



SOUTHERN AFRICAN POULTRY ASSOCIATION
SUIDER-AFRIKAANSE PLUIMVEEVERENIGING

Founded 1904 / Gestig 1904

EGG ORGANISATION COMMITTEE CHAIRMAN'S REPORT 2010

PRESENTED BY JIMMY MURRAY

**AT THE 105TH SAPA CONGRESS
HELD ON TUESDAY, 31 MAY 2011
HOSTED AT EMPERORS PALACE, GAUTENG**



MEMBERSHIP

The membership of the Egg Organisation remained at 47 members. If you add the individual members belonging to the various cooperatives, a total of 106 producers are represented by the Egg Organisation. With the planned flat-rate membership fee of R400 including VAT, we will need to ensure all producers are motivated to join as members.

COMMITTEE

The committee presently consists of:

Jimmy Murray (chair)
Dr Dave Allwright
Marco Torsius
Murray Jackson
Nic Elliot
Freddie Kirsten Snr
André Wohlfahrt
Gawie Rossouw
Dr Naudé Rossouw
Pier Passerini
Colin Steenhuisen
Kevin Barnsley

INDUSTRY OVERVIEW

Continuous growth in egg production was maintained during 2010. During the year, the average number of cases produced increased by 8 750 cases (+2,5%) to a total of 361 300 per week in December. The average laying flock projected for December 2010 was 23,482 million hens, which amounted to an increase of 614 800 layers (+2,7%), compared to December 2009.

Day-old pullet placements remained at a high level during the second half of 2010 relative to the 2009 placements. Based on the pullet placements up to December 2010, it is projected that the national laying flock will increase to 23,83 million in April 2011.

If the day-old pullet placements over the first six months of 2011 remain at the same level as in the corresponding period of 2010, one can expect the laying flock to exceed 24 million layers in the second half of 2011.

In total, 2010 egg production amounted to 18,526 million cases. Forecasts indicate that the total egg production will increase by approximately 674 400 cases (+3,6%) to 19,2 million cases in 2011.

The industry is not at its previous peak of 18,663 million cases reached in 2008, but should reach that during 2011.

TURNOVER

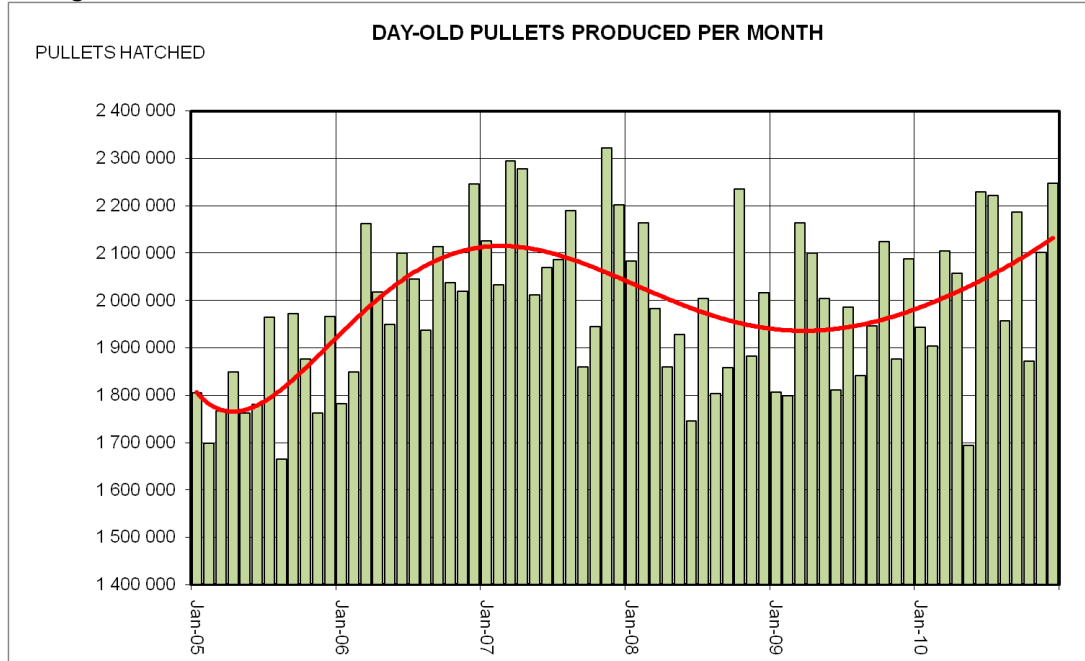


At a gross turnover of R6,658 billion at producer level, eggs take their place as the fourth largest animal-product sector in agriculture in South Africa. About 556 million dozen eggs were sold in 2010 through various channels.

