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Commodity: chicken meat (FAO)
Commodity: hen eggs (FAO)

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INTRODUCTION

The poultry industry remains the largest single contributor to the agricultural sector in South Africa. In 2018, some 20.9% of the total agricultural gross value and 43% of animal product gross value stemmed from poultry production. The industry provides direct and indirect employment to over 110,000 people; is the second largest consumer of maize; and supports many peripheral businesses (including the feed industry) and those downstream in the value chain.

This year started with relatively favourable feed prices and good grain stocks, thanks to a bumper harvest in 2016/17. The 2017/18 harvest was good, but some 25.3% below last year’s record crop because of reduced plantings. As the year progressed, rising feed prices and ever-increasing imports of cheap poultry products served to reduce the chicken to maize price ratio by around 6%. Imports of dumped chicken continue to cause grave concern, threatening the survival of the broiler industry and local jobs. Imports increased by 2.9% over 2017 levels and now equate to a quarter of local broiler production. Imports in 2018 were 20.7% higher than the 5-year average (2013 – 2017). Jobs, which could be created locally, are effectively being outsourced to the European Union, Brazil and the US. Trade measures against the European importers were strengthened in September, when the interim anti-dumping safeguard duty on bone-in portions was increased from 13.9% to a final level of 35.3%. The announcement by government that a poultry master plan would be developed by the Department of Trade and Industry, in conjunction with SAPA and the poultry industry, is to be welcomed.

At the beginning of the year, an unwanted spotlight shone on the meat industry during a serious outbreak of listeriosis. Over two hundred people died from the bacterial infection, the source of which was eventually identified as an Enterprise meat processing plant in Polokwane. SAPA and poultry producers worked with the Department of Health to resolve the issue as quickly as possible. The government announced it was reviewing food safety legislation in a bid to prevent a recurrence.

Although there was only one outbreak of deadly H5N8 highly pathogenic avian influenza (HPAI) on commercial poultry farms in 2018, the industry remained on high alert as outbreaks continued in backyard flocks, ostriches and wild birds, particularly in the Western Cape. The Bureau for Food and Agricultural Policy (BFAP) has released its much-anticipated report on the economic impact of the 2017 HPAI outbreak in South Africa. In total, a staggering 5.4 million birds died or were culled, with a consequent biological loss of R308 million, lost income amounting to R1.3 billion, and direct costs estimated at R40.5 million. The egg industry bore the brunt of the disease, suffering 85% of the financial loss.

The South African egg industry quickly restored national self-sufficiency in egg production after the 2017 HPAI outbreaks but imports of shell eggs from Brazil disrupted the market in mid-2018. Allowed into the country by mistake, these unnecessary imports came to a halt by September 2018. The decline in producer egg prices has accelerated in recent months, as farms have restocked, supply has eased, and retailers have recouped margins sacrificed during the shortages. Per capita egg consumption has yet to recover from the reduction witnessed when egg supplies were tight and prices increased at retail level.
THE SOUTH AFRICAN POULTRY ASSOCIATION

1.1 History

One of South Africa’s oldest agricultural organisations, the South African Poultry Association (SAPA) started off in Kimberley in 1904 as a body of poultry hobbyists. The Association catered to the needs of the various poultry clubs by regulating the rules and appointing judges for the popular poultry shows and egg laying tests staged at the time.

Over the years, the poultry industry evolved from what was essentially a backyard industry, with thousands of people keeping small flocks and only a few large producers, to the mature, efficient and highly productive commercial operations we see today.

Responding to the needs of its members, SAPA served as the industry’s collective voice to the public and to government. Strengthening its authority, credibility and legitimacy, a South African Poultry Breeders Register was established in 1926, and ten years later, government gave the assurance that it recognised SAPA as the official representative organisation of the country’s poultry industry.

As the industry has changed, so too has SAPA adapted to meet the industry’s changing needs. The Association is involved in a continuous process of identifying issues affecting the industry and taking positive steps to deal with these.

1.2 SAPA’s mission

For years, SAPA has represented small scale, emerging and larger commercial poultry farmers in the following sectors: the broiler and egg industries, the breeding/day-old chick supply industry, and smallholder and developing farmers. From mid-2015, producers from the Chick Producers and the Developing Poultry Farmers Organisations were absorbed into their respective product value chains, falling under either the Broiler or Egg Organisation.

With renewed commitment from a large number of broiler and egg producers in the wake of the 2017 HPAI outbreak, SAPA was provided an opportunity to become a stronger representative body for the industry. The Egg and Broiler Organisations met early in 2018 and the result was a new organisational structure, with revised collection models.

SAPA now consists of two independent organisations, each with its own board and general manager. The Broiler and Egg boards will take full responsibility for their administrative functions and their general managers will report to the board of directors.

The SAPA Board will retain the governance and fiduciary responsibilities of SAPA. Technical committees (consisting of two work groups and two sub-committees) address issues of poultry health and welfare, food compliance, training, and research. The work groups and committees involve key stakeholders such as producer personnel, the Departments of Health and Agriculture, Forestry and Fisheries (DAFF), the Consumer Goods Council of South Africa, the South African Veterinary Association, academics and consultants.
The objectives of the new streamlined South African Poultry Organisation are as follows:

To establish and maintain national divisions of the Association in South Africa and enable members to co-operate effectively for the development of the broader poultry industry;

To co-ordinate the views, aims and efforts of the national Organisations in the interests of the broiler poultry industry in South Africa;

To advance and improve the broader poultry in South Africa by embracing and co-ordinating the objectives of the national Organisations and particularly by:

- Protecting the broader poultry industry from adverse legislation and any other aggression and by initiating, promoting and assisting with the promulgation of legislation and regulations which are beneficial to the broader poultry industry;
- Encouraging poultry education, conducting and/or assisting in investigational work of a practical and scientific nature and the organisation of seminars and courses;
- Facilitating and providing guidance in respect of the transformation of the broader poultry industry in line with applicable government policies, objectives and legislation;
- Forming public-private partnerships with government bodies and other public bodies as may be required from time to time;
- Representing the Broader Poultry Industry on appropriate international bodies and forums for purposes of developing global regulatory and trade frameworks which are to the benefit of the Broader Poultry Industry;
- Publishing literature, journals, pamphlets, and circulars dealing with all matters pertaining to the broader poultry industry; and conducting communications on behalf of the industry;
- Establishing Codes of Practice in relation to the broader poultry industry;
- Promoting the consumption of poultry products in South Africa;
- Assisting in the opening up and maintaining of export markets for South African egg and poultry meat products;
- Procuring the compilation of statistics using information received from Members and the broader poultry industry, for purposes of maintaining suitable databases for use in the furtherance of the aims of the Association;
- Acting as arbitrator in the settlement of any dispute between Members which may arise in any matter pertaining to the broader poultry industry, in accordance with and subject to the rules;
- Dealing with any matter which may be in the interests of the broader poultry industry, the Association and/or its Members.
1.3 The Broiler Organisation

The SAPA Broiler Organisation represents commercial broiler producers and associated breeder farmers and hatchery operations with the intention to serve the interests of the broiler industry on a national basis. The Broiler Organisation is funded by a voluntary levy.

Izaak Breitenbach has been appointed as general manager of the Broiler Organisation and will take up the reins from January 2019.

1.4 The Egg Organisation

The Egg Organisation operates as an independent subsidiary of the South African Poultry Association. The purpose of the Egg Organisation (and its committee) is to improve the egg industry and promote it at a national level. This entails a critical evaluation of the methodology of control structures, achieving a higher level of operational input, liaising with government on crucial matters, liaising with consumer bodies, and striving to build a stronger image for the egg industry on an ongoing basis. Progress in the industry can be measured by an increase in egg consumption per capita in South Africa.

Membership of the Egg Organisation has declined over the past few years and it became clear that the only way to fund the organisation would be through a statutory levy. An application was made to the National Agricultural Marketing Council (NAMC), supported by the producers of more than 66% of the country's eggs. A budget drafted in October 2017, was used as the basis for a revised application to the NAMC requesting a levy of 1.5 cents per dozen eggs sold to trade.

The application was successful and a statutory levy on table eggs was gazetted in mid-2018, coming into force from 27 July 2018. All egg producers and packing stations will contribute 1.5 c/dozen eggs traded.

The levy will be collected by the Red Meat Levy Administrator. The administrator can be contacted on (012) 348 2160. The levy will be spent on the administrative functions of the Egg Organisation, along with transformation initiatives, statistics, training, marketing and consumer education and awareness projects. Mogala Mamabolo has been appointed as general manager of the Egg Organisation, with effect from December 2018.

1.5 Representation of the industry

The membership of SAPA’s two organisations in 2018 was as follows:

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<tbody>
<tr>
<td>Broilers</td>
<td>49</td>
</tr>
<tr>
<td>Eggs</td>
<td>106 (53 individual members and 53 members of co-operatives; + 14 %)</td>
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Please note that these figures now include the former members of the DPFO and CPO.

Broiler pricing reports, distributed by SAPA’s statistics team every month, were generated from data submitted by 60.9% of the broiler industry (on the basis of kilogrammes of edible broiler meat and products sold (984 416 tonnes recorded from total annual commercial production of 1.616 million tonnes)).
SAPA communicates with its members via its website, bulk emails and the monthly *Poultry Bulletin*. During 2018, these tools of communication were reviewed and evaluated as to their effectiveness in reaching the target audience. This led to the *Poultry Bulletin* being incorporated into the *Poultry Focus Africa* magazine (edited by Gilla Brunt) from October. Information on SAPA’s website is available to both members and non-members.

### 1.6 Developing poultry farmers

Small, medium and micro enterprises represent an important vehicle to address the challenges of job creation, economic growth and equity in our country. From 2003, the Developing Poultry Farmers Organisation (DPFO) catered for the needs of smallholder and emerging farmers by addressing issues affecting this growing sector of the poultry industry. The organisation also fulfilled a dynamic capacity building and advocacy role, empowering provincial structures and developing partnerships with the state over time. Unfortunately, funding of the organisation became problematic and, from 2015, the organisation was absorbed into the Broiler and Egg Organisations as part of SAPA’s strategic restructuring. However, industry transformation remains a priority for SAPA (see Chapter 10.1).

### 1.7 Engagement with stakeholders

It is through partnerships with the Departments of Agriculture, Forestry and Fisheries (DAFF), Economic Development, Rural Development and Land Reform, and Health that the industry can solidify its position in the local marketplace, defend itself against imports, and expand export markets. SAPA hopes to continue working closely with these departments, the media and the provincial and local governments.

DAFF began rolling out the Agricultural Policy Action Plan in 2016/2017 (APAP; Chapter 9). The poultry value chain, the feed industry, and the maize and soya industries are part of the plan and are therefore beneficiaries. The plan aligns DAFF and other government funding with national strategic objectives. Transformation is one of the objectives. President Zuma’s “Nine Point Plan” to revitalise the flagging economy included RAAVC - revitalisation of agriculture and the agro-processing value chain. The latest initiative, officially launched in February 2017, is Operation Phakisa for Agriculture, Land Reform and Rural Development. Operation Phakisa is derived from the Malaysian Big Fast Results methodology that has been successfully used to achieve rapid economic transformation. SAPA participated in a 5-week Operation Phakisa laboratory in the planning stages and was involved in the development of five initiatives under the livestock work-stream (Chapter 9).

SAPA has continued to engage with the International Trade Administration Commission of South Africa (ITAC) to protect South African producers from unfair trade practices. In September 2018, the interim 13.9% safeguard on EU bone-in portion imports was increased to 35.3 %. This measure will be in place through 4Q 2018 and 1Q 2019; reducing to 30 % from March 2019. Attention has now shifted to Brazilian imports. SAPA has lobbied ITAC to impose anti-dumping duties on imports of broiler meat from Brazil and has sought to demonstrate the material damage to the local industry, resulting from these imports.
The meat industry found itself in spotlight in early 2018 as the country endured a serious outbreak of listeriosis. The source of the outbreak was eventually traced to meat processing plants, falling under the Tiger Brands stable. SAPA and poultry producers worked with the Department of Health to resolve the issue as quickly as possible. Sadly, more than two hundred people died from listeria infections.

SAPA continues to participate in global organisations such as the International Poultry Council, the International Egg Commission and the Animal Welfare Working Group of the World Organisation for Animal Health.

SAPA also promoted collaboration with the National Agricultural Marketing Council (NAMC), Proudly South African, the NAHF and other agricultural commodity organisations. A poultry industry forum was hosted by Proudly South African on 27 February to highlight the plight of the industry.

1.8 Supply of information to the industry

As part of its service to the industry, the South African Poultry Association regularly distributes statistical information to its members and makes this information available to non-members through its website. Leading Edge Software have provided statistical services to SAPA since February 2015.

The reports circulated include the following:

Monthly
- Broiler pricing report
- Egg pricing report
- Broiler trade report (tariff lines and country)

Quarterly
- DPFO report
- Key market signals report for eggs and broilers (trade and pricing)
- Source data spreadsheets for eggs and broilers

In addition, the SAPA team produce bi-annual reports on the results of the Notifiable Avian Influenza Surveillance work conducted by the Department of Agriculture, Forestry and Fisheries, and an annual Industry Profile.

Members and non-members are encouraged to submit monthly production figures to SAPA. The data collected includes the total volume and value of fresh and frozen broiler products and of individual broiler “portions” sold, such as whole birds, bone-in portions, offal, etc. The number of day-old broiler parents placed and the number of broiler chicks hatched are also recorded. On the egg producers’ side, information is collected on the number of day-old pullets placed, egg production volumes and average prices for eggs, feed and cull hens. The confidentiality of this process is ensured through the involvement of a team of auditors who deal with the raw data. Thus, any or all information, data, know-how, documentation, materials and other
communications, written or oral, which are disclosed or provided to SAPA or its designees by a producer are regarded as confidential information belonging to that producer and cannot be disclosed to any other producer, individual or organisation.

Many local and international businesses and organisations, banks, researchers and government departments request the poultry statistics contained in this, and other, SAPA reports. The data are used in decision-making processes, in prioritising investments, in research projects, annual reports and trade applications, etc. Accurate statistical information is of benefit to all role players, so an appeal is made to producers (whether SAPA members or not) to help increase the sampling pool. Please email cynthia@silverpath.co.za to find out more.
2. THE POULTRY INDUSTRY IN SOUTH AFRICA

Approximately 76 % of the birds in the South African poultry industry are used for meat production, while the remaining 24 % are used in the egg industry. The South African broiler industry went through a period of substantial growth, averaging over 7 % per annum, between 2004 and 2008. From 2009 to 2014, growth in the industry slowed down markedly to below 1 % per annum. In 2015, the industry grew by 4.7 % (based on tonnes of meat produced, including spent birds and non-commercial production). The industry contracted by 3.0 % in 2016 and by a further 0.9 % in 2017 but, with maize prices dropping, broiler production increased by 5.5 % in 2018. In the 10 years from 2008 to 2018, growth has averaged 0.6 % per annum. To put these numbers in perspective, annual population growth between 2004 and 2008 was 1.4 %; and between 2008 and 2018 was around 1.46 % per annum.

The earlier growth period was associated with increased demand for product and well-contained input costs. During the past ten years, production costs have increased, disposable income of consumers has declined and the importation of poultry meat products at low prices has eroded the demand for locally produced broiler products. Whilst importers point to the growth in 2018 as evidence of a healthy domestic industry, they are not looking at the longer-term picture. Compared to production in 2015, as the drought started, broiler production has increased by only 1.3 % over a three-year period (average 0.43 % per annum). In the egg industry, growth (in terms of the number of layer replacement pullets housed per annum and egg production) has averaged approximately minus 0.54 % and plus 0.95 %, respectively, since 2008.

2.1 Gross value

The gross value of primary agricultural production from poultry meat for 2018, as recorded by DAFF, was 47.96 billion (+ 8.9 % on 2017 levels). The gross value of egg production was recorded at R12.27 billion (+ 13.9 %). Combined, the gross poultry farm income for 2018 was R60.236 billion, showing a yearly increase of 9.9 %. According to DAFF estimates for 2018, total production of poultry meat, including spent hens from the broiler and layer sectors, was 1.755 million tonnes. The total production of shell eggs and eggs products was 0.424 million tonnes (DAFF).

Broiler and egg producers are, in rand value, the largest sector of South African agriculture at 20.9 % (up from 19.6 % in 2017) of all agricultural production and 43.0 % of all animal products (up from 40.4 %). The 20.9 % contribution from poultry products breaks down into 16.6 % from poultry meat and 4.3 % from eggs. Our nearest competitor, the beef industry, contributed 12.6 % to turnover of all agricultural production and 25.7 % of animal products.

The total gross value of animal products was R140.03 billion and the total gross value of agricultural products was R288.64 billion in 2018. Total animal products contributed 48.5 % to the gross value of total agricultural products. The gross value of ostrich feathers and products was R0.27 billion in 2018 (down from R0.38 billion in 2017); this is 0.2 % of agricultural production and 0.1 % of total animal products.
2.2 Feeding the nation

The poultry industry continues to pride itself on the fact that it feeds the nation, as more poultry products are consumed every year than all other animal protein sources combined. The South African poultry industry dominates the animal products sector, providing 65.3% (up from 64.6% in 2017) of locally produced animal protein consumed in the country (excluding milk; DAFF).

