SOUTH AFRICAN POULTRY ASSOCIATION
Founded 1904

BROILER PRODUCER PRICE REPORT FOR JANUARY 2017

***An appeal to all users of this report:** Please ensure that your company contributes to the reliability of this data by submitting pricing data every month, whether or not a member of SAPA. We need to increase the sampling pool. Please email cynthia@silverpath.co.za to find out more.*

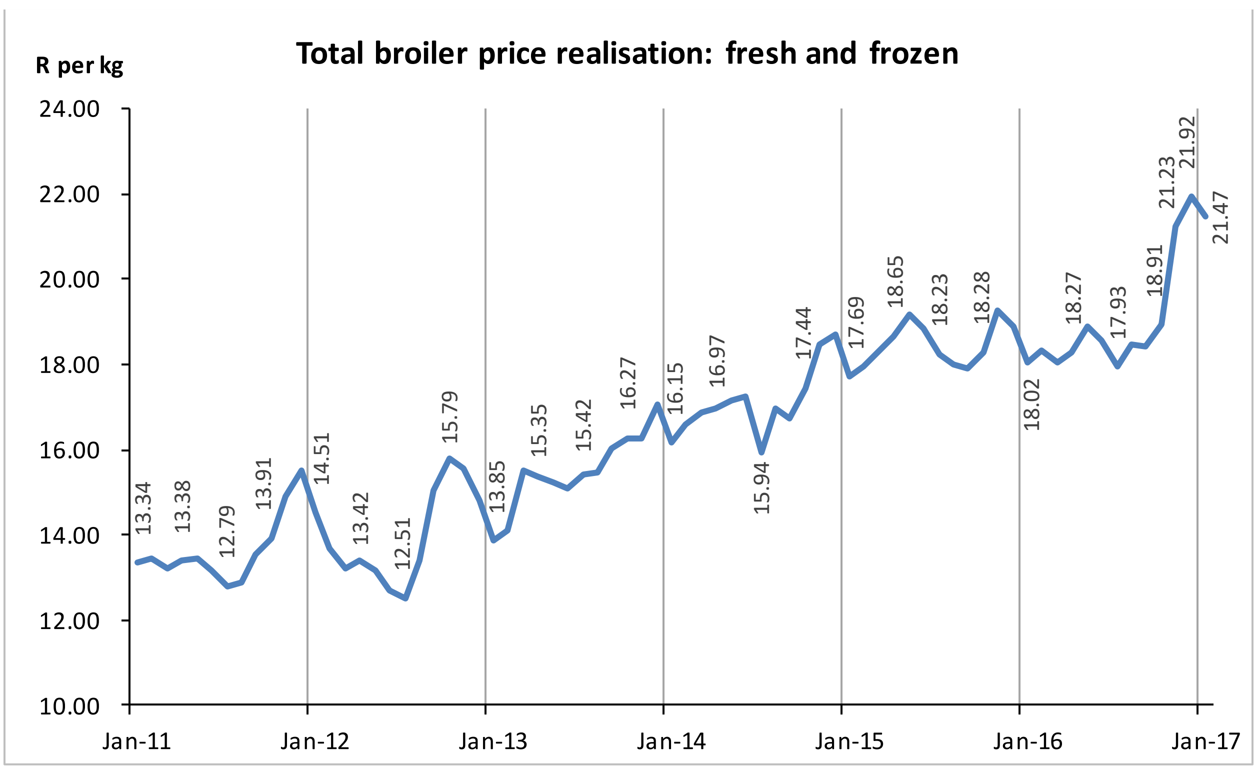
Any and all information, data, know-how, documentation, materials and other communications, written or oral, which are disclosed or provided to SAPA or its designees by a SAPA member shall be regarded as confidential information belonging to that member and will not be disclosed to any other member.

For a definition of the Producer Price and Sundries referred to in this document, see the end of this report

***Please note:** Changes were made to the data, backdated to end of June 2014, to include data from a new participant. This influenced the monthly data from July 2014 to October 2014 and quarterly data for 3Q 2014 as recorded in earlier reports. A table of data for 2014, 2015 and 2016 is included in this report to clarify figures.*

MONTHLY BROILER PRODUCER PRICE:

- **TOTAL REALISATION**



In January 2017, the *monthly* broiler producer price decreased by 2.1 %. The broiler producer price was estimated at R21.47 per kg. Compared with January 2016, this price has increased by 19.2 % (+ R3.45). The overall monthly price change was the result of a decrease in the producer price for frozen broiler product, and a smaller decrease in the price of fresh product. The monthly data for 2014, 2015, 2016 and 2017 YTD are provided in a table towards the end of this section.

