SOUTH AFRICAN POULTRY ASSOCIATION

Founded 1904

Key Market Signals in the Broiler Industry

For the

fourth quarter of 2018

4Q 2018

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1.1 MONTHLY: TOTAL POULTRY IMPORTS

After the March 2017 record high of 65 658 tonnes, imports ran at between forty and and fifty-two thousand tonnes per month until the next spike in imports in March 2018 (52 807 t). It is clear that there will be an annual spike in imports every March at the end of each AGOA cycle, as the US fills its remaining quota of bone-in portions. Imports averaged 45 300 tonnes per month in 1H 2018 but reached 61 751 tonnes in August and 56 456 tonnes in September 2018.

December's imports are 6 833 t less than in November at 37 739 tonnes (- 15.3 %). Poultry imports were valued at R423.5 million (FOB); down R107.9 m on November 2018 levels (-20.3 %). Compared to December 2017, imports decreased by 10 861 t (- 22.3 %), and in, value terms, decreased by 29.7 % or R179.3 million. During December 2018, poultry imports consisted of 95.1 % chicken meat and product, 4.8 % turkey meat and product; and 0.15 % ducks, geese and guinea fowl.

With the Netherlands banned from the South African poultry market, Brazil has been the main country of origin for poultry imports since December 2016, except for March 2017 (38.2 % of total imports that month), when the US shipped 25 103 t of product to South Africa. In December 2018, Brazilian imports totalled 21 637 t (57.3 % of total). The US was in second place with 4 860 t of poultry imports to South Africa (12.9 % of total). The EU is beginning to claw its way back into the South African market: Poland and Spain have jumped into third and fourth position on the imports table with 3 822 t (10.1 %) and 1 510 t (4.0 %) in December, respectively.

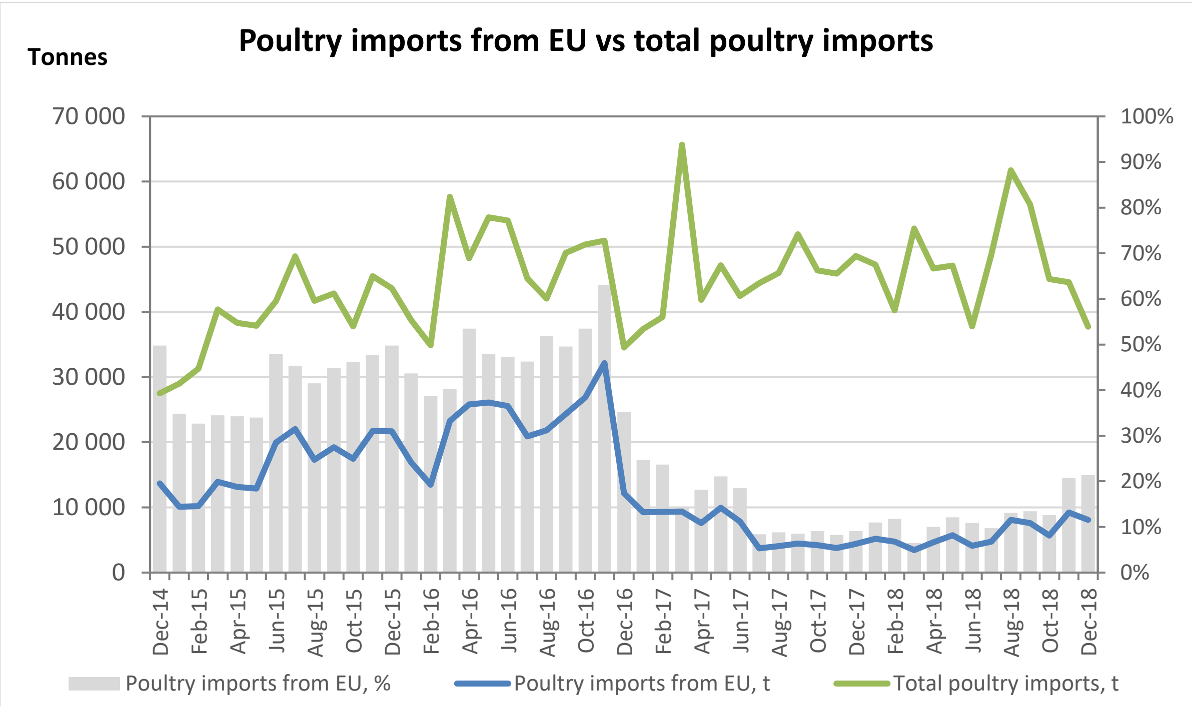

Figure 1: *Poultry imports from the European Union as a percentage of total poultry imports*

Denmark and Ireland have, until recently, been the only European countries exporting to South Africa in any quantity. The Danes and Irish exported 1 447 t (3.8 %) and 1 145 t (3.0 %) in December, respectively. Thailand accounted for 3.4 % (1 276 t) of imports; Argentina 2.6 % (971 t) and Canada 1.9 % (710 t), respectively. Imports from Argentina and Canada are coming under pressure as the EU nations return to the market. Collectively, other countries contributed 1.0 %.

Avian influenza reduced Dutch, French, German, Polish, Hungarian and UK imports to almost zero for most of 2017 and early 2018. Belgium is currently not exporting to South Africa and only small volumes have been arriving from the UK, France, the Netherlands and Germany. Only 414 *kilogrammes* of poultry product arrived from France in December 2018 and 16.6 *tonnes* from Germany. The Netherlands sent 128 tonnes in December, which may signify their return to the market. Hungary has not exported to South Africa in 2017 or 2018.

Most European HPAI events are now considered resolved (OIE) although the UK, the Netherlands, Germany, Denmark and Ireland have all reported cases in wild birds in 2018 and Ireland and Denmark currently have open events with the OIE. The Netherlands and Germany reported H5N6 in commercial and backyard poultry in 2018.

Figure 1, above, shows the percentage of total imports originating from the European Union. Imports from the EU contributed 21.4 % (8 070 t) of total poultry imports into South Africa in December 2018 (*cf* 63.1 % back in November 2016). EU tonnages were down 1 162 tonnes (- 12.6 %) on a monthly basis. Imports are up 83.1 % (+ 3 661 t) on December 2017 EU imports.

1.2 *QUARTERLY: TOTAL POULTRY IMPORTS*

Table 1a*: Distribution of imports according to tariff (chicken)*

	Tariff code	Imports: 4Q 2018 (kg)	% of total
Mechanically deboned meat	0207.1210	42 427 327	33.3
Carcasses	0207.1220	1 581 566	1.2
Whole frozen fowls	0207.1290	3 657 498	2.9
Fresh chicken cuts/offal	0207.1300	6 872	0.005
Frozen (boneless portions)	0207.141*	4 692 034	3.7
Fowls offal	0207.142*	1 042 955	8.2
Poultry (bone-in portions)	0207.149*	57 311 621	45.0
Chicken pastes	1602.3210	2	<0.001
Chicken: flavoured, herbed or marinated	1602.3290	183 085	0.14

Table 1b*: Distribution of imports according to tariff (turkey, geese, ducks, guinea fowl)*

	Tariff code	Imports: 4Q 2018 (kg)	% of total
Whole frozen turkey	0207.2500	597 752	0.5
Frozen turkey portions and MRM	0207.2700	6 307 456	5.0
Frozen whole duck	0207.4200	149 994	0.12
Frozen duck cuts or offal	0207.4500	26 270	0.02
Goose: pâté de foie gras	1601.2010	1 336	0.001
Pastes, not chicken	1602.3910	155	<0.001
Other poultry, prepared, not pastes	1602.3990	115	<0.001

During 4Q 2018, 127 371 tonnes of poultry meat were imported at an FOB value of R1.51 billion. The distribution of imports according to tariff codes is listed below in Tables 1(a) and (b), above.

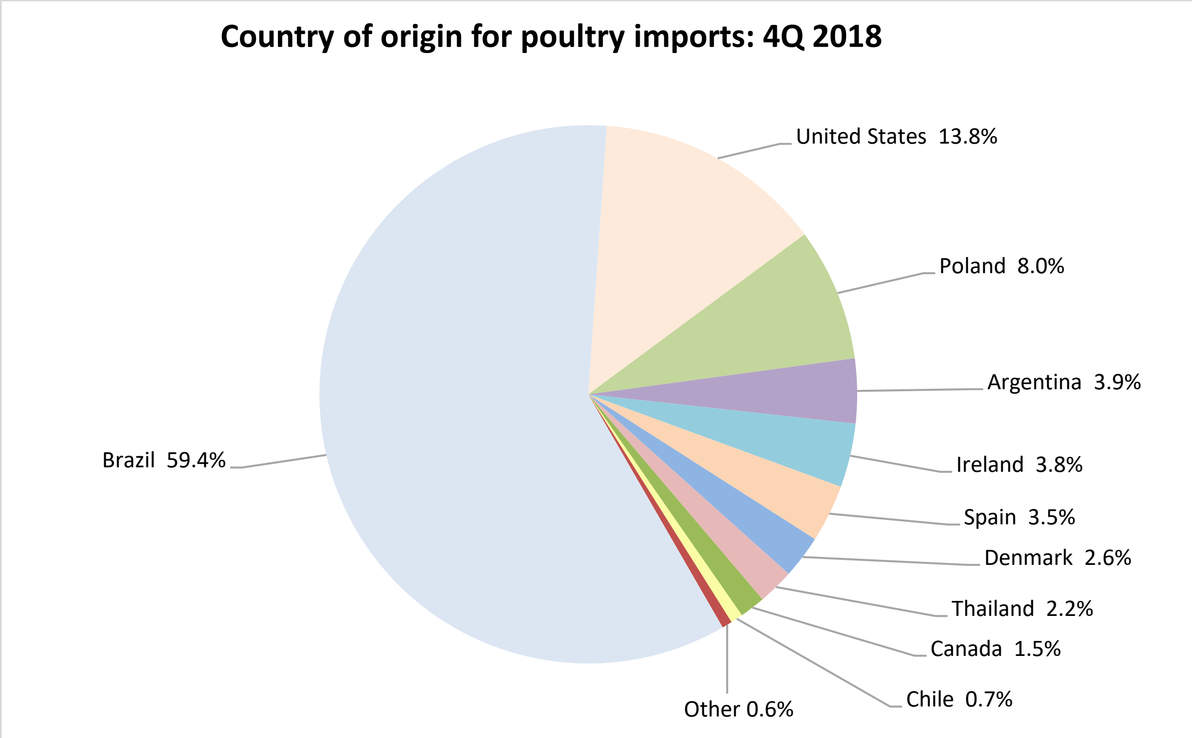

Figure 2: *Country of origin of poultry imports into South Africa for 4th quarter of 2018*

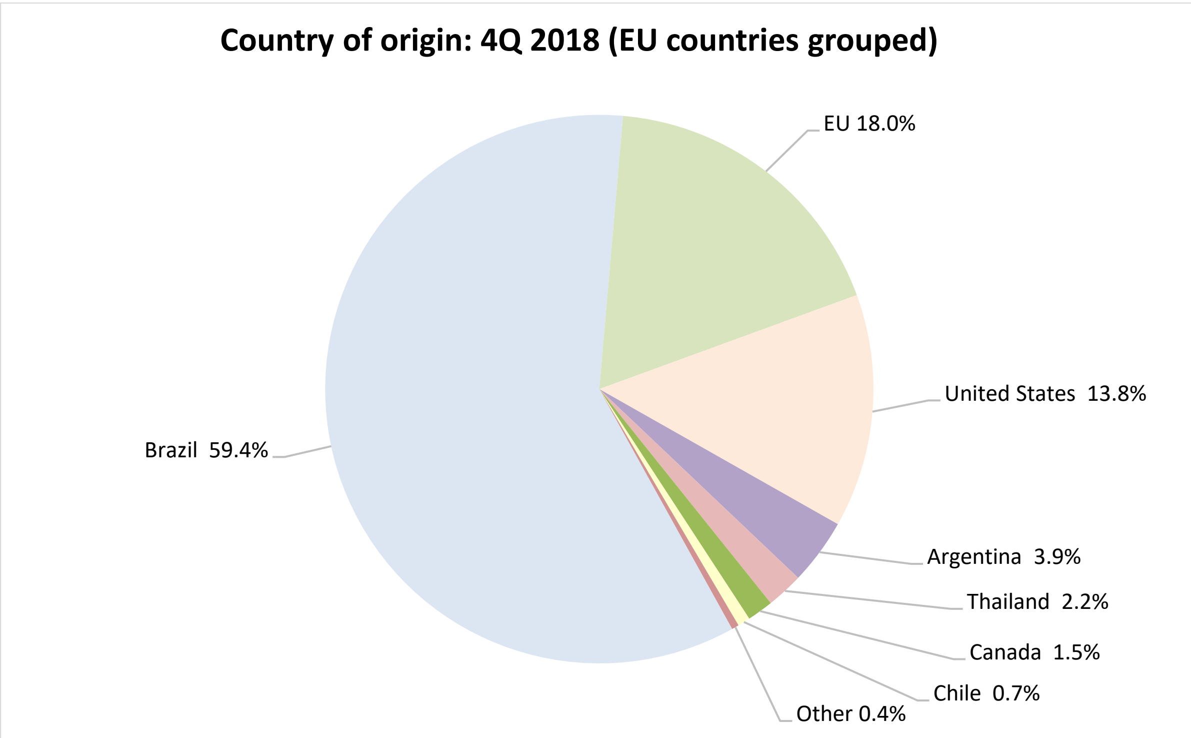

Figure 3: *Country of imports for 4th quarter, showing the EU countries as a single entity*

During 4Q 2018, imports from Brazil made up 59.4 % of total poultry imports into South Africa (*Figure 2,* above*)*, compared to 60.5 % in 3Q 2018. The US and Poland accounted for 13.8 % and 8.0 % of total imports in the 4Q 2018, respectively. Argentina contributed 3.9 %; Ireland 3.8 %; Spain 3.5 %; Denmark 2.6 %; Thailand 2.2 %; Canada 1.5 %; Chile 0.7 % and all other countries a total of 0.6 %.

If the European Union countries are considered as a single entity, the EU contribution to total poultry imports was 18.0 % in the fourth quarter of 2018 (*Figure 3,* above*)*, up from 12.2 % in the 3Q 2018 and from 8.8 % in 4Q 2017.

Of the total poultry imports from Brazil during 4Q 2018 (75 704 tonnes; *Figure 4*), 50.4 % entered South Africa as mechanically deboned meat (0207.1210).

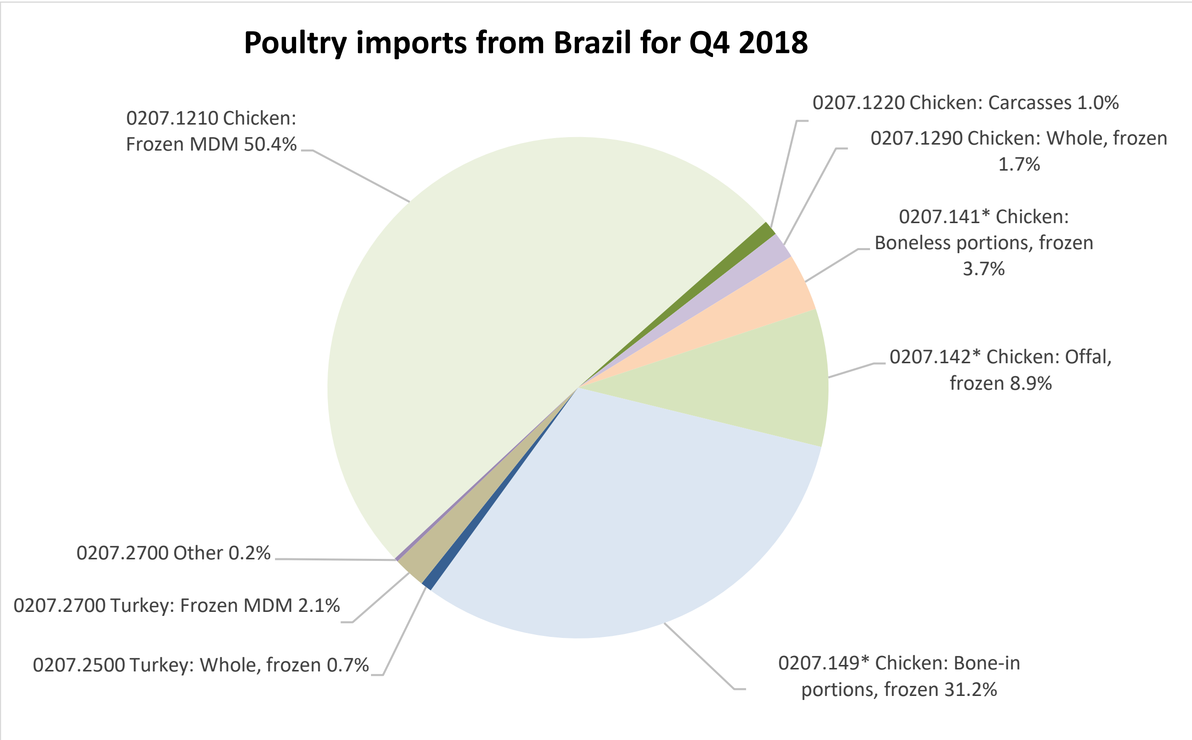

Figure 4: *Quarterly imports of broiler meat originating from Brazil, according to tariff codes*

Frozen bone-in portions (0207.149*) made up 31.2 % of Brazilian imports (up from only 14.4 % in early 2017 but down from 38.2 % in 3Q 2018); 8.9 % was frozen chicken offal (0207.142*); 3.7 % frozen boneless portions (0207.141*); 1.0 % frozen chicken carcasses (0207.1220); 2.1 % frozen turkey portions and MDM (0207.2700); 1.7 % whole frozen chicken (0207.1290); 0.7 % whole frozen turkeys and 0.2 % other (*Figure 4,* above*)*.