The per capita consumption of poultry meat and eggs in 2018 was 39.53 kg and 7.33 kg, respectively, with a combined per capita consumption of 46.87 kg (including backyard consumption).

Per capita consumption of beef, pork, and mutton and goat were 16.95 kg, 5.07 kg, and 3.04 kg respectively (source: DAFF). Per capita milk consumption was 39.02 kg per person.

The gap between the total consumption of poultry meat and eggs and the total consumption of other types of meat (Figure 1) has widened over the past ten years.

![Figure 1. Per capita consumption of protein sources from 2008 to 2018 (DAFF)](image)

During 2018, the total consumption of poultry meat and eggs (according to DAFF) was 2.746 million tonnes; 88% more than the combined 1.461 million tonnes of beef, pork, mutton and goat consumed over the same period. Of this, 2.300 million tonnes were poultry meat products (including imports) and 0.446 million tonnes were eggs and egg product.
2.3 Price comparison of protein sources

On a rand per kilogramme basis, broiler meat and eggs remain the most affordable of animal protein sources, with the exception of milk.

The average beef producer price at the abattoir (carcass price, excluding the fifth quarter) for class A2 / A3 was R46.79 per kg in 2018 (+ 3.0 %), while the abattoir selling price for Class C2 / C3 beef was R41.65 per kg (+ 6.1 %) (Stats SA). The average price for pork (all classes) was R24.47 per kg (- 11.3 %). This drop in the pork price related to the listeriosis outbreak in late 2017/early 2018 (Stats SA).

The total realisation producer price for broilers (less all discounts, rebates and secondary distribution) was R22.44 per kg in 2018 (+ 4.77 %; SAPA). It should be noted that the broiler price is for finished product, whilst the other meat prices are ex-abattoir.

Eggs realised higher prices in 2017 because of avian influenza related shortages. In 2018, these shortages began to ease from mid-year and prices dropped accordingly in 2H 2018. The average producer price of eggs in 2018 was R23.84 per kg (R16.69 per dozen; + 11.4 % (SAPA; all sizes).

The average 2017/2018 prices of animal proteins are given in Figure 2 and monthly prices since 2014 are shown in Figure 3.

![Figure 2. Average annual producer prices for different protein sources in 2017 and 2018 (Stats SA; SAPA)](image-url)
Changing views on cholesterol and the increasing popularity of high protein/high fat diets have fuelled a resurgence in the consumption of eggs in the developed world. South African consumers lag behind in recognising the cost-effectiveness of eggs as a high-quality protein source.

For decades, doctors, scientists and government agencies warned against diets high in cholesterol. However, in a 2015 revision of the recommendations of the US Dietary Guidelines Advisory Committee (DGAC), cholesterol is no longer considered “a nutrient of concern for over-consumption”. For most people, dietary cholesterol has a much smaller effect on blood levels of total cholesterol and harmful LDL cholesterol, than does the ‘mix of fats’ in the food eaten. Research shows that an egg a day does not increase heart disease in healthy individuals. In fact, the anti-oxidant selenium found in eggs, along with the easily digestible, high-quality protein and vitamins (A, B₁₂, D, riboflavin and folate), may lower the risk of heart problems.

In 2018, eggs found themselves in the medical news again when a study by Northwestern University in the US seemed to suggest that the intake of eggs was associated with an increased risk of heart disease and stroke. The study, published in the Journal of the American Medical Association, looked at the diet and medical history of almost 30 000 people and concluded that eating a single egg a day would increase cholesterol levels and the risk of stroke death by 17%. However, critics dismantled the paper, citing problems with the methodology and the conclusions drawn. In particular, if the overall cholesterol intake was taken into account, the significance of eggs as a contributor to death dropped out of the analysis. The author has conceded that total cholesterol intake is what people should really focus on, along with healthy lifestyle choices and cutting out cigarettes.
Nutritional studies are notoriously difficult to conduct because of differences in diet, patient behaviour, compliance, etc., so the jury is still out on whether cholesterol is actually bad for us. The acceptability of eggs in a healthy diet is just as contested. In 2018, a trial published by Oxford University (in the British Medical Journal) suggested the complete opposite of the Northwestern study: that eating an egg a day could reduce cardiovascular death by 18% and haemorrhagic stroke death by 28%. This study looked at the dietary habits of over half a million Chinese adults over a four-year period. Although the Chinese diet is very different from Western diets (blurring interpretation), this study suggests a protectionary role of eggs in the Chinese adults surveyed. Certainly, the American Heart Association believes that eating an egg a day (providing you exercise, follow a healthy lifestyle and cut out cigarettes) is a perfectly reasonable thing to do.

2.4 Employment

The estimated direct employment in the broiler industry in 2018 is 49 887 (Table 1). This number includes hatcheries, rearing, processing and distribution. If related industries are taken into account, another 61 935 employees can be added; totalling 111 822 employees. The poultry share of employees in the related field crops is 18 817 in 2018. RCL Foods re-employed about 400 of 1 500 workers who had been retrenched in 2017 (when facilities in KwaZulu-Natal were downsized or dismantled). SAPA estimates that for every 10 000 tonnes of chicken meat imported, 1 000 direct and indirect jobs are lost in South Africa.

Table 1: Employment in the broiler industry (2018; estimated)

<table>
<thead>
<tr>
<th>Number of employees (including contract workers)</th>
<th>Junior staff (Paterson A and B grades)</th>
<th>Supervisory and senior staff (Paterson C grades and above)</th>
<th>Total</th>
</tr>
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<tbody>
<tr>
<td>Broiler breeder, hatchery and rearing industries (including GPs)</td>
<td>13 363</td>
<td>1 650</td>
<td>15 103</td>
</tr>
<tr>
<td>Broiler processing industries</td>
<td>26 473</td>
<td>2 105</td>
<td>28 578</td>
</tr>
<tr>
<td>Broiler distribution industries</td>
<td>4 362</td>
<td>1 664</td>
<td>6 296</td>
</tr>
<tr>
<td>Grand total for direct employees</td>
<td>44 468</td>
<td>5 419</td>
<td>49 887</td>
</tr>
<tr>
<td>Total employees in support industries – indirect employees</td>
<td></td>
<td></td>
<td>61 935</td>
</tr>
<tr>
<td>Total direct and indirect employees</td>
<td></td>
<td></td>
<td>111 822</td>
</tr>
<tr>
<td>Total of related field crops i.e. white and yellow maize and soya</td>
<td></td>
<td></td>
<td>50 292</td>
</tr>
<tr>
<td>Poultry share of related field crops</td>
<td></td>
<td></td>
<td>18 817</td>
</tr>
</tbody>
</table>

With approximately 7 642 workers nationwide in 2018, the egg industry is an important player in rural employment (Table 2).
Table 2: Estimated direct employment in the egg industry (2018)

<table>
<thead>
<tr>
<th>Number of employees</th>
<th>Workers</th>
<th>Supervisors</th>
<th>Managers</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grandparent rearing</td>
<td>15</td>
<td>6</td>
<td>3</td>
<td>24</td>
</tr>
<tr>
<td>Grandparent laying</td>
<td>6</td>
<td>6</td>
<td>3</td>
<td>15</td>
</tr>
<tr>
<td>Parent hatching</td>
<td>33</td>
<td>6</td>
<td>3</td>
<td>42</td>
</tr>
<tr>
<td>Parent rearing</td>
<td>105</td>
<td>20</td>
<td>5</td>
<td>130</td>
</tr>
<tr>
<td>Parents</td>
<td>57</td>
<td>16</td>
<td>5</td>
<td>78</td>
</tr>
<tr>
<td>Pullet hatching</td>
<td>192</td>
<td>24</td>
<td>6</td>
<td>222</td>
</tr>
<tr>
<td>Rearing</td>
<td>1 457</td>
<td>139</td>
<td>34</td>
<td>1 630</td>
</tr>
<tr>
<td>Laying</td>
<td>1 653</td>
<td>157</td>
<td>79</td>
<td>1 889</td>
</tr>
<tr>
<td>Packing</td>
<td>2 059</td>
<td>301</td>
<td>100</td>
<td>2 460</td>
</tr>
<tr>
<td>Processing</td>
<td>68</td>
<td>15</td>
<td>7</td>
<td>90</td>
</tr>
<tr>
<td>Support staff</td>
<td>910</td>
<td>0</td>
<td>152</td>
<td>1 062</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6 555</strong></td>
<td><strong>690</strong></td>
<td><strong>397</strong></td>
<td><strong>7 642</strong></td>
</tr>
</tbody>
</table>

The estimated employment figures for 2018 are based on the average number of laying hens in South Africa, and a calculation of the number of layer breeders required to produce the commercial layer flocks. Assumptions have been made on the staffing requirements per unit in the vertically integrated industry (covering support staff, processing, packing, laying, rearing-pullet hatching, parents, parent-rearing and hatching, grandparent laying and rearing). Total employees increased by approximately 1.9% compared to 2017. The members listed in SAPA’s database have 6 624 direct employees.

SAPA’S producer database contains records of 815 small-scale broiler farmers who are currently not members. In addition, there are 146 commercial egg producers and 107 commercial broiler producers, of varying sizes, who are not members. A small commercial egg farmer is defined as having between 500 and 50 000 hens. A small commercial broiler farmer is one who produces between 1 500 and 40 000 birds per cycle.

### 2.5 Poultry feed: maize consumption

The total maize crops for the 2014/15 and 2015/16 seasons were only 9.95 and 7.78 million tonnes, respectively. More than 2 million tonnes of maize were imported in the 2015/2016 season; the first time that imports had been necessary in seven years. As the drought broke in the maize-growing regions, the total maize crop for 2016/17 reached a record 16.74 million tonnes. South Africa regained its status as a net exporter of maize. In the 2017/18 season, the maize crop was 12.51 million tonnes; 25.3% lower than the previous season (the drop is largely a reflection of reduced plantings, rather than unfavourable climatic conditions). White maize was recorded at 6.54 million tonnes (52.3%) and yellow maize at 5.97 million tonnes (47.7%; Crops Estimate Committee).

The 2018/19 harvest is currently expected to be about 16% below last year’s crop because of delayed plantings (related to poor rainfall) but carry-over stocks will help meet national demand (Crops Estimate Committee).
The total South African consumption of maize for 2017/18 was 10.30 million tonnes, of which 6.53 million tonnes was white maize and 3.77 million tonnes was yellow maize. The South African poultry industry remains the biggest non-human consumer of locally produced maize (AFMA) and, in 2018, maize contributed R24.99 billion to the gross value of agricultural products, compared to R29.78 billion in the previous year (source: DAFF).

2.6 Poultry feed: sales of complete feed

According to AFMA estimates, a total of 6.6 million tonnes of animal feed was manufactured by its members in 2018. The poultry industry consumed 4.02 million tonnes, of which 2.60 million tonnes were broiler feed, 0.88 million t layer feed, 0.52 million t breeder feed and 0.011 million t ostrich feed. In total, a massive 61 % of AFMA’s animal feed sales went to the poultry industry (Figure 4).

![AFMA animal feed sales 2018](image)

**Figure 4. Animal feed sales by AFMA members in 2018**

National feed production during 2017/18 (April to March) was 11.027 million tonnes, a 1.0 % year-on-year decrease in feed sales. AFMA sales represent 60.5 % of the national feed produced (AFMA).

A total of 5.28 million tonnes of maize was used for animal feed (South African Grain Information Service) in the 2017/18 season. This comprised 2.06 million tonnes of white maize (39.1 %) and 3.21 million tonnes of yellow maize (60.9 %).
2.7 International price competitiveness

Although per capita chicken consumption has increased by around 11.9 \% in the period 2008 to 2018, local production has only increased by 6.3 \% in the same period. Broiler imports, mostly from the Americas and the EU, increased by 101 \% between 2008 and 2018. Importers argue that imports are meeting a demand which local producers simply cannot meet; while local producers claim that imports are driving small producers out of business, killing investment and preventing bigger businesses from making full use of their production capacity. The EU repeatedly attacks the South African industry as inefficient and uncompetitive. So, how competitive is the South African broiler industry internationally?

There is little doubt that South African producers compare favourably with global competitors in terms of production efficiencies. The University of Wageningen has demonstrated this over a number of years. It is production costs, particularly feed costs, which reduce our competitiveness. Feed costs account for between 65 and 73 \% of total live broiler production costs in most countries. Because of the country’s relatively high levels of protein imports and a free market for maize exports, any increases in global maize and soya prices impact South African feed costs. Increases in feed prices are often not matched with increased prices for local broiler products. High feed costs keep the domestic broiler price above import parity price even for non-dumped tariff lines and render South African producers vulnerable to imports. When global feed prices are high, or the local maize crop fails, even a depreciating rand cannot protect the local market from cheap poultry imports.

Whilst, in a year of good harvests, South African poultry producers may also enjoy export parity prices for maize, soya prices have tended towards import parity. This situation will change as South Africa’s domestic soybean production increases.

As is the case with the EU, transport, storage and other costs push up the price of protein-rich raw materials in South Africa. In addition, higher feed costs result in higher day-old chick prices. Therefore, South African poultry farmers have not been technically inefficient producers; there has simply been an insufficient supply of locally grown, affordable feed inputs. Amongst our competitors, Brazil, Argentina and the US are net exporters of both maize and soybeans. Figures from the Bureau for Food and Agricultural Policy’s “Competitiveness of the South African Poultry Industry” report (2019) suggest that, in 2017, the € cost per kilogramme live weight was approximately 18 \% higher in South Africa than Brazil (increased from 13 \% in 2015). It is safe to label differences in feed costs as the major contributor to higher broiler production costs in this country. However, feed costs in South Africa, when the maize harvest is good, are lower than in Europe (BFAP). Here, structural differences in the market for broiler meat also come into play (see below).

In a study on the competitiveness of the EU poultry sector (LEI Wageningen UR, 2019), EU feed-related production costs in 2017 were 15, 16 and 3.5 \% higher than feed-related production costs in the US, Brazil and Argentina, respectively. Total production costs in the EU were higher than those in the US, Brazil and Argentina by 28, 31 and 13 \%, respectively (2017). Compared to South Africa, the US and Argentina enjoyed production costs around 7 \% and 2 \% (respectively) below those incurred by South African producers in 2017. Brazilian and Ukranian producers
were able to produce chicken for 15% and 10% less than their South African counterparts, respectively.

Compounding the effect of feed price on the local cost of broiler production and our vulnerability to imports are the global differences in consumer preferences for chicken meat. Production costs in the EU ranged from 6% above South African levels (Poland) to 23% in Denmark. The Netherlands, France, Germany and the UK produce chicken at 17%, 22%, 15% and 19% above South African production costs, respectively (2017 data; BFAP/Wageningen). Despite this, the EU nations are able to export hundreds of thousands of tonnes of broiler meat to South Africa every year. Whilst the local market prefers “brown meat” (bone-in portions, such as leg quarters, drumsticks, wings, thighs, etc.), the EU and US consumer has a strong preference for “white meat” (largely breast meat) and boneless portions. Chickens, of course, grow as a single bird, with a leg and a wing to match each portion of breast meat. This means that, if the premium earned for white meat is sufficiently high in an exporting nation, the remainder of the carcass can be disposed of into receptive export markets, at reduced prices. The premium earned on the breast meat helps to cover the costs of production so that the “waste” cuts can be sold below the production cost per kilogramme of a whole bird. Imports of “below cost” or “at cost” portions in to a country put downward pressure on local prices, effectively removing any premiums which might be available for preferred cuts in that country. South African producers should be able to realise higher prices for dark meat cuts but are unable to do so in the face of large volumes of imported cuts from the EU and, more recently, from the US and Brazil.

Figure 5 below illustrates how the amount of bone-in chicken imports, as a proportion of total poultry imports, has increased over the past 9 years.

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**Figure 5.** Annual broiler imports according to tariff line, expressed as a percentage of total broiler imports
It can be seen that broiler imports into South Africa comprise mostly bone-in portions and mechanically deboned meat (MDM). The proportion of whole frozen birds (82 % tariff) in the imports decreased in recent years to 2015 and then increased slightly between 2016 and 2018. The proportion of boneless chicken portions (12 % tariff) decreased to 2016 but has increased somewhat in 2017 and 2018. However, the proportion of bone-in portions (37 % tariff; except for EU) is steadily increasing and exceeded 40 % of total imports from 2012 to 2018. Even with outbreaks of avian influenza disrupting trade in European poultry products, bone-in portions still accounted for over 44 % of total imports in both 2016 and 2017, and 53 % in 2018.

With anti-dumping legislation in place against the US on tariff lines 0207.1491 to 1499 (frozen bone-in chicken imports), almost all of these bone-in imports originated from the EU until 2016. However, under the terms of the African Growth and Opportunities Act (AGOA), a unilateral trade concession between the US and Africa, which was renewed in 2015, South Africa was forced to allow 65 000 tonnes/annum of US frozen bone-in chicken portions in to the country from January 2016. This quota is free from the R9.40/kg anti-dumping duty payable on US bone-in imports, and was increased to 65 417 tonnes from April 2018. South Africa applies a tariff of 37 % to imports of frozen bone-in portion to all exporters except the EU, EFTA and SADC nations (so the US continues to pay this, even on the AGOA quota tonnes).