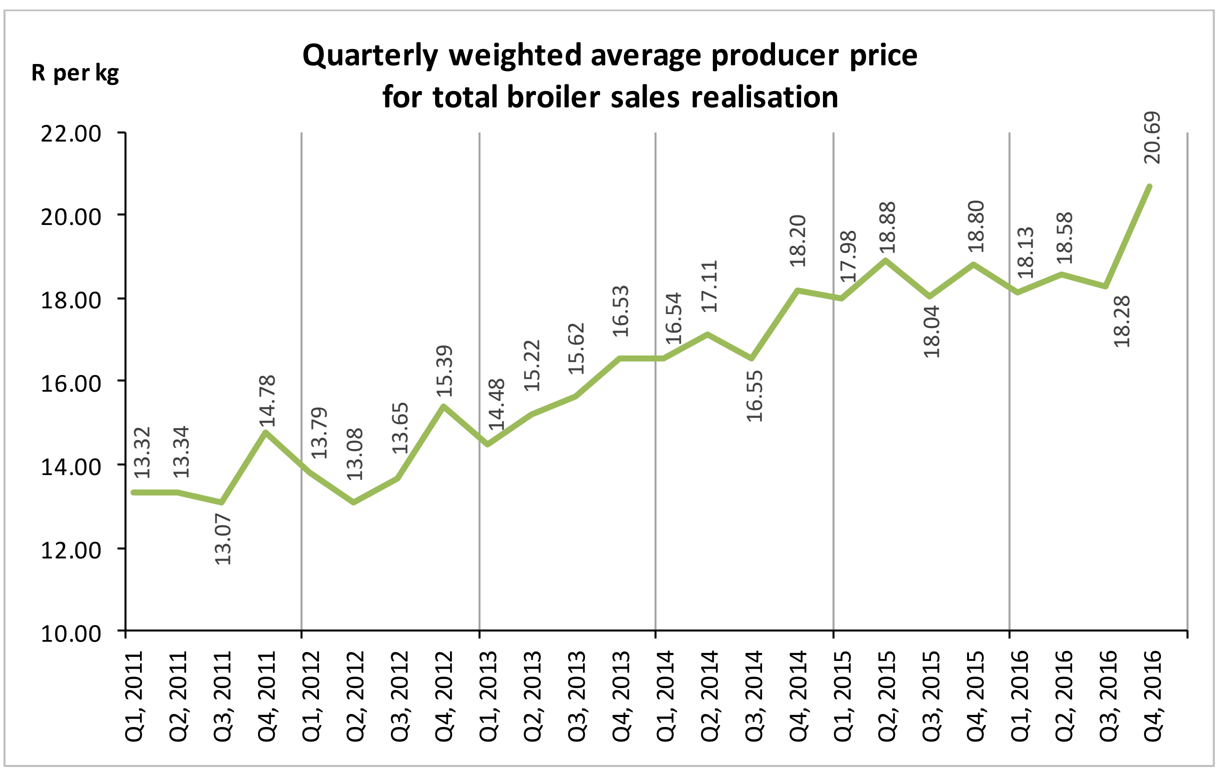
The average total realisation price for the fourth *quarter* (4Q 2016) was R20.69 per kg, an increase of 13.2 % in comparison with the 3Q 2016 and an increase of 10 % in comparison with the same quarter in 2015. The average producer price for broilers for the year 2016 was R18.92.

The average *yearly* price (per kg) for net sales realisation for the past four years:

