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Report Name: Poultry and Products Annual

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Report Highlights:

Post forecasts that chicken meat production will increase by five percent in 2022 on industry investment and lowered input costs. Chicken meat consumption is forecast to strengthen by three percent due to economic recovery and rising costs of substitute proteins. Imports will decrease by three percent due largely to increased tariffs, yet this impact will be dampened by recovering supply chains and strengthening demand that cannot be met through domestic production. Post forecasts that South Africa's chicken meat exports for 2022 will increase by six percent as exports recover from a downturn in 2021.

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. Decreasing feed costs and investment by the industry will fuel higher production.

Consumption: Post forecasts that chicken meat consumption will accelerate in 2022 as a result of projected economic recovery that will reduce the number of South Africans unable to afford protein. Rising beef prices are expected to encourage increased poultry consumption.

Imports: Post forecasts that imports will decline in 2022. Increased tariffs and the Poultry Master Plan activities designed to protect the domestic industry from competition will be slightly offset by recovering supply chains and strengthening demand that cannot be met through domestic production.

Exports: Post forecasts that South Africa's chicken meat exports for 2022 will recover as markets reopen following import bans initiated by major trading partners following an outbreak of Highly Pathogenic Avian Influenza (HPAI). The South African industry continues to invest in growth through export-orientation.

Chicken Meat Production, Supply and Distribution Table

Meat, Chicken	2020		2021		2022	
Market Begin Year	Jan-20		Jan-21		Jan-22	
South Africa	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	0	0	0	0		0
Production	1510	1510	1440	1526		1600
Total Imports	434	434	400	396		385
Total Supply	1944	1944	1840	1922		1985
Total Exports	53	53	50	52		55
Human Consumption	1891	1891	1790	1870		1930
Other Use, Losses	0	0	0	0		0
Total Dom. Consumption	1891	1891	1790	1870		1930

Note: All data in 1000 MT

Production

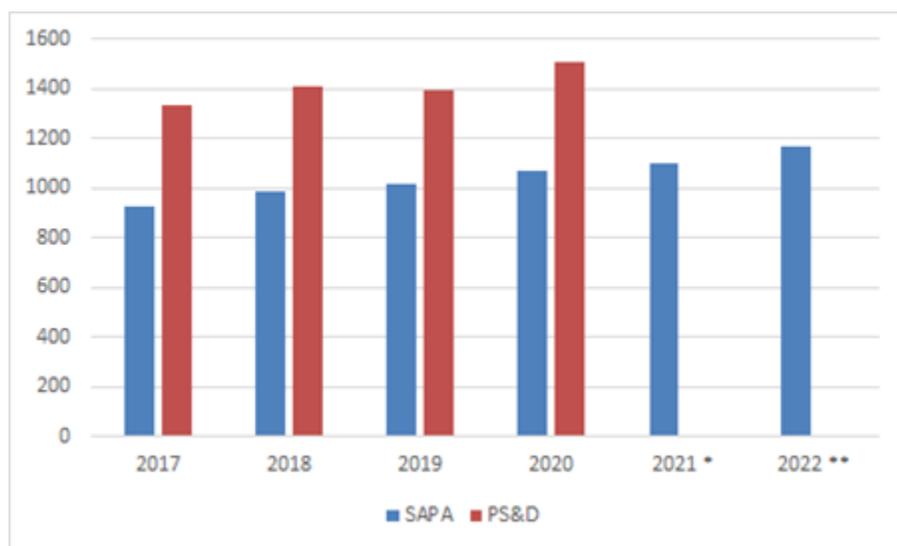
Post forecasts that chicken meat production will increase by five percent in 2022 as a result of economic recovery, decreasing feed costs, and investment by the industry. The Gross Domestic Production (GDP) is forecasted to increase by 1.97 percent in 2022. The increased economic activity and optimism is expected to motivate producers to invest more in their businesses. The South African government and poultry industry have teamed up to promote and protect the sector. In November 2019, government and industry signed a Poultry Sector Master Plan that is intended to increase productivity in the poultry sector (and protect the local domestic producers from alleged unfair trade practices and imports as will be further discussed in the Imports Section of this report). 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- 2022. However, Post forecasts production to increase just 5 percent during this period due to the myriad of challenges associated with the pandemic and economic downturn in the 2020-2021 period. Post anticipates that 2022 will be a

brighter spot for the industry as these investments along with economic recovery will return poultry production to a faster pace of growth.

Post estimates that chicken meat production will be 1.5 million tons in 2021, up one percent from 2020. 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 and rose in 2021 despite a bumper crop. According to the South African Grain Information Services (SAGis), for the marketing year 2020/2021 corn milled for human consumption increased by 5 percent while corn milled for animal feed decreased by three percent. See: [Grain and Feed Update](#).

