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South Africa, Republic of

Poultry and Products

Annual Report

2006

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Report Highlights:

South Africa produced 825,000 metric tons of broiler meat in 2005, 4.3% more than in 2004. A further increase in production is expected for 2006. Total poultry meat and product imports amounted to 189,000 tons in 2005 compared to 154,000 tons in 2004. Poultry meat imports reached 81,000 tons compared to 69,000 tons in 2004. All imports are showing exceptional growth in 2006, but the delay in lifting the anti-dumping duty on US bone-in cuts limits US exports.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Pretoria [SF1]
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Summary

South Africa's 2005 broiler production is estimated at 825,000 tons, 4.3% more than the revised figure of 790,000 tons for 2004. A further increase in production is expected for 2006 as a result of the buoyant South African economy. Total broiler meat imports (whole birds and cuts) reached about 81,000 tons in 2005 compared to about 69,000 tons in 2004. MRM (Mechanically Removed Meat) and offal imports reached about 108,000 tons for total poultry product imports of 189,000 tons. In contrast total imports amounted to about 154,000 tons in 2004 and 125,000 tons in 2003. Imports are, however, increasing again in 2006 and by mid year chicken meat imports already exceeded the 2005 total.

Total meat and product imports increased by 24% between 2004 and 2005 and by 300% over the past five years. But the anti-dumping duty on US bone-in cuts limits the US ability to compete. Brazil, (74%) and Canada are currently the main suppliers.

US Dollar 1 = SA Rand 7.15 (08/28/06)

Poultry meat, broiler

PSD Table

| Country | South Africa | | | | | |
|------------------------|---------------|------------|------------|------------|------------|------------|
| Commodity | Meat, Broiler | | | | | |
| 1000 MT | 2005 | Revised | 2006 | Estimate | 2007 | Forecast |
| Market Year Begin | USDA [Old] | Post [New] | USDA [Old] | Post [New] | USDA [Old] | Post [New] |
| | 01/2005 | | 01/2006 | | 01/2007 | |
| 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 | 825 | 825 | 840 | 840 | 0 | 855 |
| Whole, Imports | 175 | 16 | 190 | 35 | 0 | 55 |
| Parts, Imports | 0 | 65 | 0 | 75 | 0 | 95 |
| Intra EC Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Imports | 175 | 81 | 190 | 110 | 0 | 150 |
| TOTAL SUPPLY | 1000 | 906 | 1030 | 950 | 0 | 1005 |
| Whole, Exports | 1 | 1 | 2 | 1 | 0 | 3 |
| Parts, Exports | 2 | 1 | 2 | 1 | 0 | 2 |
| Intra EC Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Exports | 3 | 2 | 4 | 2 | 0 | 5 |
| Human Consumption | 997 | 904 | 1026 | 948 | 0 | 1000 |
| Other Use, Losses | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Dom. Consumption | 997 | 904 | 1026 | 948 | 0 | 1000 |
| TOTAL Use | 1000 | 906 | 1030 | 950 | 0 | 1005 |
| Ending Stocks | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL DISTRIBUTION | 1000 | 906 | 1030 | 950 | 0 | 1005 |

Production

The SA Poultry Association estimates 2005 broiler meat production at 825,000 tons. This amounts to 624 million birds, or 12 million per week. Unit weight is taken at 1.32 kg. (excluding giblets). This is still 4.3% more than the revised 790,000 tons, or 11.5 million per week produced in 2004. It may be useful to look at carcass harvest again:

| Cut | Percent 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% | 191 gram |
| Feathers, entrails etc. | 21% | 401 |
| Total live weight | 100% | 1,910 gram |

Annual slaughter for 2005 is estimated at 624 million broilers at 1.91 kg. live weight and 1.32 kg. carcass weight. That means,
 Total live weight production was 1,192,000 tons,
 Young chicken meat production amounted to 825,000 tons,
 Offal production amounted to 119,000 tons,
 And feathers, entrails and blood amounted to 250,000 tons.