The EU enjoyed duty-free access to the South African poultry market under the Trade, Development and Co-operation Agreement (TDCA), until February 2015 when anti-dumping duties (on bone-in portions) were imposed on several companies based in the UK, the Netherlands and Germany. The International Trade Administration Commission (ITAC) accepted that imports of frozen bone-in portions from these three countries were causing downward pressure on domestic prices and that these imports were essentially being dumped. The Commission determined that the local industry has been unable to pass-on increases in input costs (feed and electricity) to consumers because of competition from dumped imports.

When these measures did nothing to stem the flow of bone-in imports, SAPA applied to ITAC again and, in December 2016, an interim anti-dumping tariff of 13.9 % was introduced on bone-in portions from all EU exporters. This was increased to 35.3 % in September 2018 for 4Q 2018 and 1Q 2019. With Poland, Spain, Denmark and Ireland currently exporting increasingly high levels of bone-in portions to South Africa, it seems likely that even an anti-dumping duty of 35.3 % is too low to prevent flooding of the local market with European waste products – and this duty will be reduced to 30 % for the year March 2019 to 2020.

Given that the South African industry struggles to remain globally competitive at the whole bird level because of feed ingredient imports, it is clear that it is not possible to compete against imports of what are, in fact, by-products from the US and EU.

The chicken to maize price ratio is an important indicator of profitability in the poultry industry. This ratio reached record lows in South Africa in 2012 (when the US drought pushed feed prices up) but stabilised through 2013 and became favourable through much of 2014. In 2015, the chicken:maize price ratio declined steadily through the year because of drought conditions and a weakening rand; dropping below 2012 lows as the drought continued into 2016. The record-breaking maize harvest in 2017 improved the chicken to maize price ratio (although still 40 % below the level seen in 2004/5), which spurred expansion in the industry (BFAP). The chicken
to maize price ratio decreased off the 2017 peak in 2018 (-6%), as maize prices firmed. Consumption of broiler products in South Africa is outstripping growth in the local industry which, as stated above, shows that the shortfall is being met through importation.

A favourable chicken to maize price ratio and more effective measures to counter dumping would support expansion in the local industry. The drought has eased in the maize-producing and soybean areas of the country and the rand is still weak against major currencies. Under these conditions, and with suitable measures in place against US, EU and Brazilian exports, growth in the local poultry industry could be supported.

The updated University of Wageningen and BFAP reports on the competitiveness of the EU and South African poultry industries can be found at:


While cheap imports may benefit consumers if the cheap import prices are passed onto consumers, (which does not always seem to be the case), they also adversely affect the ability of domestic producers to earn profits commensurate with acceptable rates of return. Thus, these producers cannot sustain the investment required to grow their operations.

Lack of growth in a sector which is a large employer in the country contributes to high unemployment levels. If returns on investment are inadequate over a number of years, this will result in either the closure of the business or an under-usage of existing capacity. While the poultry industry has the capacity to significantly increase employment opportunities in South Africa, import companies do not employ many staff.

For a compelling read on the effect of predatory imports on a country’s industry, read www.biznews.com/sponsored/2017/02/14/eu-dumping-sa-chicken-industry/. Paul Dillon, of the Fair Play Movement, explains how dumpers price their products just below those of local producers but considerably above the imported price. This effectively prevents local producers from reacting (by raising prices) to input cost drivers such as escalating feed costs during drought years.

The role of the retailer in allowing this predatory behaviour is also outlined and emphasised. Unlike predatory pricing campaigns between brands, this undercutting can go on indefinitely because the cost of the imports is so low that the profits made by the retailers and dumpers will always be high and sustainable. Inevitably, smaller local operations will cease trading and employing; consolidation will occur; and, eventually, even highly efficient, large-scale operations will begin cutting production and retrenching labour.

Import protection aside, the obvious approach to improving the price competitiveness of the South African broiler industry is to develop the country’s capacity for growing and processing soybeans and maintaining a strategic stock of maize to limit price progression towards import parity levels. Both the Bureau for Food and Agricultural Policy and the Department of Agriculture, Food and Fisheries have alluded to the soybean development strategy in their Baseline reports.
and Agricultural Policy Action Plan (Chapter 9), respectively, and this capacity is steadily being increased. In the 2018 season, South African soybean farmers made big strides towards national self-sufficiency in soybean production, with the crop estimated at 1.55 million tonnes (+18 % over 2017; Crops Estimate Committee).
3. SOUTHERN AFRICAN DEVELOPMENT COMMUNITY (SADC) OVERVIEW

The SADC member states are Angola, Botswana, Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, eSwatini (Swaziland), Tanzania, Zambia and Zimbabwe (Figure 6). The SADC Secretariat has its headquarters in Gaborone, Botswana.

Figure 6. The Southern African Development Community countries

The SADC Vision charts the direction for the development of the region. A declaration, "Towards the Southern African Development Community", adopted in Windhoek, Namibia on 17 August 1992 by Heads of State or Government, calls upon all countries and people of Southern Africa to develop a vision of a shared future, a future within a regional community.

The SADC Vision is to build a region in which there will be a high degree of harmony and rationalisation, to enable the pooling of resources to achieve collective self-reliance and improve the living standards of the people of the region. The main objectives of the Southern African Development Community (SADC) are to achieve economic development, growth, peace and
security; to alleviate poverty; enhance the standard and quality of life of the peoples of Southern Africa, and to support the socially disadvantaged. These objectives are to be achieved through increased regional integration, built on democratic principles, and equitable and sustainable development.

3.1 SADC and poultry production

Reliable access to adequate food is a fundamental human right and essential for well-being. SADC member states face challenges ranging from scarce or unpredictable food supply to situations of over-supply. Factors such as weather and climate, labour intensive or dated agricultural methods, and health issues which affect agricultural productivity all impact on the region’s ability to be self-sustaining in terms of food production. SADC member states address these serious obstacles to food security through the Livestock Unit of the Food, Agriculture and Natural Resources Directorate (FANRD). The FANRD is one of five directorates grouped together under Regional Integration, along with Trade, Industry and Finance; Infrastructure and Services; Social and Human Development and Policy Planning and Resource Mobilisation.

The Food, Agriculture and Natural Resources Priority Areas include food availability, access to food, promotion of improved safety and nutritional value of food, and institutional framework strengthening and capacity building.

The Food, Agriculture and Natural Resources Directorate’s key functions include:

- Development, promotion and facilitation of agricultural policy harmonisation, including collection of data to monitor progress;
- Ensuring sustainable food security policies and programmes;
- Development, promotion and harmonisation of phytosanitary, sanitary, and animal husbandry methods and policies;
- Promotion of trade in agricultural products.

The Livestock Technical Committee, made up of the Directors of National Livestock and Veterinary Services, meets annually to discuss issues of regional co-operation and integration. Its policies and directives are co-ordinated by the Livestock Unit, which also works on addressing sanitary and phytosanitary (SPS) issues in relation to trade.

One of the most important SADC projects from a poultry production perspective is the Trans-boundary Animal Diseases (TADs) project. This project, which was implemented in five SADC Member States (Angola, Malawi, Mozambique, Tanzania and Zambia), is designed to strengthen regional institutions in order to identify, diagnose and control the serious socio-economic impacts of trans-boundary animal diseases and to make livestock a tradable commodity. The project is also addressing management of trans-boundary animal diseases, including Newcastle Disease and Avian Influenza.

Concerted regional efforts are required to control and manage animal diseases in the SADC region as SADC subscribes to the OIE principles of zoning and compartmentalisation, in order to enhance regional and international trade in livestock and livestock products. SADC aims to make significant progress towards the goal of managing, controlling and (where possible) of
eradicating trans-boundary animal diseases, through improved capacity for detection, identification, monitoring and surveillance of the diseases.

SAPA is the secretariat for the SADC Poultry Liaison Forum which meets at least twice per annum in a member country to share issues relevant to the region. The purposes of the Liaison Forum are:

- to allow SADC countries to get to know each other so that difficult issues can be discussed, and a middle ground found on technical and trade-related matters;
- to share common issues relating to the poultry industry, so that members may benefit from information shared;
- to develop a combined view that will allow all members, via the Forum, to work with the SADC Secretariat in Botswana when necessary - and especially the Joint Technical Committee.

Issues regularly discussed at these Forums include the effect of imports on local industries; illegal movement of poultry products across SADC borders; raw material prices and infrastructure issues (e.g. erratic electricity supplies); government regulation of poultry and subsidiary industries; and disease control.

3.2 The SA poultry industry’s contribution to regional poultry production

**Commodity: chicken meat (FAO)**

Production figures for the SADC region have not been updated for 2018 on the Food and Agriculture Organisation (FAO) website. The total production of chicken meat in the SADC countries during 2017 was 2.27 million tonnes (Table 3; FAOstats). While the accuracy of these figures may be questionable, they do offer an insight into regional production trends over the last decade.

There was substantial growth in broiler production levels in Angola, Malawi and Mozambique in the 10 years to 2017, and good growth in Madagascar, Mozambique, Mauritius, South Africa, eSwatini (Swaziland), Zimbabwe, Tanzania and Zambia. However, with the exception of South Africa, this growth stemmed from a very low base, coupled with low per capita consumption. There thus remains huge scope for increasing both regional production of broiler meat and per capita consumption of the product.

The 2017 table illustrates that South Africa has been losing market share in the region, as neighbouring countries develop their industries. However, South Africa still dominated regional production of chicken meat in 2017, accounting for 73.1 % of total production in the SADC bloc (FAOstats). Malawi and Tanzania were the next biggest producers, but each accounted for less than 6 % of the total regional production of broiler meat.

Contraction of the industry occurred in Botswana, the Democratic Republic of Congo, Lesotho, Namibia and the Seychelles over the decade 2007 to 2017.
Table 3: The production of chicken meat in the SADC member countries in 2017 (FAOstats).

<table>
<thead>
<tr>
<th>SADC Country</th>
<th>Production 2007</th>
<th>Production 2017</th>
<th>% Growth (10 yr)</th>
<th>% Total production 2007</th>
<th>% Total production 2017</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tonnes</td>
<td>tonnes</td>
<td></td>
<td></td>
<td></td>
<td>M</td>
</tr>
<tr>
<td>Angola</td>
<td>10 800</td>
<td>42 165</td>
<td>+ 290</td>
<td>0.7</td>
<td>1.9</td>
<td>29.78</td>
</tr>
<tr>
<td>Botswana</td>
<td>5 600</td>
<td>4 600</td>
<td>- 17.9</td>
<td>0.4</td>
<td>0.2</td>
<td>2.29</td>
</tr>
<tr>
<td>Dem. Republic Congo</td>
<td>10 700</td>
<td>10 389</td>
<td>- 2.9</td>
<td>0.7</td>
<td>0.5</td>
<td>81.34</td>
</tr>
<tr>
<td>Lesotho</td>
<td>2 240</td>
<td>1 920</td>
<td>- 14.3</td>
<td>0.2</td>
<td>0.1</td>
<td>2.23</td>
</tr>
<tr>
<td>Madagascar</td>
<td>36 604</td>
<td>46 533</td>
<td>+ 27.1</td>
<td>2.5</td>
<td>2.1</td>
<td>25.57</td>
</tr>
<tr>
<td>Malawi</td>
<td>13 686</td>
<td>130 114</td>
<td>+ 851</td>
<td>0.9</td>
<td>5.7</td>
<td>18.62</td>
</tr>
<tr>
<td>Mauritius</td>
<td>40 160</td>
<td>47 500</td>
<td>+ 18.3</td>
<td>2.8</td>
<td>2.1</td>
<td>1.27</td>
</tr>
<tr>
<td>Mozambique</td>
<td>23 400</td>
<td>88 952</td>
<td>+ 280</td>
<td>1.6</td>
<td>3.9</td>
<td>29.67</td>
</tr>
<tr>
<td>Namibia</td>
<td>12 800</td>
<td>10 806</td>
<td>- 15.6</td>
<td>0.9</td>
<td>0.5</td>
<td>2.53</td>
</tr>
<tr>
<td>Seychelles</td>
<td>833</td>
<td>639</td>
<td>- 23.3</td>
<td>0.1</td>
<td>&lt;0.1</td>
<td>0.09</td>
</tr>
<tr>
<td>South Africa</td>
<td>1 125 000</td>
<td>1 658 000</td>
<td>+ 47.4</td>
<td>77.2</td>
<td>73.1</td>
<td>56.72</td>
</tr>
<tr>
<td>eSwatini (Swaziland)</td>
<td>5 150</td>
<td>5 992</td>
<td>+ 16.3</td>
<td>0.4</td>
<td>0.3</td>
<td>1.37</td>
</tr>
<tr>
<td>United Rep. of Tanzania</td>
<td>77 280</td>
<td>104 062</td>
<td>+ 34.7</td>
<td>5.3</td>
<td>4.6</td>
<td>57.31</td>
</tr>
<tr>
<td>Zambia</td>
<td>36 500</td>
<td>48 911</td>
<td>+ 34.0</td>
<td>3.9</td>
<td>2.2</td>
<td>17.09</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>56 925</td>
<td>69 000</td>
<td>+ 21.2</td>
<td>3.83</td>
<td>3.0</td>
<td>16.53</td>
</tr>
<tr>
<td>Total for SADC</td>
<td>1 457 678</td>
<td>2 269 583</td>
<td></td>
<td></td>
<td></td>
<td>342.4</td>
</tr>
</tbody>
</table>

It is not easy to calculate per capita chicken meat consumption in the SADC region because of limited statistics on production and trade. However, based on FAO trade and production statistics for 2016 (the most recent trade estimates), total production of “chicken meat” in the region at that time was 2 213 186 tonnes, total imports amounted to 844 550 t, and exports to 72 793 t. Using a 2016 population estimate of 333.3 million people, per capita consumption of chicken meat is approximately 9.2 kg (2016). However, it is likely that some of the imports moved internally within the region, for example ex-South Africa. Based on local production figures alone (ignoring trade), as collated by the FAO, per capita consumption would be approximately 7.2 kg (2017).

Commodity: hen eggs (FAO)

The total production of hen eggs in the SADC region was 746 075 tonnes during 2017 (the latest year available from FAOstats; Table 4). Based on these figures, ignoring any imports/exports and given an average egg size of 58 g, the average per capita consumption of hen eggs in shell was 37.6 eggs in 2017. This was down from 41.0 eggs per capita in 2014.

Per capita consumption ranged from approximately 2 eggs per person per annum in the Democratic Republic of the Congo to approximately 168 eggs per year in Mauritius and 163 eggs per year in the Seychelles, if production figures are accepted.
With per capita consumption in countries such as the US, Russia, Mexico, Japan and China exceeding 220 eggs per annum and, in some cases, approaching an egg a day, there remains considerable scope in the SADC region to increase local per capita consumption. The egg continues to be a cheap source of high quality protein when compared to other animal proteins.

As with broiler production, South Africa dominated the egg industry in the SADC region in 2017; accounting for 58.0 % of total production (FAOstats); down from 66.5 % in 2014. Mozambique increased its capacity by over 270 % in the 10 years to 2017, taking market share from South Africa. Angola, the Democratic Republic of the Congo, eSwatini (Swaziland), Madagascar, Malawi, Mauritius, Tanzania and Zambia all grew their egg industries over the ten years to 2017 without reducing South Africa’s share of the overall market significantly.

