Growing poultry production through development: A South African perspective

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Background

- South Africa is largely regressing in being self-sufficient in poultry meat production – output is declining slowly with a few companies closing down.

- Rising costs of production (major feed inputs) and increased poultry meat imports are limiting growth.

- This is a draw-back in line with addressing expectations for domestic demand, growth and ensuring food security.

- Ethnic groups in the SA population are the major consumers of poultry meat owing to its consistently low prices compared to beef and pork.
Current broiler production state in SA

Broiler Consumption: Market share

- Developed poultry farmers: 75%
- Imports: 20%
- Developing poultry farmers: 5%

(Modise, 2013: SAPA)
Projected future production state

Broiler consumption: Market share

Give back provided 10% plus 5%

Developed poultry farmers 80%
Developing poultry farmers 15%
Imports 5%

developing farmers overtake tenders

(Modise, 2013: SAPA)
Questions to ponder

• Is the developing poultry industry capable of being sustainable?

• Does it have the aptitude to meet its obligations towards society, the environment and future generations?

• What skills and/or qualifications does a poultry farmer need to be productive?

• Does it have the power to feed the nation?
Vertical integration - from field to fork

- Growth in the commercial poultry industry = highly integrated market, which allows producers to respond to consumer demands.

- Production contracts and vertical integration in the broiler industry facilitated:
  - Rapid adoption of new technology,
  - Control both the quality and cost of the product from field to fork,
  - Assured market outlets for broilers, and
  - Provided a steady flow of broilers for processing.

- Vertical integration is key to realizing economies of scale, especially in a developing economy
### 8 Levels of vertical integration

<table>
<thead>
<tr>
<th>Level</th>
<th>Description</th>
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<tbody>
<tr>
<td>Transportation &amp; Marketing</td>
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<tr>
<td>Further Processing (processed meats)</td>
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<td>Processing Plants / Abattoir (Product quality)</td>
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<td>Rearing Farms (growth performance monitoring)</td>
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<td>Hatchery (chick quality assurance)</td>
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<td>Breeders (parent stock)</td>
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<tr>
<td>Feed Mill (RM costs and availability, least cost formulations, ACT 36 of 1947 regulation, QA)</td>
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<td>Primary Breeders (Grand parent stock)</td>
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Growing chickens under contract

More than 60 percent of all chickens raised for human consumption in the US are produced by independent farmers working under contract with integrated chicken production and processing companies (USDA).

For decades, the system has worked well and has kept tens of thousands of families on small farms, productive.

FARMING SUPPORT

- Supply of chicks, feed, vaccination, management, training and guaranteed market and thus avoid market risk
- Reliable source of income and access to technical advice, market knowledge, and technological advances
Scaling-Up Approach

• Expansion of experience — i.e., scaling-up impact within an area or country on the basis of one or more existing useful, preferably successful, initiatives; or

• Transfer of experience—i.e., scaling-up impact in new and unassociated areas on the basis of one or more useful, preferably successful, initiatives.

(The World Bank, 2003)
Productivity and competitiveness

• Support for producer organizations and user groups – research and extension

• Food safety and agribusiness (product quality, bio-security, traceability)

• Does the project generate human employment. If so, to what extent?

• Information technology—marketing and knowledge

• Identify long term risks (e.g. economic, political, environmental) and measures taken to prevent them?
Stakeholder engagement

- Being Informed
- Being Asked
- Commenting on Decisions
- Developing Solutions
- Delivering Services
- Consultation
- Engagement
- Partnership

Diagram showing the flow of stakeholder engagement from being informed to consultation, then to engagement, and finally to partnership.
Concluding remarks

• It is necessary to protect the local industry by levying duties, levies, taxes etc. on imported finished products or providing incentives on exports.

• Development projects should adopt vertical integration to ensure consistency, efficiency and quality control, but mostly sustainability in production.

• Promote contract growing – partnerships between commercial and developing farmers.

• Agriculture is a definite weapon against food insecurity, bottom-line, it is a BUSINESS!