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Report Highlights:

In March 2020, the South African government substantially increased the applied most-favored nation import tariffs on bone-in chicken meat and on boneless chicken meat. Post forecasts a marked decrease in chicken meat imports in 2021 to 357,000 tons, as local production is expected to increase. Post estimates that chicken meat imports will decrease by 10 percent in 2020 to 435,000 tons, due to an increase in local production as a result of the bumper corn harvest for the 2019/2020 marketing year. In 2019, South Africa imported 539,000 tons of chicken meat in 2019 to augment local production. This represents a 5 percent decrease from the previous year. For the prior three years, U.S. exports filled the tariff-rate quota (TRQ) for U.S. bone-in chicken meat imports, again reflecting the consistent demand in the South African market. For 2020/2021, South Africa increased the annual TRQ allocation by 2 percent to 69,972 tons.

Executive Summary

Production: For 2021, Post forecasts that South Africa's poultry production will increase by 4 percent. This is as a result of the maize bumper harvest, the increase in the import duties on bone-in chicken meat and boneless chicken meat and the Poultry Sector Master Plan introduced by the South African government and the poultry industry stakeholders. The Plan is intended to increase profitability and efficiency in the industry by protecting poultry producers against alleged unfair trade practices.

Consumption: Post forecasts that chicken consumption will decrease by 1 percent in 2021. South Africa is one of the world's leading consumers of chicken, and chicken is the highest consumed meat in the country with a per capita consumption of 42 kg/year in 2018. Due to ongoing structural issues in the country and a stagnant economy, South Africa's economic growth has been on a downward spiral, which contributed to the increase in the unemployment rate.

Imports: Post forecasts 2021 chicken meat imports at 357,000 tons, which reflects a decrease of 18 percent from the prior year. South Africa's imports of chicken meat are expected to decline due to increases on import duties announced in March 2020; the increases applied to bone-in chicken meat (37 percent to 62 percent) and boneless pieces (12 percent to 42 percent). Bone-in chicken meat is the primary chicken product imported into the country followed by mechanically-deboned chicken meat.

Exports: Post forecasts that chicken meat exports will increase by 2% in 2021. South Africa exports small volumes of chicken mostly to the Southern African Development Community (SADC) and other neighboring countries. However, as part of the Poultry Sector Master Plan, the industry plans to increase exports to other markets.

Production

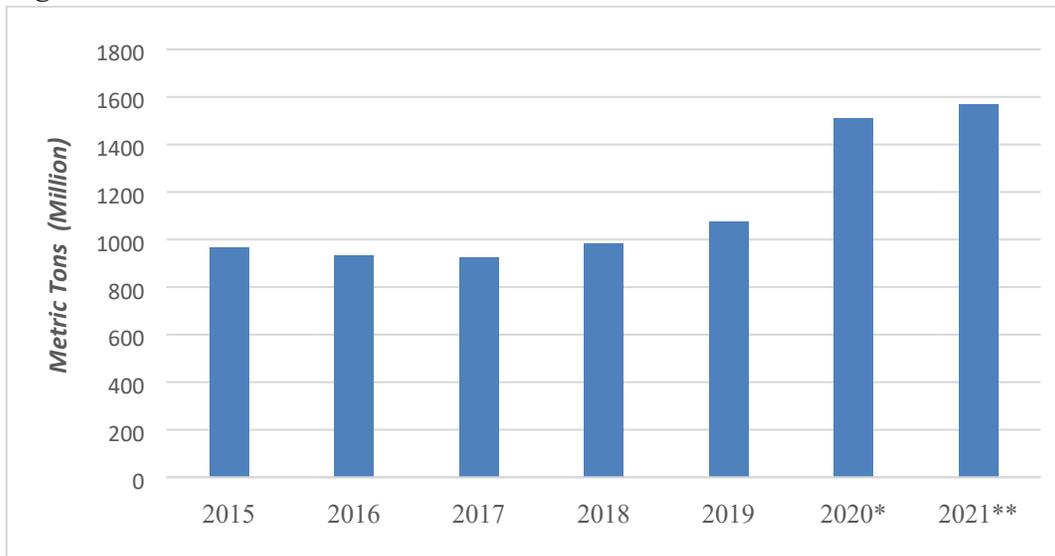
South Africa produces 19.6 million birds per week, and poultry production is the largest product sector in agriculture in South Africa, ahead of all other animal sectors and ahead of all field crop and horticultural sectors. The industry is subject to high production costs that impact on their yearly productivity. Their production costs are dominated by high feed costs and that reduce the poultry industry's competitiveness. The feed costs account for 70 percent of the production costs and other inputs such as soybeans are imported at a high cost as a result of the weak exchange rate. During the 2019/2020 Marketing Year (MY), South Africa produced its second highest corn crop in history with a 16.1 Million-ton bumper crop. This bumper crop has suppressed local corn prices and is expected to continue to in the 2020/2021 MY. Thus, feed costs declined compared to prior years and contributed to lower production costs.

