

Required Report: Required - Public Distribution

Date: September 12, 2023

Report Number: SF2023-0028

Report Name: Poultry and Products Annual

Country: South Africa - Republic of

Post: Pretoria

Report Category: Poultry and Products

Prepared By: Makoma Makgopa, Amy Caldwell

Approved By: Ali Abdi

Report Highlights:

South Africa's steady growth in poultry production is expected to continue in 2024 as an increasingly vertically integrated industry capitalizes on lower feed prices driven by strong maize and soy production. Imports will continue to decline as anti-dumping duties applied are to nearly every major supplier of bone-in product. Chicken meat consumption will increase by one percent in 2024 as a result of the high cost driven by tight supply. Despite a growing population and a strong preference for this protein, household consumption continues to be limited by affordability. Post forecasts three percent growth in export volumes due to strong demand from trading partners in Southern Africa.

Executive Summary

Production: Post forecasts that chicken meat production will increase by 2 percent in Marketing Year (MY) 2024* as a result of improving efficiency in an increasingly vertically integrated industry, lower feed prices, and recovery from loadshedding shocks.

Consumption: Post forecasts that chicken meat consumption will increase by only one percent in MY 2024 as a result of the continuing high cost of chicken. Although consumer preference for poultry remains strong, deterioration of household purchasing power has led to reduced consumption in recent years.

Imports: Post forecasts that imports will decrease by three percent in MY 2024 as a result of anti-dumping duties imposed on nearly all major exporters, high tariffs, and import restrictions related to Highly Pathogenic Avian Influenza.

Exports: Post forecasts that South Africa's chicken meat exports for MY 2024 will increase by three percent as poultry continues to be a favored protein for the country's major markets. South Africa exports mainly to Southern Africa.

*Note: MY is aligned with the calendar year, January through December.

Table 1

Chicken Meat Production, Supply and Distribution Table

Meat, Chicken Market Year Begins	2022		2023		2024	
	Jan 2022		Jan 2023		Jan 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
South Africa						
Beginning Stocks (1000 MT)	0	0	0	0	0	0
Production (1000 MT)	1577	1577	1600	1600		1635
Total Imports (1000 MT)	321	321	330	315		305
Total Supply (1000 MT)	1898	1898	1930	1915		1940
Total Exports (1000 MT)	56	56	58	60		62
Human Consumption (1000 MT)	1842	1842	1872	1855		1878
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	1842	1842	1872	1855		1878
Total Use (1000 MT)	1898	1898	1930	1915		1940
Ending Stocks (1000 MT)	0	0		0	0	0
Total Distribution (1000 MT)	1898	1898	1930	1915		1940

Note: All data in 1000 MT

Production

Post forecasts that chicken meat production will increase by 2 percent in Marketing Year (MY) 2024, January-December 2024, as a result of improving efficiency in an increasingly vertically integrated industry, expected lower feed prices driven by increases in local soy production alongside an expected maize bumper harvest season, and recovery from loadshedding shocks.

Feed

The South African Crop Estimates Committee has reported that South Africa produced its second largest commercial corn crop on record in 2022/23 at 16.4 million metric tons (MMT) which is 5 percent larger than MY 2021/2022's corn crop. Furthermore, South Africa is expected to produce its largest soybean crop on record in MY 2022/23 at 2.7 MMT. The increased investment in oilseed plantings and processing capacity in the past 10 years led to an increase in the available locally produced soybean meal. Previously, South African producers relied heavily on imported soybean meal which had to be transported from ports, an endeavor made more challenging and costly in recent years due to deterioration of infrastructure.