**Table 4:** The production of chicken eggs in the SADC member countries in 2017 (FAOstats).

<table>
<thead>
<tr>
<th>SADC Country</th>
<th>Production 2007</th>
<th>Production 2017</th>
<th>% Growth (10 yr)</th>
<th>% Total production 2007</th>
<th>% Total production 2017</th>
<th>Population M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit</td>
<td>Tonnes</td>
<td>Tonnes</td>
<td>%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Angola</td>
<td>4 568</td>
<td>5 250</td>
<td>+ 14.9</td>
<td>0.7</td>
<td>0.7</td>
<td>29.78</td>
</tr>
<tr>
<td>Botswana</td>
<td>5 000</td>
<td>4 000</td>
<td>- 20.0</td>
<td>0.7</td>
<td>0.5</td>
<td>2.29</td>
</tr>
<tr>
<td>Dem. Republic Congo</td>
<td>7 250</td>
<td>8 800</td>
<td>+ 21.4</td>
<td>1.1</td>
<td>1.2</td>
<td>81.34</td>
</tr>
<tr>
<td>Lesotho</td>
<td>1 600</td>
<td>1 400</td>
<td>- 12.5</td>
<td>0.2</td>
<td>0.2</td>
<td>2.23</td>
</tr>
<tr>
<td>Madagascar</td>
<td>15 480</td>
<td>17 700</td>
<td>+ 14.3</td>
<td>2.3</td>
<td>2.4</td>
<td>25.57</td>
</tr>
<tr>
<td>Malawi</td>
<td>19 780</td>
<td>23 067</td>
<td>+ 16.6</td>
<td>2.9</td>
<td>3.1</td>
<td>18.62</td>
</tr>
<tr>
<td>Mauritius</td>
<td>11 650</td>
<td>12 400</td>
<td>+ 6.4</td>
<td>1.7</td>
<td>1.7</td>
<td>1.27</td>
</tr>
<tr>
<td>Mozambique</td>
<td>14 341</td>
<td>53 000</td>
<td>+ 270</td>
<td>2.1</td>
<td>7.1</td>
<td>29.67</td>
</tr>
<tr>
<td>Namibia</td>
<td>3 200</td>
<td>2 851</td>
<td>- 10.9</td>
<td>0.5</td>
<td>0.4</td>
<td>2.53</td>
</tr>
<tr>
<td>Seychelles</td>
<td>1 057</td>
<td>850</td>
<td>- 19.6</td>
<td>0.2</td>
<td>0.1</td>
<td>0.09</td>
</tr>
<tr>
<td>South Africa</td>
<td>438 000</td>
<td>432 682</td>
<td>- 1.2</td>
<td>64.1</td>
<td>58.0</td>
<td>56.72</td>
</tr>
<tr>
<td>Swaziland</td>
<td>1 050</td>
<td>1 375</td>
<td>+ 31.0</td>
<td>0.2</td>
<td>0.2</td>
<td>1.37</td>
</tr>
<tr>
<td>United Rep. of Tanzania</td>
<td>89 844</td>
<td>107 000</td>
<td>+ 19.1</td>
<td>13.2</td>
<td>14.3</td>
<td>57.31</td>
</tr>
<tr>
<td>Zambia</td>
<td>42 525</td>
<td>51 700</td>
<td>+ 21.6</td>
<td>6.2</td>
<td>6.9</td>
<td>17.09</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>27 600</td>
<td>24 000</td>
<td>- 13.0</td>
<td>4.0</td>
<td>3.2</td>
<td>16.53</td>
</tr>
<tr>
<td><strong>Total for SADC</strong></td>
<td><strong>682 945</strong></td>
<td><strong>746 075</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>342.4</strong></td>
</tr>
</tbody>
</table>
4. DAY-OLD CHICK SUPPLY INDUSTRY

4.1 Overview

The day-old chick industry supplies inputs to both egg and broiler businesses. Pure lines are imported at great-grandparent or grandparent level. Most imports are at grandparent level, with some parent level imports. No commercial level day-old chicks or fertile eggs may be imported under normal circumstances.

The broiler industry in South Africa predominantly makes use of two breeds: the Cobb 500 and the Ross 308. The Arbor Acres breed holds a much smaller share of the market. The international breed companies for each of these breeds have granted the distribution rights to the parent stock to only three companies in South Africa. These companies supply parent stock to integrated and non-integrated broiler breeder operations, where the parent birds are reared until they are ready to start producing fertilised eggs. These fertile eggs are then transferred to hatcheries where the eggs are hatched to produce day-old broiler chicks, which are sold to independent broiler growers or are used in-house by fully integrated companies.

Since it requires a significant capital investment and specialised knowledge to start up and run a day-old chick business, the industry consists mostly of large producers. Only a few of the broiler day-old chick producers are not integrated businesses.

The day-old broiler chick industry can be profitable but is exposed to the same risks as the rest of the poultry industry: high feed costs, market-related risks and disease outbreaks put pressure on margins.

A small percentage of the day-old chicks produced are exported to neighbouring African countries. There is a reasonably large export market for hatching eggs and most of the exports are done via a local company that is well connected to export markets.

The industry is spread over the whole of South Africa with higher concentrations of producers in Gauteng, the Cape, KwaZulu-Natal and North West regions.

The commercial layer industry makes use of the following breeds: Dekalb (Amberlink), Hyline (Silver Brown and Brown) and Lohmann (Lite). Producers use the Hyline W36, a Leghorn-type bird, to produces white shelled eggs for a limited, niche market.

The major suppliers of day-old pullets to large and small egg producers are independent operations. Some form part of an integrated business. Day-old layer pullets and fertilised eggs are also exported to other parts of Africa. The majority of the day-old layer chick suppliers are currently situated in Gauteng, North West and the Western Cape.

As with the broiler day-old chick suppliers, entry-level costs of this sector of the poultry industry are high, requiring substantial inputs of capital and skill to start such a business. This industry can be profitable but is also very vulnerable and profitability is highly dependent on feed price levels and the absence of disease challenges.
The following factors influence the day-old chick industry:

- It is a time-consuming process, due to the lag time in expansion of commercial chick numbers: at least 18 months are required from pure lines and six months from parent stock.
- The Livestock Improvement Act stipulates pure line imports.
- A quarantine period of eight weeks from day-old applies to all imported live chicks.
- During the whole rearing period, it is critical to control the mass of parent females, especially between 18 and 24 weeks of age. If birds are not fed according to breed standards, the number of fertile eggs and overall profitability will be lower.

Figure 7 illustrates the poultry meat process from breeding stock being imported to the first commercial product produced:

![Broiler Production Process Diagram](image)

**Figure 7.** The broiler production process, from importation of breeding stock to slaughter

Figure 8 illustrates the egg production process until the first descendant starts laying eggs. The egg industry does not import and rear pedigree layers. Grandparents are imported.
Figure 8. The egg production process, from rearing of grandparent stock until point of lay

4.2 Production: Chick placement numbers per annum

Layer breeders

Figure 9. The total day-old pullets produced per annum in South Africa
In 2018, there was an estimated 8 900 layer breeding birds in grandparent operations producing layer parents, and between 250 000 and 330 000 layer breeding birds in parent operations producing layers. There are no pure lines or great-grandparents in South Africa.

From the breeding stock, 26.67 million day-old pullets were produced, an increase of 9.8 % compared to 2017 (Figure 9, above). The large growth in hatchery output occurred in response to the huge loss of laying hens during the HPAI outbreak of 2017.

In terms of feather colour, 61.0 % of the day-old pullets hatched were silver strains and 39.0 % were brown strains.

**Broiler breeders**

The average number of parent males and females in rearing during 2018 was 3.635 million per week (Table 5), from an estimated grandparent and great-grandparent stock of 196 100. This is an increase of 99 200 parent birds (+ 2.8 %) compared to 2017.

A total of 9.014 million day-old parent pullets were placed in 2018; 185 500 (+ 2.1 %) more than in 2017. Based on the number of parent pullets placed, an average broiler breeder flock of 6.425 million hens was estimated for 2018 (Table 5; Figure 10). This showed a decrease of 65 800 (- 1.0 %) compared to 2017.

An average flock size of 6.453 million breeder hens was forecast for the first four months of 2019. Note in the figure below, the national flock size (blue line) is the average number of birds at any point in time; whereas the blue and pink lines represent the annual placement of parent pullets and production of 20-week old parents.

![Broiler breeder placements and flock sizes](image)

**Figure 10.** Number of day old and 20-week parents placed per annum and average size of the national broiler breeder flock
Table 5: *The broiler flock in South Africa (2018)*

<table>
<thead>
<tr>
<th>Year</th>
<th>Av. broiler parents (m)</th>
<th>Breeding stock (m)</th>
<th>Day-old broiler chicks produced (m)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>in rear</td>
<td>in lay</td>
<td>av. / week</td>
</tr>
<tr>
<td>2017</td>
<td>3.54</td>
<td>6.49</td>
<td>10.03</td>
</tr>
<tr>
<td>2018</td>
<td>3.63</td>
<td>6.43</td>
<td>10.06</td>
</tr>
<tr>
<td>% change</td>
<td>+ 2.8</td>
<td>- 1.0</td>
<td>+ 0.3</td>
</tr>
</tbody>
</table>

Note: The number of breeding birds in Table 5 includes males and females; "m" = millions

In total, 1 047 million broiler chicks were placed during 2018; 58.7 million (+ 5.9 %) more than in 2017 (Figure 11).

![Figure 11. Broiler chicks hatched per annum.](image)

4.3 Genetic progress

Genetic improvements in the biological performance of laying hens and broilers are demonstrated in Table 6.

The table shows how parameters used in the egg and broiler model have changed over the past few years (laying hens) and since the 1960s (broilers).
Table 6:  *Genetic progress in a) laying hens:*

<table>
<thead>
<tr>
<th>Trait</th>
<th>2013</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eggs per hen per annum</td>
<td>309.5</td>
<td>314.1</td>
</tr>
<tr>
<td>Kilogrammes feed per kg eggs</td>
<td>2.31</td>
<td>2.15</td>
</tr>
<tr>
<td>% hen-day production</td>
<td>84.8</td>
<td>86.0</td>
</tr>
<tr>
<td>Age at depopulation (weeks)</td>
<td>72/74</td>
<td>78</td>
</tr>
</tbody>
</table>

*b) broilers:*

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Slaughter age (d)</td>
<td>62</td>
<td>42</td>
<td>38</td>
<td>34</td>
</tr>
<tr>
<td>Live mass (kg)</td>
<td>1.18</td>
<td>1.79</td>
<td>1.82</td>
<td>1.80</td>
</tr>
</tbody>
</table>

4.4  Feed usage (broiler breeders)

In terms of feed usage, broiler breeding stock consumed 491 459 tonnes during 2018 (Table 7).

Table 7:  *Feed usage (tonnes) in parent and breeding operations*

<table>
<thead>
<tr>
<th>Year</th>
<th>Parent rearing t/yr</th>
<th>Parent laying t/yr</th>
<th>Total broiler breeding stock t/yr</th>
<th>t/week</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>90 332</td>
<td>403 032</td>
<td>493 363</td>
<td>9 462</td>
</tr>
<tr>
<td>2018</td>
<td>92 732</td>
<td>398 728</td>
<td>491 459</td>
<td>9 425</td>
</tr>
<tr>
<td>Change</td>
<td>+ 2 400</td>
<td>- 4 304</td>
<td>- 1 904</td>
<td>- 37</td>
</tr>
<tr>
<td>% Change</td>
<td>+ 2.7</td>
<td>- 1.1</td>
<td>- 0.4</td>
<td>- 0.4</td>
</tr>
</tbody>
</table>
5. EGG INDUSTRY IN SOUTH AFRICA

5.1 Overview

The year 2018 commenced with a serious shortage of eggs in the South African market; a consequence of the widespread and disastrous outbreak of highly pathogenic avian influenza (HPAI) in 2H 2017. An estimated 4.7 million laying hens died or were culled as part of efforts to contain the disease. The egg industry bore approximately 75% of the biological cost of the outbreak (total R308 million) and 85% of the wider economic loss which included the biological loss, lost income and other direct costs (total R1.5 billion; BFAP). Farmers not affected by the virus experienced favourable market conditions – egg producer prices escalated by 32% in the first quarter of 2018 compared to the same quarter of the previous year.

Although producers braced for another difficult winter in 2018, there was only one outbreak of HPAI H5N8 on a commercial poultry farm. Outbreaks continued on commercial ostrich farms and in wild birds, particularly in the Western Cape. Besides outbreaks in ostriches, there were six cases of highly pathogenic avian influenza (HPAI H5N8) in backyard flocks in 2018 (see Chapter 8.3). State veterinarians have also reported 103 “outbreaks” in wild birds and hobbyist birds; the last reported case being mid-July 2018.

Export markets were adversely affected by the HPAI outbreaks. Egg exports (Gallus domesticus) dropped by 11.1% in 2017 and by a further 22.4% in 2018. Domestic consumption of shell eggs dropped by 9.2% in 2017, in reaction to shortages and higher prices, and only recovered by 1.2% in 2018.

The egg industry quickly restored national self-sufficiency in egg production following the outbreaks of HPAI and resultant depopulation measures. However, in mid-2018, imports of shell eggs from Brazil disrupted the local market. In 2Q and 3Q 2018, South Africa imported 153 and 313 tonnes of fresh shell eggs from Brazil, respectively, under tariff code 0407.2190. It seems likely that the Brazilians, or local importers, exploited the Department of Agriculture’s failure to specify that only fertile shell eggs needed to be imported following the HPAI outbreak in 2017. Fertile and fresh shell eggs both fall under tariff code 0407. Had the government limited permission for emergency fertile hatching eggs to code 0407.11, imports of fresh shell eggs would have been avoided. In 4Q 2018, imports of fresh eggs dropped to 22 tonnes.

In addition to causing market disruption, imported eggs come with safety concerns. Eggs need to be chilled to just above freezing in order to preserve quality during shipping. Eggs which have been chilled must remain refrigerated right through the storage chain. If chilled eggs are stored at ambient temperatures, condensation on the egg shell results in a loss of its integrity and an increase in microbial growth, both internally and externally. This is particularly dangerous if imported eggs have been washed at source of origin (the norm in the US, for example), stripping away the shell’s protective cuticle.

In South Africa, as in Europe, unwashed eggs are moved quickly from producer to consumer and transported, displayed and stored at ambient temperatures. Ideally, unwashed eggs should be stored below 20 °C, in dry conditions. If imported eggs have been chilled during shipping and are subsequently stored in South African shops and homes at ambient summer temperatures,
food safety and product quality will be compromised - as the cuticle-denuded shell “sweats”. The consequence is bacterial and/or fungal spoilage, including the appearance of black mould or mildew inside the shell. Alarmingy, DAFF’s guidelines to anyone wanting to sell eggs in South Africa make no mention of storage temperature.

Local producers are worried that poor quality imported eggs, resulting from chilling processes and extended storage periods, will negatively affect consumer confidence in fresh eggs. In 3Q 2018, five containers of US eggs were recalled by the Agency for Food Safety and Quality, over labelling issues.

Although producer prices for eggs were 11.3 % higher in 2018, prices in 2Q and 3Q were 2 % below 1Q 2018 prices. Prices in the 4Q 2018 dropped 11.6 % on 3Q 2018 levels (SAPA) because farms have restocked, supply has eased, and retailers have recouped margins sacrificed during the shortages. Retail prices in 2018 increased by an average of 12.9 % (Stats SA) and dropped by only 0.3 % in the 4Q 2018. In 2018, Stats SA reported the average retail price at R29.39/dozen and the average producer price at R18.05/dozen.

The retail mark-up on producer prices was 62.2 % in 2017 and is 62.8 % in 2018. Interestingly, the retail mark-up in 1H 2018 averaged 52.5 %, compared to 76.9 % in 2H 2018; as if retailers were pushing to recoup lost margins (resulting from egg shortages) in the second half of the year.

5.2 Turnover

With a gross turnover of R12.27 billion at producer level, eggs remain the fourth largest animal product sector in South African agriculture, after poultry meat, beef and milk (source: DAFF). The turnover increased by 14.0 % compared to 2017, after an annual increase of 5.6 % the previous year. Eggs’ share of the gross value of animal products was 8.8 % and of all agricultural production 4.3 %, up from 7.9 % and 3.9 % the previous year.

The total value at retail level was R17.8 billion for 2018. About 606 million dozen eggs were sold in South Africa in 2018 through various channels.

5.3 Production

Laying flock

The size of the national layer flock increased during 2018 (Figure 12), as the industry made a remarkable recovery from the devastating HPAI outbreaks experienced in 2H 2017. An average flock of 23.61 million hens was projected; an increase of 0.449 million hens (+ 1.9 %) compared to 2017.

To put the speed of the recovery in perspective, hen numbers increased from 21.33 million hens at the end of December 2017 to 25.14 million hens at the end of December 2018; a 17.9% increase.
Egg production

There was a dramatic drop in egg production in the second half of 2017 because of HPAI-related culls in a number of large flocks (Figure 13). In 2018, as farms were repopulated, egg production increased steadily.

The average number of cases produced per week was 386,997, an increase of 8,058 cases (+2.1%) per week. Total egg production in 2018 amounted to 20.19 million cases, or 605.6 million dozen eggs; an increase of 2.2% compared to 2017.

Of the forecasted marketable graded eggs (Grade 1) that were sold in 2018, 9.0% were size medium, 44.6% were large, 42.5% were extra-large and 3.9% were jumbo. There has been an increase in extra-large and jumbo eggs in recent years, due to a decrease in the percentage of silver birds in the national flock. The percentage of silvers decreased from 66.2% in 2014 to 61.1% in 2018.

Table 8, below, summarises bird numbers and egg production and shows the changes for 2018 compared to the previous year. The 9.8% growth in day-old pullets placed reflects the industry’s efforts to recover from the mass culling due to HPAI.