In November 2019, the South African government and the poultry industry signed a Poultry Sector Master Plan that is proclaimed to increase productivity in the poultry sector and protect the local domestic producers from alleged unfair trade practices and imports. One of the measures that will be used to accomplish the later objective is increased import tariffs. In March 2020, the International Trade Administration Commission approved the South African Poultry Association's (SAPA) application for increases on import duties applied to bone-in chicken and boneless chicken imports. This move was welcomed by the poultry industry, and it is believed that the tariffs will motivate more expansion in the local industry and lead to increase in production. SAPA has announced plans to commit 1.5 Billion Rand (USD\$ 90.3 Million) for the expansion of the poultry industry in the country.

Although the poultry industry alleged the lack of growth on an influx in imports, the government has identified certain industry-wide structural issues that make it difficult for the small-scale, previously disadvantaged poultry producers to participate fully in the market. Commercial producers contribute an estimate of more than 90% of the total poultry meat production in the country, while the small-scale producers contribute the remaining 10%. According to a report by the then-Department of Agriculture, Forestry and Fisheries, there are eight (8) commercial producers responsible for over 70% of the total broiler production, including RCL Foods, Country Bird Holdings and Astral Foods. RCL Foods and Astral Foods are by far the African continent's largest two poultry companies, having slaughtered 260 million and 228.3 million broilers annually in 2017, respectively.

Due to the onset of the global COVID-19 pandemic, South Africa has been in a government-imposed lockdown since March 2020. Nonetheless, the poultry sector's primary operations continued because government identified the agricultural sector as an essential service, allowing the sector to operate during the lockdown. However, many poultry companies experienced losses as a result of the lockdown; Quick Service Restaurants and hotels were closed during the initial months of the lockdown, thereby reducing the demand for chicken.

Figure 1: South Africa's Chicken Meat Production



Source: *South African Poultry Association*

*Post Estimate/**Post Forecast

In 2021, chicken meat production is projected to increase by 4 percent to reach 1.57 million tons, which is an increase from 1.51 million tons in 2020. The high bumper crop for 2019/2020 is expected to put downward pressure on feed prices and increase profitability for broiler producers (see also [Grain and Feed annual](#)). Feed is the major cost factor in the broiler industry and contributes more than 70 percent to the total cost of a broiler producer. Corn and soybean are the primary ingredients (more than 50 percent inclusion rate) in broiler feed, and any change in the price of corn impacts directly on the profit margin of broiler producers. The increase in import duty on bone-in chicken imports is expected to motivate the poultry industry to invest more in local production and expansion.