The poultry and egg industry annually produces in excess of 800,000 tons of broilers and 300,000 tons of eggs. In a normal year the industry consumes nearly 70% of the feed industry's production and 15 to 25% of the total corn crop. Production is efficient, a 1.3 kg. carcass weight can be reached in 38 days at a feed conversion rate of 1.8, but production costs are high. Production at high altitudes leads to higher, 5 to 6%, fatalities.

The latest SA Poultry Association cost analysis suggests that the price of feed declined by 11% in 2005 mainly as a result of lower corn prices.

Consumption

We are interested in young chicken meat production and consumption. The import controversy then surfaces; the following table compares the type of product imported;

| Metric tons | 2001 | 2002 | 2003 | 2004 | 2005 | Jan-June 2006 |
|---------------|--------|--------|---------|---------|---------|---------------|
| Whole birds | 2,615 | 6,953 | 8,104 | 21,442 | 16,242 | 25,566 |
| Boneless cuts | 8,473 | 5,098 | 11,489 | 13,621 | 12,956 | 12,248 |
| Bone in cuts | 6,003 | 11,737 | 30,544 | 34,099 | 51,908 | 44,706 |
| Total meat | 17,091 | 23,788 | 50,137 | 69,162 | 81,106 | 82,520 |
| MRM | 33,079 | 37,130 | 47,086 | 50,287 | 76,436 | 36,788 |
| Offal | 13,387 | 19,516 | 28,204 | 34,366 | 31,757 | 18,724 |
| MRM+offal | 46,466 | 56,646 | 75,290 | 84,623 | 108,193 | 55,512 |
| TOTAL | 63,557 | 80,434 | 125,427 | 153,785 | 189,299 | 138,032 |

Forty three percent of the 2005 imports were chicken meat (81,100 tons) and 57% chicken products (189,300 tons). Whole birds and discernable cuts are the result of a conscious effort to produce young chicken meat, and the other products are mainly by-products. The total meat shown in the table above, 81,106 tons for 2005, thus constitutes chicken meat imports.

When the poultry meat imports are added to production, and the small exports subtracted, domestic consumption amounted to about 855,000 tons in 2004 and exceeded 900,000 tons in 2005.

Broiler consumption

| Metric tons, rtc | 2004 | 2005 | 2006 |
|------------------|---------|---------|---------|
| Production | 790,000 | 825,000 | 840,000 |
| + Imports | 69,160 | 81,105 | 110,000 |
| - Exports | 3,770 | 2,185 | 2,000 |
| = Consumption | 855,390 | 903,920 | 948,000 |

To put the industry in perspective we can compare per capita consumption of the different meats as supplied by the Department of Agriculture.

| Kg. per capita | Beef | Lamb | Pork | Red meat | Poultry | Total |
|----------------|------|------|------|----------|---------|-------|
| 2001/02 | 13.3 | 3.1 | 2.6 | 18.8 | 20.2 | 39.0 |
| 2002/03 | 14.0 | 3.3 | 3.0 | 20.3 | 22.0 | 42.3 |
| 2003/04 | 14.5 | 3.3 | 3.3 | 20.3 | 22.9 | 43.2 |
| 2004/05 | 15.0 | 3.2 | 3.6 | 21.8 | 22.7 | 44.5 |

Per capita poultry consumption first passed red meat consumption in 1998/99, but the gap narrowed last year. Lamb and pork per capita consumption is small, pork consumption is limited by religious custom while mutton production has decreased as a result of excessive stock theft pushing up prices. Indicator prices for the different products in August 2006 follow:

Wholesale feedlot beef carcass R18.69/kg.
Wholesale porker carcass R11.17/kg.

| | |
|-------------------------------|------------|
| Wholesale lamb carcass | R30.15/kg. |
| Broilers, fresh whole birds | R12.16/kg. |
| Broilers, frozen, whole birds | R10.74/kg |
| Broilers import parity price | R8.99/kg. |