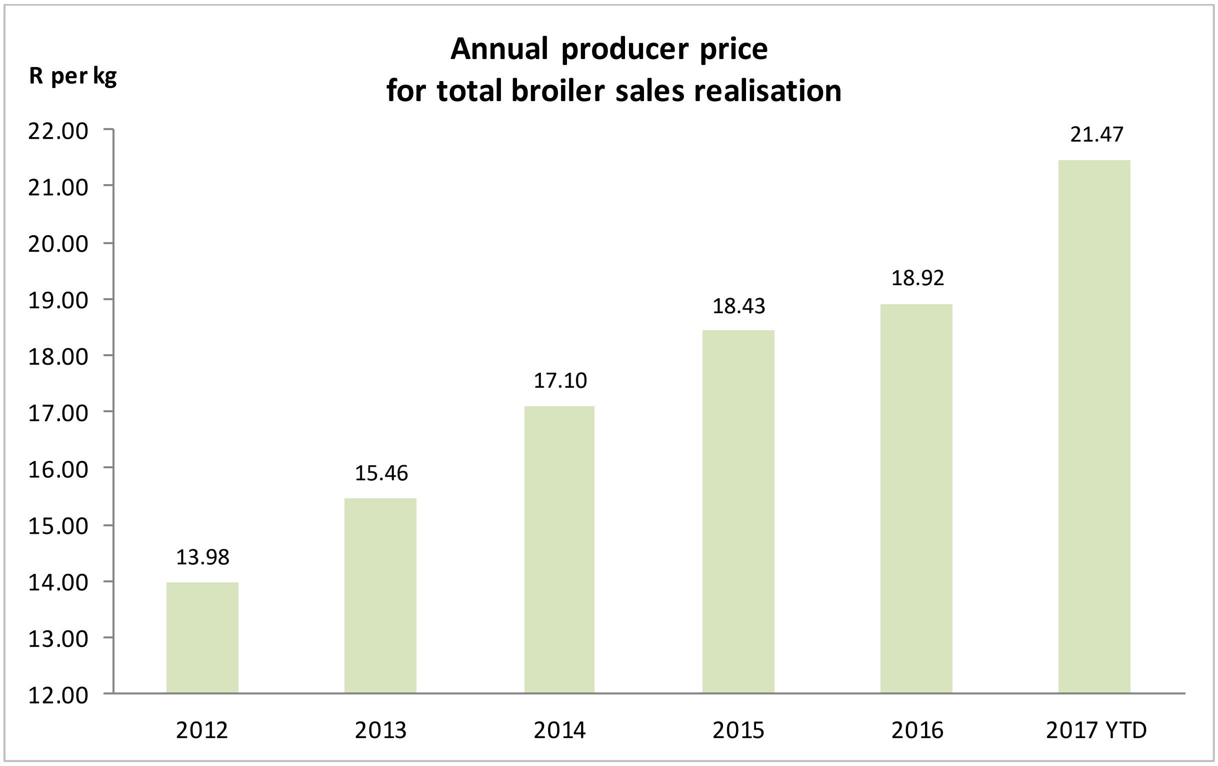
2017 YTD	R 21.47	+	13.5	% over 2016
2016	R 18.92	+	2.7	% over 2015
2015	R 18.43	+	7.8	% over 2014
2014	R 17.10			

Despite the seemingly large year-on-year increase in the monthly producer price in December 2016 and January 2017, it can be seen that the average annual increase in prices between 2015 and 2016 is only 2.7 %. For five months of 2016, producer prices were below those received in the same month in 2015.

The *quarterly* producer price for total realisation of broiler meat is given in the graph below:



In the following graph, the *yearly* average producer price since 2012 is shown.



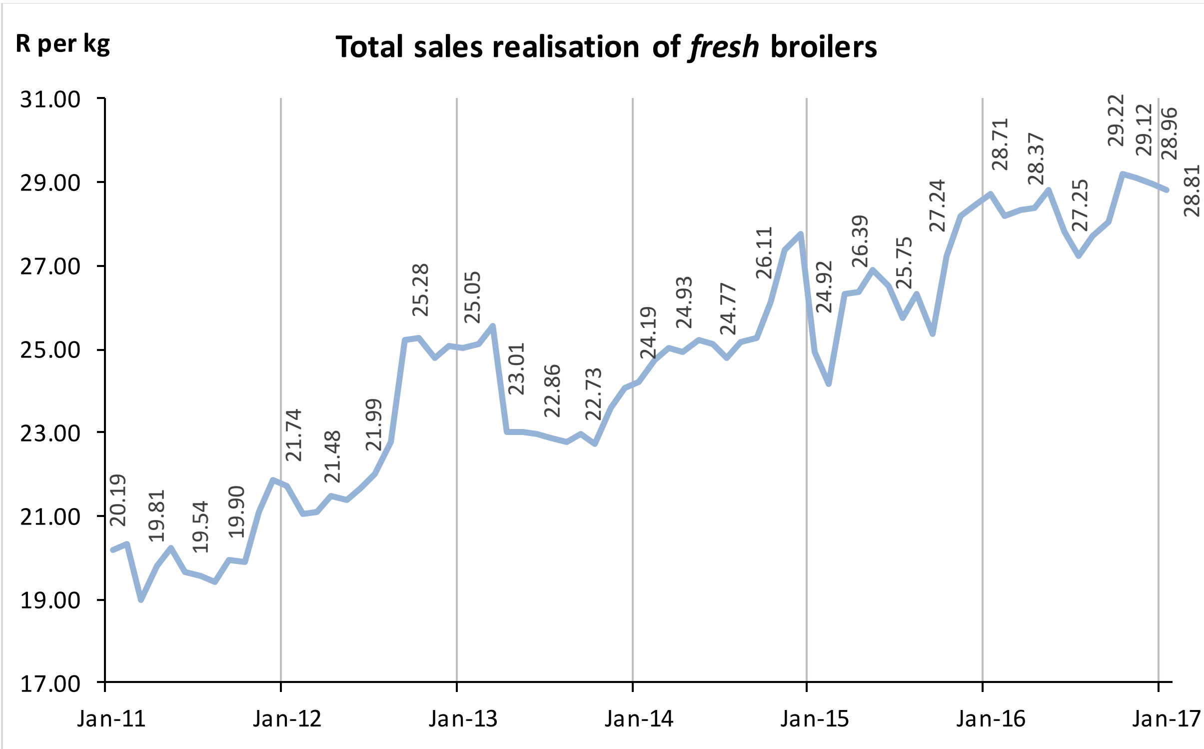
Weighted average producer price for total broiler sales realisation
(less all discounts, rebates, ad spend, secondary distribution, VAT)