In April 2021, a Highly Pathogenic Avian Influenza outbreak began in three provinces. This outbreak has had a limited impact on exports (see Export Section), and the impact on production has been negligible. To date, just 270,000 chickens have been culled, representing only a fraction of a percent of annual production. SAPA predicts that the outbreak will peak by August or September 2021. 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, and the industry lost 1.87 billion rand. Therefore, farmers are relatively undeterred by recent events and are not shifting or scaling-back production.

Figure 1: South Africa's Chicken Meat Production



Source: *South African Poultry Association/PS&D*

*Post Estimate/**Post Forecast

According to a government report, the poultry industry remains the largest single contributor to the agricultural sector in South Africa. Poultry production constitutes roughly 20 percent of the country's total agricultural gross value. Eight commercial producers responsible for over 70 percent of the total broiler production, including RCL Foods, Country Bird Holdings and Astral Foods. 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. Despite the relative concentration of the industry, poultry production provides direct and indirect employment to over 110,000 people, is the second largest consumer of maize, and supports many peripheral businesses.

The industry is plagued by high production costs. Transport, storage and other costs push up the price of feed materials. South Africa imports soymeal which lands in the coastal areas which 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. Furthermore, producers are faced with issues of deteriorating municipal infrastructure that has on some occasions led to loss of access to water, which is essential for poultry health, and faltering electricity, which is used for lights in the farmhouses. Though such stories are largely anecdotal, they have become a topic of increasing attention in the media in recent years, especially in the Mpumalanga and KwaZulu-Natal provinces.

A chicken farmhouse in South Africa



Source: *SAPA*

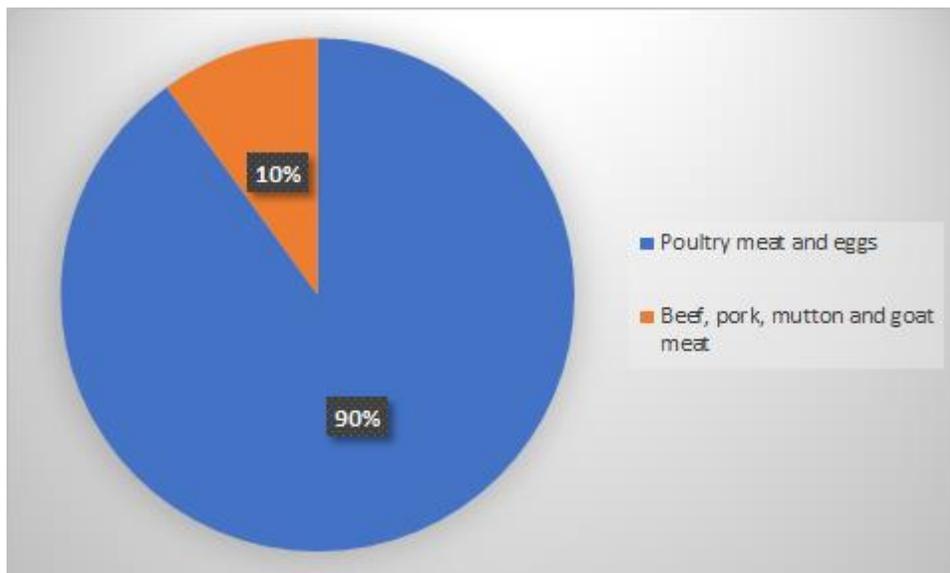
Consumption

Post forecasts that chicken meat consumption will strengthen by three percent in 2022 as a result of a slight economic recovery. Chicken is a cheaper protein alternative and when the price of other proteins climbs, as is expected in 2022 as beef prices recover, South Africans will consume more chicken.

Post estimates that consumption will be 1.87 million tons in 2021, down one percent from 2020. This remains depressed due to continued lockdowns and a struggling economy and the continued COVID-19 lockdowns. Local producers reported losses due to low demand, as consumption at home did not appear to offset the loss of consumption in hotels and restaurants caused by COVID-19 lockdowns. The hard lockdowns that mandated the closure of restaurants were approximately three months while the country continues to have lockdown levels mandating a curfew for restaurants.

Chicken meat is consumed by people of all income groups, and it continues to be a cheaper protein. In 2021, however, some consumers were unable to afford even substitute meats and reduced protein intake altogether. Due in large part to South Africa's unemployment rate of 34.4 percent, it is estimated that 40 percent of the population cannot afford to buy a basic food basket.