1.3 ANNUAL: TOTAL POULTRY IMPORTS (2018)

Poultry imports for the year 2017 totalled 556 877 t; which was a decrease of 3 278 t, or 0.6 %, in comparison with 2016 (560 155 t). Poultry imports in 2017 were, however, up 25 % on the 5-year average (2012 – 2016).

In 2018, the SA Revenue Service reports total poultry imports at 566 210 t; 1.7 % higher than in 2017 (+ 9 333 t) despite the absence of key EU traders in the market for much of the year.

Imports for 2018 were up 19 % over the 5-year average for poultry imports (2013 to 2017). In 2018, the value of imports increased by R82.6 million (1.3 %) over the 2017 value, to R6.52 billion.

Brazil was the main country of origin in 2018, accounting for 61.5 %, or 348 155 t, of total poultry imports into South Africa (+ 5.8 % on 2017). With AI affecting EU trade, the US was the second largest importer into the country, with 16.1 % or 91 373 t (+ 5.0 % on 2017). Thailand increased exports to South Africa by 124 % in 2018 (9 011 t; 1.7 % of total); while Argentinian exports increased by 1.4 % to 33 278 t (5.9 % of total). Canadian poultry imports dropped 49 % in 2018 (7 305 t; 1.3 % of total).

Of the EU exporters, only Ireland, Denmark, Poland and Spain exported significant quantities to South Africa in 2018: 26 328 t (4.6 %), 25 672 (4.5 %), 13 463 t (2.4 %) and 4 932 t (0.9 %), respectively.

If the EU countries are considered as a single entity, 12.6 % of poultry imports entered SA through the EU in 2018 (71 224 t), compared to 14.0 % in 2017 and 48.1 % in 2016. In 2017, 77 935 tonnes of poultry imports arrived from the EU; down 71.1 % (- 191 325 t) on 2016 levels. This drop in 2017 and 2018 reflects the impact of the trade bans on several EU countries affected by avian influenza. Trade volumes from the EU are down 8.6 % on 2017. However, 2H 2018 EU imports are up 78.1 % on 2H 2017 imports, and up 55.8 % on 1H 2018 EU imports, so there is good evidence that EU exporters are returning to the South African market as trade bans are lifted.

All other importing countries contributed 1.0 % to imports of poultry into South Africa in 2018 (*Figure* 5).

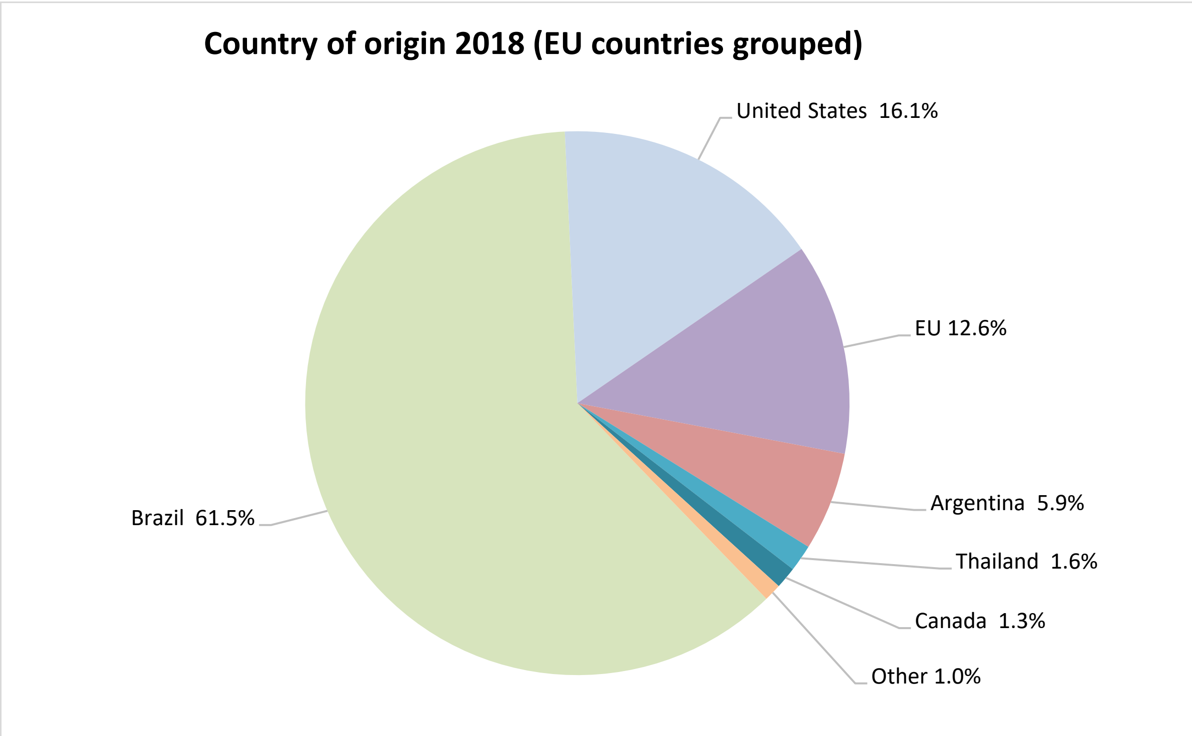

Figure 5: *Origin of total poultry imports in 2018*

The origin of poultry imports from within the EU for 2018 is given in *Figure 6.*

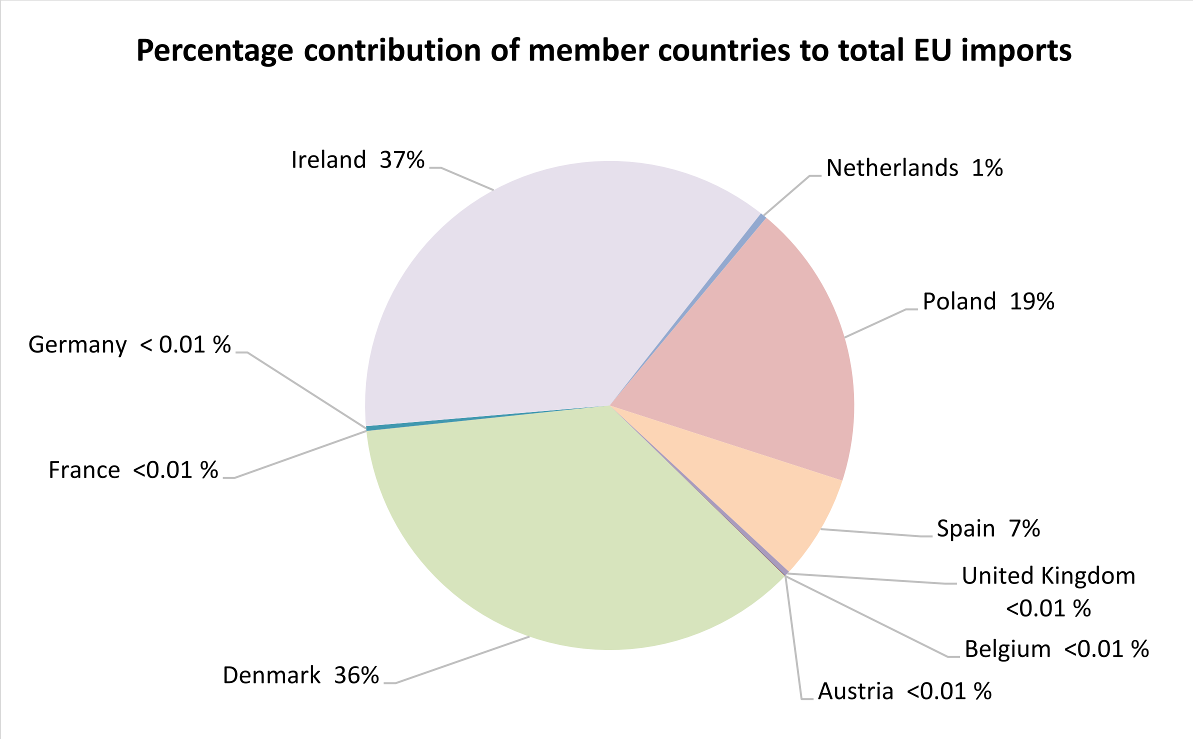

Figure 6: *Percentage contribution of member countries to total EU poultry imports, 2018*

2. BROILER MEAT PRODUCTION AND TRADE

We have recently received data from a number of breeders, hatcheries and producers for which estimates were being used. This data has been back-dated, and output figures have thus been revised. SAPA is indebted to these role players whose contributions have made a substantial difference to the accuracy of the broiler statistics presented in this report. We are also most grateful to our regular contributors.

The model has taken into account the loss of breeders due to highly pathogenic avian influenza (HPAI) in 2017/2018.

2.1 BROILER MEAT PRODUCTION

2.1.1 Broiler breeders

Day-old parent pullets placed

An average of 205 400 day-old parent pullets was placed per week in December 2018. This was an increase of 37 000 parent pullets per week (+ 22.0 %) compared to the previous month and an increase of 24 700 parent pullets per week (+ 13.7 %) compared to the same month in the previous year.

On a quarterly basis, an average of 185 200 day-old parent pullets was placed per week during the fourth quarter of 2018 (4Q 2018). This was an increase of 19 560 per week (+ 11.8 %) compared to 3Q 2018 and an increase of 6 370 per week (+ 3.6 %) compared to 4Q 2017.

The total number placed for 4Q 2018 was 2 448 700; a 14.6 % increase compared to 3Q 2018 and a 5.4 % increase compared to 4Q 2017.

A forecast total of 9.014 million day-old parent pullets was placed in 2018; 185 500 (+ 2.1 %) more than 2017 (8.829 million).

Broiler breeder flock

The average number of breeder hens for December 2018 was 6 470 300.

The average size of the breeder flock during 4Q 2018 was 6 559 500 birds. This was an increase of 1.1 % compared to 3Q 2018 and an increase of 8.7 % compared to 4Q 2017.

The average flock size for 2018 was 6.425 million; 65 800 (- 1.0 %) less breeder hens than in 2017 (6.491 million).

2.1.2 Broiler chick placements

Actual placement:

Broiler hatcheries produced 21.69 million day-old chicks per week in December 2018. Compared to November 2018, this was an increase of 3.33 million chicks per week (+ 15.4 %). Compared to December 2017, this was an increase of 1.21 million chicks (+ 5.9 %).

During 4Q 2018 broiler hatcheries produced 270.68 million day-old chicks. This was an increase of 4.0 % compared to 3Q 2018 and an increase of 8.6 % compared to 4Q 2017. The average weekly placement of day-old chicks for 4Q 2018 was 20.45 million; a 1.9 % increase compared to 3Q 2018 and a 6.6 % increase compared to 4Q 2017.

In total, 1.047 billion broiler chicks were hatched during 2018; 0.587 billion (+ 5.9 %) more than 2017 (0.988 billion).

Industry potential:

Based on the forecasting model, potential production of 19.90 million broiler chicks per week was projected for 4Q 2018. The actual production was 2.8 % more than the modelled potential.

Potential production of 261.59 million broiler chicks was projected for 4Q 2018, based on the number of day-old parent females placed. The actual production was 3.5 % more than the modelled potential.

2.1.3 Broiler production for slaughter (bird numbers)

Actual production:

On average, 17.84 million broilers were produced per week in December 2018. This was 2 309 900 birds (- 11.5 %) less than the previous month but 449 100 birds (+ 2.6 %) more than the same month of the previous year.

The total production for 4Q 2018 was 253.2 million. This was 3.0 % more than 3Q 2018 and 6.5 % more than 4Q 2017.

The average production of broilers per week for 4Q 2018 was 19.27 million. This was a 3.0 % increase compared to 3Q 2018 and a 6.6 % increase compared to 4Q 2017.

A total of 983.0 million broilers were produced for slaughter in 2018; 55.9 million (+ 6.0 %) more than in 2017 (927.1 million).

Industry potential:

Based on the forecasting model, 18.9 million broilers could have been produced per week in 4Q 2018. Actual production per week was 2.2 % more than potential.

Potentially, 248.0 million broilers were slaughtered during 4Q 2018. Actual production for the quarter was 2.1 % less than modelled potential.

2.1.4 Broiler and breeder meat production (tonnes)

Actual production:

Broiler meat produced in December 2018 was 146 900 tonnes. This was 13 660 tonnes (- 8.5 %) less than November 2018 but 3 440 tonnes (+ 2.4 %) more than December 2017.

Total broiler meat produced for 4Q 2018 was 470 600 tonnes. This was 3.0 % more than the previous quarter and 6.3 % more than the same quarter of the previous year.

A total of 1.827 million tonnes of broiler meat was produced in 2018; 100 820 t (+ 5.8 %) tonnes more than in 2017 (1.726 million t).

Industry potential:

The forecasting model predicted the production of 155 560 broiler tonnes for December 2018. Actual production was 5.6 % less than modelled potential. The prediction of broiler tonnes for 4Q 2018 was 460 920 t. Actual production was 2.1 % more than potential.

A further prediction by the forecasting model was 2 790 tonnes from the culling of breeder hens and cocks in December 2018. The 4Q 2018 prediction was 8 345 breeder tonnes.

Based on the breeder tonnes predicted, and *actual* broiler production, a combined output of 149 660 tonnes resulted from the broiler industry for December 2018. The total for 4Q 2018 was 478 950 tonnes. All breeder sales are assumed to be live, whilst a broiler slaughter weight of 1.8 kg, revised from 1.85 kg in July 2015, was used. Total broiler production includes all saleable offal.

The combined predicted total of broiler and breeder meat production was 1.858 million tonnes in 2018; 98 140 tonnes (+ 5.6 %) less than in 2017 (1.760 million).

Table 2. *Broiler industry bird numbers*

BROILER INDUSTRY : KEY RESULTS - December 2018

	Hatch days	Calendar Days	Day-old parent pullets placed		Breeder hens	Actual broiler chicks placed		Actual broilers slaughtered	
Month on Month	**/Month**	**/Month**	**/Month**	**/Week**	**Average**	**/Month**	**/Week**	**/Month**	**/Week**
December 2018	17	31	872 909	205 390	6 470 363	92 184 845	21 690 552	79 018 324	17 842 847
November 2018	18	30	757 819	168 404	6 640 666	82 612 249	18 358 278	86 368 945	20 152 754
Change			115 090	36 986	-170 303	9 572 596	3 332 274	-7 350 621	-2 309 907
% Change			15.2%	22.0%	-2.6%	11.6%	18.2%	-8.5%	-11.5%
Year on Year	**/Month**	**/Month**	**/Month**	**/Week**	**Average**	**/Month**	**/Week**	**/Month**	**/Week**
December 2018	17	31	872 909	205 390	6 470 363	92 184 845	21 690 552	79 018 324	17 842 847
December 2017	17	31	767 885	180 679	6 027 429	87 032 354	20 478 201	77 029 598	17 393 780
Change			105 024	24 712	442 934	5 152 491	1 212 351	1 988 726	449 067
% Change			13.7%	13.7%	7.3%	5.9%	5.9%	2.6%	2.6%
Full year forecast	**/Year**	**/Year**	**/Year**	**/Week**	**Average**	**/Year**	**/Week**	**/Year**	**/Week**
Jan>Dec 2018	209	365	9 014 157	172 716	6 425 291	1 047 390 933	20 066 479	983 028 177	18 851 481
Jan>Dec 2017	208	365	8 828 675	169 941	6 491 043	988 681 466	19 026 965	927 147 249	17 775 458
Change			185 482	2 776	-65 753	58 709 467	1 039 514	55 880 928	1 076 023
% Change			2.1%	1.6%	-1.0%	5.9%	5.5%	6.0%	6.1%
YTD forecast	**/Period**	**/Period**	**/Period**	**/Week**	**Average**	**/Period**	**/Week**	**/Period**	**/Week**
Jan>Dec 2018	209	365	9 014 157	172 716	6 425 291	1 047 390 933	20 066 479	983 028 177	18 851 481
Jan>Dec 2017	208	365	8 828 675	169 941	6 491 043	988 681 466	19 026 965	927 147 249	17 775 458
Change			185 482	2 776	-65 753	58 709 467	1 039 514	55 880 928	1 076 023
% Change			2.1%	1.6%	-1.0%	5.9%	5.5%	6.0%	6.1%

NOTE:
Month or Period: Refers to a calendar month or period
Week: Refers to an average 7 day week of which all 7 days fall within the specified month or period

2.2 *BROILER MEAT IMPORTS*

2.2.1 Monthly: total broiler imports

Of the 37 739 t of total poultry products imported into South Africa in December 2018, broiler meat imports accounted for 35 884 t (95.1 %; - 6 256 t; - 14.8 % on a monthly basis). The FOB value of broiler meat imports (R387.5 million) represents 91.5 % of the FOB value for total poultry imports in December 2018 (R423.5 million). Broiler imports during December 2018 comprised 39.6 % mechanically deboned meat (tariff code 0207.1210); 45.5 % bone-in portions (0207.1491 - 1499) and 7.6 % frozen offal (0207.1421 - 1429). The remainder was boneless portions (3.6 %), carcasses (0.6 %), whole frozen chickens (2.8 %) and value-added products.