Figure 12. The national layer flock since 2014 (millions)
Figure 13. *Cases of eggs produced annually in South Africa (thousands)*

**Table 8: Bird numbers (millions) and egg production (million cases) for 2017 and 2018**

<table>
<thead>
<tr>
<th>Year</th>
<th>DOPs Placed</th>
<th>LRP Placed</th>
<th>Laying hens Av. no.</th>
<th>Depopulated</th>
<th>Cases of eggs Av./week</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>24.302</td>
<td>23.583</td>
<td>23.165</td>
<td>20.313</td>
<td>0.3789</td>
<td>19.753</td>
</tr>
<tr>
<td>2018</td>
<td>26.675</td>
<td>24.258</td>
<td>23.614</td>
<td>18.797</td>
<td>0.3870</td>
<td>20.186</td>
</tr>
<tr>
<td>Change</td>
<td>+ 2.372</td>
<td>+ 0.675</td>
<td>+ 0.449</td>
<td>- 1.516</td>
<td>+ 0.009</td>
<td>+ 0.433</td>
</tr>
<tr>
<td>% Change</td>
<td>+ 9.8</td>
<td>+ 2.9</td>
<td>+ 1.9</td>
<td>- 7.5</td>
<td>+ 2.1</td>
<td>+ 2.2</td>
</tr>
</tbody>
</table>

DOP = Day-old pullets  
LRP = Layer replacement pullets

Figure 14 depicts the relationship between egg volume and the producer and PPI-deflated producer prices for eggs (PPI: producer price index; Stats SA). Please note: the percentage changes in egg prices presented in the graph are three-month moving averages. (PPI: producer price index).

High year-on-year increases in the producer price in 2013/14 were associated with a tightening supply of eggs (negative growth in egg production). As egg supply increased in late 2014/2015, producer prices dropped, year-on-year. However, in late 2015, year-on-year increases in producer prices were pleasingly high, as egg prices tracked other protein sources up in the midst of the drought.
Year-on-year increases in producer prices dropped again from January 2016, recovered through the autumn and winter months and dropped back to neutral territory by December 2016 (i.e. 4Q 2016 producer prices were no higher than 4Q 2015).

Supplies tightened in 1H 2017 and producer prices firmed compared to the previous year. As avian influenza hit the national flock in mid-2017, egg shortages pushed producer prices much higher than in 2H 2016. As egg supplies began to recover in early 2018, year-on-year increases in the producer price began to decline, although prices remained very much higher than in the previous year.

Oversupply issues, exacerbated by unexpected imports of shell eggs from Brazil, began to arise from mid-2018. By October 2018, production was 20 % higher than in October 2017 because of successful repopulation of HPAI affected farms. By December 2018, producer prices were almost 15 % below the inflated prices realised in December 2017.

The average number of point-of-lay pullets placed is expected to decrease by 17.6 % during the first four months of 2019, compared to the same period in 2018.

An average flock of 26.0 million hens is projected for the first four months of 2019; an increase of 3.7 million hens (+ 16.5 %) compared to April 2018. Consequently, egg production is expected to increase by 16.2 % (an average of 59 400 cases per week) to an average of 425 100 cases per week in April 2019, compared to the same month a year ago.
5.4 Producer and retailer egg prices

The average *producer* egg price (weighted) for 2018 was R16.69 per dozen; an increase of 11.3 % over the average price for 2017 (R14.99; SAPA). Graded eggs have averaged R17.40 per dozen and ungraded eggs have sold at R13.92 per dozen. During 2018, 80 % of eggs were sold graded and 20 % ungraded. The average retail price for eggs, size large, was R29.39 per dozen in 2018 (Stats SA). In 2018, the retail price increased by 12.9 % over 2017 prices (compared to the 11.3 % increase in producer prices). Quarterly weighted producer egg prices, for caged production, are shown in Figure 15.

![Quarterly egg price chart](chart.png)

**Figure 15.** Quarterly weighted producer egg prices (caged production) from 1Q 2013

5.5 Feed usage and cost

Layers, in all stages of the production cycle consumed 1.133 million tonnes of feed in 2018 (SAPA). These figures exclude breeder rations. Of this total, layers in rearing consumed approximately 0.152 million tonnes and hens in lay consumed approximately 0.981 million tonnes.

The feed usage for layers and pullets in 2018 is summarised in Table 9 below.

According to the Animal Feed Manufacturers Association (AFMA), national sales of layer feeds to their members amounted to 883 557 tonnes from 1 January to 31 December 2018, a 0.36 % increase over 2017 levels.
Table 9: Feed usage in the egg industry in 2018 (source: SAPA)

<table>
<thead>
<tr>
<th></th>
<th>Feed usage (tonnes)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rearing per annum</td>
</tr>
<tr>
<td>2017</td>
<td>144 056</td>
</tr>
<tr>
<td>2018</td>
<td>151 583</td>
</tr>
<tr>
<td>Change</td>
<td>+ 7 527</td>
</tr>
<tr>
<td>% change</td>
<td>+ 5.2</td>
</tr>
</tbody>
</table>

The average layer feed price indicator for 2018 decreased by 5.7 % compared to 2017, to R3 261 per tonne. This followed year-on-year increases of 18.2 % and 15.0 % in the previous past years. The layer feed price indicator includes distribution, but excludes medication, additives and VAT. The movement in the feed price is shown in Figure 16.

![Layer feed price indicator](image)

**Figure 16.** The layer feed price indicator since January 2013

Year-on-year percentage changes in the feed price index and the egg producer price are presented in Figure 17. Through 2014, both feed and producer egg prices escalated year-on-year. Negative year-on-year increases in feed prices in the first half of 2015 allowed positive year-on-year increases in egg prices which continued in the second half of 2015, even with escalating year-on-year drought-related increases in feed prices from July 2015 onwards.
In 2016, feed prices only started to reduce relative to 2015 prices from July onwards, but egg prices also tracked downwards from mid-year so that, by 4Q 2016, egg prices were back to 4Q 2015 levels. As feed prices in 2017 continued to drop relative to 2016 prices, egg prices firmed nicely in 1H 2017 compared to the same period in 2016. When avian influenza hit the national flock in mid-2017, egg prices increased dramatically compared to prices in 2H 2016, whilst feed prices remained much lower. Egg farmers who did not suffer culling losses during the outbreak benefitted from the egg shortages experienced in the second half of 2017. Although egg prices dropped steadily through 2018 as farms restocked, prices remained strongly above 2017 prices until mid-year when an oversupply (exacerbated by unneeded imports of shell eggs from Brazil) sent egg prices into negative territory, year-on-year. Feed prices have climbed steadily through 2018 but remained below 2017 prices until mid-year. From August 2018, feed prices have exceeded 2017 prices. In December 2018, feed prices were 15.7 % above December 2017 prices; whereas egg prices were 14.7 % below the December 2017 level.

### 5.6 Consumption

The per capita consumption for 2018 was 129.7 eggs or 7.56 kg, compared to 128.2 or 7.49 kg per person in 2017 (source: SAPA). While the population increased by a mid-year estimate of 2.1 % (Stats SA), the total consumption of eggs increased by only 1.2 % (Figure 18). The reduced availability and increased price of eggs in 1H 2018 (due to the avian influenza outbreak) had a marked effect on consumption in 2017 and this has lingered into 2018. Peak egg consumption in South Africa occurred in 2012 at 152.5 eggs per person.
The annual per capita consumption of eggs for some of the top egg-eating nations is shown in Figure 19, for 2017. Considerable scope exists for increasing the per capita consumption of eggs in South Africa, particularly when taking into account the price competitiveness as a protein source compared with other animal proteins.

Figure 18. Per capita egg consumption in South Africa from 2014

Figure 19. Global per capita consumption of eggs in 2017 (source: IEC)
5.7 Trade

Egg exports

Egg exports for 2018 totalled 10 596 tonnes (Gallus domesticus), a decrease of 22.4 % compared to 2017. The total value of all egg exports was R280.7 million (Table 10).

Table 10: Annual egg exports in 2018 (source: SARS)

<table>
<thead>
<tr>
<th>Product (Gallus domesticus)</th>
<th>Value (R million)</th>
<th>Quantity (tonnes)</th>
<th>% of exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fertilised eggs for incubation</td>
<td>162.7</td>
<td>3 936.8</td>
<td>37.1</td>
</tr>
<tr>
<td>Shell eggs (fresh and preserved)</td>
<td>106.1</td>
<td>6 270.4</td>
<td>59.2</td>
</tr>
<tr>
<td>Egg product (yolks, raw pulp, albumins)</td>
<td>11.9</td>
<td>389.1</td>
<td>3.7</td>
</tr>
<tr>
<td>liquid egg product</td>
<td>0.7</td>
<td>48.2</td>
<td></td>
</tr>
<tr>
<td>dried egg product</td>
<td>11.2</td>
<td>340.9</td>
<td></td>
</tr>
<tr>
<td>Total exports</td>
<td>280.7</td>
<td>10 596.3</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Of the 10 596 tonnes exported, fertilised eggs accounted for 3 937 tonnes at an FOB value of R162.7 million.

Besides fertile eggs, 6 660 tonnes of shell eggs and egg product were exported, at an FOB value of R118 million. This total breaks down into 6 270 tonnes of fresh shell eggs (59.2 % of total; FOB R106.1 million) and 389 tonnes of dried and liquid processed egg products (3.7 % of total; FOB R11.9 million).

The bulk of the egg products exported were dried (341 tonnes; 87.6 % of total egg products). Dried product comprised 337.4 t dried egg (not yolks); 2.6 t dried yolks; and 0.9 t dried egg albumins. Liquid egg products totalled 48 tonnes (12.4 % of total egg products); of which 41.5 tonnes were liquid egg yolks; 6.1 t raw egg pulp (chicken and other); and 0.5 t egg albumins. The FOB value of dried egg products was R11.2 million and the FOB value of liquid egg products was R0.7 million.

The main countries of destination during 2018 were Mozambique (82.9 % of exports), Swaziland (14.0 %) and Botswana (1.4 %).

Hen egg exports continue to operate from a low base, being only 1.6 % (6 660 t) of total egg production (423 780 t) in South Africa in 2018; down from 2.4 % in 2017.

Egg imports

Total imports of eggs, including fertile eggs, shell eggs and egg products (liquid and dried), amounted to 1568.2 tonnes in 2018; 1 084 tonnes more (+ 224 %) than in 2017. Imports had a free-on-board value of R108.2 million (+ 174 %). Dried egg products (including albumins) accounted for 99.8 % of egg imports into South Africa in 2017 but, in 2018, accounted for only 66.6 % (1 054.4 t) of total egg imports. This was because of the importation of fresh shell eggs for several months from 2Q 2018 (488 tonnes; volumes reaching 31.1 % of total imports).
2017, SAPA had applied to DAFF for dispensation to import fertilised eggs in response to the HPAI outbreak. Unexpectedly, in mid-2018, containers of table eggs started arriving on our shores from Brazil. SAPA immediately met with senior officials from DAFF, the International Trade Administration Commission of South Africa (ITAC) and the Department of Trade and Industry (DTI). Investigations revealed that there had been some confusion over tariff codes which opened the doors for imports of both fertilised and table eggs. An urgent request was made by SAPA to have the decision reversed. The Agency for Food Safety and Quality issued a recall notice on the imported eggs pending further inspection. One of the concerns was that the labels on the packaging of the imported eggs did not comply with regulations stipulated in regulation R725 of the Agricultural Product Standards Act, Act no. 119 of 1990.

Imports of fresh shell eggs peaked in July and ended by November 2018, as national self-sufficiency in table eggs was restored. Imports of eggs and egg products (excluding fertile eggs) represented 0.36 % of total egg consumption (423 780 tonnes) in 2018. Imports of fertile eggs reached 25.7 tonnes in 2018, because of restocking efforts (1.7 % of total imports).

The main countries of origin of egg imports were Brazil (32.6 %), the Netherlands (17.0 %), Denmark (16.1 %), Italy (13.2 %) and Argentina (12.2 %).

### 5.8 Provincial distribution of layers on layer/layer breeder farms

In a recent Avian Influenza (AI) surveillance survey, the location of layer farms was recorded. The survey covers layer breeders, day-old pullets, layers in rearing and layers in lay.

Table 11 gives the provincial distribution of layer farms (breeder, rearing and in-lay).

<table>
<thead>
<tr>
<th>Province</th>
<th>Layer birds</th>
<th>% of total layer birds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Cape</td>
<td>923 283</td>
<td>3.2 %</td>
</tr>
<tr>
<td>Free State</td>
<td>4 629 878</td>
<td>16.1 %</td>
</tr>
<tr>
<td>Gauteng</td>
<td>7 199 553</td>
<td>25.1 %</td>
</tr>
<tr>
<td>KwaZulu-Natal</td>
<td>2 945 032</td>
<td>10.3 %</td>
</tr>
<tr>
<td>Limpopo</td>
<td>1 079 830</td>
<td>3.8 %</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>2 013 282</td>
<td>7.0 %</td>
</tr>
<tr>
<td>North West</td>
<td>3 264 359</td>
<td>11.4 %</td>
</tr>
<tr>
<td>N &amp; W Cape</td>
<td>6 619 863</td>
<td>23.1 %</td>
</tr>
<tr>
<td><strong>GRAND TOTAL</strong></td>
<td><strong>28 675 080</strong></td>
<td><strong>100 %</strong></td>
</tr>
</tbody>
</table>

A total of 223 farms reported in the AI survey, of which 26 were layer breeder farms, 31 were layer rearing farms and 166 were commercial laying hen farms. We continue to try to improve the representation of producers in this survey for disease control and management purposes.
5.9 Regulatory issues

Amendments to regulation R725 of the Agricultural Product Standards Act (Act 119 of 1990: ‘Regulations regarding the grading, packing and marking of eggs destined for sale in the Republic of South Africa’) were published in the government gazette on 15 April 2016 as ‘No. R. 440’. In this document, production methods were defined as barn eggs, free-range eggs, cage eggs and organic eggs. The new regulations came into effect on 15 April 2017.

In February 2017, it was announced that the Agency for Food Safety and Quality (AFSQ) had been appointed by DAFF as the assignee to inspect poultry abattoirs, production units and egg packing plants under the Agricultural Product Standards Act, No. 119 of 1990. AFSQ is an independent company dedicated to ensuring the safety and quality of food products produced in or imported into South Africa. On 19 May 2017, DAFF gazetted fees of R0.0006 per egg produced or packaged, that is, R0.0072 (0.72 cents) per dozen eggs produced or packed per month. In addition, producers are charged per hour on farm and for transport and additional laboratory costs. The inspection fees are valid from 1 June 2017.

5.10 Challenges and prospects for the South African egg industry

A rapid recovery in bird numbers following the 2017 avian influenza outbreak, coupled with unnecessary imports of Brazilian eggs, resulted in an oversupply of shell eggs in 2H 2018. Producer prices dropped by 11.6 % in 4Q 2018. Prices are expected to soften further in 1Q 2019 to perhaps 20 % below prices realised in 1Q 2018. At the same time, feed costs have risen steadily through 2018 and look set to continue to rise in 1H 2019. Egg producers will find themselves under renewed pressure and will continue to fight retailers for a fair share of the price that consumers pay for eggs.

Egg producers in some regions still face challenges from lingering drought. In Cape Town, “Day Zero” (the day the taps run dry; with dams at average of 13.5 %) loomed large in May 2018 but was narrowly averted. In December 2018, dam levels in the most water-stressed provinces were as follows: Western Cape 57 % (up from 31 % y-on-y); Eastern Cape 60% (cf 59 % a year ago); North West 50 % (cf 74 %); Limpopo 59 % (cf 66 %) and KwaZulu-Natal 56 % (cf 47 %). In its November 2018 Seasonal Climate Watch briefing, SAWS predicted no influence from the El Niño Southern Oscillation (ENSO) during the summer months to February 2019. The Weather Service was hopeful of above-average rainfall in the summer rainfall areas from December 2018 to February 2019. A higher number of rainfall days is also predicted in these regions. Parts of the Western Cape will experience below average rainfall during the summer months; especially up the West Coast and along the south coast between the Breede and Keurbooms rivers. Agri SA’s latest drought report suggests that 31 000 jobs were shed in 2018 because of the drought and that two-thirds of respondents reported severe to critical stress in groundwater and surface water. The 2018/2019 maize crop is forecast to be about 12.6 % below last year’s crop, at 10.93 million tonnes. The domestic soybean harvest is still expected to be strong, but 21 % below last year’s yield at 1.22 million tonnes.

Local demand for eggs increased by 1.6 % in 2018 to 130 eggs per person/year. However, per capita consumption had decreased by 9.2 % in 2017 because of HPAI-related egg shortages.
and higher retail prices. Consumption therefore remains 7.8% below 2016 levels and 14.8% below the peak consumption recorded in 2012 (152.5 eggs per person/year). Consumption remains disappointingly low compared to consumption in many developed and developing countries. The world average for per capita consumption is approximately 210 eggs. The Mexicans eat a staggering 363 per person per year (IEC). Recent research on cholesterol and the increasing popularity of high protein/high fat diets (which have resulted in an uptick in the consumption of eggs elsewhere in the world) have not increased the local appetite for eggs. South Africa’s consumption of eggs in 2016 (before the AI outbreak) was 32% higher than in 2001; against a population increase of 23.4% so consumption has increased slightly more than the population rate. However, consumption of chicken meat increased by 80% in the same period. The reasons for South Africa’s relatively low consumption include:

- Preference for white meat over eggs, when money permits;
- Unfounded cardiovascular/cholesterol fears;
- Insufficient advertising (egg consumption does not increase with affluence as with broiler meat);
- Lack of understanding of nutritional value of eggs as a high-quality protein source/their value for money in this regard;
- South Africa’s climate (less “cold morning” breakfasts served annually);
- Concerns about allergies (eggs are amongst the top eight food allergens, but many children grow out of this allergy);
- Food safety concerns (Salmonella; campylobacter);
- Constrained consumer spending;
- Welfare concerns.