EGG PRODUCTION

Day-old pullet production

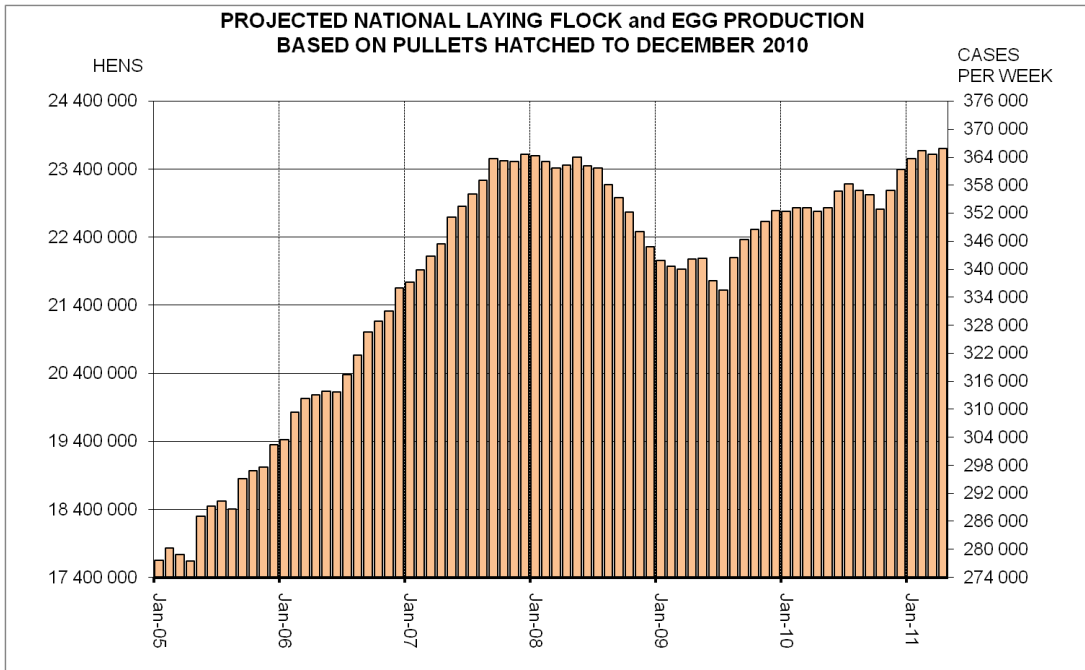
Day-old pullet placements for the year 2010 amounted to 24,517 million. Compared to 2009 this represents an increase of 4,1%. On average 471 500 day-old pullets were placed per week during 2010.



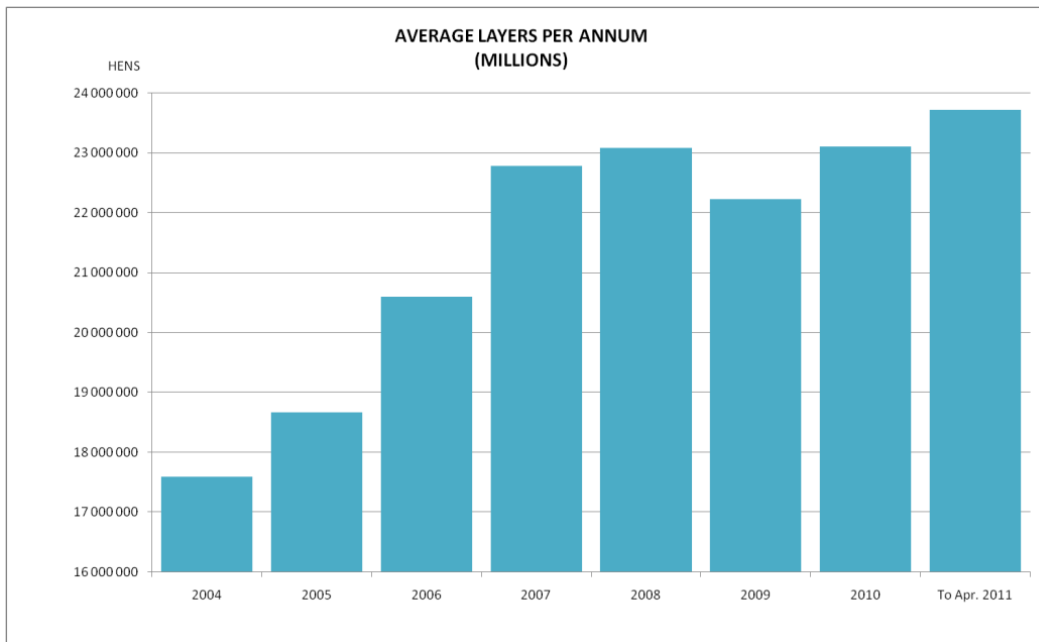
Laying flock and egg production

The laying cycle was extended by two weeks, which implies that during 2009 the depopulation age of laying hens increased from 69 weeks to 71 weeks of age and remained at 71 weeks for 2010.

