

**Required Report:** Required - Public Distribution

**Date:** September 26, 2022

**Report Number:** SF2022-0024

## **Report Name:** Poultry and Products Annual

**Country:** South Africa - Republic of

**Post:** Pretoria

**Report Category:** Poultry and Products

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### **Report Highlights:**

Post forecasts that chicken meat production will increase by two percent in 2023 as a result of economic recovery, normalization of feed costs, and increased investment by the industry due to anticipated high revenue from market year 2022. Chicken meat consumption is expected to increase by two percent in 2023 as consumers will look to chicken to meet protein demands with increasing price of other proteins like beef and lamb. Imports are forecast to increase by three percent in 2023 to meet local demand as global exportable supplies recover. Post forecasts that South Africa's chicken meat exports for 2023 will increase by four percent as the animal health situation improves and demand from Southern African markets remains strong.

## **Executive Summary**

**Production:** Post forecasts that chicken meat production will strengthen to return to the growth trend seen prior to COVID-19 and the subsequent economic downturn. Normalizing feed costs and investment by the industry will fuel higher production.

**Consumption:** Post forecasts that chicken meat consumption will increase in 2023 as demand for the most affordable meat will remain strong and grow as a result of an expected increase in the price of other proteins like beef and lamb.

**Imports:** Post forecasts that imports will increase slightly in 2023 as local production remains insufficient to meet demand. However, imports will continue to be suppressed by high tariff rates and Anti-Dumping Duties (ADDs).

**Exports:** Post forecasts that South Africa's chicken meat exports for 2023 will increase as poultry continues to be a more affordable protein for the country's major markets. The South African industry continues to invest in growth through export-orientation but has become increasingly reliant on Southern African markets.

**Table 1***Chicken Meat Production, Supply and Distribution Table*

Meat, Chicken Market Year Begins	2021		2022		2023	
	Jan 2021		Jan 2022		Jan 2023	
South Africa	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Beginning Stocks</b> (1000 MT)	0	0	0	0	0	0
<b>Production</b> (1000 MT)	1573	1570	1575	1577	0	1605
<b>Total Imports</b> (1000 MT)	371	371	370	370	0	380
<b>Total Supply</b> (1000 MT)	1944	1941	1945	1947	0	1985
<b>Total Exports</b> (1000 MT)	53	53	52	53	0	55
<b>Human Consumption</b> (1000 MT)	1891	1888	1893	1894	0	1930
<b>Other Use, Losses</b> (1000 MT)	0	0	0	0	0	0
<b>Total Dom. Consumption</b> (1000 MT)	1891	1888	1893	1894	0	1930
<b>Total Use</b> (1000 MT)	1944	1941	1945	1947	0	1985
<b>Ending Stocks</b> (1000 MT)	0	0	0	0	0	0
<b>Total Distribution</b> (1000 MT)	1944	1941	1945	1947	0	1985
(1000 MT)						

*Note: All data in 1000 MT*

**Production**

Post forecasts that chicken meat production will increase by 2 percent in 2023 as a result of normalization of feed costs, improvement of the animal health situation, economic recovery, and investment by the industry.

Despite a struggling economy, the poultry industry appears to be faring well and investing for growth. The Gross Domestic Production (GDP) is forecasted to increase at a sluggish 1.80 percent in 2023. However, Post contacts have suggested that major South African poultry companies should see significant profits in 2022, due largely to the higher prices of poultry internationally as well as domestically. If companies invest profits into production, the industry can resume its growth trajectory.

Since 2019, South African Poultry Association (SAPA) has invested 1.14 billion rand (\$78 million) for expansion of production facilities to support new commercial farmers. According to SAPA, these investments have yielded an increase in production of 1 million additional birds per week. SAPA's goal is to enable the industry to increase production by a minimum of 10 percent in the period of 2019- 2023. However, Post forecasts production will increase only marginally during this period due to the myriad of challenges associated with higher feed and fuel prices. Post anticipates that 2023 will provide an opportunity for recovery for the industry.