Tariffs and trade

Imports, total poultry meat, products and offal, tariff #0207 (including turkey)

| Metric tons | 2002 | 2003 | 2004 | 2005 | % | Jan-June 2006 |
|-------------|--------|---------|---------|---------|------|---------------|
| Brazil | 50,607 | 80,764 | 137,916 | 159,298 | 74.4 | 114,387 |
| Canada | 15,145 | 24,394 | 5,852 | 19,454 | 8.1 | 15,769 |
| Argentina | 4,678 | 3,987 | 7,416 | 12,632 | 5.9 | 7,961 |
| Australia | 8,535 | 8,744 | 6,854 | 8,378 | 3.9 | 3,444 |
| UK | 6,566 | 12,403 | 11,667 | 5,201 | 2.4 | 3,964 |
| France | 387 | 485 | 5,183 | 1,955 | 0.9 | 701 |
| Belgium | 99 | 1,250 | 1,412 | 1,201 | 0.6 | 2,247 |
| US | 3,793 | 8,470 | 1,458 | 2,294 | 1.1 | 2,381 |
| Others | 4,091 | 12,510 | 4,239 | 3,609 | 1.7 | 2,213 |
| Total | 93,901 | 153,007 | 181,997 | 214,022 | | 153,067 |

The total 2005 imports were nearly 18% higher than the 2004 figure, but The Jan.-June 2006 imports are 35.5% higher than in the corresponding period in 2005, highlighting the increasing imports.

Import Trade Matrix

Country South Africa

Commodity Meat, Broiler

Time Period Jan-Dec

Units: MT

Imports for: 2004

2005

U.S. 99

U.S. 191

Others Others

| | | | |
|--------|-------|--------|-------|
| Brazil | 54193 | Brazil | 57071 |
|--------|-------|--------|-------|

| | | | |
|-----------|------|-----------|------|
| Argentina | 4476 | Argentina | 6875 |
|-----------|------|-----------|------|

| | | | |
|--------|------|--------|------|
| Canada | 3099 | Canada | 9948 |
|--------|------|--------|------|

| | | | |
|--------|------|--------|------|
| France | 1260 | France | 1825 |
|--------|------|--------|------|

| | | | |
|---------|------|---------|------|
| Belgium | 1136 | Belgium | 1149 |
|---------|------|---------|------|

| | | | |
|------------------|-------|--|-------|
| Total for Others | 64164 | | 76868 |
|------------------|-------|--|-------|

| | | | |
|-------------------|------|--|------|
| Others not Listed | 4899 | | 4047 |
|-------------------|------|--|------|

| | | | |
|-------------|-------|--|-------|
| Grand Total | 69162 | | 81106 |
|-------------|-------|--|-------|

The trade matrix only includes broiler meat and not MRM and offal.

Anti-dumping category

The category, tariff number 0207 1490, bone in cuts, include the chicken leg quarters which was the cause of the anti dumping duty against the US product instituted in 2000. It formed 64% of the 2005 meat imports, the US being replaced as primary supplier by Brazil and Canada. In 2000, before the duty was levied, 21,000 tons were imported of which the US supplied 16,500 tons or 79%.

The 2005 quantity involved is 51,908 tons of which Brazil supplied 33,281 tons, or 64%. The US supplied 25 tons. The 52,000 tons imported constitute 6.3% of domestic production and 5.7% of consumption in 2005. In the first six months of 2006 imports jumped 71% to 44,700 tons compared to the same period in 2005.

The previous Board on Tariffs and Trade brought out an initial report #4065 in June 2000 that recommended the anti-dumping duty. The final report # 4088 was published in December 2000. Provisional payments were introduced on July 5, 2000 and finalized on December 27, 2000, with retrospective effect to July 5, 2000.

On May 28, 2004 the International Trade Administration (ITAC) notified all parties that the anti-dumping duty would expire in 2005 if there were no requests to continue with the duty. The date of the imposition of the duty was given as 12/27/2000 and the date of expiry as 12/27/2005. Interested parties were given time till 06/27/05 (before 07/05/05, 5 years after the provisional payments were instituted) to request a continuation of the duty. The SA Poultry Association submitted a continuation request and the process is ongoing. It is claimed that the South African law considers the final date of the imposition of the duty (12/27/2000) as the date when the duty commenced, and not the retrospective date.