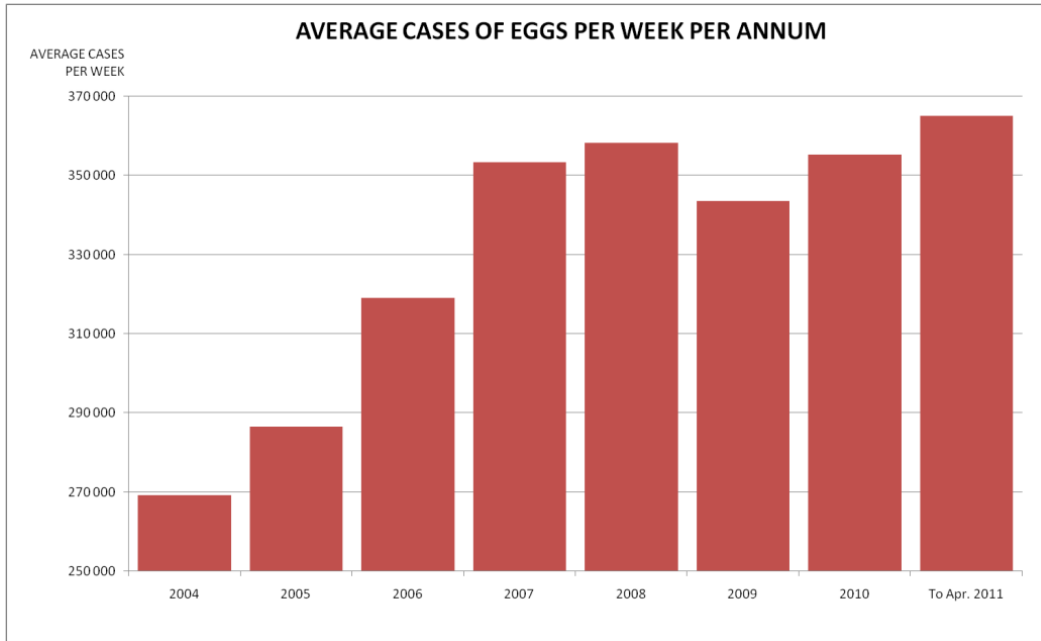




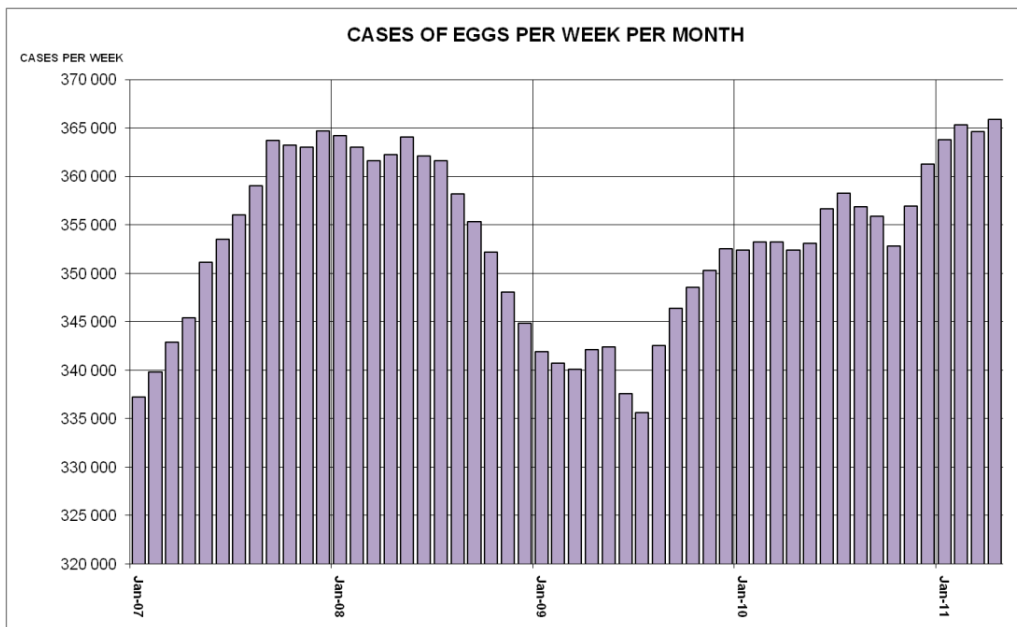
The average number of 23,1 million layers projected for 2010 is 866 000 hens more (+3,9%) than the corresponding flock for 2009.



The total annual egg production increased from 17,86 million cases in 2009 to 18,526 million cases or 3,4% more in 2010, with a forecast of 19,07 million cases in 2011.



During the first ten months of 2010, production increased from 352 400 cases produced per week in January 2010 to 358 300 cases of eggs per week by July 2010, and decreased to 352 800 cases per week in October 2010. By December 2010, egg production had increased to 361 300 cases per week. The average cases of eggs produced in 2010 was 355 300 per week.