Figure 2: South Africa's Meat Consumption in 2019



Chicken is by far the most popular meat in South Africa. Although pork can compete with chicken in terms of affordability, it is not widely consumed because of consumer preference and religious reasons. Various African traditional churches prohibit their members from consuming pork meat. For example, Zion Christian Church has approximately twenty million members in South Africa who are prohibited from eating pork.



Mixed Portions of 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 to preserve and enhance the quality of the meat. The Department of Agriculture, Forestry and Fisheries introduced a regulation in 2016 to restrict brine content to a maximum of 15 percent of the mass sold; levels of up to 43 percent had been recorded prior to the change in regulation.

Photo Source: *Post*



Low-income consumers often consume offal like livers and chicken paw as a more affordable protein. A recent increase in demand for chicken paws and gizzards has caused prices to increase, while intestines and other offal have maintained low prices.

Photo Source: *Post*



A typical South African breakfast contains cold meats including polony and sausages. There are cold meats that are made with chicken and other proteins like pork and other cold meats are made with chicken only. 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*

Imports

Post forecasts that imports will decrease by three percent in 2022. The impact of increased tariffs and Poultry Master Plan activities that seek to decrease imports will be slightly offset by recovering supply chains and strengthening demand that cannot be met through domestic production. One of the main tenants of the Poultry Master Plan is tariff increases on imports designed to protect the domestic poultry industry. The Poultry Master Plan was established as a result of complaints from the local industry about competition from imports. Following the signing of the Poultry Master Plan, the government has increased tariffs on the bone-in chicken and boneless chicken meat, conducted anti-dumping investigations against Brazil and EU countries, and initiated a review of the Poultry Tariff framework. On August 23, 2021, the South African Department of Treasury announced the outcomes of a sunset review of bone-in chicken meat anti-dumping duties against the Netherlands, Germany and the United Kingdom. Prior to 2015, these three countries exported to South Africa duty-free due to their Southern African Development Community European Union Economic Partnership Agreement with South Africa. As a result of this review, an anti-dumping duty, which excludes specific companies, was imposed. The new anti-dumping duties for the countries, as can be seen in Table 1, are significantly higher than prior duties.

Table 1: New Anti-Dumping Duties on bone-in chicken

Imported from or originating from	Anti-Dumping Duty Prior to 8/2021	Anti-Dumping Duty from 8/2021 onward
Germany	31.3%	73.33%
Netherlands	3.86%	22.81%
United Kingdom	12.07%	30.99%

Source: *South African Department of Treasury*

Table 2: South Africa’s Import Tariffs for Specific Chicken Meat Products

Tariff	Product Description	Rate of Duty				
		General	EU	EFTA*	SADC**	MERCOSUR
Heading		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%
		<i>Anti-dumping duty for the United States of R9.40/kg outside of 71,260 tons</i>	<i>Safeguard duty of 15% applies</i>			

Source: *South African Revenue Services*

*EFTA = European Free Trade Association

**SADC = Southern African Development Community

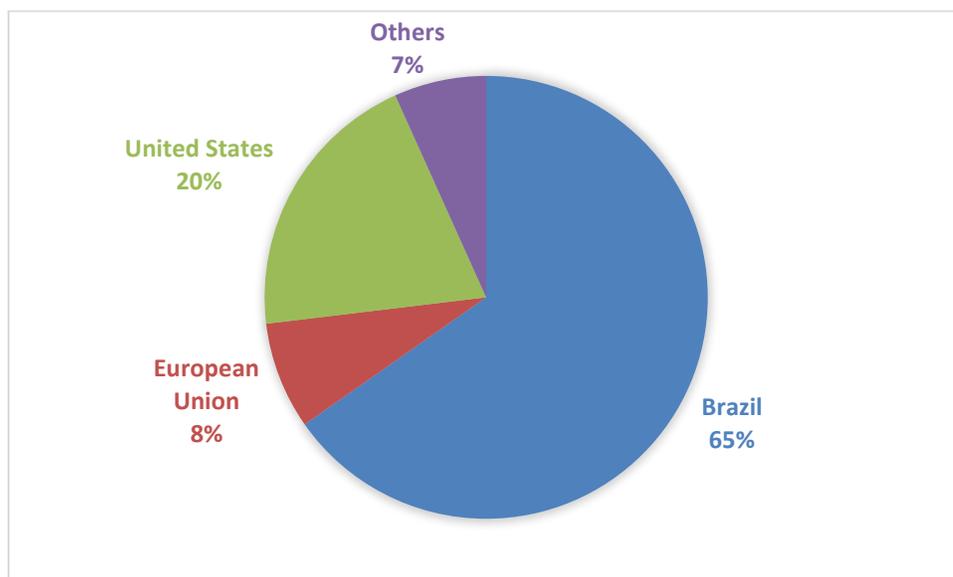
ITAC is currently conducting a new anti-dumping investigation against Brazil, Poland, Ireland, Denmark, and Spain. The review is currently in progress. If the review results in an increased tariff rate for these countries, it could provide an opportunity for the United States to increase market share. See: [South Africa Initiates Antidumping Duty Investigations into Bone-in Chicken Meat from Brazil and Four EU Countries](#) The US exports bone-in chicken meat to South Africa under an agreed quota that increases annually after consideration of the production and consumption trends of poultry in the country. The quota for the year 2021/2022 is 71,260 tons, an increase of 1.8 percent from the prior year.

