



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Required Report - public distribution

Date: 9/18/2002

GAIN Report #SF2026

South Africa, Republic of

Poultry and Products

Annual

2002

Approved by:

Jude Akhidenor

U.S.Embassy, South Africa

Prepared by:

Herman Germishuis

Report Highlights:

South Africa's broiler production is estimated at about 750,000 tons while 2001 imports reached 63,000 tons. The recent devaluation of the South African Rand has pushed up input costs putting the producers in a cost/price squeeze as consumer prices cannot be increased indiscriminately. Imports are, however expected to slow down as a result of the devaluation.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Pretoria [SF1], SF

Executive Summary	1
Young Chicken Meat	2
Production	2
Consumption:	3
Trade	5
Policy	8
Turkey meat:	10

Executive Summary

South Africa's broiler production figures are still preliminary as there are some uncertainty how the data should be compiled. The figures shown in this report is again a little bit smaller than figures used previously but does give an indication of the slow growth trend. This is due to slack demand brought about i.a. by the latest round of final product price increases. The recent devaluation of the South African Rand has had a major impact on production costs and domestic producers find themselves in a major cost/price squeeze. The low value of the Rand is slowing down imports although 2001 imports still reached 63,000 tons. The bulk of the imports are made up of mechanically deboned meat (33,000 tons) although offal imports are also growing (13,000 tons). There is still now indication when the ant dumping tariffs against US rear quarters will be lifted. Turkey imports are also mainly MDM.

US Dollar = Rand 10.50, 09/18/2002

2001 average R8.60

2000 average R6.93.

No useful website available.

Young Chicken Meat

PSD Table						
Country	South Africa, Republic of					
Commodity	Poultry, Meat, Broiler				(1000 MT)(MIL HEAD)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	750	730	760	745	0	760
Whole, Imports	3	0	6	0	0	0
Parts, Imports	59	63	49	55	0	45
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	62	63	55	55	0	45
TOTAL SUPPLY	812	793	815	800	0	805
Whole, Exports	2	0	2	0	0	0
Parts, Exports	5	8	8	10	0	10
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	7	8	10	10	0	10
Human Consumption	795	785	795	790	0	795
Other Use, Losses	10	0	10	0	0	0
Total Dom. Consumption	805	785	805	790	0	795
TOTAL Use	812	793	815	800	0	805
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	812	793	815	800	0	805
Calendar Yr. Imp. from U.S.	22	1	25	1	0	1

Production

The National Department of Agriculture (NDA) has not finalized its poultry production data series yet but has published total production data in the annual Abstract of Agricultural Statistics. Based on the published data and the known method used to calculate total production, broiler production can be calculated. The latest calculations are again a little bit smaller than previous figures mainly because it only includes meat and not heads and feet as in some earlier figures. The following table contains a summary of the situation for the past few years.

Poultry meat chicken - 16 wks	1998	1999	2000	2001
Production'000 mt.	667	681	707	730
Imports	70	80	72	63
Supply	737	761	779	793
Exports	13	14	7	8
Consumption	724	747	772	785

Consumption:

The tables above indicate that young chicken meat consumption is still growing but at a much slower pace than in the hectic growth phase of a few years ago. The main reason for the slowdown in consumption is the constant price increases coupled with the slow economic growth in the country.

The following table contains average retail prices for whole broilers showing the hefty 2002 increase .

Prices Table			
Country	South Africa, Republic of		
Commodity	Poultry, Meat, Broiler		
Prices in	SA Rand	per uom	Kg.
Year	2001	2002	% Change
Jan	13.03	14.7	12.82%
Feb	13.08	14.97	14.45%
Mar	13.24	15.07	13.82%
Apr	13.16	15.35	16.64%
May	13.07	15.63	19.59%
Jun	13.08	15.47	18.27%
Jul	13.09	15.5	18.41%
Aug	13.2		-100.00%
Sep	13.5		-100.00%
Oct	13.58		-100.00%
Nov	13.92		-100.00%
Dec	14.4		-100.00%
Exchange Rate	R10.50	Local currency/US \$	

The main reason for the increase in poultry prices was the increase in the input costs such as corn and protein meal prices brought about by the devaluation of the South African Rand. The rand depreciated by about 45% against the Dollar from May to December 2001 although it has now stabilized somewhat. Coupled with a regional food shortage it lead to corn prices more than doubling in a few months. In intensive livestock industries the corn price ratio broadly indicates the potential operating profit. Since 2001 there has been a significant decline in the feed margin, for broilers the historical corn price ratio was 10.6 which declined to an estimated 6.7 for 2002, a decline of about 37%.

The main production costs thus increased by about 37% while prices increased by less than 20%. This means that the producers are still facing a serious cost/price squeeze in spite of the better domestic prices. The financial results of the main producer, Rainbow, confirms this. In the year to March 2002 attributable profit was up 57% compared to a tenfold increase for the first six months of the financial year before the increase in feed costs occurred. Year on year the corn price for March rose 82.6% compared to 27.4% the previous year, while overall feed prices increased by 25% compared to 3.6% the previous year. Since March commodity prices increased even further aggravating the cost/ price squeeze and depressing profits even further.

Current wholesale prices are R12.43/kg. for fresh whole bird, R11.31 for frozen whole bird and R8.48/kg. for imported leg quarters. Poultry import parity prices strengthened in spite of a decline in international prices due

to a weakening in the exchange rate, while domestic prices for all practical purposes remained stable over the past month. The volatility in the exchange rate makes international comparisons meaningless.

