

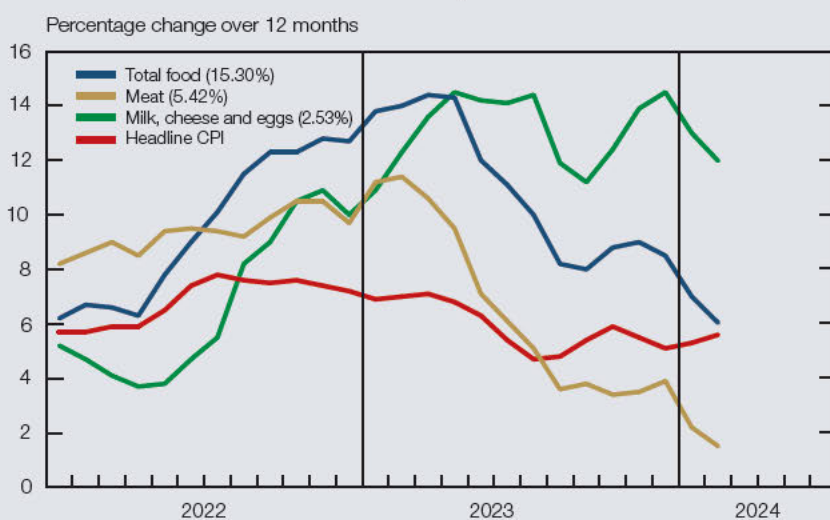
## Box 1 The impact of the recent avian influenza outbreaks on domestic food prices

The outbreaks of highly pathogenic avian influenza (HPAI) adversely affected poultry farmers in South Africa during 2023. HPAI is a highly contagious viral infection that affects poultry such as chickens, ducks, geese and ostriches and other wild gallinaceous birds such as gulls and shorebirds. Two different strains caused the outbreaks in South Africa – avian influenza A(H5N1) in April 2023 and avian influenza A(H7N6) in September, leading to the significant culling of poultry.<sup>1</sup>

The outbreaks led to considerable shortages and subsequent price increases of poultry-related products, especially as the festive season approached. In response to the outbreaks, the exports of poultry to neighbouring countries were suspended and the impending shortage necessitated additional imports as a short-term solution to ensure adequate supply. The depreciation in the exchange value of the rand as well as import duties affected these imports, exerting further upward pressure on the prices of poultry-related products.

It is estimated that at least 205 000 chickens have died and approximately 8.5 million chickens (2.5 million broiler breeders, raised specifically for meat production, and approximately 6 million of the layer flock, bred for laying eggs) were culled, according to the South African Poultry Association (SAPA).

### Headline and selected consumer food prices



Numbers in brackets indicate weights in the overall consumer price index.

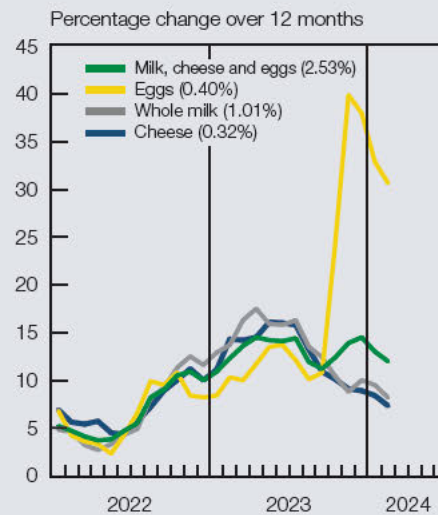
Source: Stats SA

Despite measures taken by the government and poultry industry to mitigate the shortages, the prices of poultry-related products exerted upward pressure on domestic food price inflation. After receding for six consecutive months, consumer food price inflation accelerated from 8.0% in September 2023 to 9.0% in November, with the prices of milk, cheese and eggs; sugar, sweets and desserts; and fruit and vegetables increasing the most. Despite the moderation in overall food price inflation to 8.5% in December 2023, the milk, cheese and eggs category accelerated from 11.2% in September to 14.5% and contributed 2.4 percentage points to the year-on-year increase in food price inflation in December. Within this category, the outbreaks affected the prices of especially eggs, as retailers adjusted prices upwards to manage the supply and demand imbalance exacerbated by panic-buying amid the reported shortages. Egg price inflation accelerated substantially from 10.1% in August 2023 to 40.0% in November before moderating somewhat to 30.7% in February 2024. Egg prices contributed 1.0 percentage points to the increase in overall food price inflation in both November and December 2023. On a month-on-month basis, egg prices increased by 13.4% in October 2023 and by a further 10.6% in November before decreasing by 2.6% in January 2024 and a further 0.4% in February, suggesting a gradual recovery of the poultry industry. Overall food price inflation slowed further to 6.0% in February 2024, with milk, cheese and eggs price inflation decelerating to 12.0% as the impact of the avian influenza started to dissipate.

