

Box 3 Recent drivers of domestic poultry and egg prices

Several events exerted upward pressure on domestic poultry prices since late 2016. The outbreak of avian flu in Europe in November 2016, which is one of South Africa's primary sources of imported poultry, was followed by the imposition of import tariffs on frozen bone-in chicken from the European Union in December 2016. The subsequent outbreak of avian flu in South Africa in June 2017 exerted further pressure on both poultry and egg supply in the domestic market due to large scale culling.

Following these events, producer and consumer poultry and egg price inflation accelerated markedly throughout most of 2017. Mounting price pressures for both poultry and eggs were first observed at the producer level before it quickly spilled over to the consumer level.

The acceleration in poultry price inflation contributed significantly to the acceleration in overall meat price inflation in 2017, given its high weight in the consumer meat price basket. By contrast, the marked acceleration in consumer egg price inflation in the second half of 2017 did not halt the general downward trend in overall consumer food price inflation over the period.

Producer and consumer poultry prices

Percentage change over 12 months

	Weights					
	In the overall index	In the relevant food basket	Dec 2016	Nov 2017	Dec 2017	Jan 2018
Agricultural producer food price index	85.28	100.0	5.5	6.7	5.9	8.8
Live animals.....	32.71	38.0	10.3	31.6	30.9	26.1
Poultry.....	14.72	17.0	2.6	25.6	25.8	22.1
Final manufactured producer food price index	25.17	100.0	12.2	0.9	1.0	0.0
Meat and meat products	5.35	21.0	10.1	13.5	12.5	10.0
Poultry.....	2.45	10.0	9.4	6.0	4.4	4.5
Consumer food price index	15.48	100.0	12.0	5.2	4.9	4.6
Meat.....	5.46	35.0	7.6	14.9	14.0	13.4
Poultry.....	2.12	14.0	8.0	16.8	14.6	12.4

Source: Stats SA

Year-on-year agricultural poultry producer price inflation accelerated from a trough of -5.2% in November 2016 to 25.8% in December 2017. Poultry price inflation at the final manufactured level reached a trough earlier in 2016 and peaked in July 2017, before moderating to 4.4% in December. Poultry price inflation at the consumer level followed suit, quickening from a low of 1.6% in August 2016 to an all-time high of 18.4% in October 2017, before also moderating somewhat to a still high 14.6% in December. Poultry has a weight of 14% in the overall consumer food price basket, giving it the highest single weight of all meat products within the consumer meat price basket.

Poultry price inflation

Percentage change over 12 months



Source: Stats SA

The outbreak of avian flu in South Africa in June 2017 severely affected domestic egg prices as the majority of culled birds were egg laying. Agricultural producer egg price inflation accelerated from a recent low of 1.8% in December 2016 to 22.8% a year later, while consumer egg price inflation responded with a lag of seven months and accelerated from a trough of 2.8% in July 2017 to 19.9% in December – its highest inflation rate since May 2009. The marked acceleration in egg price inflation did not halt the gradual moderation in overall consumer food price inflation in the second half of 2017 due to eggs' small weight of only 3.0% in the overall consumer food price basket.

Producer and consumer egg prices

Percentage change over 12 months

	Weights		Dec 2016	Nov 2017	Dec 2017	Jan 2018
	In the overall index	In the relevant food basket				
Agricultural producer food price index	85.28	100.0	5.5	6.7	5.9	8.8
Milk and eggs	10.12	12.0	14.8	12.2	10.4	12.3
Eggs.....	3.97	5.0	1.8	22.7	22.8	28.5
Consumer food price index	15.48	100.0	12.0	5.2	4.9	4.6
Milk, cheese and eggs.....	2.57	17.0	10.5	4.4	4.8	4.2
Eggs.....	0.40	3.0	7.7	16.0	19.9	19.7

Source: Stats SA

Egg price inflation

Percentage change over 12 months



Source: Stats SA