The expiry has thus been effectively slowed down nine months from December 2005 and 15 months from July 2005 with no end in sight.

The general rate of duty on this category is 220 c/kg; the EU the rate is 165 c/kg. and the SADC free. The anti-dumping duty on product from Tyson Foods is 224c/kg. from Gold Kist Inc. 245c/kg. and 725 c/kg. from other US producers.

Imports, Tariff # 0207 14 90, Bone-in cuts; rear quarters; dark meat, the anti-dumping category.

| Metric tons | 2003 | 2004 | 2005 | Jan-June 2006 |
|-------------|--------|--------|--------|---------------|
| Brazil | 15,324 | 25,901 | 33,281 | 30,093 |
| Canada | 12,353 | 2,998 | 9,897 | 10,208 |
| Australia | 1,875 | 2,464 | 3,296 | 916 |
| Argentina | 730 | 2,371 | 4,558 | 1,614 |
| UK | 78 | 163 | 0 | 331 |
| US | 26 | 74 | 25 | 0 |
| Others | 158 | 128 | 851 | 27 |
| Total | 30,544 | 34,099 | 51,908 | 44,706 |

The next category is whole birds, which constituted 20% of chicken meat imports in 2005. This jumped to 31% for the first six months in 2006, nearly three times the quantity imported during the same period in 2005. Fresh and chilled whole birds are

allowed in free of duty while the general tariff on frozen whole birds is 27% ad valorem, 20.25% on product from the EU and free from the SADC neighbors.

Imports, Tariff #0207 12, whole birds

| Metric tons | 2003 | 2004 | 2005 | Jan-June 2006 |
|-------------|-------|--------|--------|---------------|
| Brazil | 6,188 | 16,915 | 11,324 | 21,303 |
| Argentina | 1,675 | 2,080 | 2,097 | 2,688 |
| France | 0 | 1,514 | 1,825 | 645 |
| Belgium | 0 | 1,136 | 996 | 887 |
| Other | 241 | 51 | 0 | 43 |
| TOTAL | 8,104 | 21,696 | 16,242 | 25,566 |

Boneless cuts (mainly chicken breasts) are a high quality product also used in the food service industry. It formed about 16% of chicken meat imports in 2005 but at a much higher landed price. In the first six months of 2006 imports jumped by 75% compared to the previous year. The general rate of duty is 5%, 3.75% from the EU and free from the SADC countries.

Imports, Tariff #0207 14 10 Boneless cuts.

| Metric tons | 2003 | 2004 | 2005 | Jan-June 2006 |
|-------------|--------|--------|--------|---------------|
| Brazil | 1,061 | 11,376 | 12,466 | 11,936 |
| China | 9,813 | 1,641 | 0* | 71 |
| Canada | 50 | 75 | 51 | 50 |
| Thailand | 51 | 75 | 0* | 0 |
| Israel | 15 | 40 | 53 | 27 |
| U.S. | 0 | 25 | 166 | 75 |
| Other | 499 | 389 | 240 | 89 |
| Total | 11,489 | 13,621 | 12,956 | 12,248 |

*Imports banned due to avian influenza.

The next category is Mechanically Recovered Meat (MRM) used in the processing and canning industry. This is not a direct consumption product but a cheap meat substitute. The quantity involved is substantial with sales in the first six months of 2006 up 52% on the corresponding months in 2005. This product is allowed in free of duty.

Imports, Tariff # 0207 14 05, Boneless, excluding cuts, MRM.

| Metric tons | 2003 | 2004 | 2005 | Jan-June 2006 |
|-------------|--------|--------|--------|---------------|
| Brazil | 25,563 | 37,634 | 62,335 | 27,456 |
| Canada | 4,935 | 964 | 5,098 | 1,972 |
| UK | 10,625 | 5,928 | 3,750 | 3,100 |
| Argentina | 551 | 1,701 | 3,392 | 1,674 |
| Australia | 2,099 | 1,402 | 1,271 | 683 |
| France | 290 | 1,189 | 130 | 0 |
| US | 1,326 | 990 | 77 | 373 |
| Others | 1,697 | 479 | 383 | 1,530 |
| Total | 47,086 | 50,287 | 76,436 | 36,788 |

Chicken offal is also a big category, consisting of feet or claws, skins, liver, neck, hearts and stomach (heads not allowed). The general rate of duty on offal is 27% but product from the EU and SADC is duty free.