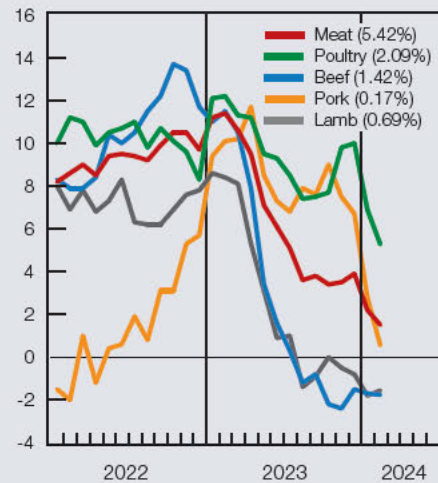
<sup>1</sup> See Avian Influenza: H5 and H7 outbreak update report by the Department of Agriculture, Land Reform and Rural Development, available at <https://www.dalrdd.gov.za/images/outbreaks/Avian%20influenza/Reports/h5-and-h7-update-report-29-september-2023.pdf>.



### Consumer milk, cheese and egg prices



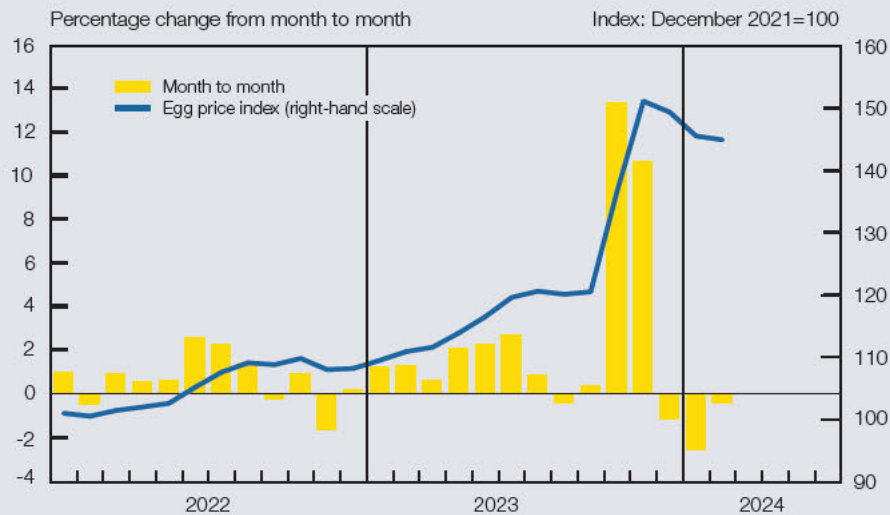
### Consumer meat prices



Numbers in brackets indicate weights in the overall consumer price index.