Prospects for 2011

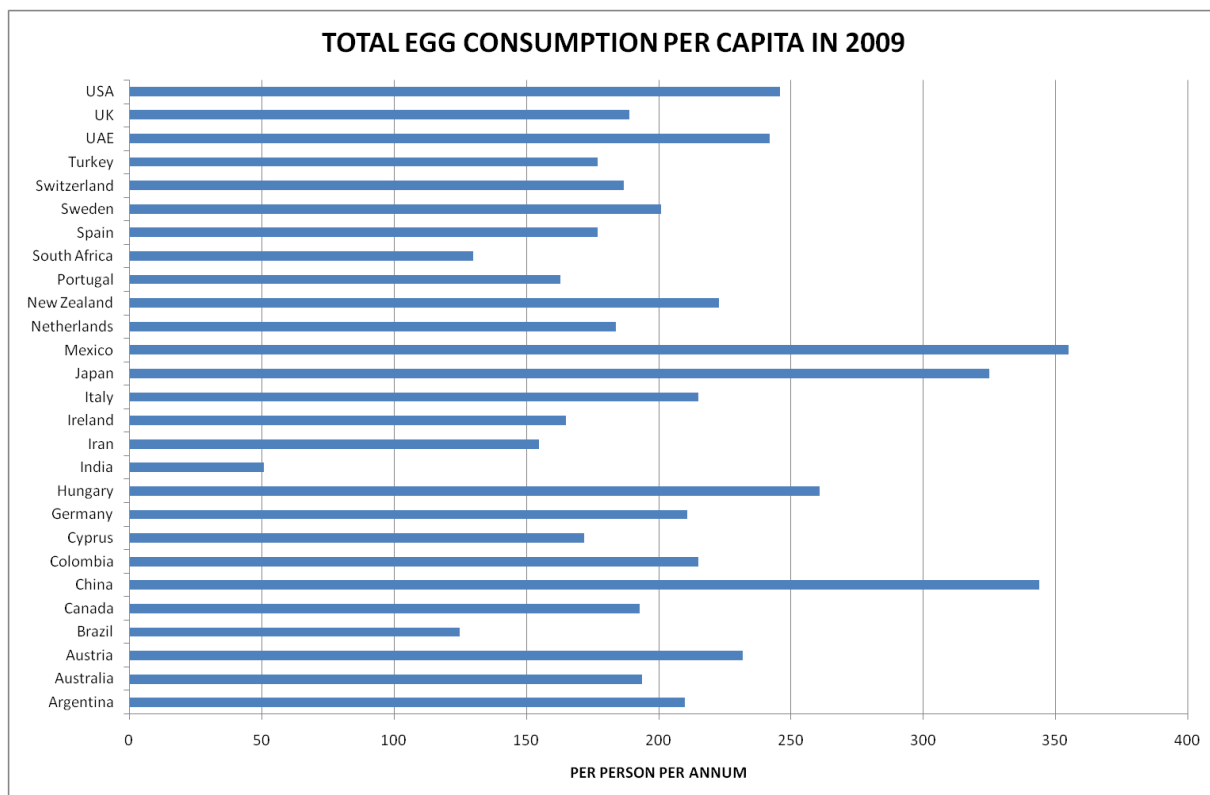
Since the end of 2009, egg production has increased gradually and it is expected that this growth trend will continue well into 2011.

The total annual egg production is expected to increase from 18,53 million cases in 2010 to 19,2 million cases in 2011.

PER-CAPITA CONSUMPTION

The per-capita consumption for 2010 was 132 eggs per person per annum, an increase of 2% in comparison with the per-capita consumption for 2009 of 130 eggs per annum.

From the following graph, depicting egg consumption in 2009, it is clear that considerable scope exists for increase in per-capita consumption, particularly taking into account the price competitiveness of eggs as a protein source compared to other animal proteins.

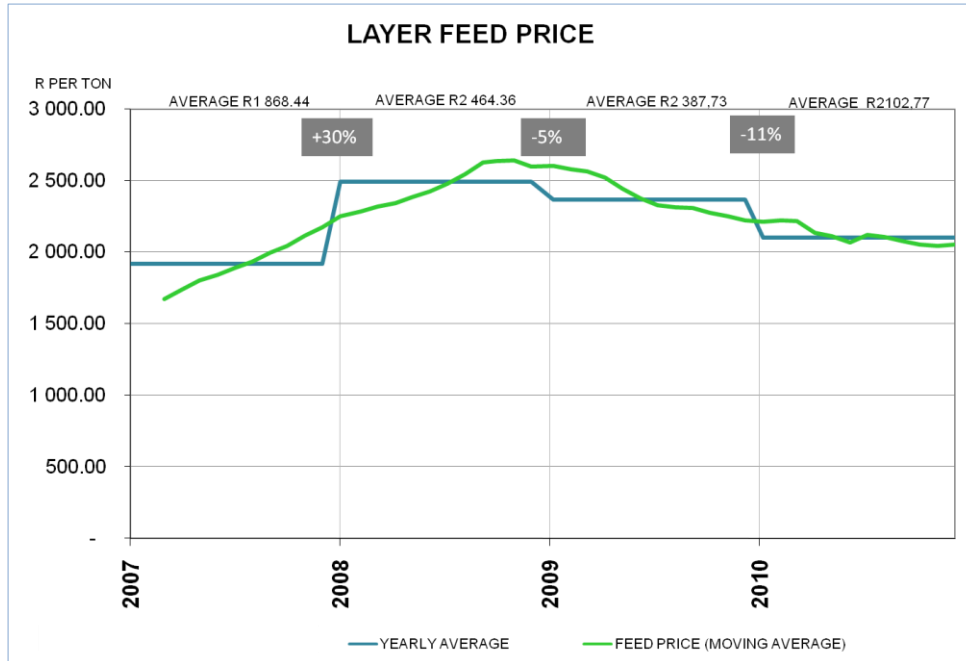


Source: IEC

INPUT COSTS

In 2010, the layer feed prices maintained a downward momentum, which had started in 2009. The layer feed price decreased by 11% in 2010 in comparison with 2009, after a decrease of 5% in comparison with 2008. The feed price did not reach the levels that it had before 2008 when an upward momentum on the back of rising maize and protein prices reached an average increase of 30%. In 2010, the average layer feed price was R2 102,77 per ton.





EMPLOYMENT

With an estimated 10 000 workers employed all over the country, the egg industry remains an important player in rural employment.

MARKETING

Competition: Feedback

The results of the in-pack competition were unsatisfactory with only one third of the golden egg prizes having been claimed and responses on only 0,42% of the pamphlets being received.