2.2.2 Quarterly: total broiler imports

Of the 127 371 t of total poultry products imported into South Africa in 4Q 2018, broiler meat imports accounted for 120 288 t (94.4 %; - 32 020 t; - 20.1 % on a quarterly basis). The FOB value of broiler meat imports in the 4Q 2018 (R1.36 billion) represents 90.3 % of the FOB value for total poultry imports during this quarter (R1.51 billion).

2.2.3 Annual: total broiler imports

Broiler imports for 2017 were just 0.8 % lower than in 2016, despite outbreaks of avian influenza in many exporting countries in the EU. According to the audited figures of SARS (verified), the annual broiler imports for 2017 totalled 524 259 tonnes. Broiler imports for 2017 had an FOB value of R5.92 billion (+ 18 % over 2016). Despite the slight annual decrease in broiler imports, 2017 levels were still 26 % higher than the 5-year average (2012 – 2016). Broiler imports in 2018 totalled 539 297 t; 2.9 % higher than in 2017 (+ 15 039 t) despite the continuing absence of key EU traders in the market for much of the year. On an FOB basis, the value of imports for 2018 increased by R109.6 million (+ 1.9 %) over the 2017 value, to R6.03 billion. Imports in 2018 were 20.7 % higher than the 5-year average (2013 – 2017).

2.2.4 Frozen broiler imports

Of the total broiler meat imported through 2018, 99.84 % was declared as frozen (538 434 t). Frozen broiler meat imports increased by 2.9 % in 2018 compared to levels imported during 2017 (523 428 t). Frozen broiler imports totalled 120 098 t in 4Q 2018; down 24.6% on 3Q 2018 levels.

The Brazilian contribution to total annual frozen broiler imports decreased from 77 % in 2009 to 41.9 % in 2014. In contrast, the proportion of frozen meat imports from the EU increased dramatically over a five-year period, reaching 51 % of total frozen imports by December 2014, from 2.2 % in 2009. In 2017, however, only 14.6 % of frozen broiler imports into South Africa came from the EU, because of AI-related trade bans in place against the Netherlands, the UK, France, Germany, Hungary, Poland, Spain and Belgium. Brazil's share of the frozen broiler market increased to 61.3 % and the US to 15.7 %. In 2018, Brazil, the US, and the EU accounted for 62.7 %, 16.0 % and 12.9 % of frozen broiler imports, respectively.

In tonnage terms, a total of 69 325 t of frozen broiler meat was imported from the EU in 2018, compared to 76 422 in 2017, 262 352 t in 2016 but only 4 139 t back in 2009.

Frozen broiler imports from the EU totalled 22 040 t in the 4Q 2018. During the 4Q 2018, EU imports accounted for 18.4 % of total frozen broiler imports (120 098 t) into South Africa; compared to 57.9 % in 1Q 2014 (before the 2014/2015 avian influenza bans on several EU countries) and 12.6 % in 3Q 2018.

Imports of Brazilian frozen broiler products totalled 218 036 t and 320 885 t in 2016 and 2017, respectively; and increased to 337 731 t in 2018 (+ 5.2 % over 2017). In 4Q 2018, Brazil has exported 73 393 t of frozen broiler products to South Africa (61.1 % of total; down from 62.1 % in 3Q 2018).

The US exported 86 059 tonnes of frozen broiler meat to South Africa in 2018, compared to 82 314 t in 2017 (+ 4.5 %). A volume of 16 303 t was imported in the 4Q 2018 (13.6 %; *cf* 16.4 % in 3Q 2018). The annual tonnages of frozen broiler imports for the EU bloc, Brazil and other nations since 2012 are shown in *Figure 7*.

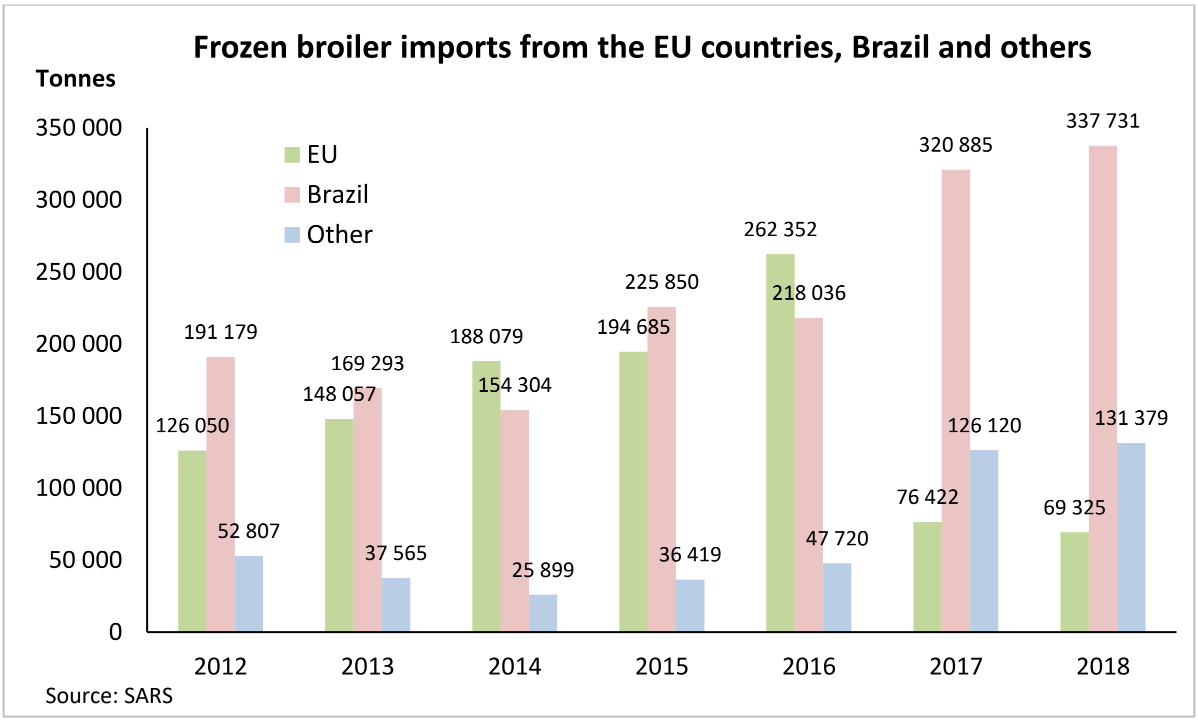

Figure 7: *Annual frozen broiler meat imports from the European Union, Brazil and others*

Figure 8 shows the monthly contribution of the EU to frozen bone-in imports into South Africa over time. The penetration of the EU into this market from 2010 to 2016 is clearly demonstrated in these two figures, along with the effect of trade restrictions (resulting from AI outbreaks) on EU penetration in 1H 2015 and from November 2016 to September 2018. The return of the EU to the South African poultry market in 4Q 2018 should be noted.

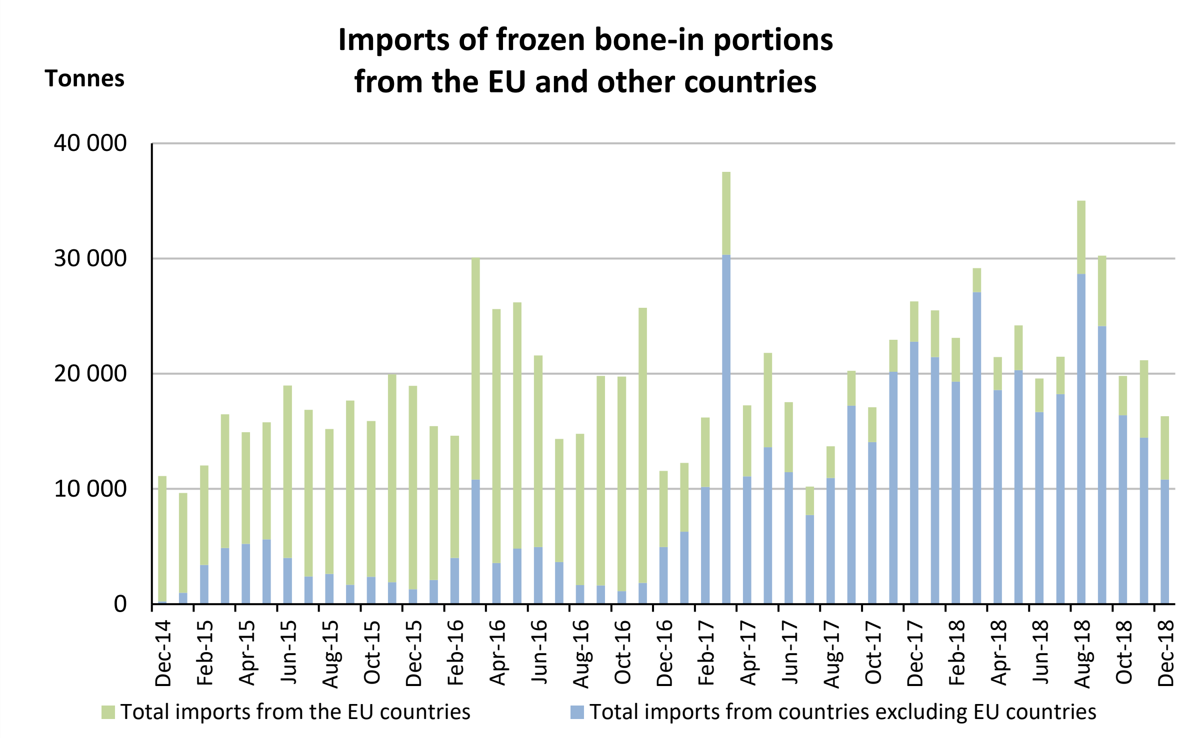

Figure 8: *Imports of frozen bone-in portions from the EU (presented as a single entity) in comparison with the rest of the countries combined*

The contribution of individual EU member countries in terms of frozen broiler imports is shown in *Figure 9* for 2016, 2017 and 2018.

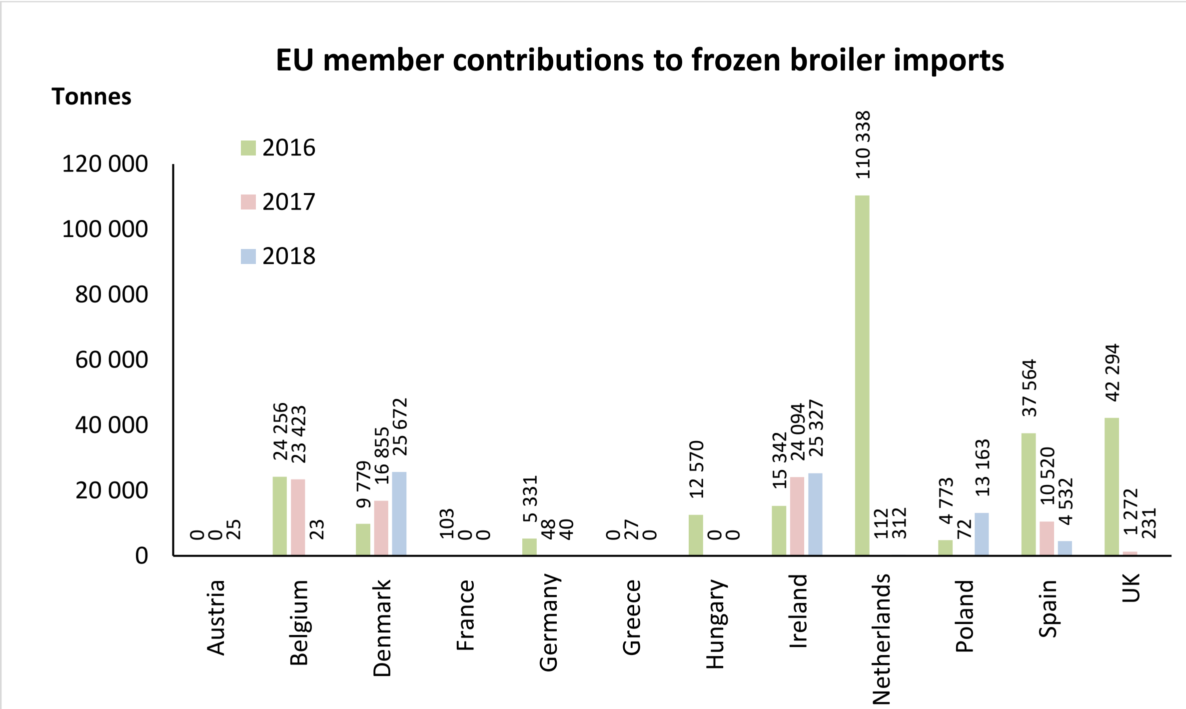

Figure 9: *Annual frozen broiler meat imports from EU countries: 2016, 2017 and 2018*

Of the total frozen broiler meat imported in 2018 (all nations; 538 434 t), 28.7 % was mechanically deboned meat (154 507 t) and 53.3 % was bone-in broiler portions (287 071 t). Whole broilers contributed 1.9 %; carcasses 2.4 %; boneless portions 4.5 % and offal 9.2 %. In the 4Q 2018, of the 120 098 tonnes of frozen broiler meat imported, 47.7 % was bone-in portions; 35.3 % mechanically deboned meat; 8.7 % offal; 3.9 % boneless chicken; 3.0 % whole chickens and 1.3 % carcasses.

In terms of product mix from the EU, the main product imported in 2018 was bone-in portions, accounting for 73.5 % of the total EU frozen broiler imports. Mechanically deboned meat accounted for only 3.2 % of frozen broiler imports from the EU; with 0.9 % carcasses, 7.0 % whole frozen birds and 15.3 % offal. In 4Q 2018, imports from the EU included 5.9 % MDM and 71.0 % bone-in portions.

In tonnage terms, the EU exported 194 399 t of bone-in portions to South Africa in 2016; 57 092 t in 2017 and 50 946 t in 2018. The EU exported 21 333 t of frozen MDM in 2016; 1 800 t in 2017 and 2 233 t in 2018. In 4Q 2018, the EU exported 1 290 t of MDM and 15 646 t of bone-in portions.

In 2017, Brazilian imports of frozen broiler meat included 61.2 % mechanically deboned meat and 24.3 % bone-in portions. In 2018, Brazilian imports included 42.5 % mechanically deboned meat and 32.9 % bone in portions. In 4Q 2018, imports from Brazil included 52.0 % MDM and 32.2 % bone-in portions.

In tonnage terms, Brazil exported 170 045 t of MDM to South Africa in 2016; 196 329 t in 2017 and 143 446 t in 2018. Brazil exported 18 799 t of frozen bone-in portions to South Africa in 2016; 78 049 t in 2017 and 132 461 t in 2018. In 4Q 2018, Brazil exported 38 186 t of MDM and 23 618 t of bone-in portions.

In 2018, US imports of frozen broiler meat comprised 93.8 % bone-in portions, compared to 94.7 % in 2017. In tonnage terms, the US exported 77 971 t of bone-in portions to South Africa in 2017; and 80 695 t in 2018. In 4Q 2018, imports from the US included 14 696 tonnes of bone-in portions (90.1 % of US frozen chicken imports).

2.3 BROILER MEAT EXPORTS

2.3.1 Quarter

A total of 14 444 tonnes of poultry products were exported at an FOB value of R345.7 million during the 4Q 2018. Broiler exports represented 93.5 % of total poultry exports in the 4Q 2018 (13 506 t), and 92.1 % of the rand value (FOB) of total poultry exports (R318.3 million). Broiler exports increased 19.8 % compared to 3Q 2018 levels but decreased 19.4 % compared to exports of broiler meat during 4Q 2017.

In 4Q 2018, 27.6 % of *broiler exports* were fresh chicken cuts and offal, 20.6 % frozen bone-in portions, 12.5 % whole frozen chicken, 11.9 % frozen chicken offal (liver, feet, heads and other); 8.9 % whole fresh chickens; 7.9 % frozen mechanically deboned meat, and 5.6 % boneless chicken portions. The remainder comprised a mix of frozen chicken carcasses and offal, value-added chicken and chicken pastes.

The main destination countries for *broiler* exports in 4Q 2018 were Lesotho at 6 437 t, Mozambique at 3 339 t, Namibia at 1 866 t, Botswana at 446 t, Swaziland at 429 t and UAE at 388 t of the 13 506 total tonnes exported.

2.3.2 Annual: 2017 and 2018

A total of 62 842 tonnes of poultry products (*Figure 10)* were exported at an FOB value of R 1.345 billion during 2017. In 2018, 51 372 tonnes of poultry products were exported at an FOB value of R 1.155 billion. This was a decrease of 18.3 % on 2017 tonnages which, in turn, were 15.1 % down on 2016 exports.