In some African cultures (including eSwatini (Swaziland), Uganda and West Africa), the eating of eggs by women and female children over a certain age (usually about 6 years) is taboo. There is a belief that eating eggs may make women sterile or advance puberty. There is evidence that such concerns also exist in local cultures. If this is the case, then a large potential market for eggs is lost to a set of beliefs that has no basis in science.

It is estimated that for every 10 000 tonnes of eggs or egg products exported, over 300 jobs would be created in the egg industry. There is scope to increase consumption of South African eggs and egg products both at home and abroad. Advertising campaigns and innovative marketing have been used effectively in the US and UK to increase consumption of eggs. Celebrity endorsements and food-fads can be used to great effect in promoting quality products. Social media is undoubtedly a powerful tool in influencing consumer behaviour and a growing number of free-range farmers in the UK are using Twitter and Facebook accounts to advertise and reassure their customers about bird welfare and food quality. The egg industry should look to social media, egg printing, etc. to reinforce in the public’s mind all that is good about eggs (selenium, vitamins A, B₁₂, D, riboflavin, folate, high quality protein, choline, etc.) and to further dispel any lingering cholesterol concerns and cultural egg-eating taboos.

In November 2016, McDonald’s South Africa pledged to transition to sourcing eggs from only cage-free producers by 2025. In September 2018, local activists began a campaign aimed at encouraging restaurant giant Famous Brands to follow suit. Famous Brands’ stable includes
Wimpy, Mugg & Bean, House of Coffee and Steers. The South African Faith Communities Environment Institution (SAFCEI) staged protests outside stores and have apparently succeeded in their mission to win a cage-free pledge from Famous Brands. The CEO of the company, Darren Hele, reported that the group will transition to cage-free eggs by 2025. Famous Brands companies use about 50 million eggs every year. Good news for producers is that researchers at agricultural universities (especially in the US) are starting to construct facilities that will allow them to support farmers with research into cage-free production and help make this type of production cost-effective.

In a development which will make eggs much easier to promote, the first feasible solutions to the disposal of male chicks are becoming commercially available. Newspapers around the world published December 2018 stories on new technology which allows chicks to be sexed in ovo. The “male” eggs are thus not incubated and can be used, for example, in animal feeds. The world’s first “no-kill” eggs have gone on sale in Berlin, Germany. The patented technology, “Seleggt”, which can sex eggs within 9 days of fertilisation, uses a chemical marker to detect a hormone only present in “female” eggs. Eggs can be sexed with 98.5 % accuracy.

The cage-free revolution and humane disposal of male chicks are no longer “horizon issues” for South African producers. The World Organisation for Animal Health (OIE) has, over the past few years, been drafting welfare standards for the keeping of laying hens. A draft document was sent to member countries for comment by December 2018. This draft is likely to prove controversial as it called for the provision of both nest boxes and perches in production systems. This would effectively exclude conventional cages. Although the standards are not legally binding, member countries have agreed in principle to write the standards into domestic law. SAPA has submitted inputs through the Chief Director of Animal Production and Health (DAFF), Dr Bothle Modisane. The OIE standard will eventually impact on local producers. Businesses may face consequences if they do not recognise, evaluate and respond to global trends effectively and in good time. Some local producers are already restructuring their businesses to take advantage of changes in the global industry.

A statutory levy on table eggs has been gazetted and comes into force from 27 July 2018. All egg producers and packing stations will contribute 1.5 c/dozen eggs traded to support SAPA’s Egg Organisation. Until the reintroduction of the levy, the Organisation relied on the support of a few egg producers paying a voluntary levy. The levy will be collected by the Red Meat Levy Administrator. The levy will be used to fund transformation initiatives, training, marketing and consumer education and awareness projects.
6. BROILER INDUSTRY

6.1 Overview

Although the 2017/2018 maize harvest fell by a quarter over the preceding record season, it was still a strong crop; the drop in production reflecting reduced plantings rather than poor climatic conditions. Nevertheless, broiler feed prices climbed steadily from mid-2017 to May 2018, with SAPA’s feed price index recording a 16.9 % increase in feed costs over this period. The 2017/2018 harvest provided only brief relief from increasing feed prices between June and August 2018. Although 2018 feed prices increased by an average of only 2.3 % over 2017, prices at the end of 2018 are approximately 7 % higher than the 2017 average price, sending producers into the new year under pressure.

As 2018 ends, producer prices for broiler meat remain constrained because of the imbalance in supply and demand resulting from excessive levels of poultry meat imports. Disappointing levels of consumer spending also weigh on poultry markets. Broiler prices, as measured in monthly SAPA surveys, increased by 4.7 % in 2018.

The European Union (EU) has used its economic partnership agreements (EPA) to dump highly subsidised agricultural products into African countries, with devastating consequences. The chicken industries in Ghana, Côte d’Ivoire, Senegal and Cameroon have essentially been destroyed by imports. Our own government, meat importers and the EU continue to claim that local producers are inefficient, even when this has been roundly disproved by an updated University of Wageningen study (see Chapter 2.7). South African broiler operations can produce a whole slaughtered chicken for less than any EU country and at almost the same cost as the United States (US), despite their economies of scale, direct and indirect subsidies, and cheaper feed ingredients.

The EU’s executive arm has denied that the EU is dumping chicken and has accused the local industry of suffering from structural problems that affect its competitiveness. It blames South Africa for unfairly protecting its chicken industry with import duties that mask its inability to compete in global markets. The reality is that EU poultry producers benefit from direct and indirect subsidies, assistance with exports, and quota protection. There are also animal health and welfare measures to provide the EU with additional protection from imports. A report by Paul Goodison, from the Danish Institute for Trade and Development (Initiativet for Handel og Udvikling), entitled ‘The impact of EU poultry sector policies on sub-Saharan African countries’ confirms that EU chicken exports are undermining efforts to develop local production in an increasing number of sub-Saharan African countries. In the article, he discusses the benefits which accrue (even if indirectly) to EU poultry farmers from the EU’s Common Agricultural Policy (CAP). Goodison argues that although poultry consumption in the sub-Saharan region increased by 99 % in the decade from 2004, much of this increased consumption has been in the form of frozen imports (at 44 % in 2014). Local industries have not enjoyed the growth that might have been expected and hoped for. Imports in this same decade increased by 209 %. The EU trade regime, based on import quotas, allows a level of cross-subsidisation of poultry exports and, since most of the exported product is essentially “waste” product in European markets, the price received for this product needs only to exceed the cost of transportation minus the cost of...
alternative disposal methods (rendering/incineration, etc.) to make exportation financially viable. Importantly, Goodison states that although EU support measures are compatible with current interpretations of World Trade Organisation Rules, this does not mean that these cheap imports have no effect on poultry producers in sub-Saharan Africa. European poultry exports thus have the potential to undermine African government and private sector efforts to develop local poultry industries as part of rural development, food security and job creation programmes. The promotion of agriculture and rural development has been a focal point in EU development cooperation activities in the sub-Saharan area. European trade policy coherence thus seems to be lacking – on the one hand, they claim to be in partnership with sub-Saharan countries in helping to grow local production while, on the other hand, they are “systematically eliminating tariff and non-tariff barriers to EU poultry meat exports”. Where WTO rules and EU trade policies run counter to development aims, EU negotiators need to be reminded of the EU’s legal obligation for policy coherence so that trade complements rather than decimates important African industries.

In 1Q 2015, final anti-dumping duties of between 3.86 % and 73.33 % were gazetted against imports from UK, Dutch and German suppliers. However, avian influenza outbreaks over the past few years have been more effective than tariffs in stemming imports from plants in these three countries. In July 2016, the industry pushed the International Trade Administration Commission (ITAC) for further safeguard measures against EU bone-in imports. In response to this application, ITAC issued a second essential facts letter which stated that South Africa is suffering a threat of serious disturbance from imports; that the main cause of the disturbance is from EU imports; and that exceptional circumstances exist. They imposed a safeguard tariff of 13.9 % to correct the imbalances in December 2016. This tariff was widely regarded as being too low to be effective and SAPA have worked with ITAC to have it raised towards the MFN (most favoured nation) tariff of 37 %. In a huge win for the local industry, the Minister of Trade and Industry imposed an EPA safeguard tariff of 35.3 % on bone-in portions from the EU. This temporary measure will be in place for 4Q 2018 and 1Q 2019. Thereafter, it will remain in place for 3 years, at levels of 30 %, 25 % and 15 %; expiring in March 2022. The Association for Meat Importers and Exporters (AMIE) is opposing the safeguard and challenging the legality of the process, and it may be expected that the EU will also launch an objection to the safeguard tariff.

The “most favoured nation” (MFN) import tariffs agreed on in 2013 are currently up for review with ITAC. When tariffs were last revised in 2013, ad valorem duties were set as follows: whole birds 82 %; carcasses 31 %; offal 30 %; boneless portions 12 % and bone-in portions 37 %. SAPA argues that the tariffs set in 2013 have failed to provide more than 5 % average protection to the industry and have had no effect because a) they are too low; b) they do not apply to the EU because of the TDCA between South Africa and the EU; and c) dumping of mechanically deboned meat in the South African market causes far-reaching distortion of the whole value chain.

The local industry has, for years, been placed under severe financial stress because of the effect of EU, Brazilian and US imports on local pricing. At the end of 2016 and beginning of 2017, several large, integrated poultry businesses announced downscaling of their operations and, with this, associated retrenchments. A national task team, consisting of government, industry and labour representatives, was established at the end of 2016 to address the dire situation that
producers found themselves in. Government appealed to the poultry industry to do all it could to avoid retrenchments. Many emerging farmers have been unable to sustain their businesses in the face of difficult trading conditions, and this has had a negative effect on rural food security. Small producers are particularly vulnerable as they are unable to absorb market shocks and need an enabling environment in order to thrive. If the poultry industry were to collapse, it would have serious consequences for the maize and soya growers; along with the entire food and grain value chains, which include fertiliser and seed suppliers, and storage and processing facilities.

During the course of 2017, the Minister in the Department of Trade and Industry, Rob Davies, conceded that the industry was in distress. Despite his claims that the government was tackling the issue on several levels, the response to the crisis continues to be slow. Last year, Garth Strachan, deputy director general of the Department of Trade and Industry, insisted that the industry needs to commit to improving its competitiveness through investment in technology. He maintained that government was reviewing policy measures and trade agreements. The DTI has stated its intention to launch agro-processing incentive programmes to improve production, operating systems and levels of management. In February 2018, Cyril Ramaphosa was inaugurated as President of South Africa and it is to be hoped that he remembers the assurances he gave in March 2017; that government would deploy incentives and other support measures to protect the industry, save jobs and ensure food security. He said government would vigorously defend the industry against dumping and unfair trade practices within the rules of the World Trade Organization and our economic partnership agreements. Going into 2019, there are signs that the government will work with industry to formulate a poultry “masterplan”. This proposed strategic and operational masterplan is an initiative supported by the DTI and DAFF, with input from all stakeholders. It addresses transformation of the industry and is designed to put local broiler production on a growth trajectory.

With VAT having increased to 15 % in April, calls were made for chicken to be added to the VAT-free basket of staple foodstuffs. The Woolard Panel of Experts could not reach consensus on whether to add chicken to this VAT-free list, with concerns over the potential cost to the fiscus, and doubts as to whether the benefit would be passed on fully to the poor. The public had until 31 August 2018 to comment on the panel’s recommendations and stakeholders were given an opportunity to present their case to Parliament’s Standing Committee in September. In the Finance Minister’s Medium Term Budget presentation in October 2018, chicken was not listed on the items to be added to the VAT-free basket. Industry representations were made to Parliament in November to review this decision.

In late 2017/early 2018, South Africa suffered a very serious outbreak of listeriosis, caused by the consumption of processed meat products. To June 2018, there were 1 053 reported cases of listeriosis and 212 deaths. On March 4, the Enterprise Foods factory at Polokwane in Limpopo was identified as the primary source of the listeriosis outbreak (strain ST6). How the bacteria entered the processing plant may never be known. The announcement triggered a massive recall of ready-to-eat polony products, sausages and cold meats. Parliament heard that 2 000 jobs were lost as a result of the outbreak; whilst sales of polony dropped by 75 %. Sales of processed pork products such as cold meats also crashed, causing huge disruptions, lower prices and a 40 % drop in profits in the pig industry. Class action lawsuits against Tiger Brands, which owns Enterprise Foods, have been lodged. In response to suggestions that the outbreak may have
originated in Brazil, the Department of Health insisted that imports of mechanically deboned meat ("white slime") are tested for *Listeria monocytogenes* on entry. On 3 September 2018, after three months with no reports of new cases, the health minister, Dr Aaron Motsoaledi, announced that the outbreak was officially over. Processed meat products were declared safe to eat. The cost of containing the outbreak was estimated at R12 million.

### 6.2 Turnover

The gross value of primary agricultural production from poultry meat (inclusive of all types of poultry) for the period 2018 was R47.96 billion, reflecting an annual increase of 8.9 % (source: DAFF).

Poultry production is the largest product sector in agriculture in South Africa, ahead of all other animal sectors (beef production (R36.0 billion), milk (R16.3 billion) and eggs (R12.3 billion)) and ahead of all field crop and horticultural sectors. The maize sector, for example, had a gross value of R23.5 billion and deciduous and citrus fruit were valued at R21.9 and R20.7 billion, respectively.

Poultry meat’s share of the gross value of all agricultural production was 16.6 %, and of all animal products 34.3 %.

### 6.3 Production

A total of 983.0 million broilers were produced for slaughter in 2018; 55.9 million (+ 6.0 %) more than in 2017 (Table 12).

Based on the number of day-old parent pullets placed to December 2018, the size of the breeder flock is expected to increase by 0.4 % to 6.45 million during the first four months of 2019. The forecasting model predicts a potential production of broilers to July 2019 of 18.73 million per week. These figures do not take exports into account, nor the possibility that some fertile eggs may not be incubated if the industry attempts to adjust to a situation of oversupply.

<table>
<thead>
<tr>
<th>Table 12: Summary of key results: broiler production</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Forecast period</strong></td>
</tr>
<tr>
<td>---------------------</td>
</tr>
<tr>
<td>2017</td>
</tr>
<tr>
<td>2018</td>
</tr>
<tr>
<td><strong>Change</strong></td>
</tr>
<tr>
<td><strong>% change</strong></td>
</tr>
</tbody>
</table>
6.4 Producer and retailer broiler prices

The weighted average producer price for broilers (NSV; less all discounts, rebates, advertising spent, secondary distribution, VAT, etc.) of R22.44/kg was 4.7 % higher in 2018 than in 2017 (R21.44/kg; Figure 20).

If the price is adjusted for CPI (meat; base = 2012) to estimate the annual producer price in real terms, then the average producer price in 2018 was down 2.0 % on 2017. In real terms, the average 2018 producer price of chicken was lower than it was in the previous two years.

The average retail price for whole fresh chicken was R44.25 per kg in 2017 and for 2018 was R46.26 per kg (+ 4.5 %; Stats SA). In 2018, the average mark-up between producer and retail prices was 77.5 % for whole fresh chickens

The average retail price for fresh chicken portion was R56.70 per kg in 2017 and R59.34 per kg in 2018 (+ 4.6 %; Stats SA). The mark-up from producer to retailer through 2017 was + 80.7 % and in 2018 was 85.0 %.

The average retail price for 2 kg IQF bags was R31.53 per kg (Stats SA) in 2017 and R33.43 in 2018 (+ 6.0 %; Stats SA). The average mark-up on 2kg IQF bags in 2018 was 49.1 %.
6.5 Feed usage and cost

The average broiler index feed price for 2018 was R5 132 per tonne; an increase of 2.3 % in comparison with 2017. This followed a year-on-year decrease of 10.5 % in 2017 as the maize crop recovered after the drought. The broiler feed price index includes distribution, but excludes medication, additives and VAT. The movement in the index feed price is shown in Figure 21.

![Broiler feed price indicator](image)

**Figure 21. Broiler feed price indicator (average across feed phases) from 2013**

The year-on-year percentage changes in broiler feed price and chicken price are shown in Figure 22. Through 2012, to July 2013, broiler feed prices escalated year-on-year, with particularly high increases during most of 2012. The graph shows clearly that percentage year-on-year increases in broiler producer prices during this period were not as high as the year-on-year feed price increases, which would have impacted negatively on profit levels in the industry.