There were huge failings in the process, with various logistical problems. Millions of pamphlets were not used at all. In hindsight, the involvement of the retail sector also appears to be a mistake.

The committee agreed that the retail market should be left to the producers, although it appeared a decent proposal at the time. Instead, a TV and radio campaign was suggested for future competitions.

Appointment of advertising agency

Members who attended the presentation by The Jupiter Drawing Room, were of the opinion that their presentation was outstanding, and that up to now they have shown appreciation for the "Eggs are Magic"-campaign. They also showed an excellent understanding of the brief given to them.

"Eggs are Magic" 2011

The "Eggs are Magic" campaign is well underway with plans for the year having been finalised. As you know, The Jupiter Drawing Room is the advertising agency we are working with in the implementation of the campaign programme under the guidance of Masanda Peter. There will be regular updates for members on this year's programme, some of which will be on the SAPA



website. We encourage you to please channel your ideas to the marketing department, as these initiatives are a collective effort, and feedback from members is welcomed in order for them to be a success.

I want to thank Marco Torsius, Masanda Peter, Kevin Lovell, Sabine Frielinghaus and all committee members for their valuable inputs to ensure the growing success of this campaign.

The Galliova Awards

The Galliova Awards ceremony was held in Johannesburg on the 8th October 2010. The response from both food and health writers towards this award was once more something that we as egg producers should appreciate. According to Peter Feldman this award, now in its 22nd year, is still regarded as the ultimate food and health writers' award, and exposure that we get from this could hardly be quantified. To Mathilda Pansegrouw and her team, a hearty thank you for your valued contribution.

The 2011 Young Food Writers' Competition

2011 sees the second year of the egg industry running The Young Writers Awards in association with the Galliova Awards. The aim of the initiative is to find the country's most promising student food writer from a previously disadvantaged background. The initiative is supported by leading magazines who have partnered with us by offering the selected students internships giving them an enormous career boost. This year's winners will be announced at the Galliova Awards to be held in Cape Town during October 2011.

THE GLOBAL EGG INDUSTRY

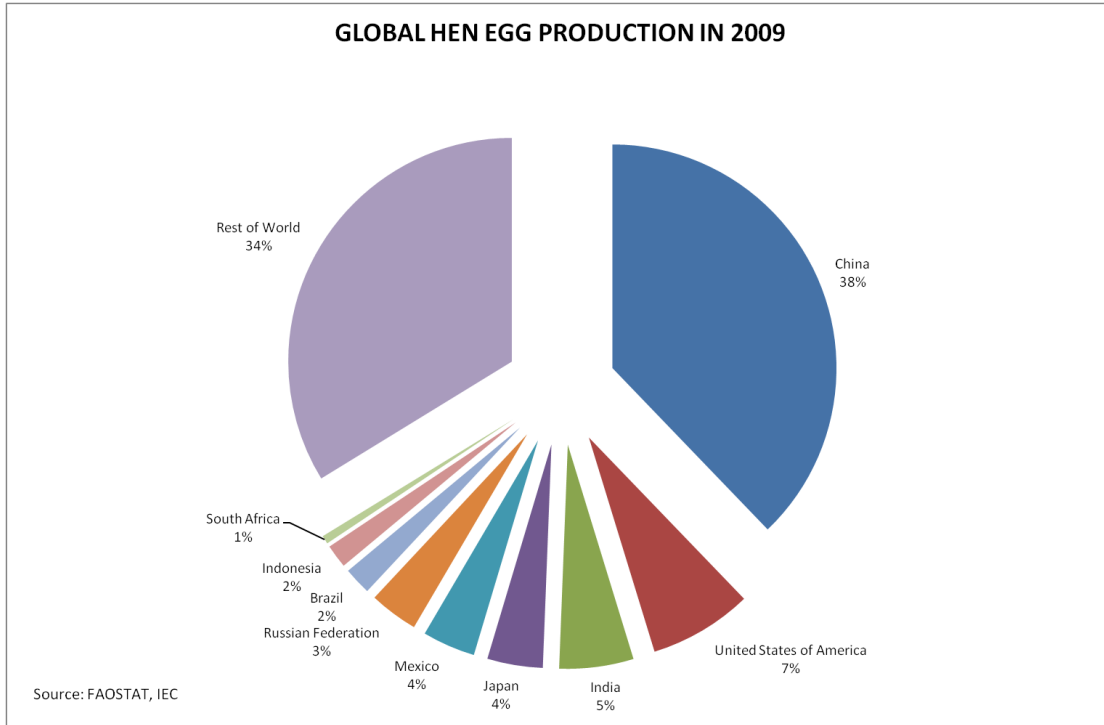
USA Egg Industry

“Table-egg production is expected to increase only slightly in 2011, reaching 6,6 billion dozen, up from the 6,5 billion dozen produced in 2010. The increase in production is anticipated to be spread out fairly evenly throughout the year and is expected to come from small increases in the number of hens in the table-egg flock, combined with relatively little change in the rate of eggs produced per bird. The number of birds in the table-egg flock was higher in four of the six months in the second half of 2010, and the flock is expected to remain above year-earlier levels through the first several months of 2011. While the prices for almost all feed components have risen rapidly in the last several months, egg prices are expected to receive some buoyancy from higher prices for beef and pork.