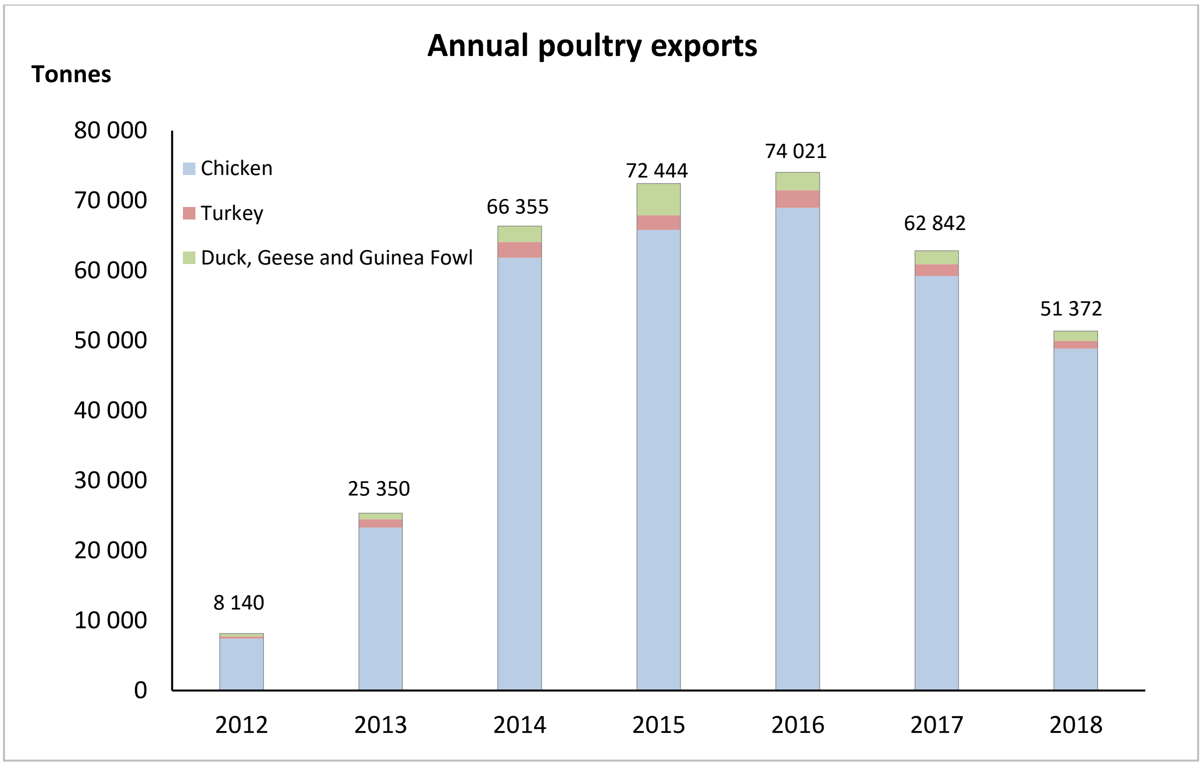

Figure 10: *Total annual poultry exports out of South Africa (tonnes)*

Broiler exports (48 848 t) accounted for 95.1 % of total poultry exports in 2018, and 94.1 % of the rand value (FOB) of total poultry exports (at FOB R1.15 billion). The main destinations for *broiler exports* were Lesotho at 20 946 t, Mozambique 11 993 t, Namibia 6 931 t, Botswana 3 100 t, Swaziland 1 506 t, United Arab Emirates 1 455 t and the Democratic Republic of the Congo at 819 t of the 48 848 total tonnes exported.

In 2018, 19.7 % of *broiler exports* were frozen bone-in portions, 13.3 % frozen mechanically deboned meat, 13.2 % whole frozen chicken, 29.9 % fresh chicken cuts and offal; 10.7 % frozen chicken offal (liver, feet and other); 5.6 % boneless chicken portions. The remainder comprised a mix of whole fresh chickens, frozen chicken carcasses and offal, value-added chicken and chicken pastes.

3 PRICE TRENDS

3.1 *PRODUCER PRICES*

Quarterly and annual producer prices for total realisation of broiler meat are given in *Figures 11* and *12,* respectively.

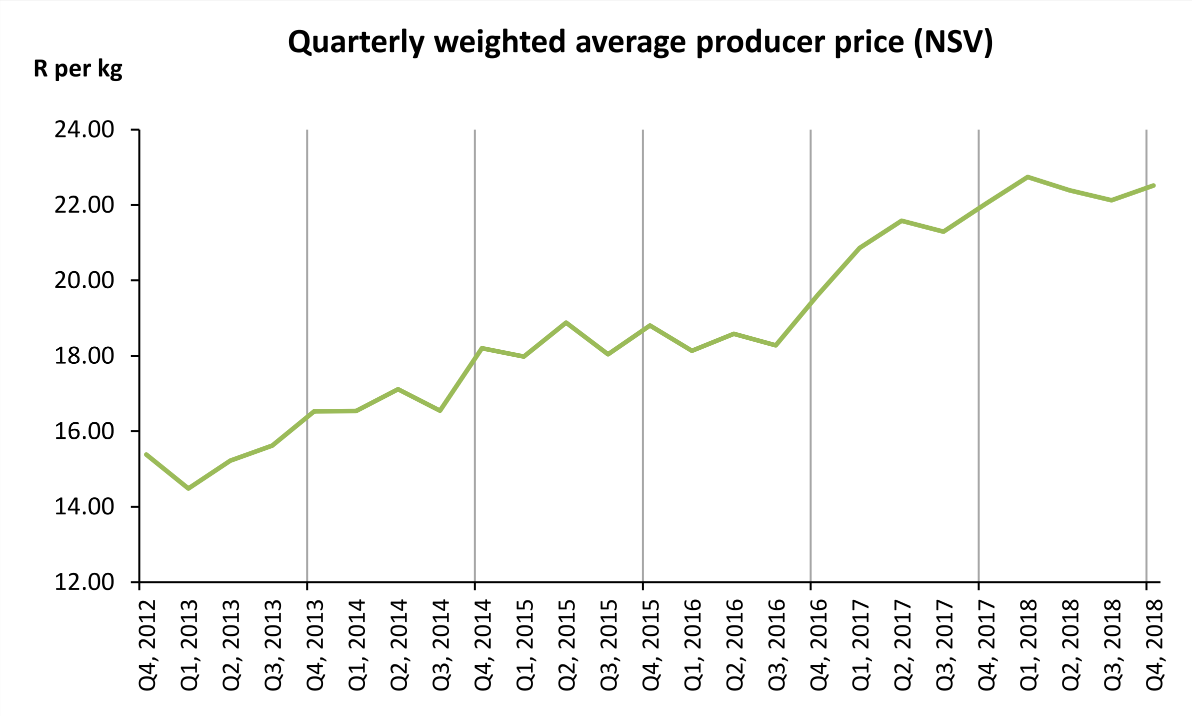

Figure 11: *Quarterly weighted average producer price (net sales value)*

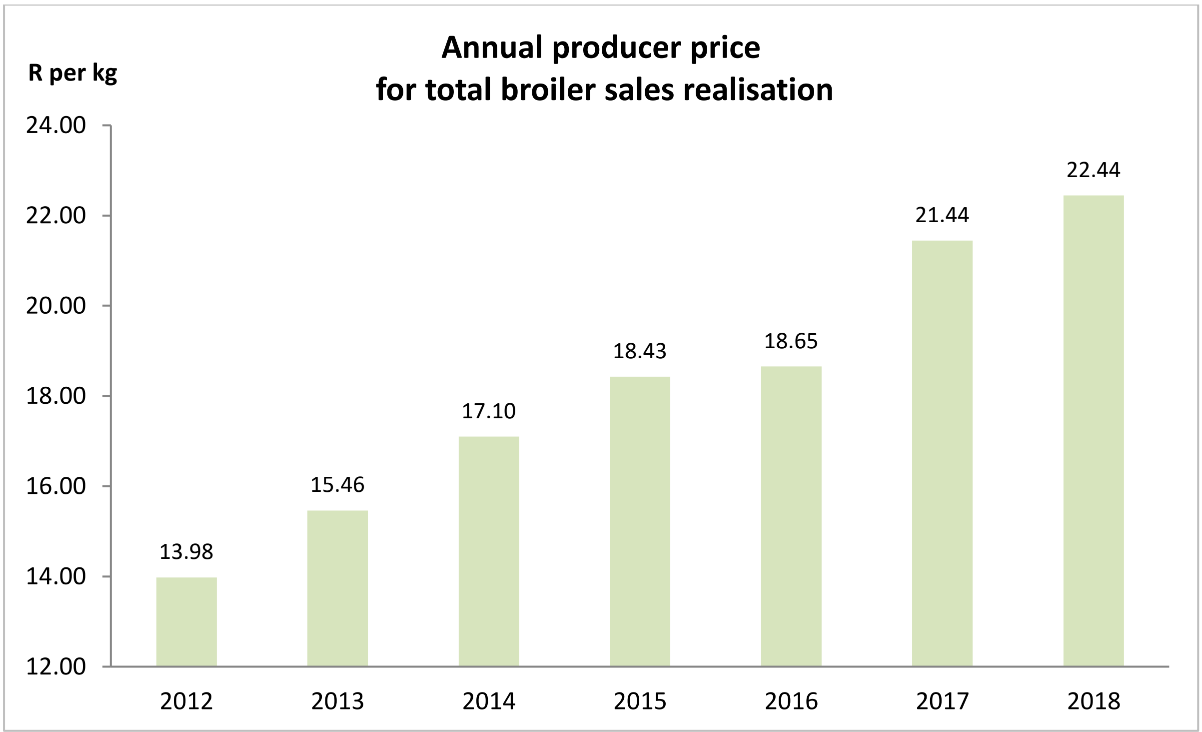

***Figure 12**:* *Average annual weighted producer price for total sales realisation*

The average total realisation price for the third quarter *(*4Q 2018) was R22.52 per kg, an increase of 1.8 % in comparison with the previous quarter (R22.12) and an increase of 2.2 % in comparison with 4Q 2017. The following figure (*Figure 13)* depicts the quarterly (4Q 2018) product mix in terms of volume of broiler meat produced.

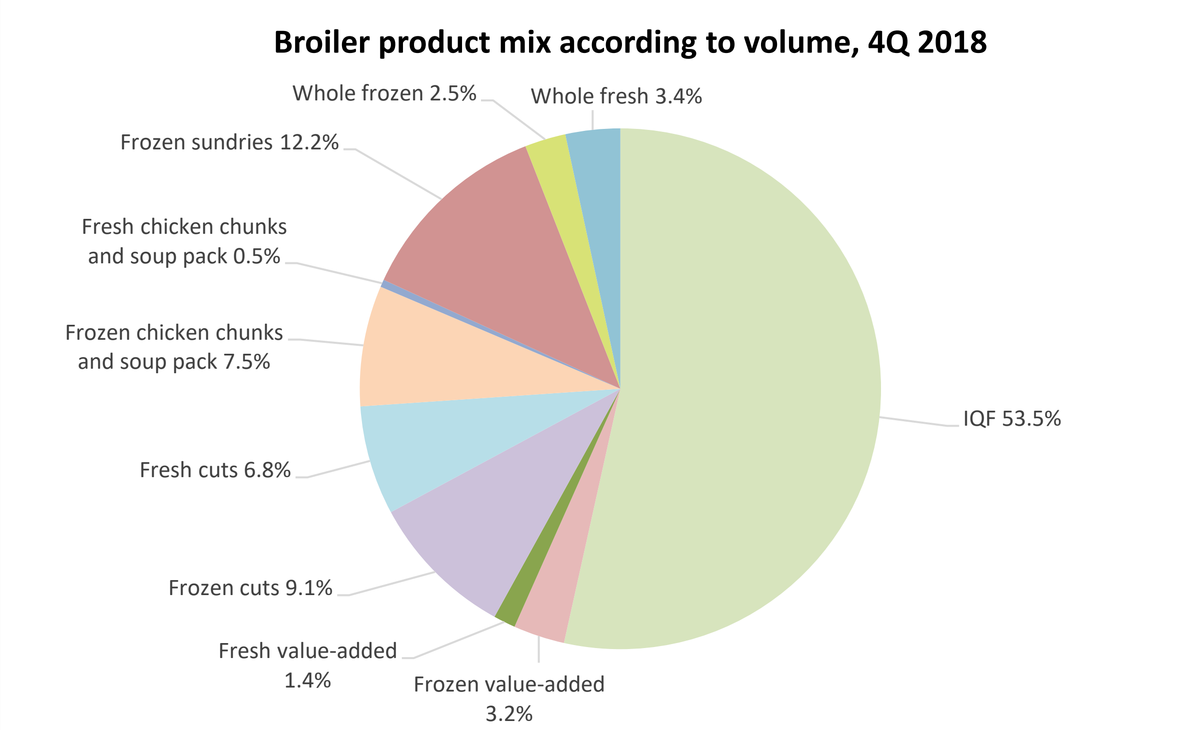

Figure 13: *Quarterly broiler meat product mix: 4Q 2018*

3.1.1 Producer prices in real terms

The weighted average producer price for broilers (less all discounts, rebates, advertising spent, secondary distribution, VAT, etc.) is adjusted for CPI (meat) in *Figure 14* to estimate the annual producer price in real terms. The CPI adjustment takes 2012 as the base year (index = 100; base price = R13.98).

In real terms, with 2012 chosen as the base year and producer inflation (CPI meat) corrected for, the average broiler producer price increased by 1.6 % in 2017 (R14.93) compared to 2016 (R14.70). In real terms, the average producer price in 2018 was R14.64, down 2.0 % on 2017.

In December 2018, the broiler price in real terms was R15.04, compared to R14.96 in December 2017; a year-on-year increase of 0.5 %.

In real terms, the broiler price in 2013 lay below the 2012 average producer price of R13.98 per kg; and rose above this line from 2014 through 2018.

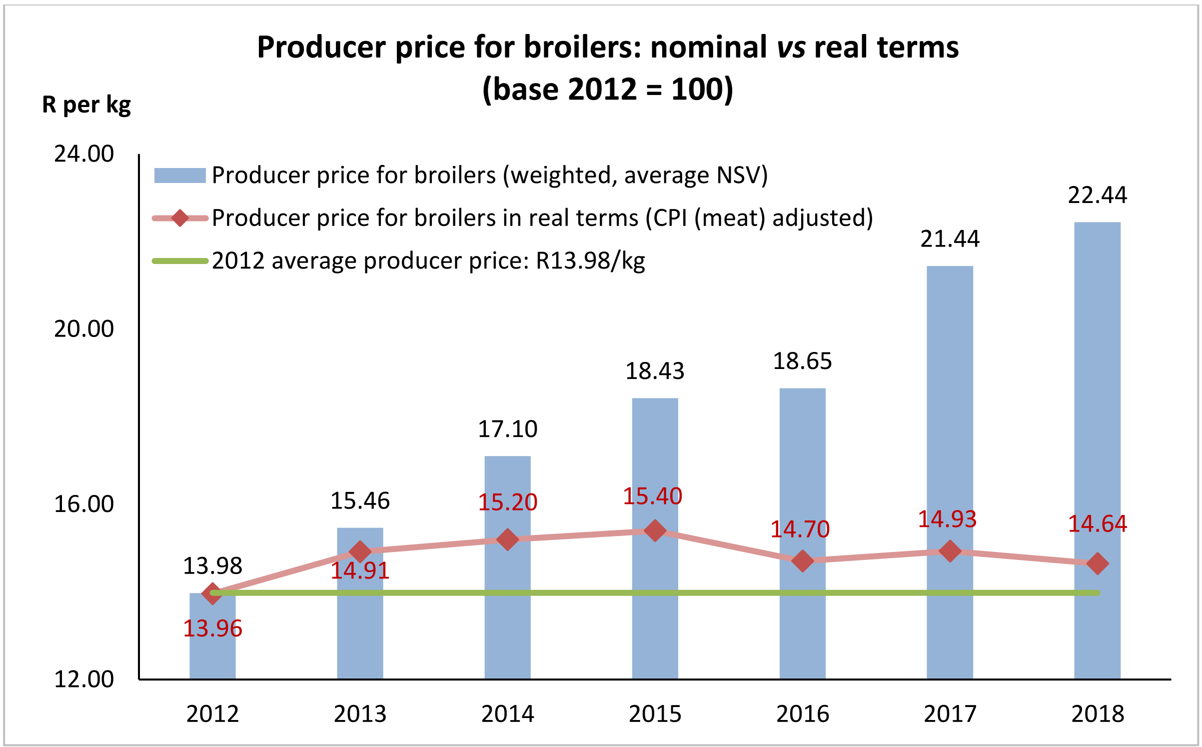

***Figure 14**: Broiler producer price in nominal and real terms: annual averages.*

The monthly figures for broiler producer prices (nominal and real) are given in *Figure 15*.

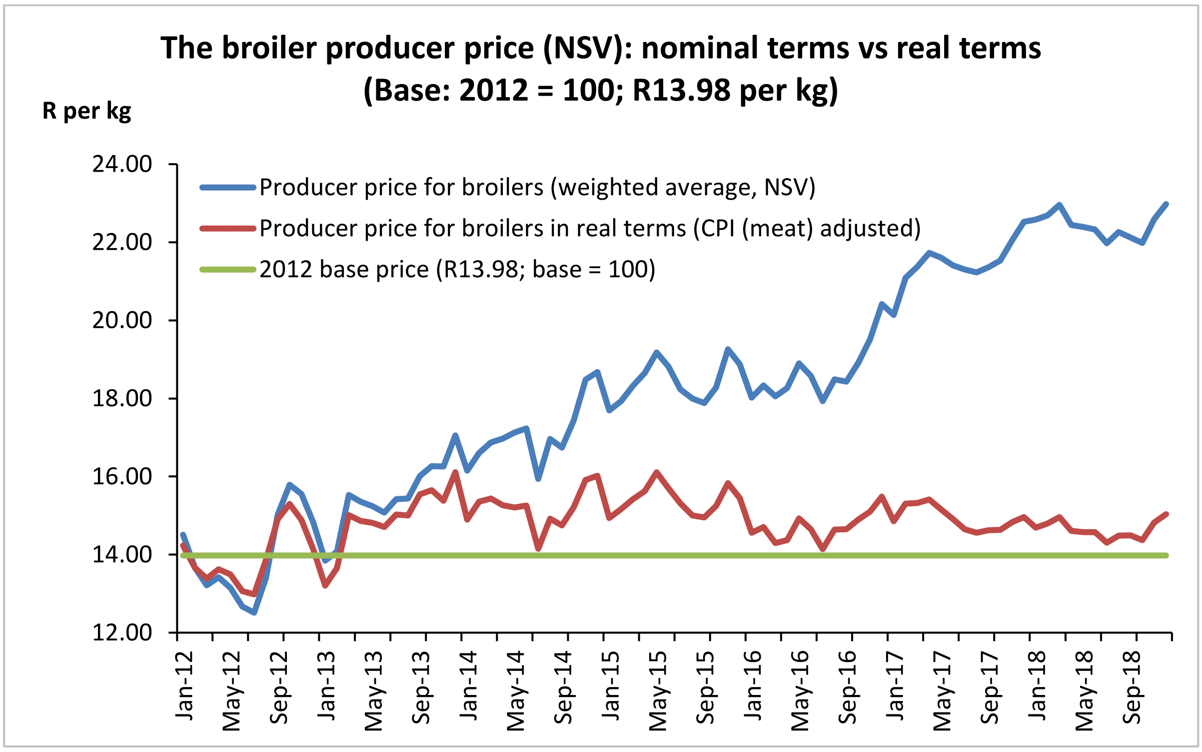

***Figure 15**: Broiler producer price in nominal and real terms: monthly value*

The broiler producer price index presented in *Figure 16* is compared to the SA food and non-alcoholic beverages (NAB) price index (urban centres). The indices are compared using 2012 as the base year.