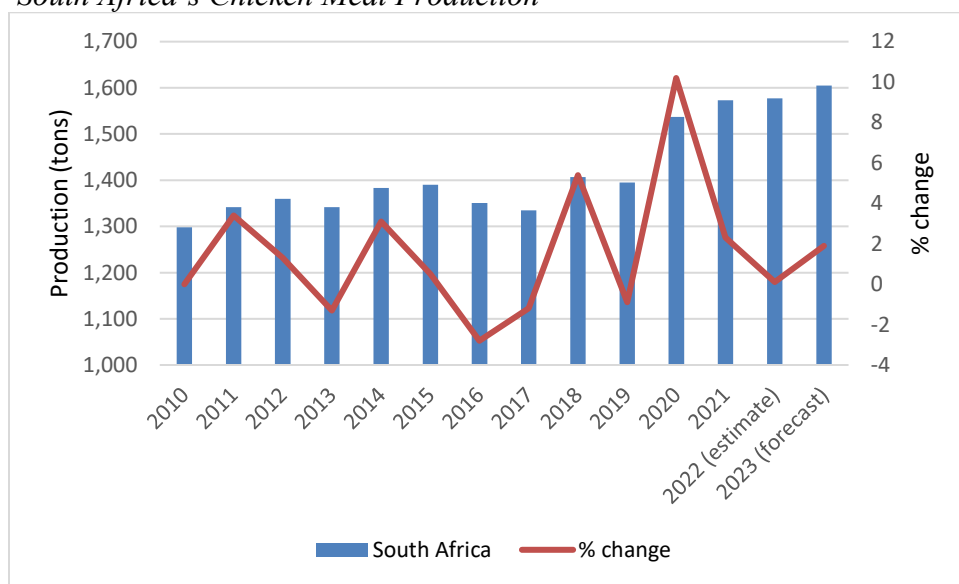
Post estimates that chicken meat production will remain mostly flat at 1.5 million tons in 2022, as a result of the high cost of inputs that was exacerbated by Russia's invasion of Ukraine. Despite investments in the sector, the pace of growth seen in prior years has been slowed by the recent increase in international

feed prices, poor economic growth, and structural constraints. South Africa’s feed costs account for close to 70 percent of total broiler production costs. Due to the relatively high levels of import dependency for feed protein and the free market for maize exports, South African feed costs are heavily influenced by changes in international prices that rose in 2022. According to the South African Grain Information Services (SAGIS), South Africa’s corn for animal consumption reached an all-time high in May 2022. See: [south-africa-grain-and-feed-update-21](#)

Nearly 4 million birds have been culled as a result of the Highly Pathogenic Avian Influenza outbreak that began in April 2021. The total losses represent 2.6 percent of the national flock, 9.6 percent of the egg industry flock and 0.6 percent of the broiler flock. Until June 2022, South Africa reported a total of 85 outbreaks to the World Organization for Animal Health although the cases are thought to have reached 145. South African farmers are accustomed to managing avian influenza outbreaks as they occur frequently due to migratory patterns of wild birds. Most farmers put in place biosecurity measures during the 2017 outbreak when 5.4 million chickens were culled resulting in a loss of 1.87 billion rand. Therefore, farmers are relatively undeterred by recent events and are not shifting or scaling-back production. The HPAI situation appears to be improving as new outbreaks have become less frequent in recent months.