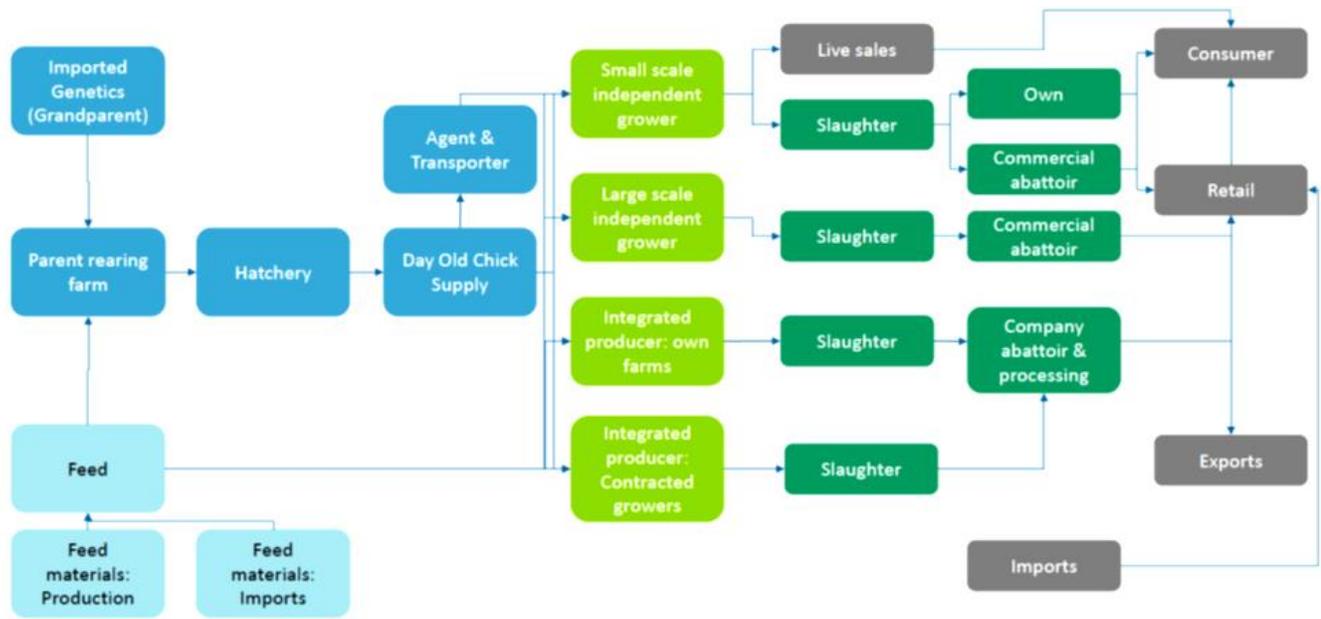
Industry Composition

Although there are many small-scale poultry producers in South Africa, the domestic poultry industry is dominated by large-scale producers and highly concentrated, with five producers accounting for close to 70 percent of the total chicken production. Two producers alone, namely RCL Foods and Astral Foods, make up approximately 50 percent of the market.

Small-scale independent growers are increasingly becoming integrated producers/contract growers. The contract growers are supplied with day old chicks to raise by the larger producers and when the chickens are old, they are delivered to the large producers for slaughtering. See GAIN Report: [South Africa Competition Commission report examines poultry](#)

Figure 1

The South African Poultry Value Chain



Source: Bureau Food Agriculture Policy (BFAP)

Competitiveness

The industry is vertically integrated with the top five major producers of broilers owning companies that produce broiler feed as part of their holdings. The smaller independent growers source their feed from the vertically integrated producers. The integration of feed production into the broiler companies give them an edge over the unintegrated players. According to South Africa’s Bureau Food Agriculture Policy (BFAP), the poultry industry has improved technical efficiency with one of the lowest feed conversion rates in the world at 1.45.

Two major poultry producers reported large financial losses in 2022/2023 as a result of load shedding, or increased electrical blackouts intended to reduce system demand (see GAIN Report: [South Africa load shedding and economic strain food supply chain](#)). Industry reports indicate that they spent R1.20 per kilogram of poultry spent on alternative energy sources and suffered a total industry loss of R4 billion (\$210 million) during the 2022/2023 financial year. While these expenditures hampered significant expansion and load shedding continues to plague South Africa, the industry has developed coping mechanisms and alternative energy solutions that should reduce the impact on production in MY 2024.