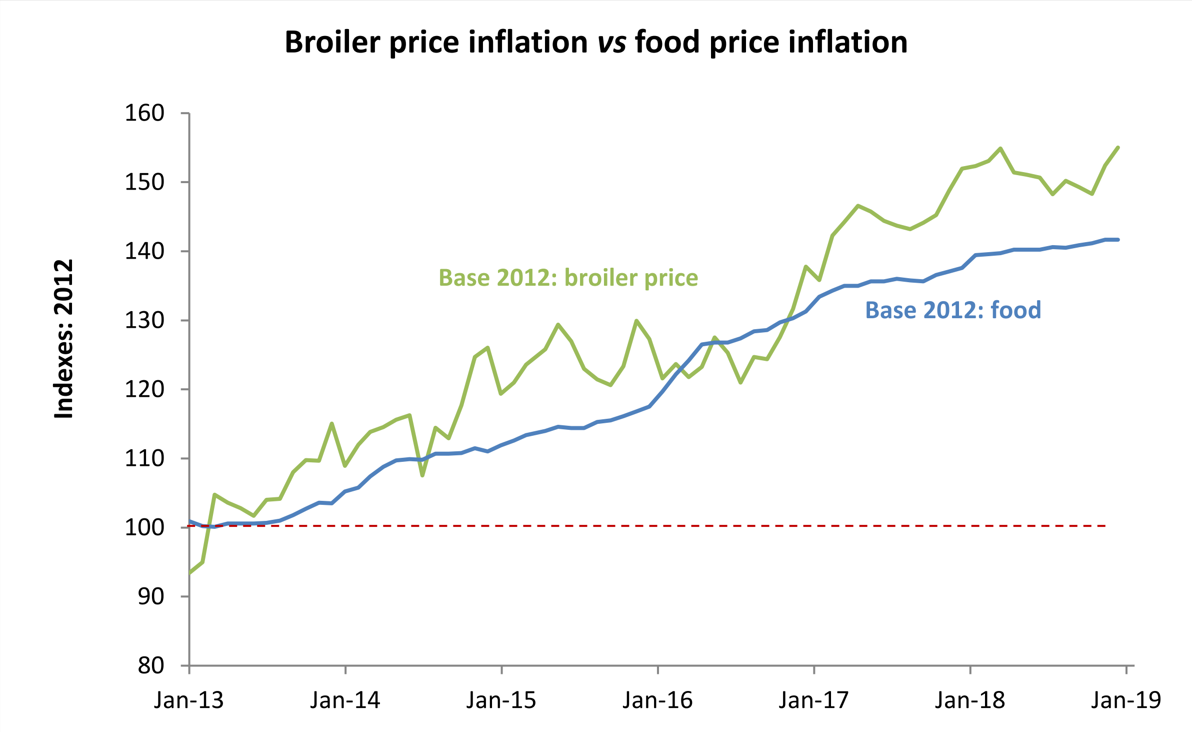

Figure 16: *Broiler producer price index* vs *food inflation index (base 2012).*

If we use 2012 as the base year, it can be seen that the broiler producer price index is greater than the food price index for two and a half years from February 2013 to May 2015; not accelerating away from the general food index, but at least above and parallel with it (*Figure 16)*. From mid-2015 to July 2016, the food index continues to steadily climb, while the broiler price index drops below it for the first time in several years (with the exception of a short-lived recovery in the last quarter of 2015). This is a measure of the strain producers found themselves under in terms of producer price, at a time when other food items were increasing in price and the price of raw materials was escalating during the sustained drought.

From July 2016 to around April 2018, the broiler price index increased at a faster rate than the food and NAB price index (except in 2Q 2017), as broiler prices rose in line with rising animal feed costs. The broiler price index leapt back up above the food price index in November 2016 and has remained there since; accelerating away from it quite sharply from September 2017 but dropping back towards the food price index in 2Q and 3Q 2018. For the last two months of 2018, broiler producer price inflation has increased sharply relative to general food price inflation.

In 2015, the quarterly difference between the two indices (producer price and food and NAB inflation; base = 2008) was always less than 18 points. In 2016, as the drought bit hard, the difference between the indices did not dip below 26 points in any one quarter and peaked at 33.5 basis points in 3Q 2016. In 2017, the difference was recorded at an average of 20.0 basis points. In 1Q, 2Q, 3Q and 4Q 2018, the gap was recorded at 15.6, 19.1, 21.6 and 19.8, respectively. A smaller gap is in the producers' favour. For 2018 as a whole, the average difference was 19.0 index points.

3.1.2 Broiler prices in comparison with pork, beef and eggs

Broiler meat and eggs remain the most affordable of all protein sources described in the graph below (*Figure 17)*.

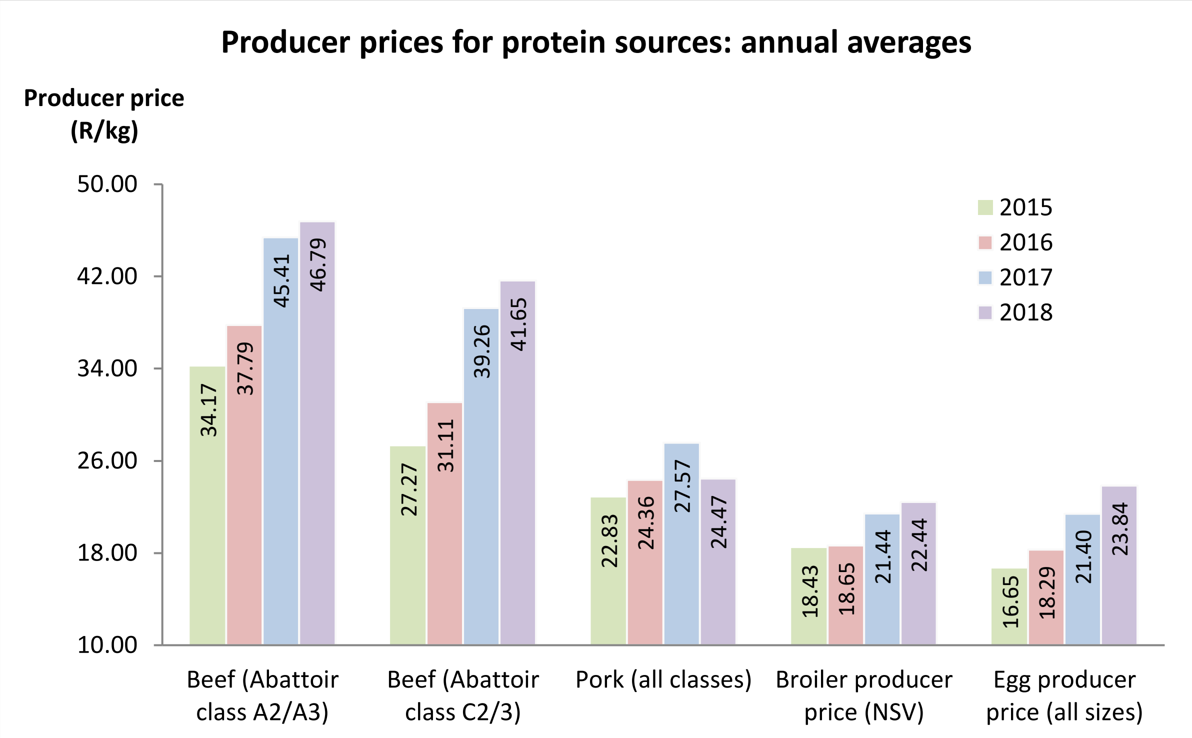

Figure 17: *Annual producer prices of protein sources: 2015 to 2018.*

The average producer price for broilers (total realisation) for 2017 was R21.44 per kg and for 2018 was R22.44 per kg (+ 4.7 %). In December 2018, the broiler producer price was R22.98 per kg; an increase of 2.0 % on a yearly basis.

The average beef producer price at the abattoir (carcass price, excluding the fifth quarter) for 2017 was R45.41 per kg and for 2018 was R46.79 (+ 3.0 %). In December 2018, beef classes A2/A3 fetched R46.66 per kg; a year-on-year decrease of 2.4 % (*cf* December 2017). The average producer price of class C2/C3 beef was R39.26 per kg in 2017 and R41.65 in 2018 (+ 6.1 %). In December 2018, class C2/C3 beef fetched R41.56 per kg; a year-on-year decrease of 2.0 % (Source: Stats SA; SAPA).

The average pork price (all classes) was R27.57 per kg in 2017. In 2018, it dropped to R24.47 per kg (- 11.3 %) because of the listeriosis outbreak in late 2017/early 2018. In December 2018, pork fetched R29.10 per kg, a year-on-year increase of 4.4 %. The average egg producer price for 2018 was R23.84 per kg (R16.69 per dozen (SAPA; all sizes). The egg producer price increased by 11.4 % over the 2017 price (R21.40).

In December 2018, the egg producer price was R22.00 per kg (R15.40/dozen); a decrease of 3.9 % on a yearly - and kilogramme - basis (*Figure 18)*.

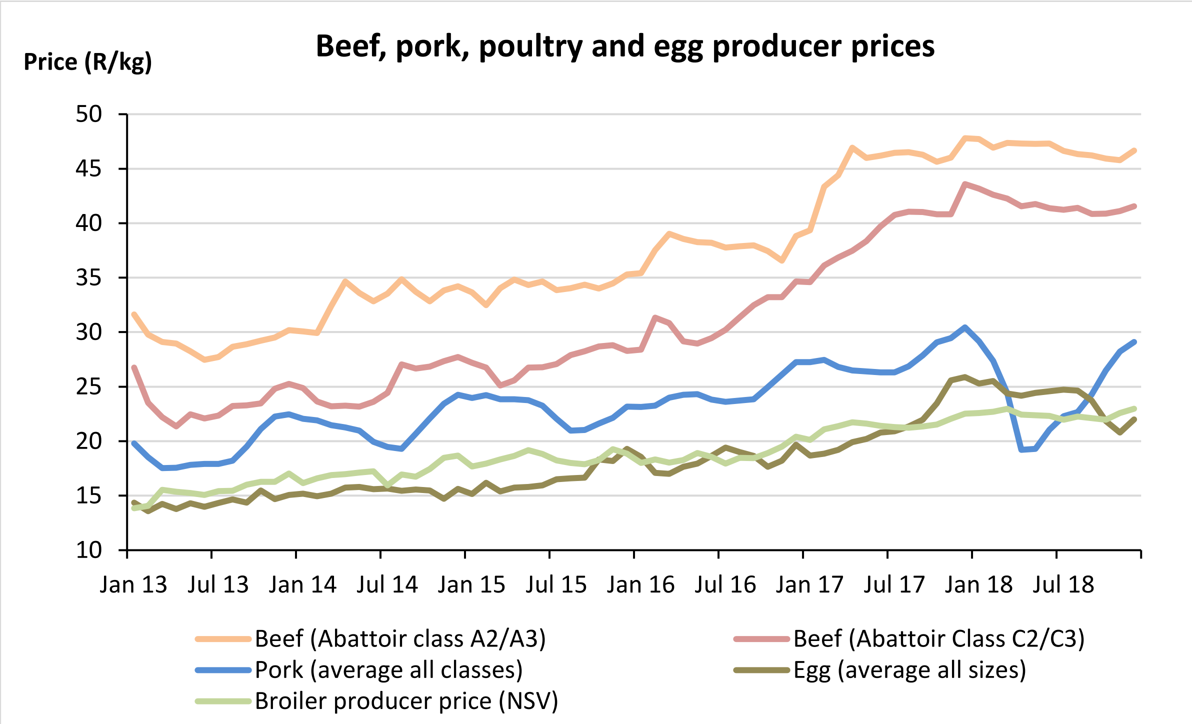

Figure 18: *Monthly producer prices of protein sources*

3.1.3 In comparison with pork, beef and egg during the 4Q 2018:

In the 4th quarter of 2018, the beef price for classes A2/A3 was considerably higher than pork and broiler prices. The average beef producer price at the abattoir (carcass price excluding the fifth quarter) for 4Q 2018 was R46.12 per kg; a 0.6 % decrease on a quarterly basis and a 0.8 % decrease on a year-on-year basis.

The average producer price of class C2/C3 beef was R41.18 per kg for 4Q 2018; a 0.05 % increase on a quarterly basis but a 1.3 % decrease on a year-on-year basis (source: SA Stats; SAPA).

The average price of pork (all classes) was R27.94 per kg in 4Q 2018; a quarterly increase of 21.0 %, but a year-on-year decrease of 5.8 %. The average egg producer price for 4Q 2018 was R21.55 per kg (R15.08/dozen); a quarterly decrease of 11.5 %, but a decrease of 13.7 % on a year-on-year basis (SAPA; average all sizes).

The average producer price for broilers (total realisation) for 4Q 2018 was R22.52 per kg; a quarterly increase of 1.8 %, and an increase of 2.2 % on a year-on-year basis (SAPA).

3.1.4 SA prices in comparison with the USA

The price of US leg quarters in c/pound is contrasted with the US price for deboned and skinless breast meat cuts in *Figure 19.*

A severe drop in the price of US leg quarters was experienced through 2015, because of export bans imposed in reaction to AI outbreaks in the US. Some recovery in leg quarter prices is evident through 2016 and, especially in 1H 2017 (peaking in July), as export volumes improved. Prices retreated in 2H 2017, ending the year 10.4 % above December 2016 prices for leg quarters.

December 2018 pricing is up 12.0 % over the price realised three years ago in December 2015 when the effects of the US HPAI outbreak were at their most severe. However, the December 2018 price is still 58.4 % below that realised in December 2014 (just before the US avian influenza outbreak).

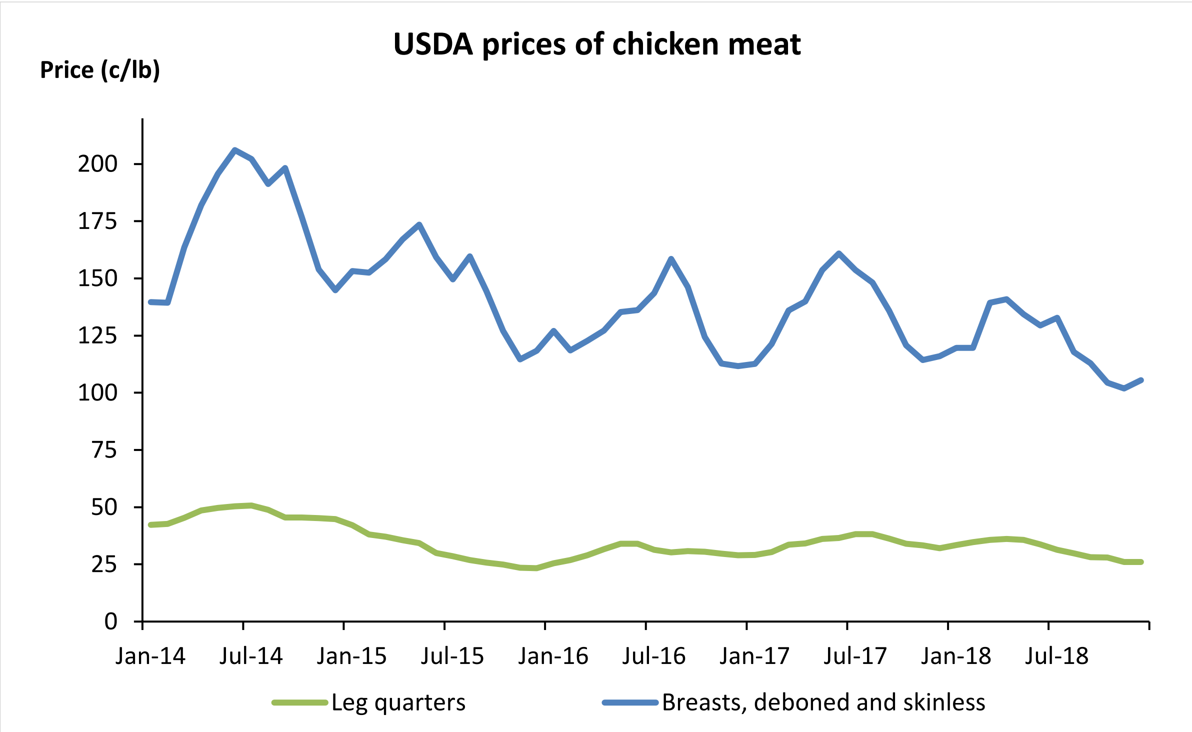

Figure 19: *USA leg quarter and deboned skinless breast prices (cents per pound; source USDA).*

The USA broiler prices for region North East are presented in SA rand per kg in the graph below (*Figure 20*) and compared to the South African price for total realisation (IQF) and whole frozen birds. The disparity between US prices for skinless, boneless breast meat and leg quarters, in the same market, is clearly evident. Whilst the local market prefers "brown meat" (bone-in portions, such as leg quarters, drumsticks, wings, thighs, etc.), the EU and US consumer has a strong preference for "white meat" (largely breast meat) and boneless portions. Chickens, of course, grow as a single bird, with a leg and a wing to match each portion of breast meat. This means that if the premium earned for white meat is sufficiently high in an exporting nation, the remainder of the carcass can be disposed of into receptive export markets, at very reduced prices. The premium earned on the breast meat helps to cover the costs of production so that the "waste" cuts can be sold below the production cost per kilogramme of a whole bird. Imports of "below cost" or "at cost" portions in to a country put downward pressure on local prices, effectively removing any premiums which might be available for preferred cuts in that country.