“Hatching-egg production for 2011 is forecast at 1,07 billion dozen, basically unchanged from 2010, reflecting slowing growth in broiler production as large increases in grain prices pressure integrator margins. The reduction in production is expected to be in the second through the fourth quarters, with production in the first quarter of 2011 being slightly higher than the previous year.”

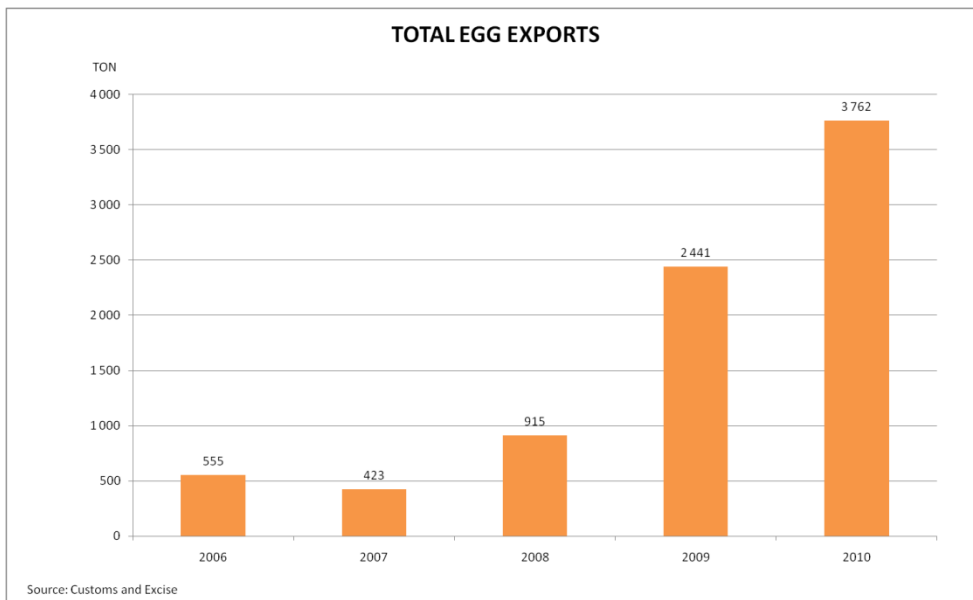
SOURCE: Economic Research Service, USDA, United States Department of Agriculture, Feb 15, 2011