**Figure 1**

*South Africa’s Chicken Meat Production*



**Source:** *USDA Production Supply & Distribution*

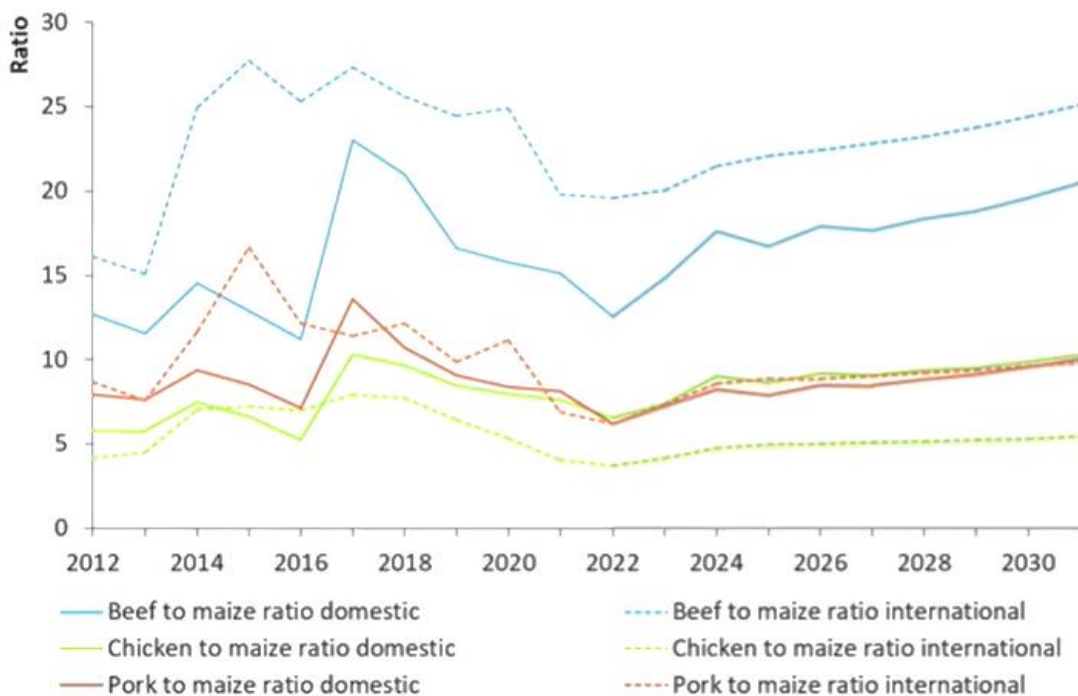
**Note:** *Includes commercial broiler production as well as subsistence sector and spent hens but excludes offal. All figures are USDA Official with the exception of the estimate and forecast.*

Poultry production constitutes roughly 20 percent of the country’s total agricultural gross value. It is a highly concentrated industry with just eight commercial producers responsible for over 70 percent of the total broiler production. Collectively, commercial producers contribute approximately 90 percent of the

total poultry meat production in the country, while the small-scale producers contribute the remaining 10 percent.

**Figure 2**

*South Africa's domestic meat to Maize ratio*



**Source:** Bureau Food and Agriculture Policy (BFAP)

The chicken maize to price ratio has fallen to levels last seen in 2015. This ratio presents a basic indicator of profitability given that feed accounts for almost 70 percent of production costs and maize is the primary source of energy in most feed rations. South Africa's producers are highly competitive particularly for beef and pork because their maize portion in feed is less as compared to poultry.

The industry is plagued by high and rising production costs and produces small broilers. South Africa's average bird size is 1.8 kg live weight and 1.77 kg slaughter weight, far smaller than the international norm. Transport, storage, and other costs push up the price of feed materials. South Africa imports soymeal which lands in the coastal areas that must be transported by land to farmers' country-wide, while domestically produced soybeans are generally grown in areas far from milling facilities. Though these are common challenges, these expenses in South Africa are exacerbated by an insufficient rail system and high fuel costs.

The poultry sector has been significantly affected by load shedding and load reduction, or power outages. See [South Africa: Load Shedding- The Achilles Heel of the South African Agricultural Sector | USDA Foreign Agricultural Service](#) Large producers rely on generators during power outages which, due to the high cost of fuel, is a significant expense. Some farmers have reported significant bird loss when heating and cooling systems are down for prolonged periods. Losses have also been reported when load shedding interrupts processing and results in discarded poultry.