Month	2014 R/kg	2015 R/kg	2016 R/kg	2017 YTD
January	16.15	17.69	18.02	21.47
February	16.60	17.93	18.33	
March	16.88	18.32	18.05	
April	16.97	18.65	18.27	
May	17.13	19.18	18.90	
June	17.23	18.82	18.57	
July	15.94	18.23	17.93	
August	16.96	18.00	18.49	
September	16.74	17.88	18.43	
October	17.44	18.28	18.91	
November	18.48	19.26	21.23	
December	18.68	18.87	21.92	

In the two graphs that follow, the TOTAL REALISATION (as presented in the first graph above) is separated into: ‘Total realisation of fresh product’ and ‘Total realisation of frozen product’.

FRESH PRODUCT

In January 2017, the *monthly* producer price for fresh broilers decreased by 0.5 % to R28.81 per kg in comparison with the previous month, but increased by 0.4 % on a yearly basis.

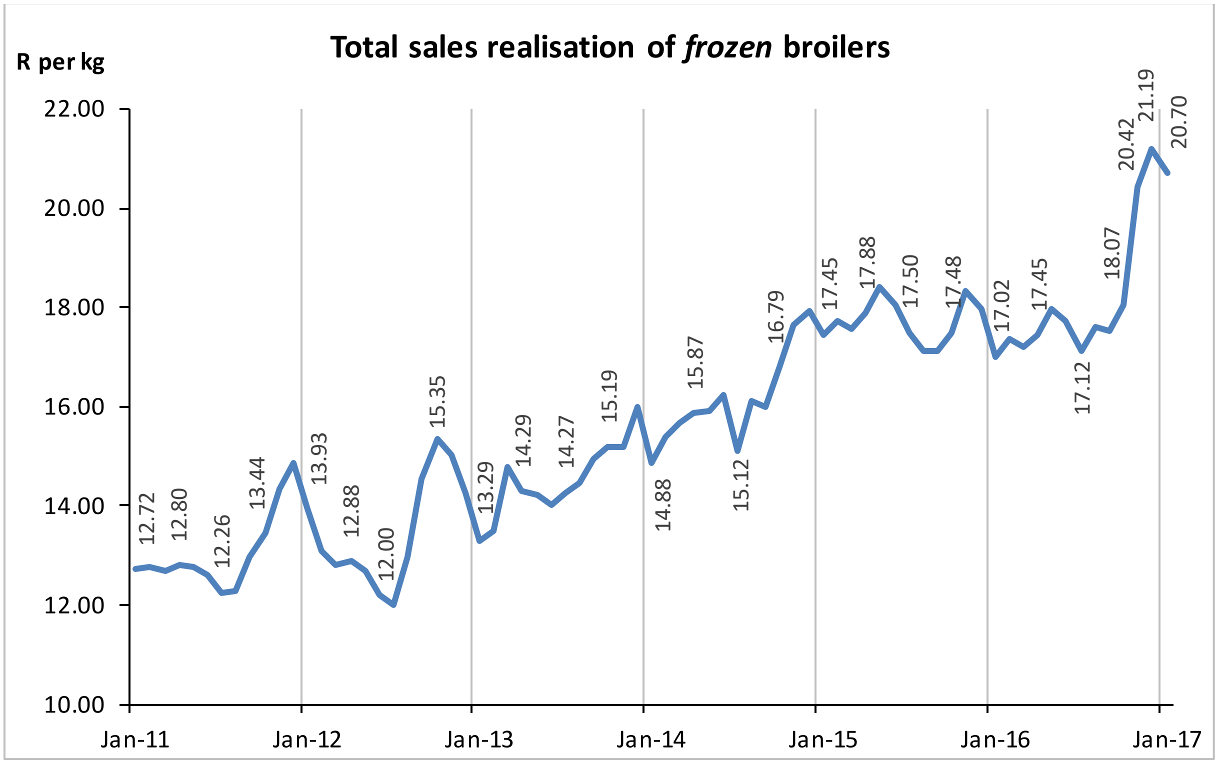


The average realisation price for *fresh* product in the fourth *quarter* (4Q 2016) was R29.10 per kg; an increase of 5.2 % in comparison with the 3Q 2016 and an increase of 4.0 % in comparison with the same quarter in 2015.