Source: Stats SA

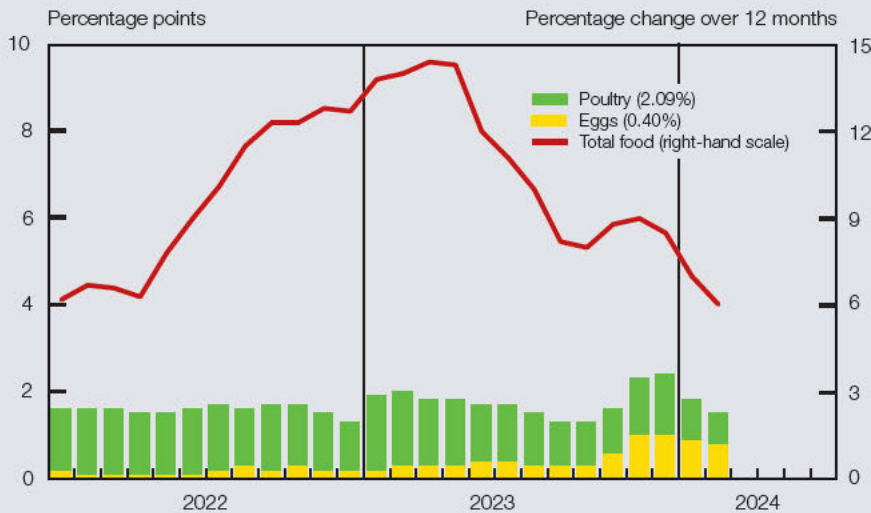
### Consumer egg prices



Source: Stats SA

Lower beef and lamb prices have kept overall meat price inflation subdued in recent months, with consumer meat price inflation slowing from 11.4% in February 2023 to 1.5% in February 2024. Although not to the same extent as egg price inflation, poultry price inflation also accelerated from a low of 7.4% in August 2023 to 10.0% in December, after which it moderated to 5.3% in February 2024. However, poultry's contribution to overall food price inflation was more than that of eggs, at 1.3 and 1.4 percentage points in November and December 2023 respectively, given the larger weight of poultry in the consumer food price basket. Poultry prices were less affected than egg prices by the HPAI outbreaks as a result of the specific biosecurity measures the government undertook to allow poultry production to continue with minimal disruption, while the reserves of frozen poultry carried over from the winter season afforded the industry time to alleviate any chicken shortages, especially over the festive season. The impact on egg prices was more severe as eggs are more vulnerable to supply chain disruptions and their importation deemed impractical due to the length of shipment periods.

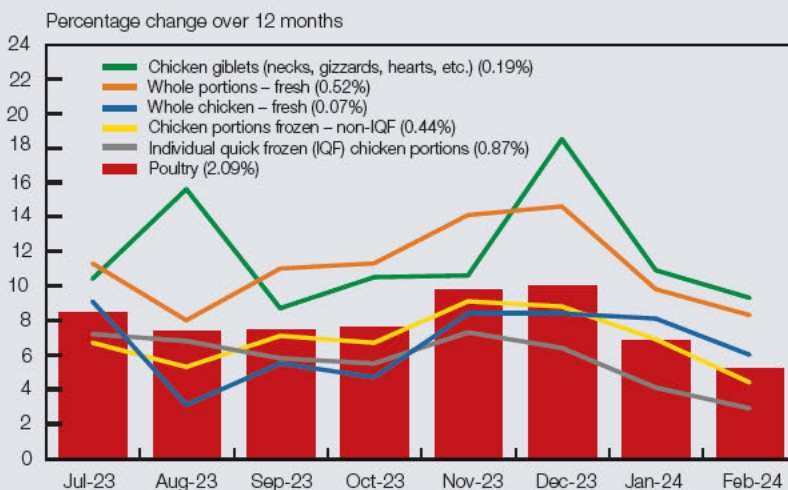
### Contributions to consumer food price inflation



Numbers in brackets indicate weights in the overall consumer price index.  
Source: Stats SA

In addition to the avian flu outbreaks, poultry prices were also impacted by the reinstatement of anti-dumping duties from August 2023 by the South African Revenue Service (SARS). These additional import tariffs against Brazil, Denmark, Poland, Ireland and Spain were lifted in July 2022 over concerns regarding their impact on soaring food prices. The anti-dumping duties were initially implemented in addition to the general import tariff on poultry to address the concerns of local poultry producers regarding their ability to compete with cheap imported chicken. Mechanically deboned chicken meat (MDCM), a paste used to manufacture processed foods that is not manufactured in South Africa; chicken offal (giblets, liver, necks, hearts, gizzards, etc.); and frozen bone-in chicken (leg quarters, thighs and drumsticks) are significantly less expensive to import. The local poultry industry currently does not produce sufficient volumes to satisfy the domestic demand and South Africa is therefore forced to import more poultry products. Apart from the avian flu outbreaks and import tariffs, domestic poultry prices are also impacted by continued electricity load-shedding, water supply interruptions, high feed costs as well as infrastructure and logistical challenges.

### Consumer poultry prices



Numbers in brackets indicate weights in the overall consumer price index.  
Source: Stats SA





With the implementation of strict biosecurity protocols and monitoring programmes, the HPAI infection rate seems to have peaked. Owing to the government's intervention to expedite the importation of poultry (including fertilised eggs), the egg supply has been improving, with consumer egg price inflation slowing to 30.7% in February 2024. On 25 January 2024, the International Trade Administration Commission of South Africa (ITAC) announced a rebate on general import tariffs on chicken in response to the impact of the HPAI outbreaks. The decision provides for a 30% rebate on boneless cuts and a 25% rebate on bone-in cuts of imported chicken. As such, consumer poultry price inflation subsequently slowed somewhat to 5.3% in February 2024.