## Consumption

Post forecasts that chicken meat consumption will increase by 2 percent in 2023. South Africans will consume more chicken as a result of projected price increases for other proteins like beef and lamb. Chicken is a more affordable in comparison to other meats, which may push middle class consumers towards this protein source.

Post estimates that consumption will remain flat at 1.89 million tons in 2022. The struggling economy and global shortages of supply of inputs pushed the country's inflation to increase, surpassing the South African Reserve Bank's targets. This led to an increase in the price of food across the board. Between January and July 2022, some chicken meat prices increased by more than 13 percent.

Chicken meat is consumed by people of all income groups, and it continues to be a cheaper protein. However, economically disadvantaged South Africans are finding chicken meat to be increasingly unaffordable and are moving to consumption of offal products. In 2022, some consumers reduced protein intake altogether. Due to the dual challenges of inflation and South Africa's high unemployment rate, which hovers around 35 percent, it is estimated that 40 percent of the population cannot afford to buy a basic food basket.

### Table 2

*South Africa's per Capita Consumption of Meat in 2021*

<b>Product</b>	<b>Per Capita Consumption</b>
Beef	17.4 kg/year
Pork	5.4 kg/year
Sheep, lamb, and goats	2.8 kg/year
Poultry	39.68 kg/year

*Source: South Africa's Department of Agriculture Land Reform and Rural Development (not Official USDA Statistics)*

Chicken is by far the most popular meat in South Africa. Although pork can compete with chicken in terms of affordability it is not consumed by a large part of the population because of religious reasons. Traditionally, pork in South Africa has been consumed by more affluent consumers, with a substantial share consumed in processed form. A significant share of pork consumption is attributed to the food service sector with sales of ribs and bacon.



**Mixed Portions of brined brown meat consumed by the majority in South Africa:** Although high-income earners prefer white meat for perceived health benefits, brown meat, including drumsticks, wings, and thighs, is consumed by most of the population. Almost all locally produced frozen chicken contains brine, which industry states is intended to preserve and enhance the quality of the meat. Brine content may represent up to 15 percent of the mass.

Photo Source: *Post*



**A typical South African breakfast contains cold meats including polony and sausages.** These cold meats are mostly produced with Mechanically Deboned Meat (MDM) of chicken as the main ingredient. Chicken-only cold meats are increasingly popular. Because South Africa does not produce MDM, this meat is imported, mostly from Brazil.

Photo Source: *Post*



**South African producers introduced canned paws into the domestic market.** Launched in February 2022, this product represents growing interest in low-priced chicken products as meat is increasingly unaffordable for some consumers.

Photo Source: *Shoprite Holdings*

## Imports

Post forecasts that imports will increase marginally by 3 percent in 2023 to meet recovering domestic demand. The impact of increased tariffs and application of Anti-Dumping Duties (ADDs) against poultry from Brazil, Poland, Ireland, Denmark, and Spain currently scheduled for mid-2023 will limit the supply of affordable imports for the second half of the year. However, this will be more than offset by the growth in global exportable supply and a surge in purchases prior to the imposition of ADDs against Brazil.