Master Plan

Since November 2019, when the Department of Trade Industry and Competition (DTIC) and Department of Agriculture Land Reform and Rural Development (DALRRD) and the poultry industry signed a Poultry Sector Master Plan that is proclaimed to increase productivity in the poultry sector and

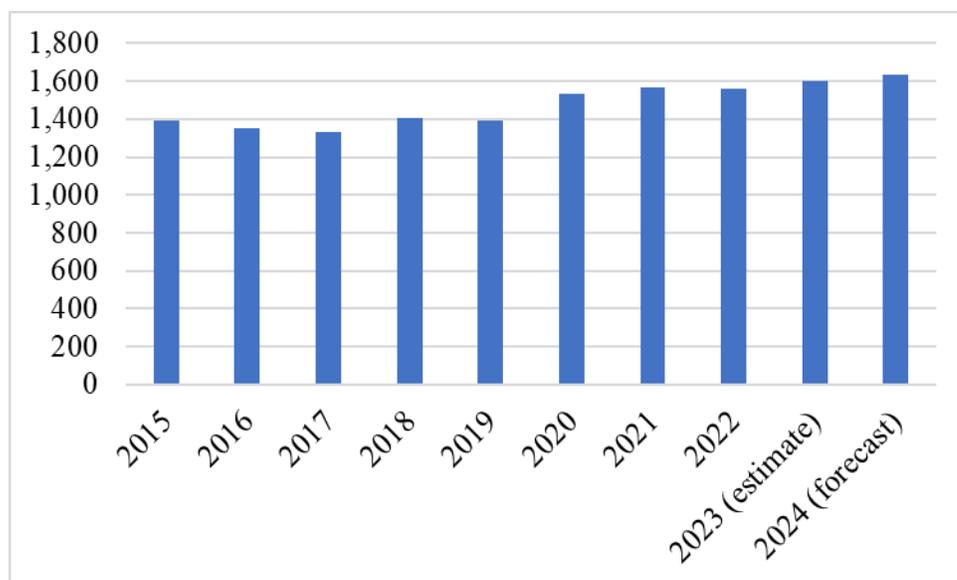
protect the local domestic producers from alleged unfair trade practices and imports. The South African Poultry Association (SAPA) has invested 1.8 billion rand (\$99 million) to expand production facilities.

HPAI Outbreaks

South Africa continues to experience outbreaks of the Highly Pathogenic Avian Influenza (HPAI) in winter periods. Since the beginning of April 2023, 2 million chickens have been culled as a result of HPAI outbreak. Three provinces namely, The Western Cape, Mpumalanga and Northwest provinces identified outbreaks of the HPAI in commercial farms. The layer industry was mostly affected by this outbreak with an estimated loss of R34 million (\$1.8 million). 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 (\$102 million). 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 2

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.*

Consumption

Post forecasts that chicken meat consumption will increase by one percent in MY 2024 as a result of high but softening cost of chicken. Despite a growing population and a strong preference for this protein, household consumption is expected to remain limited by affordability.

Post estimates that consumption will increase by only one percent in MY 2023 from MY 2022. This is as a result of the income pressures experienced by consumers. Because of load shedding, consumers who cannot afford back up power will opt to buy prepared products which tend to be expensive. South African’s consumption of chicken has been declining in the past two years because of the high global price of meat and the cost of feed. Although chicken is a more affordable in comparison to other meats, it has become expensive for the consumers especially those who are low-income earners as a result of the high cost of living exacerbated by high interest and high food inflation. See: [Food Inflation Surged to a 14-year high in South Africa](#)

A report on personal income found that 73.7 percent of the adult population in South Africa earns around less than R6,111 (\$322) per month, while the BFAP’s Thrifty Healthy Food Basket for June 2023 was estimated at R3,614 (\$190). Chicken is one of the most popular meat choices with an annual per capita consumption of 37kg, beef is the second most popular with an annual per capita consumption of 16.1 kg. As a result of chicken being a staple product, chicken price increases are highly regressive since, according to the Competition Commission (a statutory body created by the Government of South Africa). The poorest 10 percent of households spend up to 7 percent of their total expenditure on chicken products.

Table 2

South Africa’s per Capita Consumption of Meat in kilogram per year

Product	Per Capita Consumption 2021	Per Capita Consumption 2022
Beef	17.4	16.1
Pork	5.4	6
Sheep, lamb, and goats	2.8	2.8
Poultry	39.68	37.3
Total Meat	65.28	62.2

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

As a result of the high cost of living, the South African consumers have replaced meat protein with alternatives such as offal and higher starch consumption. According to DALRRD, the per capita consumption of all meat types dropped by 10 percent in 2022. Chicken consumption decreased significantly in 2022 by four percent.

