**The impact of the 2023 Avian Influenza on the South African chicken meat market.**

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 (Staff Writer, Oct 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 Lawrence Edwards and Jing 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 are the large companies (Astral Foods, RCL Foods). Importers of chicken meat to South Africa are countries like Brazil and some European Union countries (Lawrence Edwards and Jing 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 and attract more consumers. According to Brent Radcliffe (January 17,2024), “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. On the other hand, domestic producers produce local goods for the market whereas importers produce and supply foreign goods for the market. The foreign goods will offer a wider variety of goods to the market which will result in competition between the domestic and foreign markets. As a result, domestic producers will have to increase the quality of their goods to stay competitive within the market.

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

Graph A shows the supply and demand curve theory model showing the effect of the 2023 Avian Influenza on the chicken meat market before the influenza, during the influenza and after the influenza. According to the graph A, the initial equilibrium in the market before the Avian flu was E1.P1 is the initial price of chicken meat and Q1 is 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. S3 (after the influenza) increases shifting to the right from S2 to S3 showing an increase in supply due to the ending of the Avian Influenza. The equilibrium after the Influenza (E3) shows the prices decreased from P2 to P3 which was slightly higher than P3. The equilibrium quantity therefore changed from Q2 to Q3 which is slightly lower than Q1.

The results of research conducted during and after the Influenza is in support of this theory model in graph, as according to Natalie Kinsley (Nov,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 graph as there was a decrease in the quantity supplied of chicken meat.

In addition, prices illustrated in the theoretical model are also supported by the research as it was found that consumer prices of meat products rose rapidly, averaging close to 10% on an annualised basis from August 2021 to March 2023. (Lawrence Edwards and Jing Chien,2023). This is seen in the model by the increase in the equilibrium price from P1 to P2. As a result of the ending of the influenza, prices decreased instantly. The prices did not return to the initial prices they were before the influenza. This is illustrated by the graph as although the prices decreased from P2 To P3, P3(after the influenza) is still higher than P1(before the influenza). Due to the price levels not returning to their normal levels after the end of the influenza, 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 chicken meat would be imported into the country. The decrease in prices would therefore benefit the consumers, especially poor households as they consume chicken meat products the most. According to Jacob Berstein (Nov,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, the (possible) lifting of the import duties would also result in more variety on the chicken meat market thereby providing consumers with a range of choices (different chicken cutes or products). Domestic producers would then have to increase the quality or freshness of their chicken products to remain competitive and attract consumers within the chicken market otherwise they could result in a loss as most consumers would rather prefer imported goods if the domestic goods were not competing well enough.

In conclusion, having looked at the impact of the 2023 Avian Influenza, we can see 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.