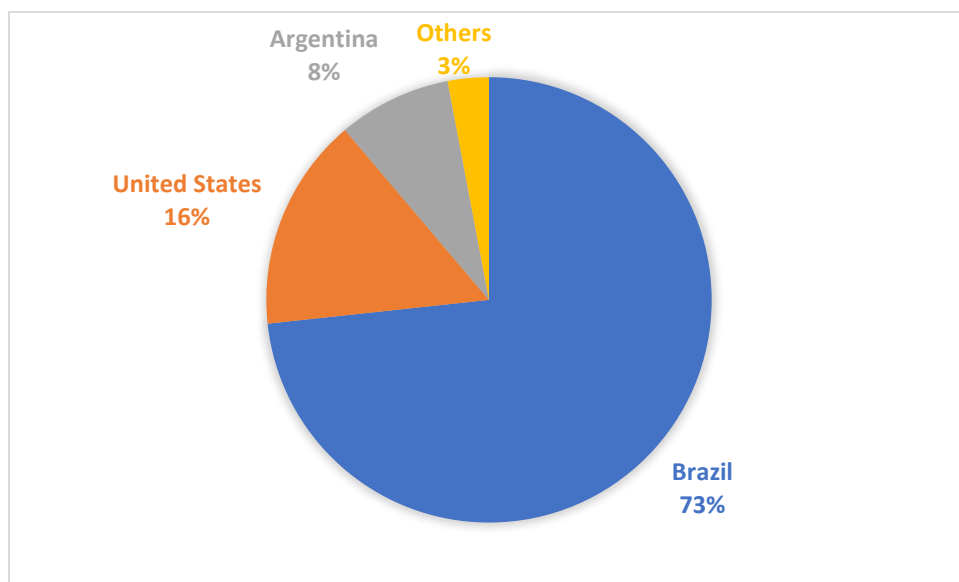
Bone-in poultry from the United States is currently subject to ADDs that are set to expire on November 23, 2022. However, the United States currently exports bone-in chicken meat to South Africa under a

Tariff Rate Quota that exempts a set volume from ADDs. The quota for the year 2022/2023 is 71,632 tons, an increase of 0.5 percent from the prior year. The quota has not been fully utilized since the 2019/20 quota year due to high tariffs, structural challenges with quota utilization, and unfavorable market conditions. If ADDs expire in November, imports of U.S. product may increase slightly depending upon market conditions. However, South Africa may decide to continue the ADDs following the sunset review.

Post estimates that imports will remain flat in 2022 at 370,000 tons. Imports have been hampered by high global poultry prices which are exacerbated by high tariff rates and import bans imposed against most major suppliers due to Highly Pathogenic Avian Influenza (HPAI). However, continued demand has facilitated the continued flow of imports and is expected to pick up pace towards the end of the year due in part to the suspension of ADDs against Brazil and four EU countries.

**Figure 3**

*Origin of Chicken Meat Imported into South Africa for January-June 2022*



**Source:** Trade Data Monitoring (TDM)

Spain is currently the only country from the EU that is allowed to export chicken meat to South Africa due to HPAI import restrictions. Brazil gained market share in 2022 as the European Union and some states in the United States lost a significant share due to HPAI restrictions. Argentina also gained market share as they were the only country unaffected by anti-dumping duties and/or HPAI restrictions. The total market share for Argentina grew by 95 percent between the first six months of 2021 and the same period in 2022.

High tariffs and bone-in ADDs are depressing imports of poultry meat from all major suppliers. On March 12, 2020, South Africa announced that the applied most favored nation duties (MFN) on imports of bone-in chicken will be raised from 37 percent to 62 percent, and from 12 percent to 42 percent for boneless portions.



**Table 3***South Africa's Import Tariffs for Specific Chicken Meat Products*

Tariff Heading	Product Description	Rate of Duty				
		General	EU	EFTA*	SADC**	MERCOSUR
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%

Source: South African Revenue Services

\*EFTA = European Free Trade Association

\*\*SADC = Southern African Development Community

In December 2021, the International Trade Administration Commission (ITAC) whose core functions are customs tariff investigations, trade remedies and import and export control, initiated an anti-dumping investigation duty against bone-in poultry from Brazil, Poland, Ireland, Denmark, and Spain. The anti-dumping duties were in place for six months and expired in June 2022. On August 2022 ITAC recommended that anti-dumping duties be imposed against imports of poultry from the five countries. However, the Minister of Trade, Industry and South Africa announced that the anti-dumping duties against the five countries would be suspended for twelve months to provide relief to consumers amid soaring domestic and global prices of food. See recent: [South-Africa-anti-dumping-duties-suspended-for-competitors-but-remain-united-states-poultry](#)

Companies that participated in the ITAC review were generally granted lower Anti-Dumping Duty rates, while those that did not participate will have the highest duty applied to their products. Between the recent decision and the announcement of bone-in chicken meat anti-dumping duties against the Netherlands, Germany, and the United Kingdom in 2021, all major suppliers of bone-in poultry except for Argentina are facing ADDs.