Price inflation for chicken products continues to increase. Chicken giblets seem to have the highest inflation growth in July 2023 with an 18 percent increase followed by fresh chicken portions. Chicken giblets used to be the cheapest portions in all chicken portions but have recently increased as a result of high demand by consumers.

Table 3

Retail Chicken Portions Price Inflation

Products	July 2022 Price (R/kg)	July 2023 Price (R/kg)	Percentage Price Growth Rate
Whole chicken - fresh	55.68	61.1	10%
Chicken portions - fresh	70.79	79.8	13%
IQF chicken portions	88.63	92.67	5%
Chicken portions frozen - non IQF	59.4	65.31	10%
Chicken giblets (neck, gizzards, hearts, etc.)	39.11	46.16	18%

Source: *Statistics South Africa*



Whole chicken packs found on South African retailers. Imports of whole frozen chicken are charged a tariff of 82 percent. A typical South African home traditionally uses whole chickens to make a chicken stew/curry, roast, or braai. However, consumers are looking for faster food preparation alternatives and appear to be purchasing portions that can be more quickly cooked during loadshedding-free hours.

Photo Source: *Post*



Chicken paw prices have increased in the South African market as a result of increased demand with consumers moving to more affordable cuts. Chicken intestines and chicken livers typically have lowest retail prices.

Photo Source: *Post*



Some **informal sellers** of live chicken found on the side of the road. The seller has an option of plucking the chickens for the customers while they wait.

Photo Source: Mail and Guardian

Imports

Post forecasts that imports will decrease by three percent in MY 2024 as import restrictions against major exporters of poultry to South Africa, the anti-dumping duties and the high tariffs against poultry imports will limit the access and competitiveness of imported poultry.

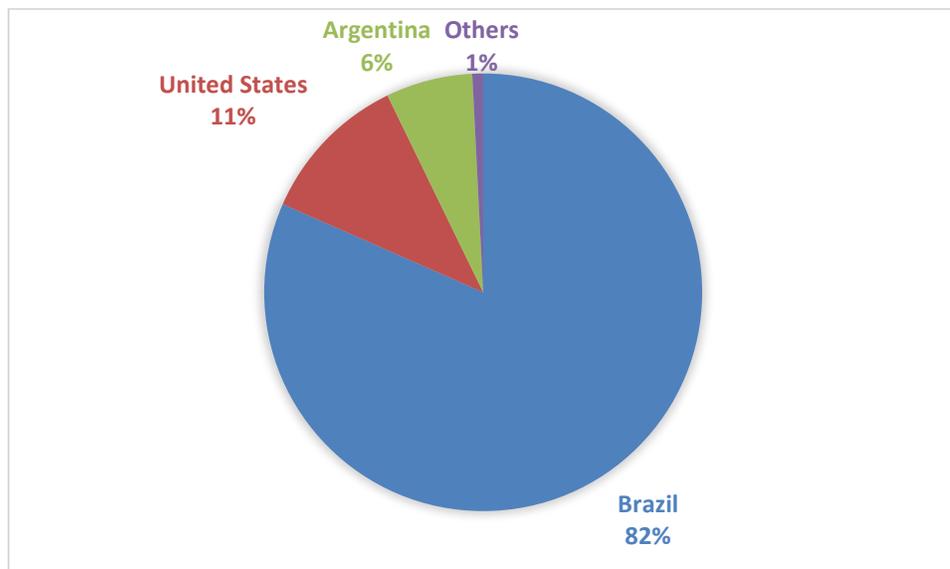
Post estimates that imports will drop to 315,000 tons in MY 2023. Imports continue to struggle in the South African market as a result of the import bans imposed against most major suppliers due to Highly Pathogenic Avian Influenza (HPAI) and tariff measures imposed against them. Although imports were relatively strong in the first half of the year, volumes are expected to drop with anti-dumping duties imposed against Brazilian exports at the beginning of August.

Elevated Tariffs

High tariffs continue to depress 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 was raised from 37 percent to 62 percent, and from 12 percent to 42 percent for boneless portions. This is within South Africa's WTO bound rates.