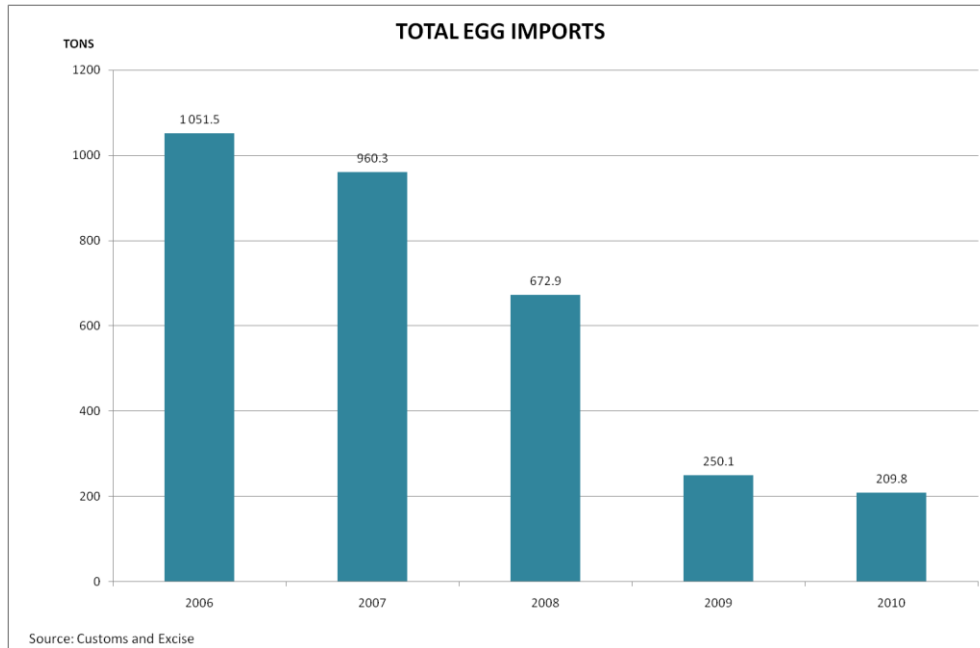


THE LOCAL EGG INDUSTRY

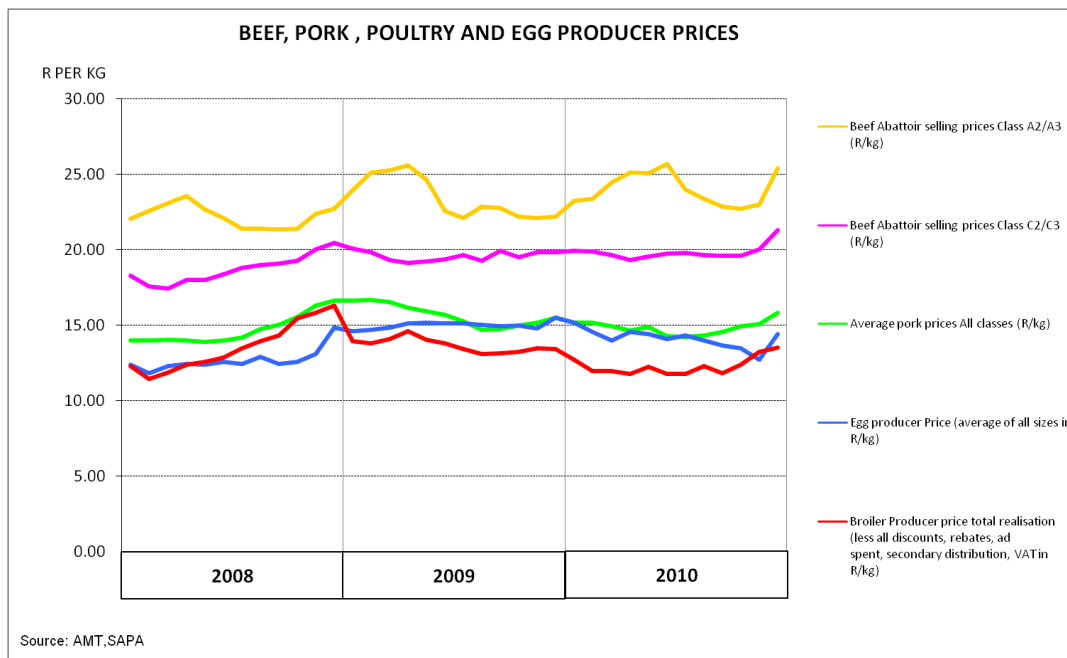
On the local scene, egg exports continued to operate from a low base and could perhaps become a long-term business opportunity for South African producers. Imports of egg products were also pleasingly low. During 2010, egg exports totalled 3 762 tons. While still operating from a low base, this is 54% or 1 321 tons more than the previous year. In 2002, a record 11 000 tons were exported, and although on a declining trend from 2002 to 2005, export of shell eggs started increasing from 2007. Shell eggs contributed to 96% of egg exports.

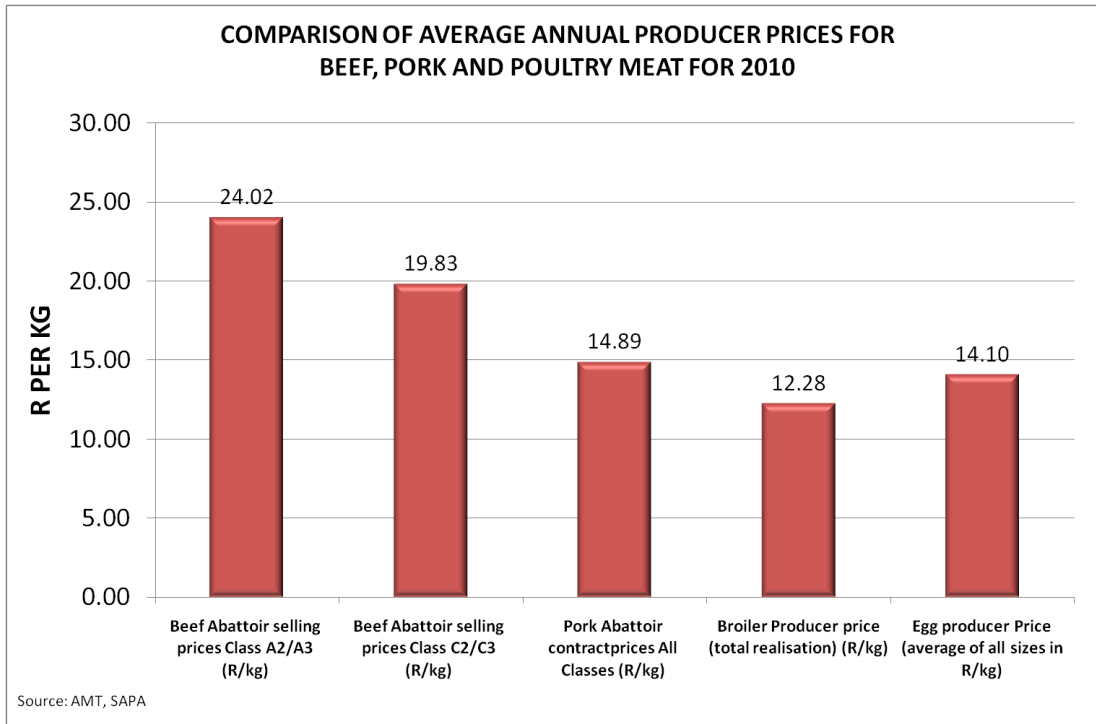


Total imports of eggs, including shell eggs and egg product (liquid and dried), were 210 tons in 2010, 41 tons or 16% less than the previous year. The egg product component amounted to 209,8 tons.



Egg prices on a per-kilogram base were at an average of all sizes of R14,10 per kg in 2010. This compared to R12,28 per kg for broiler meat (at farm-gate level), R14,82 per kg for pork (at abattoir level) and around R19,83 to R24,02 per kg for red meat at abattoir level. Eggs thus remain one of the cheapest broad-based food proteins available to the South African consumer.