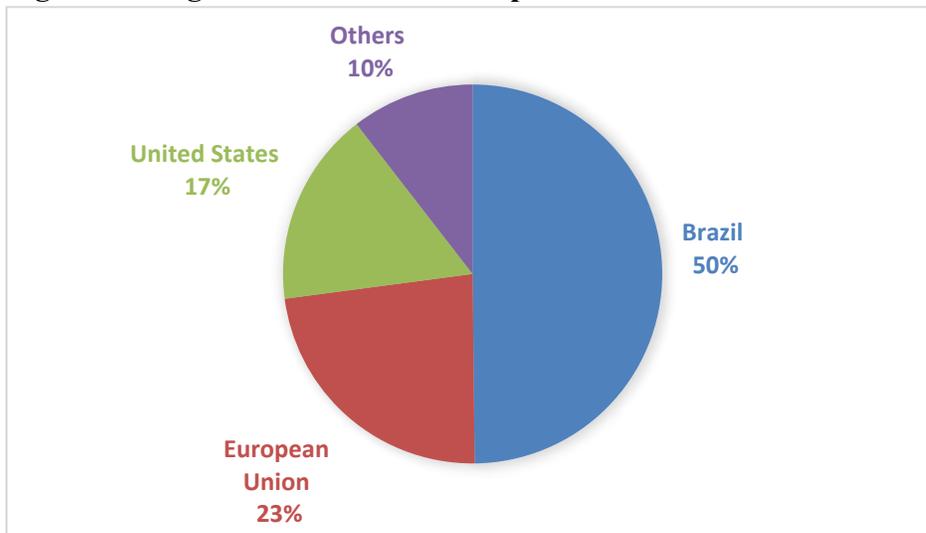
Consumption

Post forecasts that South Africa's poultry consumption in 2021 will decrease by 1 percent to 1.88 million tons. In 2020, poultry consumption is expected to remain flat at 1.94 million tons. South Africa already entered into a recession ahead of its coronavirus lockdown, following consecutive negative economic growth quarters at the second half of 2019. The country recorded a decline in Gross Domestic Product (GDP) in the first quarter of 2020, deepening the recession it entered into at the start of the year. According to Stats SA, GDP growth for first quarter 2020 was recorded at -2%, marking the third quarter of decline in succession, following drops of 0.6% in third quarter 2019, and 1.4% in fourth 2019. South Africa's unemployment rate rose to 30.1 percent in the first quarter of 2020 from 29.1 percent in the previous period and above market expectations of 29.7 percent. South Africa is one of the major consumers of chicken meat in the world. Chicken meat is the highest consumed meat in the country with a per capita consumption of 33 kg in 2019 as compared to the beef per capita consumption of 17 kg/year and 7 kg/year for eggs. In 2019 the per capita consumption for chicken meat for the country was 33 kg/year while by comparison, Israel's per capita consumption was 64 kg/year, which is highest in the world.

Imports

Post forecasts that in 2021, South Africa's imports of chicken meat will decrease by 18 percent to 357,000 tons. In 2020, South Africa is estimated to import 435,000 tons of chicken meat to augment local production, which is a decrease of 10 percent from the 2019 imports. The consecutive annual declines are a result of the increase in the most-favored nation (MFN) import duties imposed on the bone-in chicken cuts and the boneless chicken cuts, the maize bumper harvest for the 2019/2020 marketing year, which will soften the local production costs, and the weak exchange rate. The decrease in imports is expected to shift demand of the imports of bone-in and boneless meat from Brazil and the United States to the European Union (EU) because imports from EU member countries are not subject to the MFN duties.