Only from January 2013 were producers able to maintain some level of year-on-year increase in the broiler producer price even if feed prices were rising (e.g. March to August 2014). From August 2014 to end July 2015, broiler producers enjoyed higher year-on-year percentage increases in the producer price than the year-on-year changes in the feed price. With the drought biting, the situation deteriorated again for broiler producers from August 2015, with annualised increases in feed prices outstripping increases in broiler revenues. Year-on-year percentage increases in broiler producer price moved into negative territory between March and July 2016 but returned to positive territory in August 2016 and remained there to the end of 2017; exceeding feed price increases from December 2016.
Year-on-year increases in feed prices moved into negative territory from February 2017 as the effects of the drought eased; and remained there until the end of 1Q 2018. Year on year increases in feed prices have returned to positive territory in 2Q, 3Q and 4Q 2018; exceeding 10 % in October and November. Year-on-year changes in producer prices climbed steadily from early 2017, exceeding + 15 % for several months in that year. These increases have dropped back below the + 5 % level in 2Q, 3Q and 4Q 2018.

In 2018, approximately 3.43 m tonnes of feed were used by the broiler industry. Approximately 2.94 million tonnes of feed were used to grow broilers while the remaining 491 459 tonnes were used in the broiler breeder industry. The feed usage for broiler breeders and broilers is summarised in Table 13.

**Table 13: Feed usage for broiler breeders and broilers in 2018 (tonnes)**

<table>
<thead>
<tr>
<th></th>
<th>Broiler parents</th>
<th>Total breeding stock</th>
<th>Broiler production</th>
<th>Broiler industry</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>rearing per annum</td>
<td>laying per annum</td>
<td>per annum</td>
<td>per week</td>
</tr>
<tr>
<td>2017</td>
<td>90 332</td>
<td>403 032</td>
<td>493 363</td>
<td>9 462</td>
</tr>
<tr>
<td>2018</td>
<td>92 732</td>
<td>398 728</td>
<td>491 459</td>
<td>9 425</td>
</tr>
<tr>
<td>Change</td>
<td>2 400</td>
<td>- 4 304</td>
<td>- 1 904</td>
<td>- 37</td>
</tr>
<tr>
<td>%</td>
<td>+ 2.7</td>
<td>- 1.1</td>
<td>- 0.4</td>
<td>- 0.4</td>
</tr>
</tbody>
</table>
According to the Animal Feed Manufacturers Association (AFMA), national feed sales for broilers from 1 January to 31 December 2018 amounted to 2,602,922 tonnes (+1.3%) and, for breeders, 517,302 tonnes (+10%). These figures exclude non-members of AFMA.

### 6.6 Consumption

**Poultry consumption**

According to DAFF estimates for 2018, total production of poultry meat (including turkey, ducks, geese and guinea fowl) was 1,755 million tonnes whereas consumption (including backyard consumption) amounted to 2,300 million tonnes (+5.3%). The per capita consumption of poultry meat for 2018 was 39.53 kg per annum, up 3.0% from 38.37 in 2017 (Figure 23).

DAFF based its calculations on its own estimates of production data. DAFF also used trade statistics from a source other than the South African Revenue Service (SARS). DAFF’s estimate of poultry meat consumption is 1.6% higher than SAPA’s estimate. According to SAPA’s calculations, poultry consumption amounted to 2,263 million tonnes. The per capita consumption of poultry meat for 2018 was 39.20 kg, compared to 38.08 kg (+3.0%) in 2017. This includes the sale of spent hens from the broiler breeder and commercial layer industries, the sale of all the edible offal, imports, as well as other poultry species.

The annual per capita consumption of poultry around the world, according to OECD-FAO data for 2017, is shown in Figure 24. The South African per capita value is sourced from DAFF.

---

**Figure 23.** Per capita consumption of poultry meat in South Africa from 2011 (DAFF)
**Industries, Small footprint. Big impact.**

**New Beginnings**

Figure 2. Approximate per capita consumption (kg) of poultry meat worldwide (OECD-FAO; DAFF)

**Chicken consumption**

Chicken production, including subsistence farming and depleted breeders in the broiler and egg industries, was 1.757 million tonnes (99.97% of total poultry production). Consumption of chicken meat amounted to 2.238 million tonnes in 2018. The per capita consumption of chicken meat for 2018 was 38.78 kg per annum, up 3.3% from 37.55 kg in 2017 (source: SAPA).

**6.7 Trade**

South Africa is among the most unprotected markets in the world. Exporters such as Brazil and the EU take advantage of this to dump substantial quantities of cheap chicken here. In contrast, Nigeria, Kenya and Swaziland do not allow imports at all; Botswana and Mozambique issue very few import permits and Namibia restricts chicken imports through a quota system. Worldwide, countries impose very large tariffs to protect their industries while others use sanitary regulations to stop imports into their home markets. For example, the EU, a massive exporter of chicken to South Africa, imposes ad valorem tariffs of between 10 and 26% on broiler imports (https://ahdb.org.uk/eu-and-uk-import-tariff-rates-for-poultry-meat-and-derived-products) but, even more importantly, has strict sanitary, phytosanitary and welfare conditions that must be met in order to export to EU members.


Canada applies a 238% tariff on all whole chickens imported over and above an agreed annual quota (within the quota, the tariff is 5.4%).
In South Africa, the general tariff on bone-in portions – the bulk of imports – is only 37 %, with no tariff at all on mechanically deboned meat (MDM), which is used in sausages and polonies. In 2015 and 2016, 81 % of imported bone-in portions came from the EU, duty-free, and therefore there was, in effect, almost no duty raised on bone-in portions. In 2018, only 17.7 % of imported bone-in portions came from the EU (because of lingering AI-related trade bans against EU nations), 46.1 % came from Brazil and 28.1 % came from the US. At least duties would have been payable on these imports from the Americas.

**Annual broiler imports**

According to the audited figures of SARS (verified), the annual broiler imports for 2018 totalled 539 297 tonnes; a 2.9 % increase over 2017 levels (+ 15 039 t) despite anti-dumping duties in place against bone-in imports from the UK, the Netherlands and Germany; an EPA safeguard duty on all EU bone-in portions; and despite many EU nations suffering lingering trade bans related to outbreaks of avian influenza. By October 2018, almost all European HPAI events had been declared closed with the OIE. Imports in 2018 were 20.7 % higher than the 5-year average (2013 – 2017).

On an FOB basis, the value of imports for 2018 increased by R109.6 million (+ 1.9 %) over the 2017 value, to R6.03 billion. Broiler imports represent 95.2 % of the total poultry products imported (566 210 t; includes turkey, ducks, geese and guinea fowl). Turkey imports in 2018 amounted to 36 301 t (4.6 % of total poultry imports).

Figure 25 presents annual imports of broiler products since 2013, compared with local South African broiler production. Imports as a proportion of total of local meat production are shown on the chart.

![Total broiler imports and SA production](image-url)

**Figure 25. Total annual chicken imports since 2013 (tonnes) against local production**
Frozen broiler meat imports

Of the total broiler meat imported through 2018, 99.84% was frozen (538 434 t). Frozen broiler meat imports increased by 2.9% in 2018 over levels imported during 2017 (523 428 t). Frozen broiler imports contributed 24.1% of broiler consumption in South Africa in 2018; from 24.7% in 2017. If frozen mechanically deboned meat (MDM) imports are excluded, then frozen broiler imports contributed 17.2% of broiler consumption; from 15.2% in 2017.

Mechanically deboned meat (MDM) contributed 28.7% to frozen broiler meat imports (154 507 t), while bone-in broiler portion imports contributed 53.3% (287 071 t); whole broilers 1.9%; carcasses 2.4%; boneless portions 4.5%; and offal 9.2%.

Leaving MDM out of import totals ignores the effect that 154 507 tonnes of chicken entering the market at R6.06/kg has on overall pricing. The average FOB price of MDM dropped 10.3% in 2018.

Annual imports of frozen mechanically deboned meat (MDM), frozen whole chickens and frozen bone-in portions are given in Figures 26 (a) to 26 (c); illustrating a big decrease in the importation of MDM; the steady increase in frozen bone-in portions and a three-year increase in the importation of whole frozen chickens.

Origin of imports

The origin of imports has changed over the past few years, with a significant increase in tonnage from the European Union, which enjoys a free trade agreement with South Africa. Brazil remained the main country of origin in 2018; being the main source of MDM imports into South Africa and because avian influenza-related trade bans were not lifted against several EU countries this year. Brazil accounted for 62.7% (from 61.3% in 2017), or 338 324 t, of total broiler imports into the country in 2018; up 54.9% on Brazilian imports in 2016, before the European HPAI events.

With HPAI affecting EU trade, the US was the second largest importer of broiler products into the country, with 16.0% or 86 058 t. Thailand increased broiler exports to South Africa by 124% in 2018 (8 623 t; 1.6% of total); while Argentinian exports increased by 1.4% to 33 278 t (6.2% of total). Canadian broiler imports dropped 62.2% in 2018 (2 063 t; 0.4% of total).

Of the EU exporters, only Denmark, Ireland, Poland and Spain exported significant quantities of broiler products to South Africa in 2018: 25 672 t (4.8%), 25 348 t (4.7%), 13 163 t (2.4%) and 4 532 t (0.8%), respectively (Figure 27).

If the EU countries are considered as a single entity, 12.9% of broiler imports entered SA through the EU in 2018, compared to 14.6% in 2017 and 51.1% back in 2014 (before the European HPAI events). In tonnage terms, a total of 69 529 t of broiler meat was imported from the EU in 2018, compared to only 76 539 t last year; 188 474 in 2014; and only 4 139 t in 2009. This drop in 2017 and 2018 reflects the impact of the trade bans on EU countries affected by avian influenza. South Africa was the single largest export destination for EU poultry meat exports in
2016 but, in 2017 and 2018, the EU exported more to the Ukraine, Hong Kong, Ghana, the Philippines, Benin and Vietnam.

Figure 26. Annual imports of mechanically deboned meat (MDM), whole frozen chickens and frozen bone-in portions
The EU has been, over a number of years, the major supplier of bone-in portion imports into South Africa (Figure 28) but, this year, outbreaks of HPAI and lingering trade bans have eroded EU market share, from 81.1 % in 2016 to just 17.7 % in 2018. Denmark (7.4 %), Ireland (5.2 %), Poland (4.1 %) and Spain (1.0 %) were the only EU exporters sending significant quantities of frozen bone-in portions to our shores. Brazil increased its market share of bone-in portions from 7.9 % in 2016 to 46.1 % in 2018 (up from 33.5 % in 2017). Similarly, the US increased its share from 9.2 % in 2016 to 28.1 % in 2018. The Argentinians also increased exports of bone-in portions to South Africa in 2018, claiming 7.1 % of the market against 1.2 % in 2016. Brazil remains the biggest exporter of mechanically deboned broiler meat to South Africa; accounting for 92.8 % of MDM imports in 2018.

The main product imported from the EU in 2018 was frozen bone-in portions, accounting for 71.5 % of total poultry imports from the Union and 73.3 % of EU broiler imports. This was followed by whole frozen chicken, mechanically deboned meat (MDM) and frozen carcasses at 7.0 %, 3.2 % and 0.9 %, respectively (as proportion of broiler imports). The main product imported from Brazil was mechanically deboned meat (41.2 % of Brazilian poultry imports; 42.4 % of broiler imports); down from 77.9 % in 2016. Bone-in chicken portions made up 39.2 % of Brazilian broiler imports in 2018; along with offal at 10.1 % and boneless chicken portions at 5.1 %. Frozen bone-in portions made up 88.3 % of total US poultry imports in 2018 (93.8 % of broiler imports).

**Value of imports**

The value of broiler imports into South Africa amounted to R6.033 billion at the free on board (FOB) level in 2018; a 1.9 % increase over 2017. Frozen bone-in portions were imported at an FOB value of R3.848 billion (63.8 % of total broiler value) and frozen MDM at R0.937 billion (15.5
The average FOB value of frozen bone-in portions was R13.41/kg; and MDM was imported at R6.06/kg.

The value of total poultry imports into South Africa, including broilers, turkeys, geese, ducks and guinea fowl totalled R6.52 billion, a 1.3 % increase in comparison with the value of total poultry imports for 2017.

**Figure 28.** *Imports of frozen bone-in portions from the EU (presented as a single entity) in comparison with the rest of the countries combined*

**Poultry exports**

A total of 51 372 tonnes of poultry products (chicken, turkey, ducks, geese and guinea fowl) were exported at an FOB value of R 1.155 billion during 2018.

Chicken exports accounted for 95.1 % of total poultry exports in 2018 (48 848 t), and 94.1 % of the rand value (FOB; R1.087 billion) of total poultry exports.

Turkey exports totalled 1 083 t in 2018; geese exports 571 t; duck exports 113 t; guinea fowl 2.7 t and mixed product (ducks, geese or guinea fowl; not specified) 753 t.

Of the total 51 372 t of poultry exports, 36 362 t were frozen products (including 9 621 t of frozen chicken bone-in portions; 6 495 t MDM and 6 430 t of whole frozen chicken); and 16 671 t were fresh poultry products (including 14 619 t of fresh chicken cuts and offal). There were also 2 339 t of products which might either be fresh or frozen (e.g. pâtés, sausages and value-added products).
The main destination countries for broiler exports were Lesotho at 20 946 t (42.9 %), Mozambique at 11 993 t (24.6 %), Namibia at 6 931 t (14.2 %), Botswana at 3 100 t (6.3 %), Swaziland at 1 506 t (3.1 %), UAE at 1 455 t (3.0 %), Democratic Republic of Congo at 819 t (1.7 %); and Zimbabwe at 634 t (1.3 %) of the 48 848 total tonnes of broiler meat exported.

6.8 Provincial distribution of broiler farms

In a recent Avian Influenza (AI) surveillance survey, the location of broiler farms was recorded. The survey covers broilers, broiler breeders and breeders in rearing.

Table 14 gives the provincial distribution of broiler farms (breeder and rearing).

A total of 588 farms reported in the AI survey, of which 129 were broiler breeder farms and 459 were broiler rearing farms.

<table>
<thead>
<tr>
<th>Province</th>
<th>Broiler birds</th>
<th>% of total broiler birds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Cape</td>
<td>7 941 299</td>
<td>6.9 %</td>
</tr>
<tr>
<td>Free State</td>
<td>13 764 160</td>
<td>12.0 %</td>
</tr>
<tr>
<td>Gauteng</td>
<td>11 173 187</td>
<td>9.8 %</td>
</tr>
<tr>
<td>KwaZulu-Natal</td>
<td>7 436 034</td>
<td>6.5 %</td>
</tr>
<tr>
<td>Limpopo</td>
<td>3 525 263</td>
<td>3.1 %</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>23 720 172</td>
<td>20.7 %</td>
</tr>
<tr>
<td>North West</td>
<td>25 031 381</td>
<td>21.9 %</td>
</tr>
<tr>
<td>N &amp; W Cape</td>
<td>21 746 385</td>
<td>19.0 %</td>
</tr>
<tr>
<td><strong>GRAND TOTAL</strong></td>
<td><strong>114 337 881</strong></td>
<td><strong>100 %</strong></td>
</tr>
</tbody>
</table>

6.9 Performance efficiency

Feed conversion ratio (FCR) and performance efficiency factor (PEF) values depend on the management of each enterprise. However, top South African broiler farms are capable of achieving FCR figures as low as 1.5 and PEF figures approaching 375. Average slaughter age is now 32 – 34.0 days at a weight of 1.8 – 1.85 kg.

6.10 Challenges and prospects

Although global maize prices are likely to firm by 4 to 5 % in 2019, soybean prices are forecast to drop by 6 to 7 % on average next year. Domestic margins will come under increasing pressure as feed prices continue to climb and the European exporters return to the South African market. The beleaguered South African economy is forecast to grow by less than 1 % in 2019 which, combined with high levels of unemployment, will leave consumer spending constrained.
Large producers have some scope to adapt to difficult market conditions by changing their business models, investing in infrastructure, and improving production efficiencies. Smaller broiler producers can provide significant employment opportunities and food security in rural communities but find it harder to withstand the combined challenges of high import volumes and predatory pricing of imported product. If the industry is to be transformed, these entrepreneurs need to be supported. The industry’s hopes will be pegged on a “poultry master plan” being developed by government and industry representatives. As the industry struggles against a flood of cheap Brazilian imports, eyes will also be on ITAC’s response to SAPA’s application to increase the general tariff on frozen bone-in and boneless portions. It is hoped that the poultry master plan will contribute to job creation, transformation, rural development, economic growth, exports, food security and food safety. SAPA have appointed a new general manager for the Broiler Organisation, Izaak Breitenbach, who will be instrumental in finding a way forward for the South African poultry industry.