In 2016, the producer price for *fresh* product averaged R28.38. The producer price was 11.4 % higher than in 2015. The average *yearly* price for net sales realisation for 2015 and 2014, for *fresh* product, was R26.38 and R25.48 per kg, respectively. For the year 2015 this represented a 3.5 % increase in comparison with 2014. The producer price for fresh product in 2014 was 7.8 % higher than in 2013.

- **FROZEN PRODUCT**

In January 2017, the producer price for *frozen* broilers decreased to R20.70 per kg. This is a decrease of 2.3 % when compared to the previous month but, in comparison with the same month in the previous year, represents an increase in revenue of 21.7 %.



The average realisation price for *frozen* product in the fourth *quarter* (4Q 2016) was R19.89 per kg, an increase of 14.2 % in comparison with the 3Q 2016 and an increase of 11.0 % in comparison with the same quarter in 2015.

The average producer price for 2016, for *frozen* product, was R18.06. The average *yearly* price (per kg) for net sales realisation, including offal, for *frozen* product for the last 4 years:

2017 YTD	R 20.70	+	14.7	% over 2016
2016	R 18.06	+	1.9	% over 2015
2015	R 17.72	+	9.8	% over 2014
2014	R 16.13			

Again, the increase monthly and quarterly prices is put in perspective by the overall annual increase in producer price between 2015 and 2016. The average increase of only 1.9 %, despite huge drought-related increases in feed prices, suggests the recent increases in prices are a long overdue correction.

PROPORTION OF FROZEN AND FRESH PRODUCT

According to the participants in the monthly pricing survey, frozen meat contributed 90.6 % of total sales during January 2017 and fresh meat contributed the remaining 9.4 %.

During 2016 as a whole, frozen meat contributed 91.6 % to total sales and fresh meat contributed the remaining 8.4 %. During 2015, frozen meat contributed 91.9 % to total sales and fresh meat contributed the remaining 8.1 %.

WEIGHTED AVERAGE PRODUCER PRICE OF IQF MIXED PORTIONS

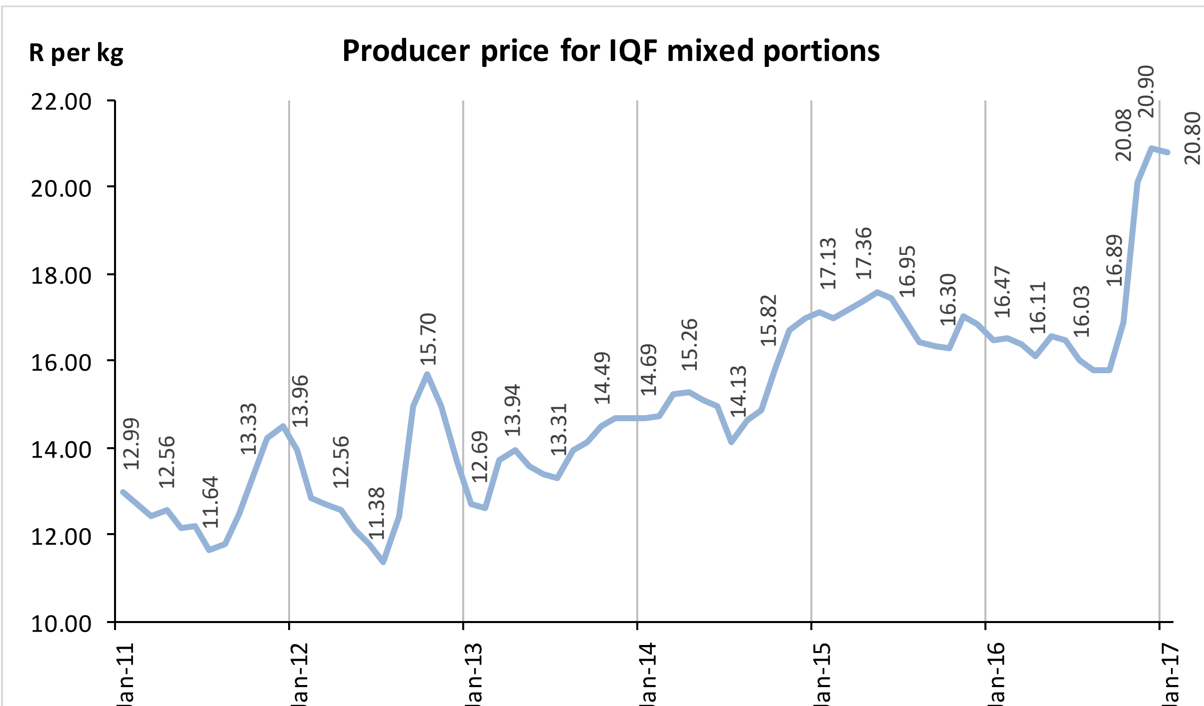
Producer price for January 2017: R20.80 per kg

- if compared to previous month: - 0.5 %
- if compared to same month in previous year: + 26.3 %

The average producer price (per kg) for IQF mixed portions for the past four years:

2017 YTD	R 20.80	+	22.3	% over 2016
2016	R 17.00	+	0.2	% over 2015
2015	R 16.97	+	11.2	% over 2014
2014	R 15.25			

The recent month-on-month and year-on-year increases need to be viewed alongside the miniscule increase in the average annual producer price for IQF portions in 2016.



