, imports are also small and consist mainly of MRM. Only about 1,000 tons of whole birds were imported in 2002 of which Brazil supplied 920 tons.

| | | | |
|---------------------|---------------------------|-----------|-------------|
| Import Trade Matrix | | | |
| Country | South Africa, Republic of | | |
| Commodity | Poultry, Meat, Turkey | | |
| Time period | Jan -Dec | Units: | Metric tons |
| Imports for: | 2001 | | 2002 |
| U.S. | 1211 | U.S. | 1761 |
| Others | | Others | |
| Brazil | 6273 | Brazil | 5321 |
| Australia | 1728 | Australia | 2401 |
| Canada | 1985 | Canada | 2317 |
| | | | |
| | | | |
| | | | |

| | | | |
|-------------------|-------|--|-------|
| | | | |
| | | | |
| | | | |
| | | | |
| Total for Others | 9986 | | 10039 |
| Others not Listed | 3273 | | 1583 |
| Grand Total | 14470 | | 13383 |