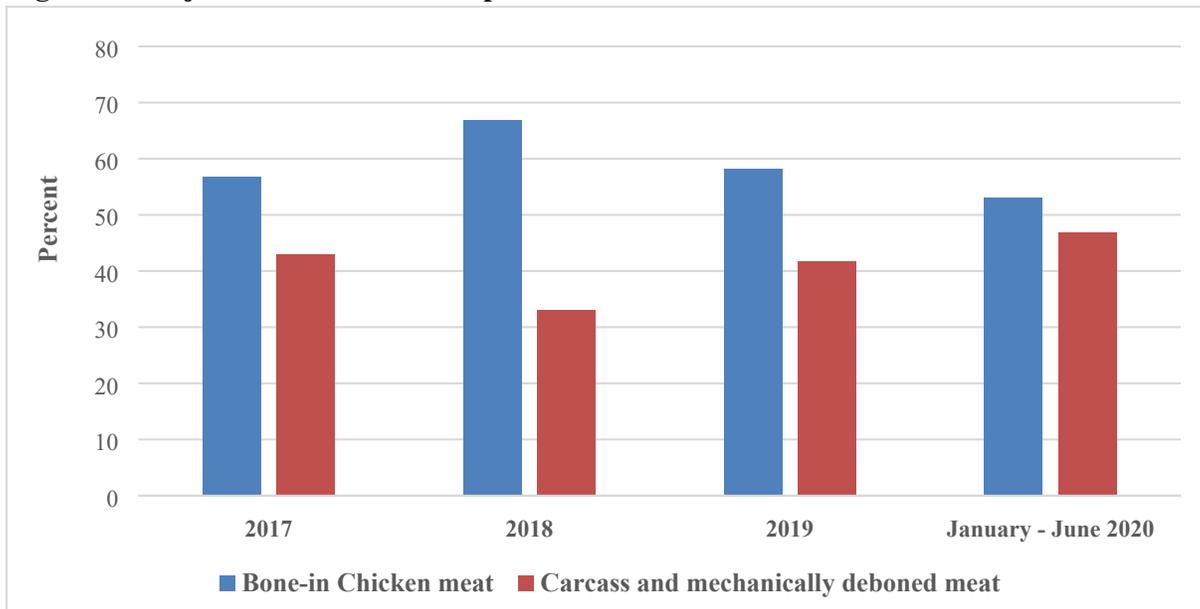
Figure 2: Origin of Chicken Meat Imports into South Africa for 2019



Source: Trade Data Monitoring (TDM)

Imports account for 30 percent of chicken meat consumed in South Africa. Brazil, the European Union and the United States are the major suppliers of chicken meat to South Africa. In 2019, Brazil exported half of the meat imported by South Africa, while the European Union and United States exported 23 percent and 17 percent, respectively. In 2019, 53 percent the chicken meat imported by South Africa was bone-in chicken meat while 47% was carcasses and mechanically-deboned meat. The South African consumer prefers bone-in chicken (brown) meat, which is comprised of wings, drumsticks, quarters and etc. Mechanically deboned meat is used for processing to manufacture cold meats that are consumed during breakfast.

Figure 3: Major Chicken Pieces Exported to South Africa



Source: TDM

Brazil and the United States are subject to South Africa’s MFN duty regime. However, the United States exports bone-in chicken under an annual tariff-rate quota (TRQ) currently set at of 69,972 tons. The quota period operates from April - March, and is exempted from an anti-dumping duty of R9.40 per/kg that applies to imported volumes above the TRQ. The EU exports under the South African Development Community European Union Economic Partnership Agreement, which allows duty free access to the South African market. Although the EU exports chicken meat to South Africa on a zero percent duty, there are several member states and companies from the EU that are subject to a safeguard duty and to biosecurity restrictions as a result of the Highly Pathogenic Avian Influenza (HPAI).

Several poultry companies in Germany, the Netherlands and the United Kingdom are subject to antidumping duties, while all the EU countries are subject to a safeguard duty currently set at 25 percent. The safeguard duty is scheduled to be phased down over a period of three years to 2022. Five countries from the EU are subject to sanitary restrictions as a result of the HPAI outbreaks that occurred in their countries. The countries are Germany, United Kingdom, Belgium, France and Poland. These restrictions have led to the overall decline in market share for the European Union. Nonetheless, the recent removal of HPAI restrictions on imports from the Netherlands, the reduction of the EU-wide safeguard duty over the following three years and the new increases to the applied MFN duties suggest that the European Union is positioned to recapture the market share it lost, potentially at the expense of the United States and Brazil.