WEIGHTED AVERAGE PRODUCER PRICE FOR WHOLE FROZEN FOWL

Producer price for January 2017: R20.69 per kg

- if compared to previous month : + 4.0 %
- if compared to same month in previous year: - 2.7 %

The average weighted producer price (per kg) for whole frozen fowl for the past four years:

2017 YTD	R 20.69	+	6.6	% over 2016
2016	R 19.41	-	5.8	% over 2015
2015	R 20.62	+	8.2	% over 2014
2014	R 19.05			

WEIGHTED AVERAGE PRODUCER PRICE FOR FROZEN SUNDRY PRODUCTS

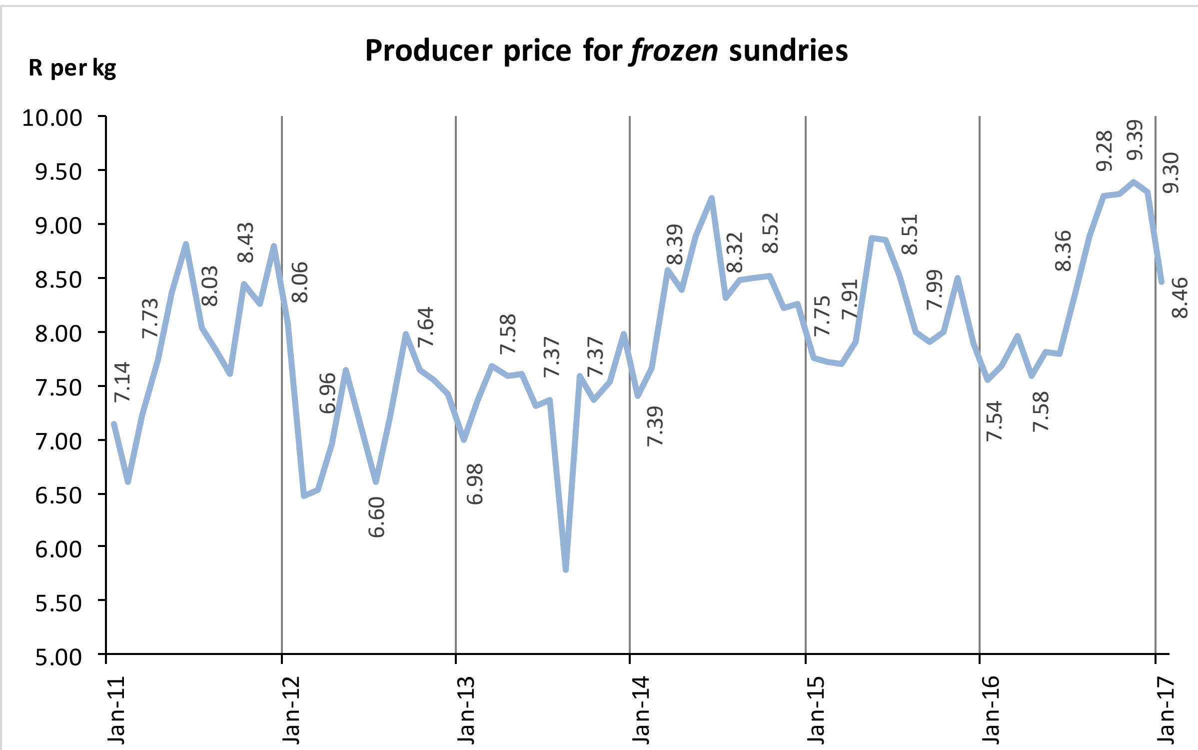
Sundry products include liver, necks, neck skins, hearts, gizzards, heads and feet, and mala.