Trade

Import Trade Matrix			
Country	South Africa, Republic of		
Commodity	Poultry, Meat, Broiler		
Time period	Jan -Dec	Units:	Metric ton
Imports for:	2000		2001
U.S.	19574	U.S.	1245
Others		Others	
Brazil	14795	Brazil	29472
Australia	4826	Australia	9612
Canada	11875	Canada	5713
United Kingdom	5918	UK	6887
China	9389	China	7112
France	2894	France	2071
Argentina	566	Argentina	819
Total for Others	50263		61686
Others not Listed	2326		
Grand Total	72163		62931

During 2001 South Africa imported 62,931 tons of broilers and products before the full impact of the Rand's devaluation was felt. The rate of 2002 imports has slowed down and a smaller imports are foreseen for 2002 and 2003. In 2000 the US was still the main source of imports but dropped back after the imposition of the anti-dumping surcharge in July 2000 and Brazil became the main supplier followed by Australia, China, the UK and Canada. The following tables contain the different categories imported;

020712 Whole birds	1999 Metric ton	2000 Metric ton	2001 Metric ton
Brazil	2,048	3,869	1,049

France	3,170	1,985	804
Other	4,848	1,412	762
TOTAL	10,058	7,266	2,615

While whole bird imports are declining the MDM imports are still going strong. It is also in this category where turkey product are high (see separate turkey section).

02071405 Boneless, excluding cuts (MDM)	1999 Metric ton	2000 metric ton	2001 metric ton
Brazil	8,035	6,979	15,512
United Kingdom	7,957	5,796	6,870
Canada	5,914	8,692	4,662
Australia	989	2,084	3,545
United States	1,171	2,181	872
Other	517	1,744	1,618
TOTAL	24,583	27,476	33,079

The boneless (mainly white meat cuts) category is the domain of China although Brazil is beginning to show.

02071410 Boneless cuts	1999 Metric ton	2000 Metric ton	2001 Metric ton
China	9,727	9,355	7,048
Brazil	0	973	1,358
Other	44	190	67
Total	10,167	10,518	8,473

Offal imports are growing strongly.

02071420 Offal	1999 Metric ton	2000 Metric ton	2001 Metric ton
Brazil	738	2,565	10,236
Australia	755	1,071	2,012
Canada	383	515	247

United States	145	845	276
Other	910	556	616
Total	2,931	5,552	13,387

The bone in cuts (dark meat, mainly rear quarter) are the controversial category where the anti dumping tariff on US products are still in place. With the virtual disappearance of US supplies from July 2000 when the duty was brought in, the whole category of imports declined and no other supplier has really taken the place of the US.

02071490 "Other" Cuts with bone in	1999 Metric ton	2000 Metric ton	2001 Metric ton
United States	29,756	16,523	97
Australia	137	1,538	3,401
Brazil	25	409	1,587
Canada	1,644	2,546	780
Other	400	336	138
TOTAL	31,962	21,352	6,003

Exports

Export Trade Matrix			
Country	South Africa, Republic of		

Commodity	Poultry, Meat, Broiler		
Time period	Jan -Dec	Units:	Metric ton
Exports for:	2000		2001
U.S.	0	U.S.	0
Others		Others	
Mozambique	2803	Mozambique	5340
Malawi	2261	Malawi	752
Angola	148	Angola	329
U.A.E.	196	U.A.E.	330
Congo	69	Congo	48
Total for Others	5477		6799
Others not Listed	1223		776
Grand Total	6700		7575

Exports are still very small but may pick up if the Rand devalues further.

Policy

In a move which is set to alter South Africa's trading environment drastically, the Board on Tariffs and Trade (BTT) is drafting the country's long awaited antidumping regulations, expected to come into effect during the first half of next year. The BTT, a statutory body whose staff is seconded by the Department of Trade and Industry (DTI) is itself being reconstituted into the Commission for International Trade Administration (CITA). The commission will be responsible for managing South Africa's trade environment including tariff investigations and import and export control. A Bill paving the way for the CITA is due to be presented to parliament soon. The Bill will go through the normal parliamentary processes before it is promulgated and is scheduled to take effect in 2003. It is expected to spell out the trade remedies the state can apply, as well as how it can apply them. As a result of the new legislation no change is expected to the current poultry tariff regime in the immediate future.

Most categories are still imported free of duty except tariff number 0207.12, whole frozen birds which carries a 27% ad valorem duty. Tariff number 0207.14.10, boneless cuts carries a 5% duty and the controversial 0207.14.90 "other" category (mainly rear quarters) carries a R2.20/kg. duty. In addition an anti-dumping requirement of provisional payments of between R2.24 and R7.25 c/kg. are levied on various US producers.

Turkey meat:

PSD Table						
Country	South Africa, Republic of					
Commodity	Poultry, Meat, Turkey				(1000 MT)(MIL HEAD)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003

Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	4	4	5	5	0	5
Whole, Imports	1	1	3	1	0	1
Parts, Imports	14	13	22	14	0	14
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	15	14	25	15	0	15
TOTAL SUPPLY	19	18	30	20	0	20
Whole, Exports	0	0	0	0	0	0
Parts, Exports	0	0	0	0	0	0
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Consumption	19	18	30	20	0	20
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	19	18	30	20	0	20
TOTAL Use	19	18	30	20	0	20
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	19	18	30	20	0	20
Calendar Yr. Imp. from U.S.	3	1	5	2	0	0

Turkey meat imports consist mainly of MDM used in manufacturing.

Import Trade Matrix			
Country	South Africa, Republic of		
Commodity	Poultry, Meat, Turkey		
Time period	Jan - Dec	Units:	Metric tons
Imports for:	2000		2001
U.S.	3204	U.S.	1340
Others		Others	
Brazil	5105	Brazil	6292

Canada	3104	Canada	1985
Israel	1448	Israel	1873
Australia	2682	Australia	1728
France	2979	France	885
United Kingdom	2310	UK	445
Total for Others	17628		13208
Others not Listed	261		70
Grand Total	21093		14618