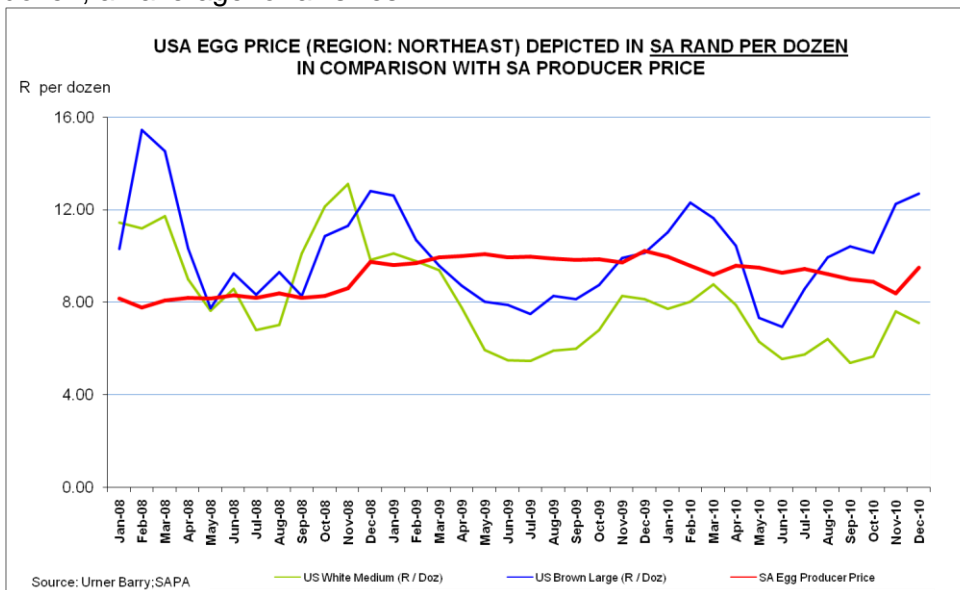




INTERNATIONAL COMPETITIVENESS

According to Urner Barry, the average egg price for the region Northeast in the USA for **white medium** was 1,03 US\$ per dozen in December 2010. Depicted in Rand, using the average exchange rate for the month, it is R7,13 per dozen. This compares to the R9,51 per dozen, an average egg price for all sizes in South Africa.

The average egg price for the region Northeast in the USA in December 2010 for **brown large** was 1,84 US\$ per dozen; depicted in Rand, using the average exchange rate for the month, it was R12,71 per dozen. The average SA egg producer price for December 2010 was R9,51 per dozen, an average for all sizes.



ANIMAL HEALTH AND DISEASES

The continued prevalence of a wide spectrum of diseases in the poultry industry is a matter of real concern. The industry has during the past year been in a better position with regard to disease in general, but live-bird movement, poor bio-security and vaccination programs not executed as per specification, will continue to be a hazard to the industry. The Poultry Disease Management Unit, once implemented, will contribute to improved liaison with the division of veterinary services in the national department as well as provincial departments.

ANIMAL WELFARE

With an increased awareness of the general public of animal welfare we as an industry will have to ensure that our practices meet with both international and local expectations. The real experience with one of the chick producers has continued to contribute to the negative image of the industry and the general public's view on this has been described as "disastrous". We need to ensure that all producers do heed the Codes of Practice applicable to the culling of non-saleable chicks, as well as the transport of both point-of-lay and cull birds.

FINANCES

The financial statements of SAPA reflect a healthy financial position, and for the fourth year in a row SAPA has received an unqualified audit report.

FOOD SAFETY

The Consumer Goods Council of South Africa had taken up as a priority the international pressure to ensure that safe food is available at all levels. Council members applied various standards for food safety and as producers we welcome the initiative to standardise these tests, ensuring possible cost reduction in the production process. The proposed egg mark will help us to have a practical and unified standard for food safety in South Africa.

LEGISLATION

The new regulations on egg packaging and grading, as well as on free-range production, were agreed upon and the new draft was circulated for comment in January 2010.

THE FUTURE

The resignation of Nulaid from the Egg Organisation was a sad loss and I am concerned that such an important role-player and contributor to the funding of SAPA via the statutory levy is not involved in the day-to-day decision-making of the Egg Organisation. Every effort must be made to encourage them to rejoin the organisation

The cyclical changes in consumer demand and the forecasted hen placement for the second half of 2011, combined with the rising commodity prices are going to put egg producers under margin pressure, but in the end every producer will have to decide on future production levels.

Cost of production will remain an unremitting problem. The lack of reliable production-cost figures will hamper not only every member, but also the industry in enabling us to inform



government on the implications of costs, especially electricity, fuel and results of poor road infrastructure, in ensuring food security.

POULTRY BULLETIN

During 2010, we saw the changing of the guard with Zach Coetzee retiring as the editor of the *Poultry Bulletin*. Thank you, Zach, for the 36 years of informative publishing. We wish you well in your retirement. To Kevin Lovell, who has taken over the publishing of *Poultry Bulletin*, congratulations on the new-look *Bulletin*.

CONCLUSION

To our previous chairman, Willie Maree, who retired last year - I wish you a happy and relaxing retirement on the South Coast.

I wish to express my thanks to committee members for their contributions to the Egg Organisation during the past year. To all the SAPA staff members, my sincere thanks for your dedication and support. I wish to express my thanks to all the members of the Egg Organisation for your co-operation and assistance in dealing with the collective issues of our industry.