Imports, Tariff #0207 14 20, Offal

| Metric tons | 2003 | 2004 | 2005 | Jan-June 2006 |
|-------------|--------|--------|--------|---------------|
| Brazil | 22,738 | 31,408 | 26,930 | 15,978 |
| Canada | 354 | 59 | 556 | 419 |
| Argentina | 953 | 1,238 | 2,338 | 1,912 |
| Australia | 1,663 | 655 | 421 | 104 |
| US | 1,774 | 152 | 76 | 167 |
| Others | 722 | 1,854 | 1,436 | 144 |
| Total | 28,204 | 34,366 | 31,757 | 18,724 |

Turkey meat

PSD Table

| Country | South Africa | | | | | |
|------------------------|--------------|------------|------------|------------|------------|------------|
| Commodity | Meat, Turkey | | | | | |
| 1000 MT | 2005 | Revised | 2006 | Estimate | 2007 | Forecast |
| | USDA [Old] | Post [New] | USDA [Old] | Post [New] | USDA [Old] | Post [New] |
| Market Year Begin | 01/2005 | | 01/2006 | | 01/2007 | |
| 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 | 5 | 5 | 5 | 0 | 7 |
| Whole, Imports | 2 | 2 | 2 | 1 | 0 | 1 |
| Parts, Imports | 22 | 24 | 23 | 25 | 0 | 24 |
| Intra EC Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Imports | 24 | 26 | 25 | 26 | 0 | 25 |
| TOTAL SUPPLY | 29 | 31 | 30 | 31 | 0 | 32 |
| 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 | 29 | 31 | 30 | 31 | 0 | 32 |
| Other Use, Losses | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Dom. Consumption | 29 | 31 | 30 | 31 | 0 | 32 |
| TOTAL Use | 29 | 31 | 30 | 31 | 0 | 32 |
| Ending Stocks | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL DISTRIBUTION | 29 | 31 | 30 | 31 | 0 | 32 |

Domestic turkey production is still very small although a producer has surfaced promising year round supplies. The market is, however, mainly based on the duty free imports. Whole bird imports dropped by a third in 2005, as turkey is just not a big item in the local shopping basket. The US supplied 429 tons in 2003 but dropped to zero in 2004 and 56 tons in 2005, as shown in the following table.

Imports, Turkeys, whole birds, fresh and frozen

| Tariff # | Metric tons | 2002 | 2003 | 2004 | 2005 |
|----------|---------------|------|------|------|------|
| 0207.25 | | | | | |
| | Brazil | 920 | 1335 | 1083 | 1008 |
| | United States | 17 | 429 | 0 | 56 |
| | France | 0 | 194 | 547 | 0 |
| | Canada | 93 | 73 | 0 | 27 |
| | Israel | 9 | 15 | 20 | 17 |
| | Others | 0 | 0 | 18 | 18 |
| | Total | 1039 | 2046 | 1668 | 1126 |

The other category imported is Tariff # 0207 27, Turkey cuts and edible offal, in this case Mechanically Removed Meat (MRM). This amounted to 23,551 tons in 2005, 10% less than the 26,063 tons imported in 2004. This product falls outside the description of turkey meat.

| Turkey MRM | 2003 | 2004 | 2005 |
|----------------|--------|--------|--------|
| Brazil | 8,554 | 13,443 | 11,954 |
| Canada | 6,574 | 1,730 | 3,824 |
| Australia | 2,973 | 2,297 | 3,389 |
| United States | 4,996 | 218 | 1,894 |
| United Kingdom | 1,700 | 5,555 | 1,414 |
| Others | 602 | 2,820 | 1,076 |
| Total | 25,399 | 26,063 | 23,551 |