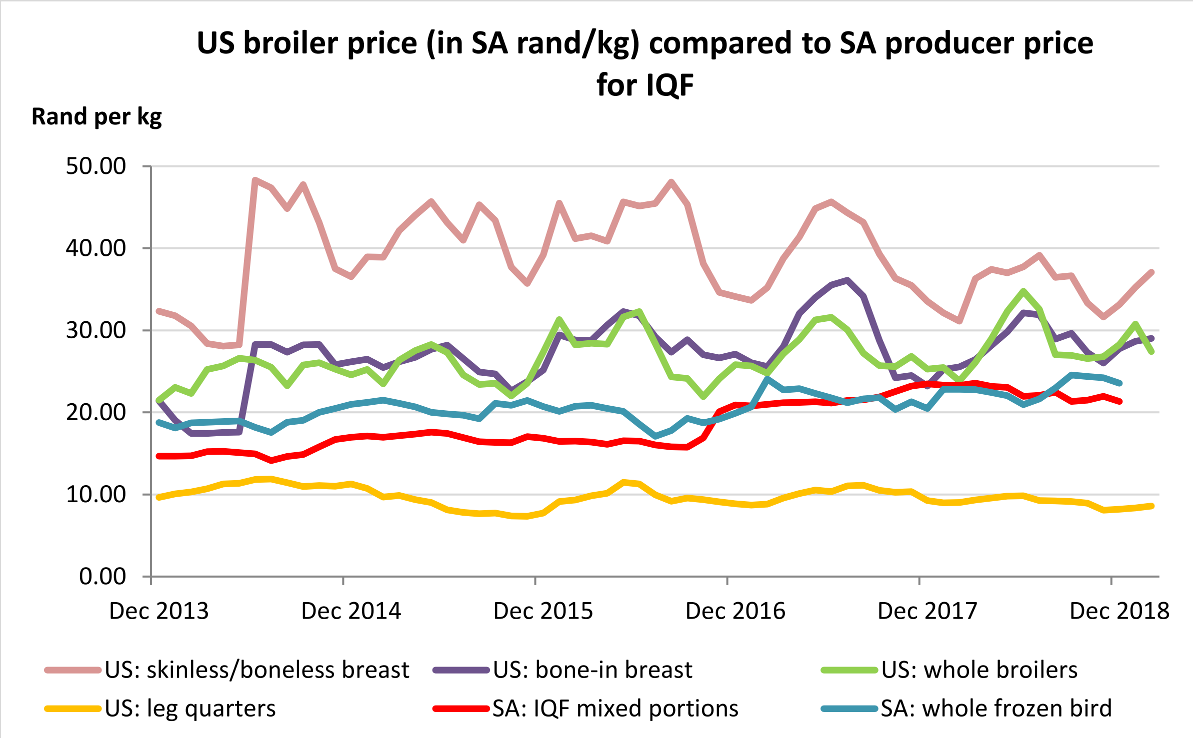

Figure 20: *USA broiler prices in comparison with the local IQF and whole bird producer price (NSV)*

3.2 RETAIL PRICES

The source of the broiler *producer* prices for the different portions presented in this section is SAPA (see definition at the end of this document).

Retail poultry prices are collected and disseminated by Statistics SA. From January 2013 onwards, Statistics South Africa removed whole frozen chicken from their reporting basket. The retail price of fresh whole chicken, fresh chicken portions and frozen chicken portions were tracked by Stats SA until December 2016.

In January 2016, Stats SA changed their methodology for reporting chicken prices. This change, which was not shared with users, resulted in what appeared to be substantial, unrealistic changes to the retail price of frozen chicken portions in relation to 2015 data. The increases were over 40 %. The issue was raised with Stats SA and 2016 figures under the old methodology were secured and used in all 2016 SAPA reports.

From the beginning of 2017, Stats SA continued with their changes to the way in which they present frozen chicken prices. Historically, Stats SA arrived at a per kilogramme price for frozen chicken portions by taking all the prices available to them on all packaging sizes (2 kg bags, 1.5 kg bags, individually-priced packs, etc.) and then averaging these prices. From January 2017, Stats SA split their reporting on frozen chicken portions into 8 codes: six for IQF portions (bag sizes: 1 kg, 1.5 kg, 1.8 kg, 2 kg, 4 kg, 5 kg); one for the remainder of the frozen portions (excluding IQF; for portions where the R/kg price is given on the packet); and one for frozen portions where the "real price per kilogramme" has to be calculated from pack weight and price.

Removing the popular and economical IQF bags from the last two codes has obviously had the effect of pushing up the average price of these "remainder" categories. NAMC are currently reporting on 2 kg IQF packs, along with an additional table in which the 1 kg IQF packs and the "real price/kg" packs are reported.

From January 2017, for the purposes of this report, frozen chicken prices have been given in terms of 2 kg IQF bags, and an average of the two "remainder" categories – that is, frozen portions excluding all IQF bags. From January 2018, we have been able to compute and report year-on-year increases in frozen chicken portions.

The annual retail price of broiler chicken meat from 2014 to 2018 (source: Stats SA) is shown in *Figure 21*. Note that the historical calculation of the price of frozen chicken portions falls away at the end of 2016 and is replaced with two new measures: 2 kg IQF bags and frozen chicken portions (excluding IQF; average of both Stats SA calculations).

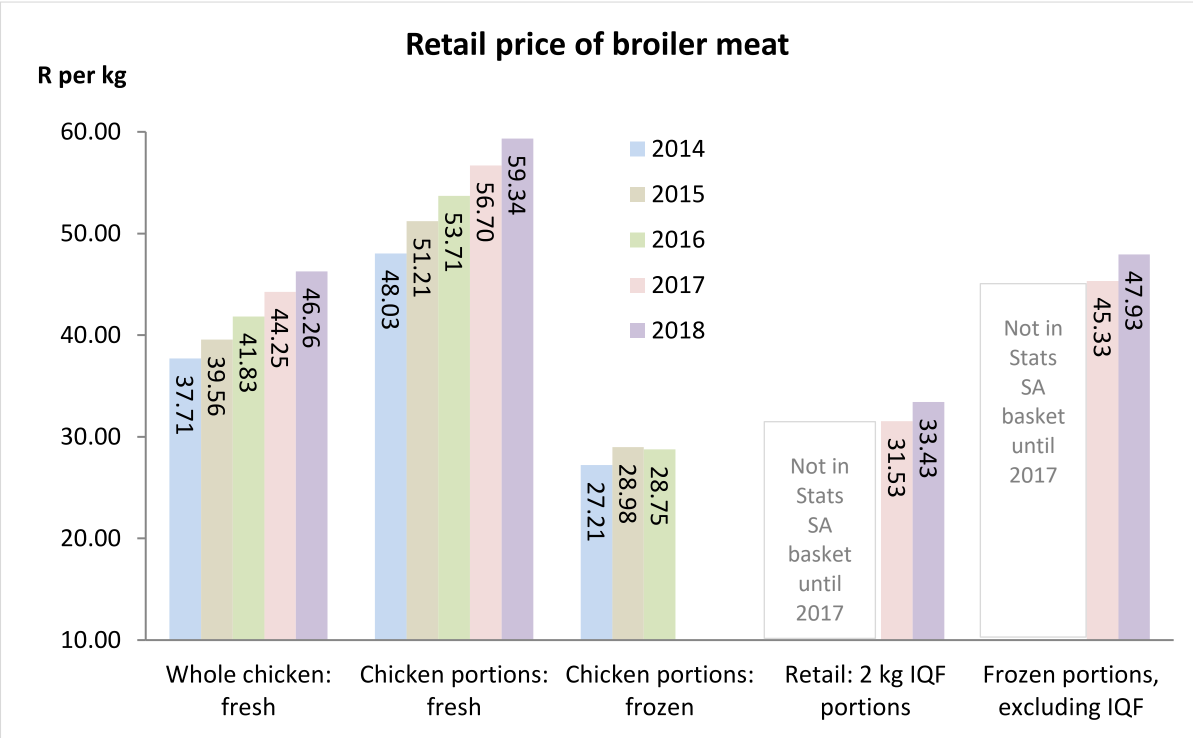

Figure 21: *Retail price of chicken meat (R/kg): annual averages (Source: Stats SA)*

3.2.1 Whole fresh chickens

Whole chickens (fresh): The average retail price for 2017 was R44.25 per kg and for 2018 was R46.26 per kg (+ 4.5 %). The retail price of whole frozen chickens in 4Q 2018 was R47.17 (compared to R46.30 in 3Q 2018; + 1.9 %). The 4Q 2018 price is 5.0 % higher than the 3Q 2017 retail price.

A lack of monthly data from broiler producers affected estimates of the producer price of whole fresh chicken through 2015, 2016 and 2017, making calculation of the retail mark-up unreliable. Data in 2018 were more reliable. The average producer price for 4Q 2018 was R26.19 (3Q 2018: R25.24 per kg); an increase of 3.8 % on a quarterly basis. The average mark-up in the 4Q 2018 was 80.1 % for whole fresh chickens.

3.2.2 Fresh chicken portions

Chicken portions (fresh): The average retail price for 2017 was R56.70 per kg and R59.34 per kg in 2018 (+ 4.6 %). The average producer price through 2017 was R31.38 per kg and in 2018 was R32.08 (+ 2.2 %). The mark-up from producer to retailer through 2017 was + 80.7 % and in 2018 was 85.0 %.

The retail prices of fresh chicken portions from December 2013 to December 2018 are presented in *Figure 22*; along with producer prices (SAPA). The average retail price for 4Q 2018 was R59.58 (3Q 2018: R59.99 per kg); a decrease of 0.7 % on a quarterly basis but an increase of 3.0 % compared to 4Q 2017. The average producer price for 4Q 2018 was R32.28 (3Q 2018: R31.38 per kg); an increase of 2.8 % on a quarterly basis. The average mark-up in the 4Q 2018 was 84.6 % for fresh chicken portions.

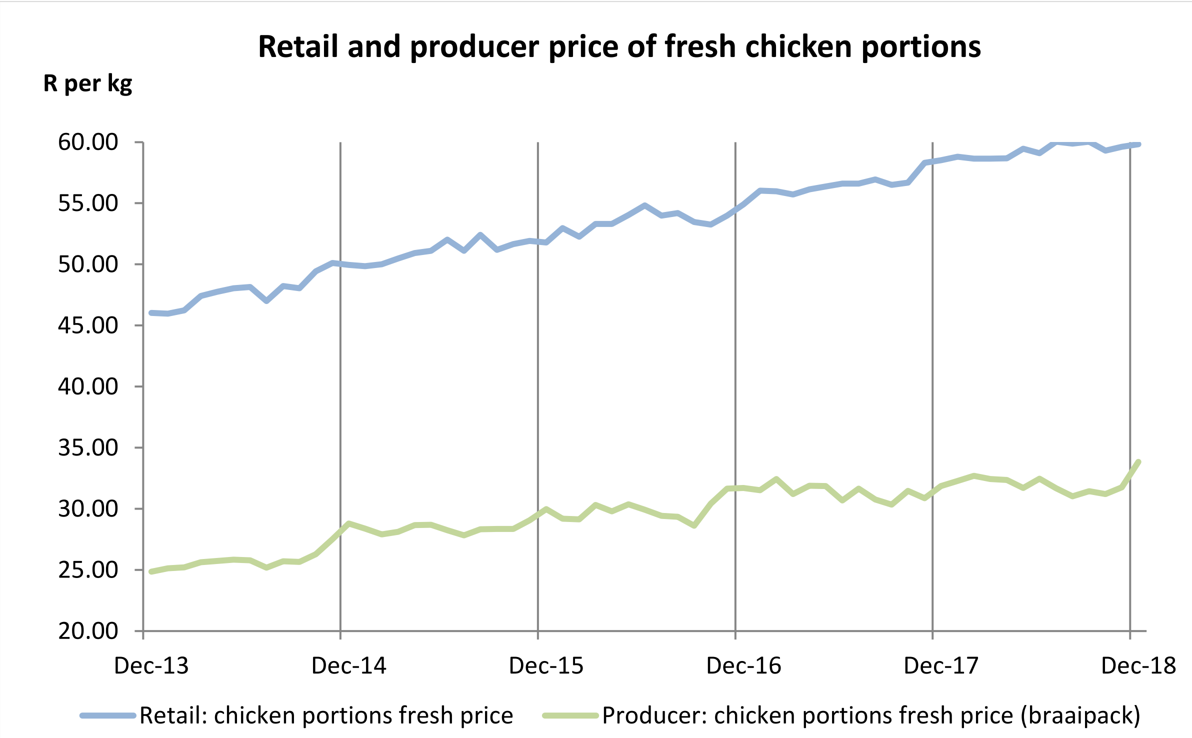

Figure 22: *Retail and producer price of fresh chicken portions (source: Statistics SA).*

3.2.3 Frozen chicken portions

The retail and producer price of frozen chicken portions on a monthly basis from December 2013 are shown below (*Figure 23)*.

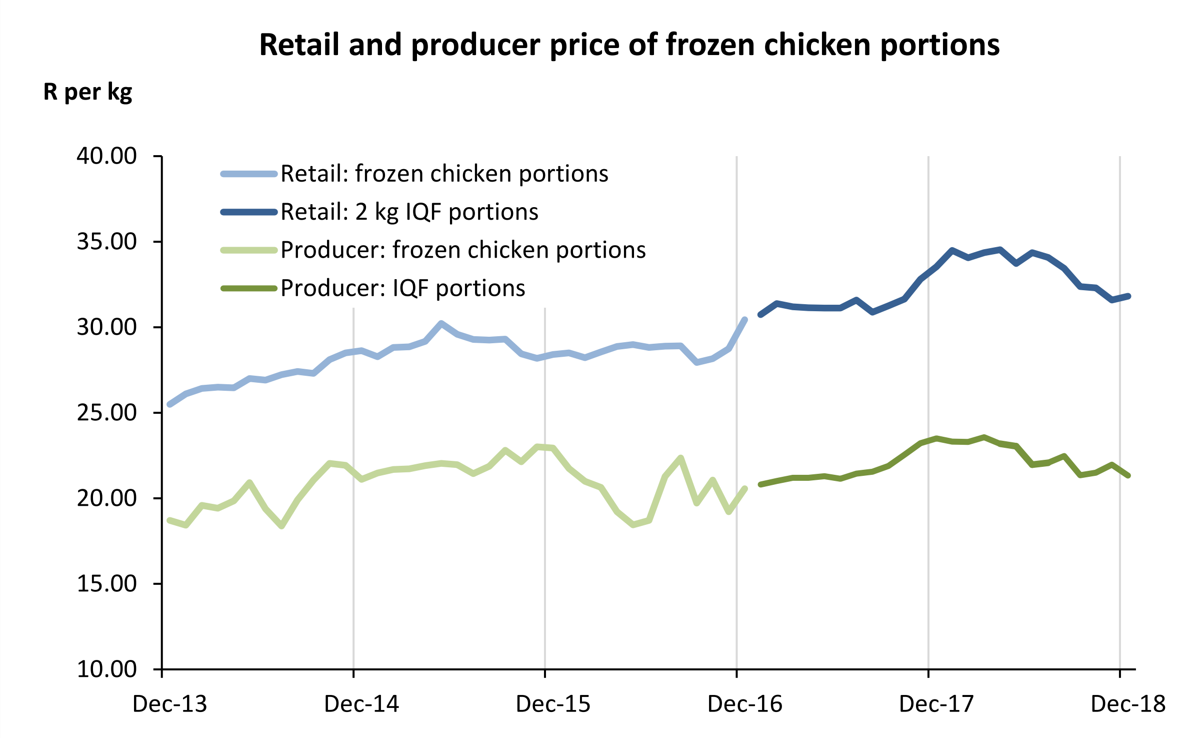

Figure 23: *Retail and producer price of frozen chicken portions to Dec 2016 and 2 kg IQF bags from January 2017 (R/kg; source Statistics SA)*

Chicken portions (frozen). In 2017 and 2018, with the new Stats SA methodology: the average retail price for 2 kg IQF bags in 2017 was R31.53 per kg (Stats SA) and in 2018 was R33.43 (+ 6.0 %). The average producer price in 2018 was R22.42 (mark-up: 49.1 %).

The average retail price for 2 kg IQF bags in 4Q 2018 was R31.90/kg; a decrease of 4.2 % on 3Q 2018 prices (R33.30/kg). The 4Q 2018 price is 2.35 % lower than the 4Q 2017 retail price. The producer price for mixed IQF portions in 4Q 2018 was R21.60; a decrease of 1.7 % on 3Q 2018 (R21.96/kg). The mark-up from producer to retailer was 47.7 % in 4Q 2018.

