

Voluntary Report – Voluntary - Public Distribution

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Report Name: Competition Commission Report Examines Poultry

Country: South Africa - Republic of

Post: Pretoria

Report Category: Poultry and Products

Prepared By: Makoma Makgopa, Amy Caldwell

Approved By: Ali Abdi

Report Highlights:

The March 2023 Essential Food Price Monitoring Report published by South Africa’s Competition Commission provided a deep dive into the poultry value chain. The report highlights the role of poultry as a staple in the South African diet and notes that the poorest 10% of households spend up to 7% of their income on chicken. The Commission examines the power of the concentrated and vertically integrated poultry sector and discusses the role of imports in constraining local prices.

The Competition Commission

The Competition Commission is a statutory body created by the Government of South Africa to investigate, control, and evaluate business practices, abuse of dominant positions and mergers in order to achieve equity and efficiency in the South African economy. The Commission has been monitoring the essential food prices since the onset of the pandemic in March 2020. The March 2023 Essential Food Price Monitoring Report published by South Africa's Competition Commission provided a deep dive into the poultry value chain.

“Chicken Price Increases are Highly Regressive”

The report explains that poultry is an essential food, and that price increases are most challenging for low-income consumers in South Africa. “As chicken is a staple product, chicken price increases are highly regressive since the poorest 10% of households spend up to 7% of their total expenditure on chicken products, compared to 1% spent by the wealthiest 10% of households.”

The report notes that the economic situation has made affordable protein harder to come by, stating “faced with increased red meat prices, consumers have substituted beef and lamb for chicken to ease budgetary constraints. Bone-in chicken cuts are the product of choice for South African consumers and account for 60% of total chicken demand.” With poultry playing such a large role in the diet of low-income consumers, price increases can create significant hardships for households.

“Power to Achieve Anti-Competitive Prices”

The Commission describes the South African poultry industry as highly concentrated and dominated by vertically integrated firms, noting that the top two producers alone make up 50% of the market. According to the report, “Such a market structure raises concerns that these firms could use their market power to achieve anti-competitive prices.” These vertically integrated businesses produce significant volumes of feed for internal consumption and sell the excess to non-integrated poultry farmers. The major producers of broiler feed are primarily part of companies that also produce poultry, creating what the Commission calls a “potential concern since it grants the vertically integrated firms a degree of influence over their unintegrated rivals, which may be abused to the benefit of their downstream broiler and chicken product business.”

Prices Constrained by Imports

In March 2020, tariff rates on imported bone-in cuts jumped to 62%. The Commission notes, “The South Africa poultry sector enjoys high levels of trade protection... This trade protection is intended to insulate the local industry from unfair trade competition while supporting industry's growth. However, imports play a role in constraining local prices.” The report demonstrates that tariffs have pushed imported goods to be consistently more expensive than local producer prices and explores the influence this has on consumer price. Looking at impact of the suspension of anti-dumping duties (referred to in the report as anti-dumping tariffs) on Brazil and four EU countries, the report concludes that “the

suspension of the tariff appears to have had immediate impact on consumer prices, which fell nearly 4.9% while the post duty price fell by 26.5%. These simultaneous declines suggest that, as intended, the lower prices of imports were passed through to consumers.” The report further illustrates how percentage-based tariff rates led to highly inflated import prices, with duties pushing imported product above consumer prices when global prices rose in mid-2022.

Attachments:

[Essential Food Price Monitoring -Report_Mar-2023.pdf](#)