Producer price for January 2017: R8.46 per kg

- if compared to previous month : - 9.0 %
- if compared to same month in previous year: + 12.2 %

The average producer price (per kg) for frozen sundries for:

2017 YTD	R 8.46	+	0.7	% over 2016
2016	R 8.40	+	3.3	% over 2015
2015	R 8.13	-	2.8	% over 2014
2014	R 8.37			



FEED PRICE INDICATOR:

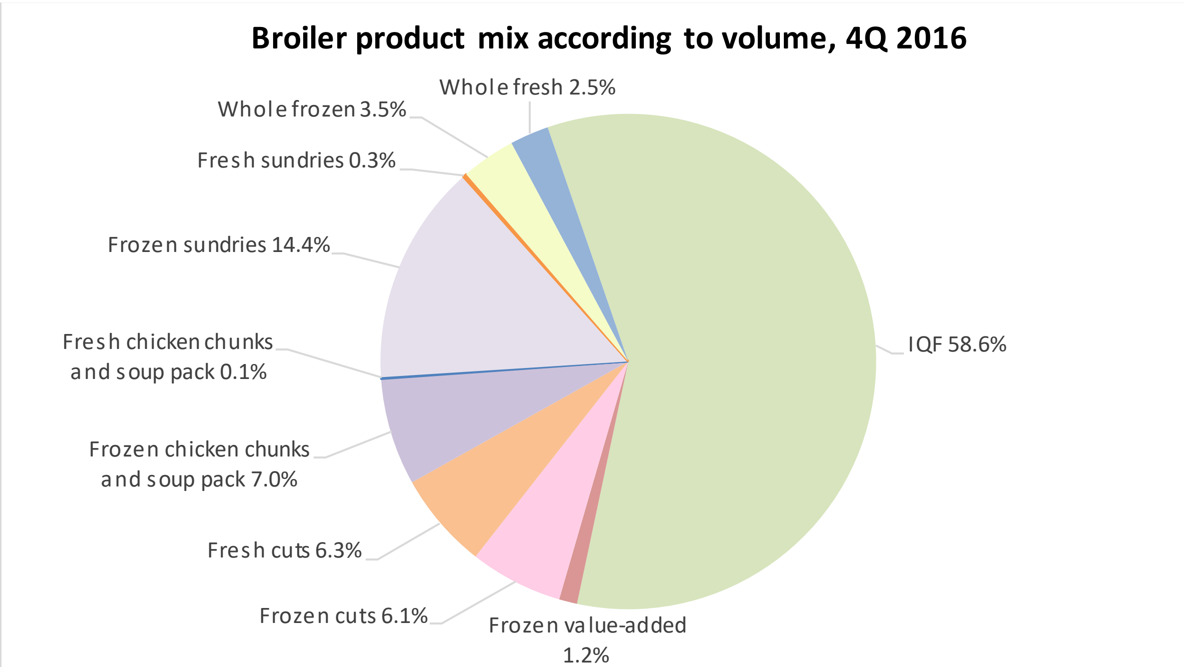
R/tonne incl. distribution, excl. VAT	Nov 16	Dec 16	Jan 17
Broiler feed price	5729.42	5638.90	5645.90
Broiler breeder feed price	5025.50	5163.50	5041.50

Not all participants contribute to the Feed Price Statistics.

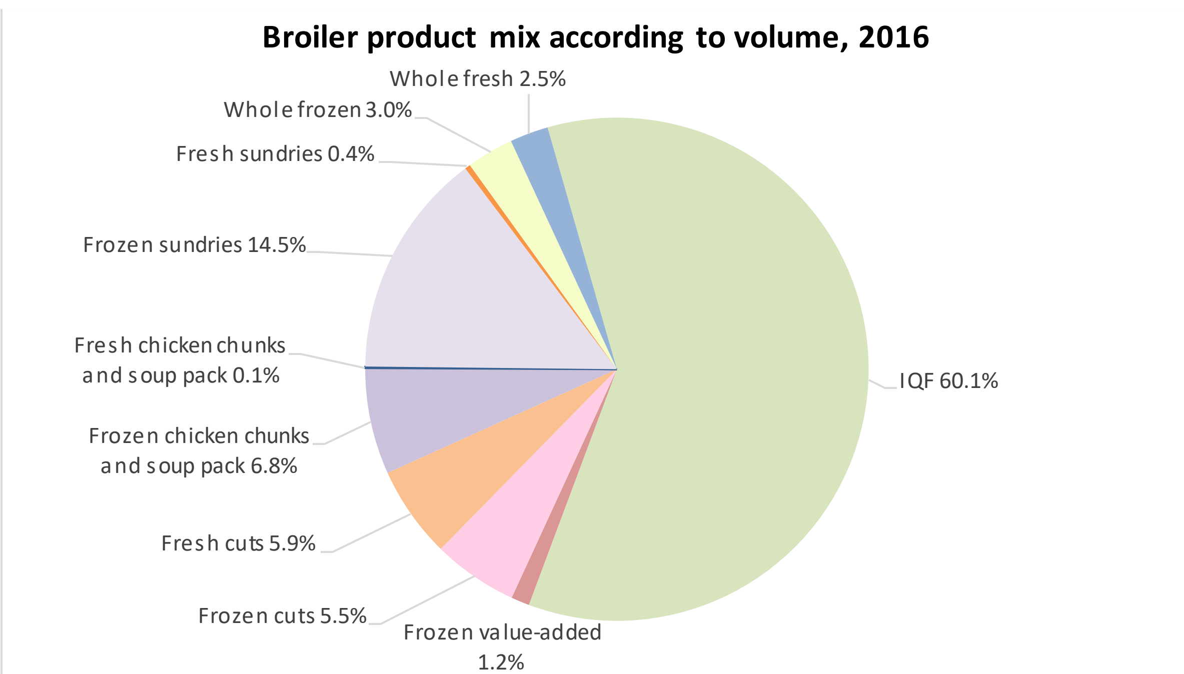
PLEASE NOTE: The reported broiler feed price is an indicator and is presented to demonstrate trends in feed prices. A sample group of producers supply the phase feed prices and a weighted average price is calculated, including distribution, excluding medication and additives and excluding VAT, measured in rand per tonne (R/t).