The average retail price for frozen chicken portions, excluding IQF bags, in 2017 was R45.33 and in 2018 was R47.93 (+ 5.7 %). The producer price for frozen chicken portions for 2018 was R23.64; an increase of 1.7 % over 2017 (R23.24). The mark-up from producer to retailer on frozen portions (not IQF) was 103 % in 2018.

The average retail price for frozen chicken portions, excluding IQF bags, in 4Q 2018 was R46.73/kg; a decrease of 2.0 % on 3Q 2018 prices (R47.68/kg). The 4Q 2018 price is 2.3 % lower than the 4Q 2017 retail price. The producer price for frozen chicken portions for 4Q 2018 was R24.16; an increase of 5.2 % over 3Q 2018 (R22.97). The mark-up from producer to retailer on frozen portions (not IQF) was 93.4 % (4Q 2018).

3.3 *FEED PRICES*

3.3.1 Broiler feed price indicator

The average feed price for 4Q 2018 was R5 365 per tonne, an increase of 6.3 % over the average price in the 3Q 2018 (R5 046). The average broiler feed price in the fourth quarter of 2018 was 12.2 % higher than in the 4Q 2017 (R4 778). In December 2018, the feed price indicator was R5 358/tonne.

The graph below depicts the monthly broiler feed indicator from January 2013 to December 2018 (*Figure 24)*.

The average feed price for 2017 was R5 016 per tonne. This is 10.5 % less than the average feed price for 2016 (R5 602). The average feed price indicator for 2018 was 2.3 % higher than in 2017, at R5 132/tonne.

The high feed prices experienced in the second half of 2015 and through 2016 were a result of the severe drought experienced through the 2014/2015 and 2015/2016 maize seasons. Prices moderated through 2017 and 2018 because of a bumper maize crop in the 2016/2017 season and a further good crop in the 2017/2018 season.

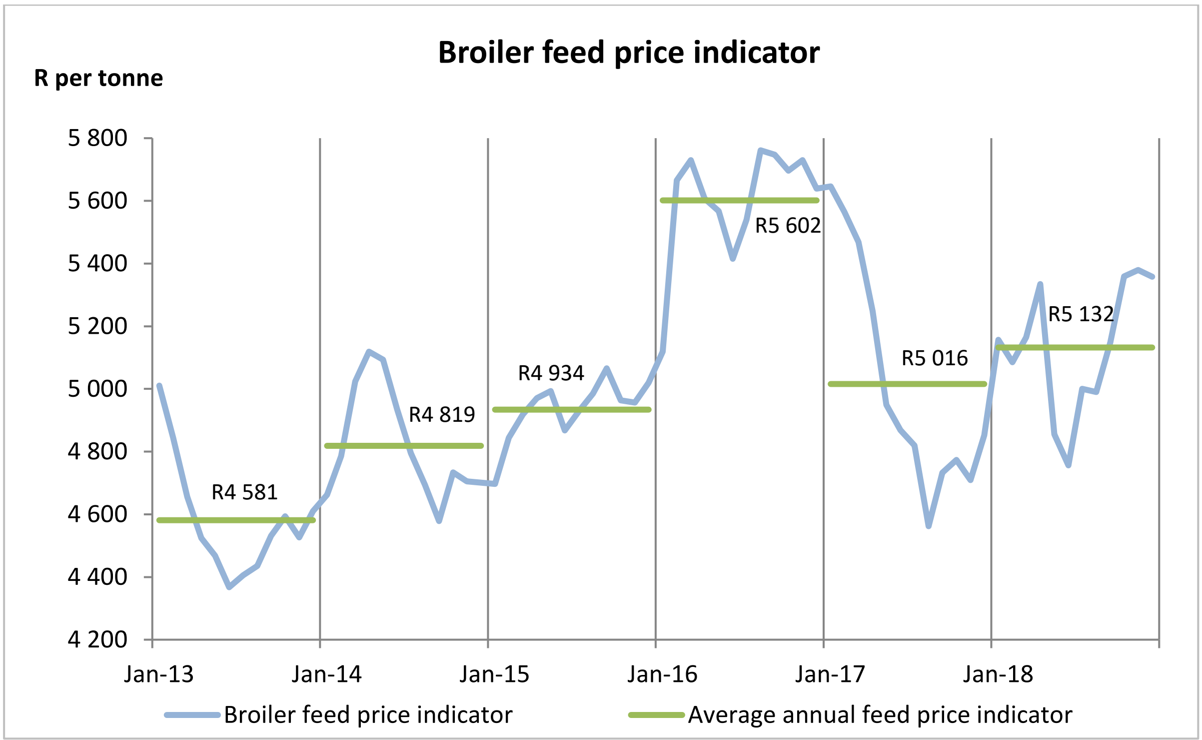

Figure 24: *Broiler feed price indicator, monthly from January 2013 to December 2018 (source: SAPA)*

3.3.2 Broiler breeder feed price indicator

The average breeder feed price indicator for 4Q 2018 was R4 397 per tonne, an increase of 7.8 % in comparison with 3Q 2018 (R4 078/t) but a decrease of 3.0 % in comparison with the same quarter in the previous year (R4 533/t). The feed price indicator for December 2018 was R4 413/t.

The graph below depicts the monthly broiler breeder feed price indicator from January 2013 onwards, to December 2018 (*Figure 25)*.

The average broiler breeder feed price for 2017 was R4 714 per tonne. This was a decrease of 10.3 % in comparison with 2016 (R 5 255). The average feed price indicator for 2018 was R4 083 per tonne; 13.3 % less than in 2017.

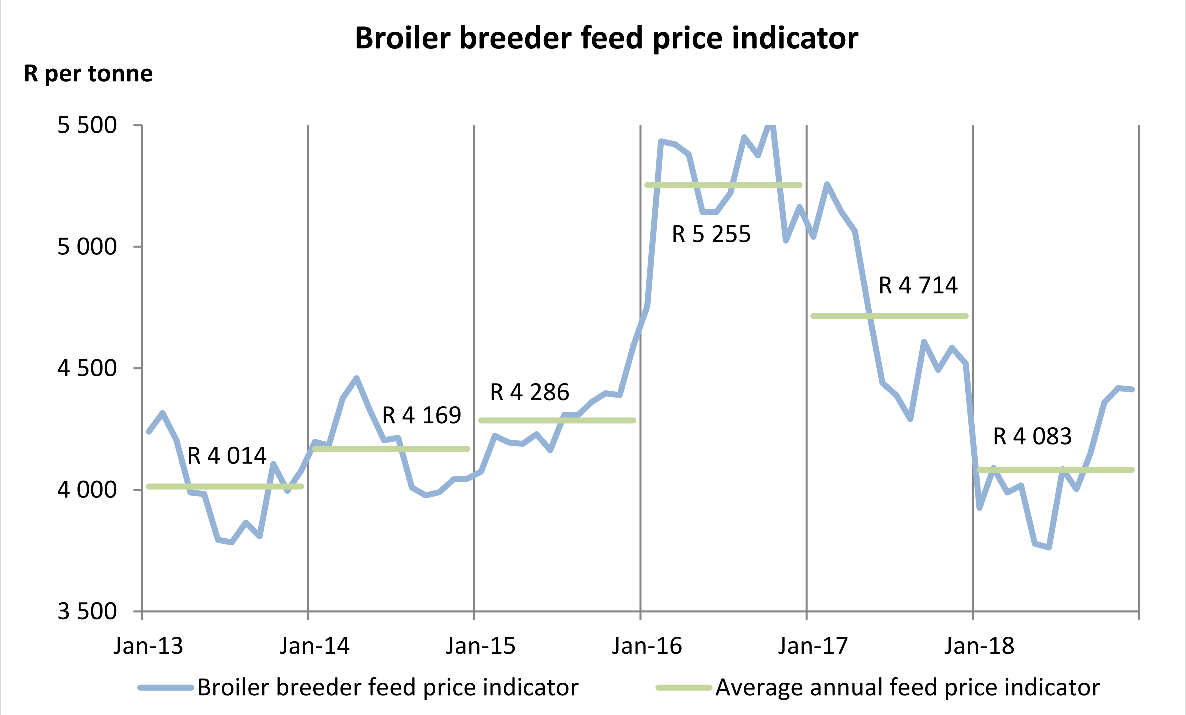

Figure 25: *Broiler breeder feed price indicator, monthly from January 2013 to December 2018 (source: SAPA)*

3.3.3 Feed price index vs broiler price

Year-on-year percentage changes in the feed price index and the broiler producer price are presented in *Figure 26.*

Through 2012, to July 2013, broiler feed prices escalated year-on-year, with particularly high increases during most of 2012. The graph shows clearly that percentage year-on-year increases in broiler producer prices during this period were not as high as the year-on-year feed price increases, which impacted negatively on profit levels in the industry. Only from January 2013 were producers able to maintain some level of year-on-year increase in the broiler producer price even if feed prices were rising (e.g. March to August 2014).

From August 2014 to end July 2015, broiler producers enjoyed higher year-on-year percentage increases in the producer price than the year-on-year changes in the feed price. With the drought biting, the situation deteriorated again for broiler producers from

August 2015, with annualised increases in feed prices outstripping increases in broiler revenues. Year-on-year percentage increases in broiler producer price moved into negative territory between March and July 2016 but returned to positive territory in August 2016 and remained there to the end of 2017; exceeding feed price increases from December 2016.

Year-on-year increases in feed prices moved into negative territory from February 2017 as the effects of the drought eased; and remained there until the end of 1Q 2018. Year on year increases in feed prices have returned to positive territory in 2Q, 3Q and 4Q 2018; exceeding 10 % in October and November. Year-on-year changes in producer prices climbed steadily from early 2017, exceeding + 15 % for several months in that year. These increases have dropped back below the + 5 % level in 2Q, 3Q and 4Q 2018.

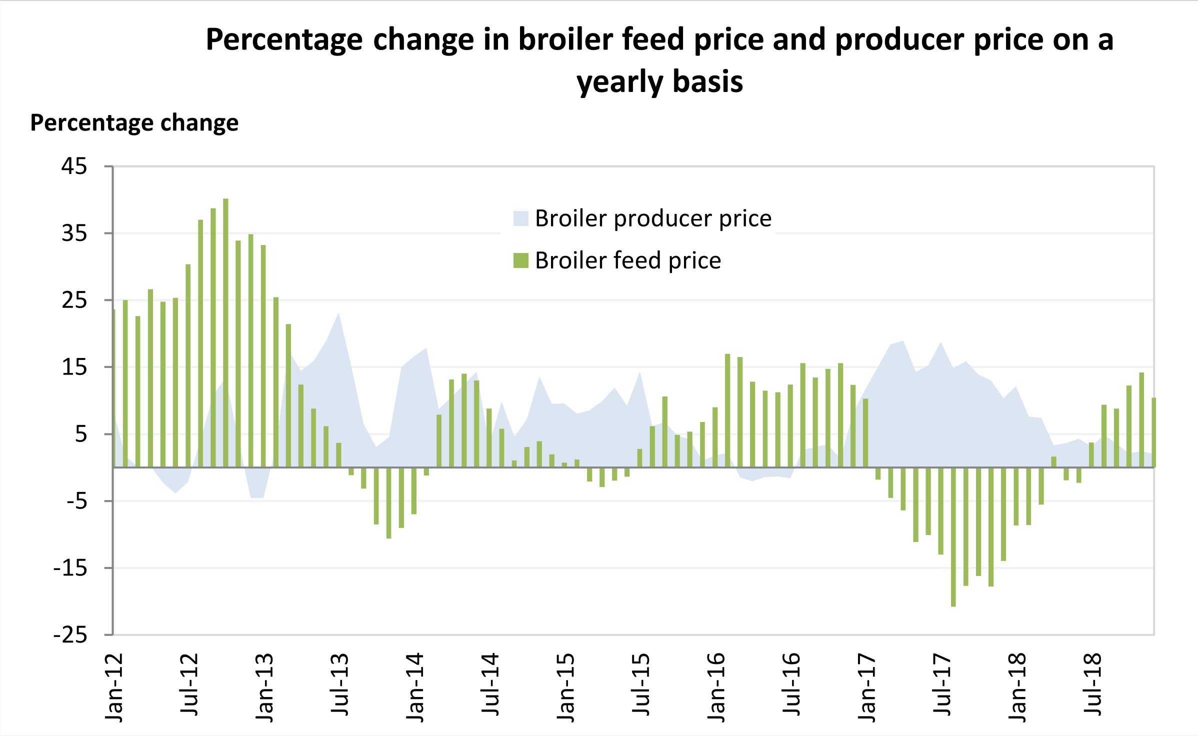

Figure 26: *Year-on-year percentage change in broiler feed price and producer price (source: SAPA)*

4. ECONOMIC OVERVIEW

4.1 Economic data

South Africa's GDP growth disappointed in 4Q 2018 at 1.4 %, down from 2.6 % in 3Q 2018. Agriculture grew by 7.9 %, down from 13.7 % in the previous quarter. President Ramaphosa's mission to attract R1.2 trillion in new foreign investment over 5 years has been severely hampered by the disastrous state of affairs at Eskom. Commissions of enquiry into state capture, SARS and the Public Investment Corporation (PIC) have laid bare the extent of corruption in state-owned enterprises (SOE's) and sweeping changes in senior management may not be enough to stop the looting in the short term. Eskom is R440-billion in debt and Stage 4 load-shedding, an everyday reality through much of March 2019, is estimated to cost the country's economy R3-billion a day. The rand produced a world-beating performance at the start of 2019, recording its biggest January gains against the dollar since 1999 (+ 5.3 % in one month). Optimism in government's plan to turn Eskom around was, however, short-lived and March has seen a major decline in the value of the currency as it battles not only the operational and financial chaos in the country's power supply, but also currency markets which are avoiding emerging economies. The dollar traded at an average of R14.37 in March 2019; compared to R13.78 in February 2019 (- 4.3 %) and R11.83 in February 2018 (- 21.5 %). Moody's, the only major credit rating agency to hold South Africa at investment grade, had the country under review this quarter but postponed issuing an announcement at the end of March, effectively leaving the country on BAA3, with a stable outlook. A down-grading to junk status would have resulted in the outflow of billions of dollars in foreign investment. West Texas Intermediate (WTI) and Brent Crude oil prices increased by 31 % and 27 % respectively in the 1Q 2019. The weakening rand will increase the pain for South African consumers; along with an increase in fuel levies (general levy, road accident fund and carbon tax) of 29 c and 30 c/litre for petrol and diesel, respectively, to be implemented from 1 April. Every litre of petrol will carry a combined tax of R5.63 and every litre of diesel, R5.49.

Credit rating: South Africa (foreign currency)								
	2016	Apr 2017	Jun 2017	Nov 2017	Mar 2018	May/June 2018	Nov/Dec 2018	Mar 2019
Moody's	BAA2 negative	BAA2 under review	↓BAA3 negative	BAA 3 under review	BAA 3 stable	BAA 3 stable	BAA 3 Stable	BAA 3 stable
Standard & Poor's	BBB- negative	↓BB+ negative	BB+ negative	BB stable	BB stable	BB stable	BB Stable	BB Stable
Fitch	BBB- negative	↓BB+ stable	BB+ Stable	BB+ stable	BB+ stable	BB+ stable	BB+ Stable	BB+ stable

www.countryeconomy.com/ratings/south-africa

Investment grade

Below investment grade

Large areas of the country remain water-stressed. On average, there has been little year-on-year improvement in dam levels in March 2019, with only the Western Cape showing any significant improvement. Agri SA's latest drought report suggests that 31 000 jobs were shed in 2018 because of the drought and that two-thirds of respondents reported severe to critical stress in groundwater and surface water. The 2018/2019 maize crop is expected to be about 16 % below last year's crop because of delayed plantings but carry-over stocks will help meet national demand. The domestic soybean harvest is still expected to be strong, but 17 % below last year's yield at 1.28 million tonnes – when it might have been another record-breaking crop. National elections (to be held in May 2019), credit ratings, revelations from the State Capture Commission and Eskom's fragility will dominate headlines in 2Q 2019.