If the quota is fully utilized, the anti-dumping duty of 9.4 rand per kilogram will apply to all further exports of bone-in chicken meat. The anti-dumping duty is scheduled for review in 2022.

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. See: [South Africa Initiates Review of Poultry Tariff Structure](#)

Post estimates that imports in 2021 will total 396,000 tons as a result of the struggling economy, increased tariffs on the bone-in chicken meat, and HPAI-driven import bans from major suppliers in the EU. Furthermore, 2021 imports have been hampered by disruptions at the ports, including the ransomware attack that affected the South African Port Authority's internet and led to halted movement of goods at the country's harbors. The ransomware attack occurred just days after the political unrest that led to the looting and damage of consignments at the Port of Durban. In response to the cyberattack, several ships bypassed South African ports altogether as the backup in processing would have caused untenable delays. See: [Cyber-Attack Cripples Operations at the Port of Durban for the Second Time in a Month](#)

Figure 3: Origin of Chicken Meat Imported into South Africa for January-June 2021



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 2021 as the European Union lost a significant share due to these restrictions.

Exports

Post forecasts that South Africa's chicken meat exports for 2022 will increase by six percent. The growth in exports will be motivated by recovery from HPAI bans and Poultry Master Plan initiatives to support export growth. SAPA has reported increased focus on improving opportunities for cooked exports products as opportunities for the export of raw products are limited by the country's recurrent animal disease issues. South Africa exports mostly to the Southern African Development Community (SADC) and the United Arab Emirates (UAE).

A key component in the Poultry Master Plan strategy is increasing exports. The South African Poultry Association (SAPA) has announced that by mid-2022, 1.15 billion rand will have been expended in support of market creation. However, recurrent Avian Influenza outbreaks have proven detrimental to the poultry industry's plans to expand their export market. South Africa is currently unable to export to places like the European Union despite their Southern African Development Community, European Union Economic Partnership Agreement. As part of the expansion program under the Poultry Master Plan, the poultry industry plans to increase exports of heat treated and processed products. See: [Avian Influenza Outbreak in Gauteng North West and Western Cape Provinces of South Africa](#) 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 2021 will decrease by two percent from 2020 as a result of the supply chain disruptions caused the unrests in KwaZulu-Natal around the Durban port and the subsequent cyberattack as well as HPAI. The outbreak led to import restrictions by Lesotho, Botswana, Namibia and Zimbabwe, four of the primary export markets for South Africa's chicken meat. However, South Africa recently introduced the concept of compartments in line with the World Organization for Animal Health (OIE) guidelines. Raw meat, eggs and live birds originating from these compartments have been accepted by Lesotho, Mozambique and Zimbabwe. Due to these agreements, trade (albeit with some restrictions) has been able to continue with these partners. Trade restrictions initiated by Botswana and Namibia are ongoing.

Table 3: South Africa's Chicken Meat Imports

Partner	Quantity			
	2018	2019	2020	2021*
Brazil	348,155	268,869	270,100	152,960
European Union	70,965	124,297	90,348	18,332
United States	91,374	89,598	79,472	32,889
Argentina	33,278	37,939	29,530	10,544
Others	22,435	18,863	16,092	5,221
Total	566,207	539,566	485,542	219,946

Source: TDM

*Year to date: January – June

Table 4: South Africa's Chicken Meat Exports

Partner	Quantity			
	2018	2019	2020	2021*
Lesotho	21,291	23,680	23,181	11,461
Mozambique	12,330	14,733	14,301	2,449
Namibia	7,125	5,745	8,015	5,409
Eswatini	2,216	2,600	3,152	1,406
Botswana	3,389	2,840	2,305	1,391
Zambia	1,417	392	1,407	758
United Arab Emirates	1,455	2,104	1,166	543
Others	4,341	2,435	1,697	1,420
Total	53,564	54,529	55,224	24,837

Source: TDM

*Year to date: January- June

Attachments:

No Attachments