In 2023, the Avian Influenza Virus, or bird flu, broke out in South Africa. This resulted in a shortage of chicken and egg products across the country, as millions of chickens where being culled (Writer,2023). The price of chickens therefore increased which in turn negatively impacted the poor as chicken meat is an important source of protein for South Africans. The Avian Influenza resulted in various government regulations being put in place to reduce the spread of the virus. One of these regulations was the imposing of import duties on the chicken meat market to protect the financial interests of domestic producers. The objective of this essay is to show how the Avian Influenza Virus and how the (possible) lifting of import duties, would impact the South African chicken meat market, through the support of different statistical measures and models.

The chicken meat market is characterised by three different factors, these include production, processing and distribution as well as consumption. In South Africa, the chicken meat production is carried out by large companies, rather than small farmers. These chickens are raised on farms for meat production and are then processed and slaughtered into small cuts in preparation for distribution. The distribution of these products includes restaurants, supermarkets, grocery stores and more. Most of these chicken meat products are consumed by the poor, as chicken is the meat of choice in most low-income households, as according to Edwards and Chien, “Chicken is a primary source of protein, particularly for poor households.” (November ,2023).

The demand side of the chicken meat market consists of individual buyers, food markets, grocery stores, restaurants and more. Individual buyers in South Africa play the most role in the consumption of chicken meat as they purchase these products for home consumption and meal preparation with chicken being the meat of choice for most poor households in South Africa. Food markets, grocery stores purchase and consume chicken products to allow for the distribution of these products to consumers. Restaurants, on the other hand, purchase chicken products to use them in meal preparations for their customers.

The supply side of the chicken meat market consists of domestic producers and importers. The domestic producers produce local goods for the market. In South Africa, the domestic producers in the chicken market are large companies (Astral Foods, RCL Foods). Importers produce and supply foreign goods in a country. Importers of chicken meat to South Africa are countries like Brazil and some European Union countries (Edwards and Chien,2023). Cheap imports in South Africa can result in competition for purchasing power for consumers within the market as the domestic producers would have to compete with these foreign imported products to stay relevant within the market. As a result of cheap imports, domestic producers would have to lower their prices to stay competitive within the market but will still be disadvantaged as they will not make any profit. The South African producers will lose because they will not make any profit. According to Radcliffe (2024), “Often, goods from abroad are cheaper because they offer cheaper capital or labour costs”, imports might be cheaper than domestically produced goods due to lower production costs in foreign countries which negatively impacts the domestic market as they would have to compete with the imported chicken meat. Consumers would prefer the imported goods as they would be cheaper and are of the same quality as domestically produced goods. This would result in a competitive situation between domestic producers and importers.

Figure 1: Supply and Demand curve showing the effect of the 2023 Avian Influenza on the chicken meat market.

Graph:(Bowles and Steven,2017)

Figure 1 shows the supply and demand curve theory model showing the effect of the 2023 Avian Influenza on the chicken meat market before the influenza and during the influenza. According to the Figure 1, the initial equilibrium in the market before the Avian flu was E1.P1 was the initial price of chicken meat and Q1 was the equilibrium quantity before the Avian flu. As a result of the Avian Influenza of 2023, there was a decrease in supply of chicken meat (S2) as most of these chickens where being culled to control the spread of the virus. The curve shifts to the left from S1(before the influenza) to S2(during the influenza) showing a decrease in supply of chicken meat. This resulted in the equilibrium price increasing from P1 to P2 and equilibrium quantity decreasing from Q1 to Q2. As a result of the Avian Influenza, a new equilibrium E2 was formed. The equilibrium during the Influenza (E2) shows how prices increased from P1 to P2.

The theory model (Figure 1) is supported by research, as according to Kinsley (2023) “Astral processed about 4.9 million chickens weekly during the 2023 financial year, which is 16% lower than 5.8 million birds per week the previous year”. This is evident on the Figure 1 as there was a decrease in the quantity supplied of chicken meat. In addition, research also shows that consumer prices of meat products rose rapidly, averaging close to 10% on an annualised basis from August 2021 to March 2023 (Edwards and Chien,2023). This is seen in Figure 1 by the increase in the equilibrium price from P1 to P2. Due to the shift in equilibrium prices and quantity, it is therefore evident that the Avian Influenza impacted the chicken market.

The possible lifting of import duties would result in the decrease in the prices of chicken meat, as more cheap chicken meat would be imported into the country, to cover the loss of chicken meat due to the flu. The decrease in prices would therefore benefit the consumers, especially poor households as they consume chicken meat products the most. According to Berstein (2023) ,“Tariffs often result in unwanted side effects, such as higher consumer prices”, therefore the (possible) lifting of import duties would result in the decrease in prices of chicken meat as there would be competition between domestic producers and importers and the domestic producers would have to reduce their prices to stay competitive with the imported chicken meat market.

The lifting of the import duties negatively impacts the financial interests of domestic producers as they would be making less profit due to a decrease in the prices. On the other hand, because of the Avian flu, domestic producers would produce less chicken meat, thereby the (possible) lifting of import duties would result in more chicken meat being imported to cover the loss of chicken. Therefore, imported chicken would be more dominant than domestically produced chicken meat in the chicken meat market. This will benefit the consumers but not the domestic producers in the long run, as after the flu, domestic producers would be forced out of the market as imports would be more dominant.

In conclusion, this essay has looked at the impact of the 2023 Avian Influenza, we have seen that there was a decrease in supply for chicken meat as most of these chickens where being culled, this led to an increase in the prices of chicken meat and a decrease in the quantity supplied for chicken meat. As a result of the increase in prices, the quantity demanded for chicken meat decreased as chicken meat is the meat of choice for the poor. The (possible) lifting of the import duties would result in price competition between domestic producers and importers as more imports will be entering the country thereby causing the domestic producers to decrease their prices to stay competitive within the chicken market.

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