Month	Year	Exchange rate ZAR:USD x-rates.com	Inflation % Stats SA/SARB	Food inflation % all urban Stats SA	Repurchase rate % MPC SARB	Fuel price (Reef) Petrol 95 Automobile Association	Fuel price (Reef) Diesel 500 ppm Automobile Association	SACCI Business CI
Jan	2018	12.21	4.4	4.5	6.75	14.42	12.74	99.7
Feb	2018	11.83	4.0	3.9		14.12	12.57	98.9
Mar	2018	11.84	3.8	3.5	6.50	13.76	12.10	97.6
Apr	2018	12.08	4.5	3.9		14.48	12.75	96.0
May	2018	12.52	4.4	3.4	6.50	14.97	13.34	94.0
June	2018	13.27	4.6	3.4		15.79	14.25	93.7
July	2018	13.40	5.1	3.4	6.50	16.02	14.44	94.7
Aug	2018	14.06	4.9	3.5		16.03	14.40	90.5
Sept	2018	14.76	4.9	3.9	6.50	16.08	14.40	93.3
Oct	2018	14.53	5.1	3.4		17.08	15.64	95.8
Nov	2018	14.12	5.2	3.4	6.75	17.08	16.20	96.1
Dec	2018	13.87	4.5	3.0		15.24	14.72	95.2
Jan	2019	13.78	4.0	3.0	6.75	14.01	13.16	95.1
	2017	13.31	5.3	7.0				High 141 (Jan 2006)
	2018 forecast	13.21	4.6	3.6				
	2019 forecast		4.8					
	2020 forecast		5.3					

	Unemployment rate % Stats SA	Expanded unemployment % Stats SA	GDP growth (updated March 2019) RSA Stats SA %	Agriculture	Mining	Manufacturing	Financials	Construction	Retail, catering, accommodation
4Q 2017	26.7	36.3	3.4	44.9	-5.5	6.0	2.1	-2.0	5.5
1Q 2018	26.7	36.7	-2.7	-33.7	-9.1	-8.4	1.0	-2.3	-3.0
2Q 2018	27.2	37.2	-0.5	-42.3	8.1	1.4	1.7	1.5	-1.2
3Q 2018	27.5	37.3	2.6	13.7	-8.9	7.5	2.1	-1.7	3.4
4Q 2018	27.1	37.0	1.4	7.9	-3.8	4.5	2.7	-0.7	-0.7

GDP growth	Tanzania	Botswana	Kenya	Ethiopia	Angola	Nigeria	Zambia	Zimbabwe	CDI#	Namibia	Brazil	Argentina	Russia	EU CA‡	China
2016	7.0	4.3	5.9	8.0	-2.6	-1.6	3.8	0.6	8.0	0.6	-3.3	-1.8	-0.2	1.7	6.7
2017	7.1	2.4	4.9	10.1	-0.1	0.8	3.5	3.2	7.7	-0.9	1.1	2.9	1.5	4.0	6.9
2018 estimate	6.6	4.4	5.7	7.7	-1.8	1.9	3.3	3.0	7.5	0.7	1.2	-2.8	1.6	3.1	6.5
2019 forecast	6.8	3.9	5.8	8.8	2.9	2.2	3.6	3.7	7.3	1.8	2.2	-1.7	1.5	2.3	6.2
2020 forecast	7.0	4.1	6.0	8.9	2.6	2.4	3.8	4.0	7.4	2.1	2.4	2.7	1.8	2.7	6.2

Dec-18 http://www.worldbank.org/en/publication/global-economic-prospects # Côte d'Ivoire ‡ Europe and central Asia

Year	Annual GDP growth Sub-Saharan Africa y/y %	World y/y %	RSA y/y %
2016	1.5	2.4	0.6
2017	2.6	3.1	1.3
2018 estimate	2.7	3.0	0.9
2019 forecast	3.4	2.9	1.3
2020 forecast	3.6	2.8	1.7

http://www.worldbank.org/en/publication/global-economic-prospects Dec-18

	Brent crude oil $/barrel statista.com	FNB BER Consumer CI	Merchantec CEO confidence	Nielsen Consumer Confidence Index RSA	Nielsen Consumer Confidence Index Global
1Q 2017	53.68	-5	51.4	not published	not published
2Q 2017	49.97	-9	38.7	78	104
3Q 2017	52.11	not published	38.9	83	105
4Q 2017	61.53	-8	38.4	80	105
1Q 2018	66.81	26	60.0	95	106
2Q 2018	74.50	22	47.4	90	104
3Q 2018	75.22	7	51.0	90	106
4Q 2018	67.71	7	49.0	88	107
	2019 EIA forecast: $61	Long-term avg: + 4	Neutral: 50		

Dam levels	Mar 2018	Mar 2019
Western Cape	19	40
North West	66	61
Gauteng	91	97
Mpumalanga	77	74
Limpopo	67	67
KZN	60	61
Eastern Cape	65	62
Free State	72	74
Northern Cape	75	66

www.dwa.gov.za/hydrology/weekly/sumprovince.aspx

Maize harvest estimate		Crops Estimate Committee
		Million t
2014/15	Final	9.942
2015/16	Final	7.778
2016/17	Final	16.744
2017/18	Final estimate	12.931
2018/2019	1st forecast	10.510

Eskom annual increase	%
2016/17	9.40
2017/18	2.20
2018/2019	5.23
2019/2020	9.41
2020/2021 (NERSA approved)	8.10

The data in the tables above are available in an associated Excel spreadsheet.

4.2 In the news

The links in this section are available in an associated Word document, with hyperlinks enabled, making the internet pages easy to access.

New managing director of SAPA's Broiler Organisation

In January, SAPA appointed well-known businessman, Izaak Breitenbach, as general manager of the Broiler Organisation. He joins SAPA with years of experience in the industry as managing director of AFGRI Poultry and, more recently, as an agricultural management consultant. Breitenbach aims to see the industry's "masterplan" implemented during his tenure. The proposed strategic and operational masterplan is an initiative supported by the dti and DAFF, with input from all stakeholders. It addresses transformation of the industry and is designed to put local broiler production on a growth trajectory.

> https://www.agriorbit.com/izaak-breitenbach-to-head-up-sa-poultrys-broiler-organisation/asas

Global poultry production in 2019

In its November 2018 *Food Outlook*, the FAO estimates global production of poultry meat in 2018 at 121.6 million tonnes (+ 1.4 %) and trade in poultry products at 13.3 million tonnes (+ 1.3 %). US broiler production is expected to increase by 1.3 % in 2019 to 19.59 million tonnes. US trade in broiler products should increase by 0.9 % to 3.25 million tonnes in 2019 (USDA). The USDA Foreign Agricultural Service (FAS) predicts Brazilian poultry production will expand by 1.8 % in 2019 to 13.6 million tonnes; with exports set to increase by 1.3 % (shackled by continuing problems with exports to the EU and China). The EU Commission currently predicts a less than 0.2 % increase in EU poultry production in 2019 to 14.9 million tonnes. The USDA holds a more generous view on the EU poultry industry in 2019, expecting production to increase by over 2 % and exports by 1.5 %.

The Russian poultry industry, after years of impressive growth as the country moved towards self-sufficiency in food production, is stumbling into 2019. Industry growth in 2018 was only 0.7 % and production has contracted by 3.8 % in January 2019 as producers fail to recover from the 2017/18 HPAI epidemic, poor returns and significantly higher input costs. African swine fever in China is likely to result in improved opportunities for poultry exporters and Russian producers will be hoping they can secure enough of this market from the Brazilians (and perhaps Americans) to resuscitate their industry.

Poultry markets in 2018 were thrown into disarray by US/China trade tensions, food safety and halal issues, avian influenza-related trade bans, and anti-dumping challenges and safeguards. Rabobank's 1Q 2019 Poultry Quarterly predicts some ongoing market turmoil in 1H 2019, with improved stability in 2H 2019 if current supply discipline is maintained amongst producers.

> http://www.fao.org/3/ca2320en/CA2320EN.pdf
>
> http://www.thepoultrysite.com/poultrynews/41179/poultry-quarterly-q2-2019-china-and-trade-restrictions-key-drivers-for-an-improving-but-volatile-global-outlook/
>
> https://www.globalmeatnews.com/Article/2019/03/11/Struggling-Russian-poultry-industry

Measures taken by Department of Trade and Industry (dti) to assist SA poultry industry

Difficult market conditions in 2016 resulted in retrenchments amongst the workforce at several big poultry producers in early 2017. The link below is to a March 2019 media release, outlining the steps the government task team is taking to alleviate contraction in the local poultry industry.

http://www.thedti.gov.za/editmedia.jsp?id=5780

The dti lists facilitating South African poultry exports amongst its priorities and producers will be all too familiar with the meat exporters' assertion that exports are the answer to the industry's woes. Jake Mokwena's letter in the Business Day, gives a broiler farmer's perspective on exporting poultry products to the EU and the challenges posed by lack of capacity in the dti and DAFF.

https://www.pressreader.com/south-africa/business-day/20190225/281685436130266

Sanitary and phytosanitary hurdles were also the subject of discussion at a January EU/SADC EPA meeting in Cape Town, where it was resolved that closer co-operation on these issues was needed to promote meaningful two-way trade between the EU and SADC. Sanitary and phytosanitary regulations are increasing taking the place of tariffs in protecting industries in countries purporting to have free trade agreements.

https://eeas.europa.eu/delegations/botswana/58448/joint-communiqué-1st-meeting-joint-council-eu-sadc-economic-partnership-agreement-epa_en

Not-for-profit organisation, FairPlay, asks whether Brexit might offer South African producers new export opportunities to the UK (an existing trading partner) if phytosanitary and sanitary obstacles can be overcome. Producers may be more sceptical about the industry's chances of breaking into European markets, as Ted Keenan found in the Daily Dispatch interview below.

https://www.bizcommunity.com/Article/196/174/188794.html

https://www.pressreader.com/south-africa/daily-dispatch/20190103/281535112118841

Brazilian bone-in exports

Last year, ITAC accepted that the South African poultry industry was suffering material damage from dumping of EU bone-in portions into the local market and recommended the imposition of a safeguard tariff on EU exports on the 0207.149* tariff lines. SAPA has now applied to have ITAC revise the MFN nation tariff of 37 % on these same tariff lines in response to Brazilian dumping.

https://fairplaymovement.org/chicken-imports-hurting/

https://www.businesslive.co.za/bd/opinion/2019-03-12-sas-chicken-industry-fights-for-survival-amid-flood-of-cheap-brazilian-imports/

Back in 2010, SAPA complained that Brazilian poultry products were being dumped in South Africa and ITAC recommended to the incumbent Minister at that time that anti-dumping duties be imposed. The Minister rejected this recommendation in 2013.

http://www.wylie.co.za/wp-content/uploads/notice-173-of-2013-final-decision-re-the-investigation-into-the-alleged-dumping-of-chicken.pdf

The avian-influenza related trade bans in place against EU nations, through much of 2016, 2017 and 2018 should have provided the local industry with an opportunity to bring excess capacity back into production and create new jobs. However, the MFN tariff of 37 % on bone-in portions did nothing to deter imports on the 0207.149* tariff line from Brazil. Brazilian bone-in imports increased from 18 879 tonnes in 2016, to 78 049 t and 132 461 t in 2017 and 2018, respectively. Brazilian producers completely plugged the gap left by the absent EU nations and, in fact, bone-in imports increased by 23.1 % in 2018 (over 2017 levels). At an average of R13.59/kg (FOB), it is no wonder the local industry cannot compete. Interestingly, if FOB prices are compared for Brazilian tariff lines in 2018 with those in 2017, it can be seen that prices of leg quarters decreased by 7.4 %, drumsticks by 5.3 %, “other” bone-in portions by 37.6 %, and thighs and bone-in breasts by over 50 %. Perhaps this reflects the pressure Brazilian exporters have found themselves under after the EU suspended imports from 20 Brazilian processing plants in April 2018 and the Chinese introduced temporary anti-dumping tariffs on Brazilian poultry imports in mid-2018. Brazilian exports in 2018 are expected to drop by 5.1 % compared to 2017 volumes, to 4.1 million tonnes. The 2018 numbers demonstrate clearly how low Brazilian exporters can go with their pricing and still make a profit.

Brazilian broiler exports to South Africa are up 5.2 % in 2018. It will be interesting to see whether Brazil’s share of the South African market increases in 2019, if the recently introduced EPA safeguard measures against EU exporters take effect.

https://www.enca.com/business/china-imposes-anti-dumping-tariffs-brazilian-chicken

https://www.businesslive.co.za/bd/opinion/2019-03-12-sas-chicken-industry-fights-for-survival-amid-flood-of-cheap-brazilian-imports/

Brazilian food safety issues

In February, Brazilian poultry processor BRF announced that it was recalling 464 tonnes of fresh chicken products, destined for both local and international markets, over a *Salmonella enteritis* scare. Although South Africa only imported 77 tonnes of fresh chicken cuts and offal from Brazil in 2018, the recall has led to calls for all Brazilian poultry imports to be banned until food safety measures are assured, and products have been shown to be salmonella-free for a six-month period. As mentioned above, Brazilian exports have been under scrutiny since the “weak flesh” scandal in 2017 and further evidence of deficiencies in meat inspection processes in 1Q 2018, which led to the EU banning imports from a number of Brazilian processors.

Although some have labelled the call for a ban “opportunistic”, it is clear that sampling of imported chicken products at South Africa’s ports of entry is randomised and often chaotic. The Association of Meat Importers and Exporters allude to this in their own newsletter (February 2019), in which they complain about a lack of protocols for dealing with laboratory samples. Their October 2018 newsletter revealed that DAFF and AMIE have not been able to agree on a mutually acceptable risk-based sampling regime. AMIE claim that DAFF is under-resourced at KZN ports and unable to cope with import volumes. There were rumours of backlogs in clearing containers in 4Q 2018, along with an increased number of rejections.

https://www.foodsafetynews.com/2019/02/brf-launches-massive-fresh-chicken-recall-because-of-salmonella-test-results/

https://www.amiesa.co.za////wp-content/uploads/2018/11/Amie-Newsletter_Ocotber-2018_.pdf

https://www.iol.co.za/mercury/business/brazilian-chicken-ban-call-opportunistic-19420910

EPA safeguard tariff: EU bone-in imports

The Minister of Trade and Industry imposed a temporary EPA safeguard tariff of 35.3 % on bone-in portions from the EU to cover 4Q 2018 and 1Q 2019. From 12 March 2019, SARS will amend the safeguard downwards to 30 %. The safeguard is gazetted to remain in place for 3 years, at levels of 30 %, 25 % and 15 %; expiring in March 2022.

The Association for Meat Importers and Exporters (AMIE) stated they would oppose the safeguard and challenge the legality of the process. Their October 2018 newsletter suggests they are still waiting for input from the EU on the matter and taking legal advice.

Access to the Namibian poultry market

In 2015, SAPA and five South African poultry producers, brought legal action in Namibia against the government's restrictions on poultry imports. They argued that the restrictions violated SACU trade agreements and SADC's protocol on trade. The Windhoek Supreme Court has recently ruled that South Africa may once again approach the High Court in Namibia to have the restrictions on imports reviewed and set aside. The restrictions were put in place to protect the country's nascent poultry industry.

https://allafrica.com/stories/201801190730.html

https://www.bizcommunity.com/Article/196/641/172408.html

Some history on the issue:

https://www.globalmeatnews.com/Article/2015/06/15/Namibia-stands-firm-over-poultry-import-restrictions

If only….US consumers turning to dark cuts?

Might US consumers finally be turning away from boneless breast meat to boneless dark cuts, for example thigh meat?

http://www.wattpoultryusa-digital.com/201902/index.php?utm_source=KnowledgeMarketing&utm_medium=email&utm_content=Poultry+Update&utm_campaign=19_02_21_Poultry+Update_Thursday#/16

UK/US trade negotiations

While it remains unclear when, if ever, the UK will exit the European Union, feathers are already flying in the UK and US poultry markets as they contemplate trade post-Brexit. The UK has been protected from US broiler imports under EU legislation which bans the import of broiler meat washed in chlorinated water towards the end of the processing chain. Antimicrobial baths are standard practice in US processing plants, to control bacterial contamination, but the EU argued that it disguises unsanitary practices elsewhere in the processing chain. Post-Brexit, with the US demanding comprehensive market access and remove of sanitary and phytosanitary barriers to trade, the UK may find itself hard-pressed to refuse US imports and UK producers may need to embrace the practice in order to remain competitive.

http://fortune.com/2019/03/06/us-uk-trade-chicken/

Broiler welfare

Rabobank's Nan-Dirk Mulder, speaking at the first Feed Strategy Conference (host: WATT Global Media), suggests that social concerns offer opportunities for producers seeking to differentiate themselves from competitors. These social concerns include environmental, food safety, animal welfare, sustainability and consumer health issues. In this vein, the UK supermarket chain Waitrose has recently joined Marks and Spencer's, Nestlé and Knorr in signing up for the Better Chicken Commitment. The RSPCA is now putting pressure on other supermarket giants to follow suit. As with the cage-free egg revolution in the egg industry, broiler welfare initiatives are rapidly becoming a horizon issue for South African farmers.

https://www.wattagnet.com/articles/36885-key-facts-about-the-global-poultry-market-in-2019

http://www.thepoultrysite.com/poultrynews/41102/rspca-praises-waitrose-commitment-to-improving-chicken-welfare/

Avian influenza

Besides outbreaks in commercial ostrich farms, there were six cases of highly pathogenic avian influenza, HPAI H5N8, in backyard flocks in 2018 (Theewaterskloof (Western Cape); near Groblersdal, Limpopo; De Kroon, near Brits (North West)); one in flocks of ducks and quail (Madibeng, North West); one in Mbombela, Mpumulanga (domestic swan); and one in early June on an unspecified farm in Ekurhuleni, Gauteng). From September 2018, there were eight further outbreaks; all in commercial ostrich flocks. The virus was found in ostriches in the Karoo Hoogland municipality of the Northern Cape province (3 September); Hessequa (15 and 27 September; 19 November); Oudtshoorn, Western Cape (26 September); Swellendam, Western Cape (29 October); City of Cape Town, Western Cape (20 November); and Kannaland, Western Cape (7 December).

In 2019, there have only been two cases in commercial ostriches reported to the OIE (follow-up report 41; 14 March 2019). These cases were in Hessequa, Western Cape (8 January) and Letsemeng, Free State (1 February).

State veterinarians have not updated the second South African report to the OIE, which covers outbreaks in wild birds. The last reported outbreak in this report (a blue crane) was submitted in mid-July 2018.

Countries which export poultry products to South Africa are HPAI-free in 2019 YTD. Denmark has reported two cases of H5N6 HPAI in wild birds in 1Q 2019 but has invoked article 10.4.1.8 of the Terrestrial Animal Health Code which prevents member countries from imposing trade bans on poultry and poultry commodities in response to notification of HPAI in birds other than poultry.

DEFINITION:

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 net income to the business