Figure 3

Origin of Chicken Meat Imported into South Africa for January-June 2023



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

Anti-Dumping Duties

Bone-in poultry from the United States is currently subject to anti-dumping duties (ADDs) that expired 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 2023/2024 is 71,963 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. The International Trade Administration Commission is currently reviewing the anti-dumping duties and an announcement on the outcome has not been made yet.

In December 2021, South Africa's 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. 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 Competition 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](#)

On August 2, 2023, the International Trade Administration Commission of South Africa announced that the anti-dumping duties against bone-in from Brazil, Poland, Ireland, Denmark, and Spain would be reinstated. Post contacts suggest that importers increased volumes in early 2023 in anticipation of reinstated duties. With ADDs in place once again, volumes are expected to decrease from Brazil. Some of the industry experts and importers associations have reported that the decision will make food unaffordable for low-income consumers.

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

Current Maximum Anti-Dumping Duties for Bone-in Poultry

Country	Beginning August 2023	Existing Tariffs
Brazil	265.1%	
Denmark	67.4%	
Ireland	37.52%	
Poland	96.9%	
Spain	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*

Note: *Specific Suppliers may have lesser ADDs applied based on participation in ADD review*

The International Trade and Administration Commission (ITAC) undertook a review on the poultry tariff structure whereby a price entry structure was under consideration along with a rebate system. A number of tariff lines are proposed to be phased out. According to industry sources, the report is currently with leadership of the Department of Trade, Industry, and Competition. See: [South Africa Initiates Review of Poultry Tariff Structure](#).

HPAI Restrictions

In addition to measures explicitly used to restrict imports of poultry, there are countries whose ability to export poultry to South Africa is constrained as a result of HPAI incidents. South Africa currently limits poultry products from the United States, Argentina and most EU member states based on HPAI outbreaks.

In May, June and August 2023, the South African government lifted the HPAI import restrictions against Ireland, Netherlands and Spain respectively. In March 2023, Argentinian authorities detected an outbreak of HPAI which led to the restrictions of their poultry imports by South Africa. Brazil continued to dominate the market share in 2023 as the European Union and some states in the United States lost a significant share due to HPAI restrictions. Argentina lost market share as a result of HPAI restrictions. The total market share for Argentina declined by 18 percent between the first six months of 2022 and the same period in 2023.

Table 5*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 cuts	62%	Free	62%	Free	62%

Source: *South African Revenue Services*

*EFTA = European Free Trade Association

**SADC = Southern African Development Community

Table 6*South Africa's Chicken Meat Imports*

Partner	Quantity			
	2020	2021	2022	2023*
Brazil	270,100	287,880	282,128	193,478
United States	79,472	67,308	47,774	26,557
Argentina	29,530	23,715	33,455	15,181
Spain	28,000	37,077	2,061	0
Others	78,440	16,326	7,630	4,356
Total	485,542	432,306	373,048	239,572

Source: *TDM, LLC*

*Year to date: January – June

Exports

Post forecasts that South Africa’s chicken meat exports will increase by three percent in MY 2024 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 2022, 70 percent of exports were destined for other Southern Africa Customs Union (SACU) countries. SACU countries are bound by the same tariffs and ADDs as those imposed in South Africa and are therefore 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 1.8 billion rand (\$97 million) have been expended in support of market creation. An export agreement with Saudi Arabia is nearing completion while there have been setbacks on the plans to export cooked meat to the European Union.

Post estimates that the chicken meat exports for 2023 will expand to 62,000 tons. The Master Plan efforts through the export drive continue to increase the poultry exports marginally. 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 7

South Africa’s Chicken Meat Exports

Partner	Quantity			
	2020	2021	2022	2023*
Lesotho	23,181	28,084	25,361	12,084
Mozambique	14,301	5,884	14,111	5,041
Namibia	8,015	9,560	9,017	5,061
Eswatini	3,152	3,321	3,248	1,863
Botswana	2,305	3,676	2,673	1,573
United Arab Emirates	1,166	615	761	310
Others	3,104	3,016	2,687	3,319
Total	55,224	54,156	57,858	29,251

Source: *TDM, LLC*

*Year to date: January- June

Attachments:

No Attachments