MARKET SHARE IN TERMS OF PRODUCT:

The following graph depicts the ***quarterly*** product mix of broiler meat, in terms of ***volume***:



The following graph depicts the ***annual*** product mix of broiler meat, in terms of ***volume***:



DISTRIBUTION OF SALES TO MARKETS:

The data collected from contributors for January 2017 were insufficient to provide a truly representative picture of the local markets purchasing South African broiler chicken. This table will feature in future reports, if/when the industry returns to contributing data.

ALL PRICES: The respondents contributing to the "All Prices" stats represent approximately 49 % of the monthly SA broiler production, in volume terms (dressing %: 91.3 %).

# - Too little data to report on	Price (NSV R/kg)					
	Nov/16	Dec/16	Jan/17	Nov/16	Dec/16	Jan/17
Product	*Frozen*	*Frozen*	*Frozen*	*Fresh*	*Fresh*	*Fresh*
Whole chicken (with giblets)	19.19	19.89	20.69	#		
Braaipack	19.21	20.56	22.31	31.65	31.71	31.51
Breast	17.01	19.10	19.66	23.79	24.32	24.89
Thighs	21.65	23.91	24.95	32.12	31.30	31.92
Drums	#	#	#	31.16	29.06	30.07
Wings	29.52	29.27	29.30	32.41	32.14	33.09
Drums/thighs	21.15	21.53	22.94	31.75	32.17	31.41
Breast fillets	29.67	29.10	31.52	39.35	38.22	38.15
Chicken Chunks	11.37	13.90	14.52	#		
Soup Pack	11.50	11.80	11.65	#		
IQF						
Mixed Portions	20.08	20.90	20.80			
Thighs	20.07	20.99	20.72			
Breast	17.81	20.01	19.66			
Drumsticks	23.59	22.89	24.56			
Wings	24.35	23.46	24.92			
Filleted breast	30.34	32.30	32.77			
Other	20.77	21.63	22.65			
Sundry products	9.39	9.30	8.46	#		
Value added: crumbed products	#			#		
Total Realisation: value added	44.18	43.38	40.16	37.87	39.03	32.08
Total Realisation excl. sundries	22.17	22.44	22.59	30.87	30.41	30.41
Total Realisation (NSV)	20.42	21.19	20.70	29.12	28.96	28.81

DEFINITIONS:

Net Sales Value (NSV):

- Invoiced price
- Less volume discount.
- Less settlement discount.
- Less rebates (incl. advertising spent).
- Less any other discounts i.e. direct distribution etc.
- Less secondary distribution (i.e. from vector or cold chain to retail outlets e.g. Shoprite, PnP, etc.).
- Excluding VAT.
- The NSV amount must be the net income to the business.

Sundry Portions:

- Liver
- Hearts
- Necks
- Gizzards
- Neck skin
- Heads and feet
- Mala (i.e.intestines, meaning the digestive track posterior of the gizzards)

DISCLAIMER: The views expressed in SAPA STATS reports reflect those of SAPA in collaboration with its independent consultants and do not constitute any specific advice as to decisions or actions that should be taken. While every care has been taken in preparing documents no representation nor warranty or any expressed or implied undertaking is given and no responsibility or liability is accepted by SAPA as to the accuracy or completeness of the information contained herein whether as electronic data or as a finished report. SAPA or its independent consultants do not accept responsibility or liability for any damages of whatsoever nature which any person may suffer as a result of any decision or action taken on the basis of the information contained herein. All opinions and estimates contained in the reports may be changed after publication without notice.

All forecasts of future production, prices, trade or feed and feed ingredient trends are based on the opinion of independent consultants contracted to SAPA. These forecasts are for guideline purposes only and SAPA does not, in any way, warrant that these predictions will be realised. SAPA therefore cautions any user of this information to treat it in an appropriate manner.

These statistical reports and/or electronic data are placed in the public domain and may be used by other parties conditional to the source of the data/ report being attributed to SAPA.