Table 1: South Africa's Import Tariffs for Specific Chicken Meat Products

Tariff	Product Description	Rate of Duty				
		General	EU	EFTA*	SADC**	MERCOSUR
Heading						
0207						
0207.12.10	Mechanically Deboned meat	Free	Free	Free	Free	Free
0207.12.20	Carcasses (excluding necks and offal with all cuts removed), Frozen	31%	Free	31%	Free	31%
0207.12.90	Frozen Whole Birds	82%	Free	82%	Free	82%
0207.14.10	Boneless cuts	42%	Free	42%	Free	42%
0207.14.20	Offal	30%	Free	30%	Free	30%
0207.14.90	Bone-in Portions	62%	Free	62%	Free	62%
		Anti-dumping duty for the United States of R9.40/kg outside of 69,972 tons	Safeguard duty of 25% applies			

Source: *South African Revenue Services*

*EFTA = European Free Trade Association

**SADC = Southern African Development Community

As mentioned above, on March 12, 2020, South Africa announced that the MFN duties on imports of bone-in chicken would be raised from 37 percent to 62 percent, and from 12 percent to 42 percent for boneless portions. The announcement came more than one year after the International Trade Administration Commission of South Africa initiated its investigation in November 2018 at the request of SAPA. The increases on the duties were effective as of March 13, 2020. The tariff increases are expected to grant the EU a competitive advantage over the other trading partners like Brazil and United States.

Exports

Post forecasts that 2021 poultry exports will increase marginally to 51,000 tons as a result of the efforts arising from the Poultry Sector Master Plan to campaign for new markets and expansion in the local production facilities. While South Africa does not export a substantial amount of chicken meat, its major export markets are neighboring countries whom are also members of the Southern African Development Community (SADC). During the past three years, South Africa exported chicken meat to the neighboring countries and to the United Arab Emirates. South Africa does not export to other markets mainly because

it is not yet self-sufficient in production, and as a result of the sanitary and phytosanitary requirements of the many export destinations, include the EU. Although the country is a member of the Southern African Development Community - European Union Economic Partnership Agreement (SADC-EU-EPA), South Africa is unable to benefit from the duty-free access of the agreement because of the SPS requirements on imports in the EU countries.

Table 2: South Africa’s Chicken Meat Imports

Partner	Quantity			
	2017	2018	2019	2020*
Brazil	337,476	348,155	268,869	151,231
United States	87,059	91,374	89,598	47,640
European Union	77,905	71,196	124,521	50,521
Argentina	32,816	33,278	37,939	17,949
Others	21,619	22,204	18,639	9,901
Total	556,874	566,208	539,564	277,242

Source: TDM

*Year to date: January - July

Table 3: South Africa’s Chicken Meat Exports

Partner	Quantity			
	2017	2018	2019	2020*
Lesotho	19,497	21,291	23,680	12,146
Mozambique	17,426	12,330	14,733	6,823
Namibia	13,437	7,125	5,745	4,379
Botswana	3,383	3,389	2,840	1,348
Swaziland	2,147	2,216	2,600	1,647
United Arab Emirates	395	1,455	2,104	713
Others	12,333	5,757	2,829	2,234
Total	68,618	53,564	54,529	29,292

Source: TDM

*Year to date: January – July

Table 4: PS&D Table for Chicken Meat

Meat, Chicken	2019		2020		2021	
Market Begin Year	Jan-19		Jan-20		Jan-21	
South Africa	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	0	0	0	0		0
Production	1410	1395	1420	1510		1570
Total Imports	545	545	480	435		357
Total Supply	1955	1940	1900	1945		1927
Total Exports	55	45	51	50		51
Human Consumption	1900	1895	1849	1895		1876
Other Use, Losses	0	0	0	0		0
Total Domestic Consumption	1900	1895	1849	1895		1876
Total Use	1955	1940	1900	1945		1927
Ending Stocks	0	0	0	0		0
Total Distribution	1955	1940	1900	1945		1927
(1000 MT)						

Attachments:

No Attachments