**Table 4***Anti-Dumping Duties for Bone-in Poultry*

<b>Country</b>	<b>Suspended until August 2023</b>	<b>Provisional (applied December 2021- June 2022)</b>	<b>Currently Applied (from September 2021 onward)</b>	<b>Currently Applied (from 2000 onward)</b>
Brazil	3.31% to 265.1%	6% to 265.1%		
Denmark	7.75% to 67.4%	39% to 67.4%		
Ireland	2.49% to 37.52%	158.42% - all producers		
Poland	2.25% to 96.9%	5% to 96.9%		
Spain	7.56% to 85.8%	3% to 85.8%		
Germany			73.33%	
Netherlands			22.81%	
United Kingdom			30.99%	
United States				9,40 per kilogram

Source: ITAC and South African Department of Treasury

The International Trade and Administration Commission (ITAC) is currently undertaking a review on the poultry tariff structure whereby a price entry structure is under consideration along with a rebate system. A number of tariff lines are proposed to be phased out. The investigation is still underway See: [South Africa Initiates Review of Poultry Tariff Structure](#).

### **Exports**

Post forecasts that South Africa's chicken meat exports for 2023 will increase by 4 percent as poultry continues to be a favored protein for the country's major markets. South Africa exports mainly to the Southern Africa where consumers are cost-conscious and typically eat less red meat. As of 2021, 70 percent of exports in were destined for other Southern Africa Customs Union (SACU) countries, which are bound by the same tariffs and ADDs as those imposed in South Africa. As a result of the high costs, SACU countries are heavily dependent upon tariff-free South African poultry for imports.

A key component in the Poultry Master Plan strategy is increasing exports. The South African Poultry Association (SAPA) has announced that 1.15 billion rand have been expended in support of market creation. In August 2022, SAPA announced that four new companies are said to be prepared to be export ready, with eyes towards the Middle East. As part of the expansion program under the Poultry Master Plan, the poultry industry plans to increase exports of heat treated and processed products. According to SAPA, recent projects have increased the cooking capacity for poultry meat exports by 65 tons per week to 140 tons.

Post estimates that the chicken meat exports for 2022 will remain flat as recurrent HPAI outbreaks have thus far prevented plans to expand export markets. Due to HPAI, South Africa is currently unable to export to places like the European Union despite their Southern African Development Community, European Union Economic Partnership Agreement. Despite a lack of markets further afield, consumers from primary export markets in Southern Africa continue to demand poultry as a more affordable protein source.

**Table 5**

*South Africa's Chicken Meat Imports*

<b>Partner</b>	<b>Quantity</b>			
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022*</b>
Brazil	262,991	262,872	280,131	166,005
United States	78,794	75,239	61,837	35,142
Spain	17,623	23,820	32,111	1,764
Argentina	37,939	29,530	23,690	18,598
Others	113,970	69,247	9,057	3,541
<b>Total</b>	<b>511,317</b>	<b>460,708</b>	<b>406,826</b>	<b>225,050</b>

Source: TDM

\*Year to date: January – June

**Table 6***South Africa's Chicken Meat Exports*

<b>Partner</b>	<b>Quantity</b>			
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022*</b>
Lesotho	23,276	22,970	27,937	11,578
Mozambique	14,095	13,881	5,855	6,193
Namibia	5,316	7,731	9,245	3,419
Botswana	2,325	1,894	3,560	1,260
Eswatini	1,835	2,226	2,522	1,181
Zimbabwe	3	136	871	138
Zambia	366	1,403	820	198
United Arab Emirates	2,104	1,164	614	84
Others	2,319	1,471	1,207	947
<b>Total</b>	<b>51,639</b>	<b>52,876</b>	<b>52,631</b>	<b>24,998</b>

Source: TDM

\*Year to date: January- June

**Attachments:**

No Attachments