Poultry producers have been urged to look for export opportunities for white breast meat because a key finding of the government-led task team was that South Africa needs to become a significant exporter of poultry products. Despite a promising increase in poultry exports of 162% in 2014, exports only grew by 9.2% in 2015 and 2.2% in 2016 – and from a low base. In 2017 and 2018, exports decreased by 15.1% and 18.3%, respectively, because of HPAI-related trade restrictions in place from 2H 2017. Export-led growth is the surest way for consistent industry expansion in excess of population growth levels, and the opening up of new export markets for South African meat and egg products should be an industry and government priority over the next few years. However, achieving a level playing field in international trade is difficult: South Africa is a first world country in World Trade Organisation terms and therefore has open borders. The EU and SADC producers are able to export to South Africa at preferential tariff rates. A legislative review by BFAP suggests that the broiler industry is not in a favourable position regarding unilateral and bilateral commitments to imports and exports. Currently the bulk of South African exports is destined for SADC neighbours, but even some possible neighbouring markets are not accessible to South African producers for non-tariff reasons (BFAP). Europe and the USA block South African imports on the basis of non-tariff barriers, such as the presence of Newcastle disease, and AI in ostriches. Issues of bird welfare, meat inspection, medication residue monitoring, environmental protection, food safety and animal health will need to be understood by the industry and responded to, in collaboration with DAFF, in order to allow competition in international markets. Data from BFAP suggest that South Africa will not be able to compete with leading exporters such as Brazil and the US unless favourable transportation rates to the export destinations can be realised; or it obtains preferential access into certain markets. SAPA has established an export forum to help producers access niche markets for breast meat, but challenges remain at government level. These include DAFF’s failure to run national residue and antibiotic monitoring programmes and the lack, until this year, of an independent meat inspection scheme. BFAP believes that potential markets should nevertheless be identified, and the creation of protocols to access these markets prioritised. Many Eastern markets, including the UAE, Saudi Arabia, Hong Kong and Japan, are located favourably for South Africa in terms of transport costs but the demand structure in these countries is similar to South Africa. The UK and Europe (white, breast meat) and Saudi Arabia (whole birds) present export options for South African producers if phytosanitary, sanitary, traceability and welfare barriers can be overcome.
The industry continues to hope that the Department of Trade and Industry will move forward with the designation of poultry products in terms of the Preferential Procurement Policy Framework Act. This would have the effect that state procurement of poultry products would have to be local, and preferentially sourced from historically disadvantaged (HDI) producers. While poultry products have not yet been added to the existing list of designated products and sectors, Section 8.4 of the revised regulations (2017) allows organs of the state to “self-designate” in tenders, provided they do so in consultation with National Treasury and the DTI. The DTI claimed in March 2017 to have invoked this regulation to help support local poultry producers.

As with the cage-free revolution in the egg industry, broiler welfare initiatives are rapidly becoming a horizon issue for South African farmers. Rabobank’s Nan-Dirk Mulder, speaking at the first Feed Strategy Conference (host: WATT Global Media), has suggested that social concerns offer opportunities for producers seeking to differentiate themselves from competitors. These social concerns include environmental, food safety, animal welfare, sustainability and consumer health issues. In this vein, the UK supermarket chain Waitrose has recently joined Marks and Spencer’s, Nestlé and Knorr in signing up for the Better Chicken Commitment (run by Compassion in World Farming(CWF)). The RSPCA is now putting pressure on other supermarket giants to follow suit. By 2026, Nestle will have transitioned to a higher code of welfare for all of the broilers used in food production in Europe. All Nestle’s suppliers to brands Maggi, Herta, Buitoni and Wagner will have to implement the new policy in stages, including abiding by EU welfare regulations, regardless of country of origin. Nestle are the latest company to sign up to the “European Ask on Broiler Welfare”; joining Unilever’s Knorr and Marks and Spencer. The European Ask is a unified front of welfare organisations (including CWF), which is pushing producers to embrace prescribed minimum welfare standards. These standards include a maximum stocking density of 30 kg/m²; enriched environments; humane atmospheric or electrical stunning methods (without immersion); third party auditing; and the use of breeds with higher welfare outcomes (https://welfarecommitments.com/europeletter/). Over 90% of UK broiler production is assured by the Red Tractor scheme. Red Tractor standards on welfare, antibiotic use, environmental protection, food safety and traceability speak to consumers’ concerns about how their food is produced (https://www.redtractor.org.uk/). South African producers can expect fast food chains (with international footprints) to come under increasing pressure to sign up to stricter welfare codes within the next few years.

DAFF regulates the safety and quality of agricultural products through several Acts, including the Agricultural Product Standards Act (119 of 1990) and the Meat Safety Act (40 of 2000). Historically, authorised inspectors of the Directorate Inspection Services of the Department of Agriculture, Forestry and Fisheries were responsible for carrying out inspections. Due to personnel and other constraints at DAFF, enforcement of the regulations has been inadequate. The Agricultural Products Act allows for the appointment of assignees (by the Minister) to do work on behalf of DAFF. Assignees may be any person, body, institution, association or board who are subject matter experts with respect to the product concerned. The Act regulates the sale of poultry meat, in terms of classification, grading, quality, packaging and labelling. The purpose of the Act is to protect consumers of meat and other products (local sales and exports) and to facilitate trade in agricultural products. The APS act allows an assignee to charge fees for services rendered, albeit on a non-profit basis. In May 2017, the Department gazetted an inspection fee of
0.008 c per carcass, valid from 1 June last year. The Agency for Food Safety has been appointed as the designated assignee to provide inspection services to the poultry industry. The assignee will be operational throughout all selling and inspection points, such as ports of entry, pack houses, processing facilities, distribution centres, wholesalers, retail outlets and fresh produce markets. The inspection process involves sampling products using prescribed methods. Samples are taken at the discretion of the assignee, who is guided by regulations. The assignee must prevent redundancy of inspection (that is, inspections of the same product at different stages of the supply chain). In theory, the Act should prevent poor quality products from being imported into South Africa as locally produced, exported and imported products are all subject to the same regulation.


In July 2017, the Minister of Agriculture gazetted the establishment of an independent meat inspection scheme which falls under the Meat Safety Act; and invited applications from prospective assignees to provide inspection services on behalf of the Department. Abattoirs are expected to procure services from the list of assignees published by DAFF; effective 1 November 2017. Besides abattoirs, the Meat Safety Act ensures that there is provision of an independent meat inspection service at all other facilities under the authority of the Act (including export and import-approved cutting plants, abattoirs, processing plants, further processing plants and cold stores).

7. SUBSISTENCE AND SMALL COMMERCIAL FARMERS

7.1 Overview

Emerging and contract broiler farmers contribute perhaps 2% to the South African production of chicken meat. Emerging egg producers constitute less than 0.5% of the industry total, so there is still a long way to go and much work to be done in opening up the poultry market to new farmers.

An independently operating subsidiary of SAPA, the Developing Poultry Farmers Organisation (DPFO), was formed in 2003 to address the specific needs of emerging and small-scale producers of eggs, dressed broilers and live birds. The DPFO was concerned with promoting and advancing the developing sector of the South African poultry industry so that these farmers could move into the mainstream agricultural economy.

In late 2013, the need for a new, more efficient and relevant SAPA became clear. The restructuring process included consolidating the four SAPA subsidiaries - the Broiler Organisation, the Egg Organisation, the Chick Producers Organisation and the Developing Poultry Farmers Organisation – into two product-related organisations.

Under this consolidation process, producers from the DPFO were absorbed into their respective product value chains, falling under either the Broiler Organisation or the Egg Organisation.

It is important that smaller farms become fully integrated into the new structures and, to this end, a sub-committee on transformation was formally established in August 2014. The sub-committee is tasked with facilitating the transformation process for all SAPA members.

7.2 Subsistence and small commercial farmers: statistics

SAPA continues to play the major role in the collection of statistics by conducting quarterly surveys amongst new-entrant and small commercial farmers.

The aim is to better understand the unique conditions facing the smallholder poultry producer, so that appropriate support can be provided.

All small commercial farmers are encouraged to participate in these statistical surveys.

Figure 29 shows the distribution of survey respondents in South Africa for the period October to December 2018.
Survey respondents have cited a number of challenges confronting them. These include:

- High input costs especially feed;
- Difficulty sourcing good quality day-old chicks, shavings and medication;
- Poor condition of their facilities;
- Lack of funding to expand;
- Absence of a local abattoir;
- High mortality rate caused by diseases or inclement weather;
- Too many competitors in the area giving rise to an unstable market;
- Non-payment or late payment by clients causing cash flow problems;
- Theft of birds due to unemployment and crime;
- Struggling with supply of electricity and water.

Small-scale egg farmers experience problems with diseases, the high cost of feed and point-of-lays, low production, adverse weather conditions, theft, the poor condition of poultry houses, an unstable market, and an unreliable water supply.

**Statistical survey: the broiler industry**

The statistical survey comprises different types of producers from the broiler industry, including broiler hatcheries, independent broiler growers, contract growers and abattoirs. A broiler smallholder farmer is defined as a broiler farmer producing less than, or equal to, 120 000 birds.
per cycle. Figure 30 depicts the distribution of small broiler producers in South Africa in 2018. The survey results are summarised in the tables below.

![Figure 30. Distribution of small-scale broiler producers surveyed in 2018](image)

A large number of broiler producers exited the market throughout 2018; evidence of the difficult trading conditions (Table 15).

**Table 15: Small broiler producers: survey respondents and business activity in 2018**

<table>
<thead>
<tr>
<th>Period</th>
<th>Number of respondents</th>
<th>Completed questionnaires</th>
<th>Number that stopped farming</th>
<th>Number that resumed farming</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1 2018</td>
<td>Q2 2018</td>
<td>Q3 2018</td>
<td>Q4 2018</td>
</tr>
<tr>
<td>Number of respondents</td>
<td>204</td>
<td>226</td>
<td>256</td>
<td>251</td>
</tr>
<tr>
<td>Completed questionnaires</td>
<td>177</td>
<td>203</td>
<td>217</td>
<td>218</td>
</tr>
<tr>
<td>Number that stopped farming</td>
<td>27</td>
<td>23</td>
<td>39</td>
<td>33</td>
</tr>
<tr>
<td>Number that resumed farming</td>
<td>14</td>
<td>13</td>
<td>15</td>
<td>21</td>
</tr>
</tbody>
</table>

The average costs of inputs paid by survey respondents, for the four quarters of 2018, are shown in Table 16 below.

Prices exclude VAT and delivery. Feed is mainly purchased in small quantities in 40 kg or 50 kg bags but for comparative purposes the prices are shown in rand per tonne. Prices paid by commercial farmers are shown in italics.
**Table 16:** The average input costs of survey respondents in 2018: broiler producers

<table>
<thead>
<tr>
<th>Period</th>
<th>Day-old chicks (R/bird)</th>
<th>Broiler starter (R/t)</th>
<th>Broiler grower (R/t)</th>
<th>Broiler finisher (R/t)</th>
<th>Av. commercial broiler feed (R/t)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1 2018</td>
<td>Q2 2018</td>
<td>Q3 2018</td>
<td>Q4 2018</td>
<td>Year</td>
</tr>
<tr>
<td>Day-old chicks (R/bird)</td>
<td>7.04</td>
<td>7.24</td>
<td>7.36</td>
<td>7.52</td>
<td>7.29</td>
</tr>
<tr>
<td>Broiler starter (R/t)</td>
<td>5 710</td>
<td>5 529</td>
<td>5 465</td>
<td>5 541</td>
<td>5 561</td>
</tr>
<tr>
<td>Broiler grower (R/t)</td>
<td>5 404</td>
<td>5 233</td>
<td>5 239</td>
<td>5 274</td>
<td>5 287</td>
</tr>
<tr>
<td>Broiler finisher (R/t)</td>
<td>5 264</td>
<td>5 082</td>
<td>5 061</td>
<td>5 012</td>
<td>5 105</td>
</tr>
<tr>
<td>Av. commercial broiler feed (R/t)</td>
<td>4 902</td>
<td>4 980</td>
<td>5 046</td>
<td>5 365</td>
<td>5 073</td>
</tr>
</tbody>
</table>

Figure 31 shows the average broiler feed prices per quarter for survey respondents (small commercial producers) and commercial producers. For the comparison, bag prices have been divided by 40 kg or 50 kg to change them to a R/kg price. The R/tonne bulk prices were divided by 1 000 to convert them to R/kg.

There is a noticeable difference between small-scale and commercial feed prices. Expressed as percentages, these differences are + 11.4 %, + 6.1 %, + 4.1 % and - 1.7 % for the four consecutive quarters. Large broiler producers generally qualify for volume discounts which give them a substantial advantage. (Please note 4Q 2018 data for small-scale commercial feed prices is unusual in that commercial prices are higher. The accuracy of the pricing collected from small-scale farmers is sometimes questionable).
Production volumes and average selling prices for 2018 are summarised in Table 17 below. There is a large difference in the selling prices of slaughtered birds (R/kg) between small-scale members and commercial producers. Smallholder broiler farmers tend to slaughter the birds themselves, or pay an independent abattoir approximately R5.21 per bird to do the processing. These dressed birds are often sold directly to the end user at inflated prices. Commercial broiler producers sell dressed birds to the wholesale or retail sector in bulk quantities at relatively low prices, after discounts and rebates have been deducted by the supermarket chains.

Table 17: Production volume and selling prices of survey respondents in 2018: broilers

<table>
<thead>
<tr>
<th>Period</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Live sales volume (birds)</td>
<td>1 064 601</td>
</tr>
<tr>
<td>Average price (R/bird)</td>
<td>54.87</td>
</tr>
<tr>
<td>Live sales as a % of total sales</td>
<td>86.9</td>
</tr>
<tr>
<td>Slaughtered volume (birds)</td>
<td>159 822</td>
</tr>
<tr>
<td>Average price (R/kg)</td>
<td></td>
</tr>
<tr>
<td>Small-scale</td>
<td>31.81 (R60.35/bird)</td>
</tr>
<tr>
<td>Commercial</td>
<td>22.44</td>
</tr>
</tbody>
</table>

The estimated margin over feed cost, for small-scale and commercial producers, is shown in Figure 32. In doing these calculations, it was assumed that the feed conversion ratio is 1.7 (that is, a broiler eats 1.7 kg of feed to put on 1 kg of body weight or meat), and the dressing percentage is 72% (that is, 72% of the carcass is edible meat and the other 28% is bone, feathers and inedible offal).

Figure 32. Estimated margin over feed cost per quarter (broilers) for small-scale and commercial farmers
As seen in Figure 32, the small-scale broiler farmers enjoy a substantially larger margin than commercial farmers, despite their higher feed prices, because of their inflated selling price.

In the broiler industry, the feed cost is approximately 70% of total production cost. Other expenses that need to be taken into account before calculating the profit are gas, shavings, vaccines, cleaning materials, salaries, water and electricity, protective clothing, and the cost of day-old chicks.

**Statistical survey: the egg industry**

The statistical survey includes both pullet rearers and commercial egg farmers (Table 18). A smallholder egg farmer is defined as an enterprise producing less than, or equal to, 20 000 eggs per day, that is, 1 667 dozen per day.

Figure 33 depicts the distribution of small-scale egg producers in South Africa. The survey results are summarised in the tables below. All prices are exclusive of VAT and delivery costs. Where possible, comparisons are drawn between the input and output prices for small-scale members and commercial producers, as estimated by SAPA.

**Figure 33. Distribution of small-scale egg producers surveyed in 2018**

The majority of participants in the fourth quarter survey were resident in Gauteng, Limpopo, and Northern Cape.
Table 18: *Survey respondents and business activity in 2018: small-scale egg producers*

<table>
<thead>
<tr>
<th>Period</th>
<th>Surveyed small-scale egg producers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1 2018</td>
</tr>
<tr>
<td>Number of respondents</td>
<td>67</td>
</tr>
<tr>
<td>Completed questionnaires</td>
<td>59</td>
</tr>
<tr>
<td>Number that stopped farming</td>
<td>8</td>
</tr>
<tr>
<td>Number that resumed farming</td>
<td>2</td>
</tr>
</tbody>
</table>

The cost of inputs is summarised in Table 19 below. The average feed price paid by commercial egg producers is shown in italics (source: SAPA survey, published in *Monthly Egg Price Report*).

Large commercial farmers generally have an advantage because they buy in bulk and therefore qualify for volume discounts. Small-scale members buying small quantities are paying a bagging cost and a mark-up if they are located far from the feed manufacturer and are purchasing from a depot or co-op.

According to the 2018 survey, 87% of small egg producers bought their feed in bags while 12% purchased in bulk and 1% mixed their own feed.

Table 19: *The average input costs of small-scale survey respondents in 2018: eggs*

<table>
<thead>
<tr>
<th>Period</th>
<th>Input costs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1 2018</td>
</tr>
<tr>
<td>Day-old pullet (R/bird)</td>
<td>9.89</td>
</tr>
<tr>
<td>Point-of-lay pullet (R/bird)</td>
<td>67.54</td>
</tr>
<tr>
<td>Laying mash (R/tonne)</td>
<td>4 400</td>
</tr>
<tr>
<td>Small-scale (buying bags)</td>
<td>3 068</td>
</tr>
<tr>
<td>Commercial</td>
<td></td>
</tr>
</tbody>
</table>

The feed price in R/kg for the four quarters of 2018 is shown in Figure 34. The bag price is divided by 40 kg or 50 kg to give a R/kg price. For farmers buying in bulk, the R/tonne price is divided by 1 000. This allows us to compare feed prices for small and large egg producers.

There are substantial differences in the prices paid by small-scale members and commercial producers. Expressed as percentages, these differences are +43 %, +42 %, +45 % and +43 % for the four consecutive quarters.

Bird numbers and egg production are shown below (Table 20). It is interesting to note that the laying farms are not stocked to capacity. The cost of purchasing layer replacements may be a factor because many smaller producers do not have adequate cash flow for a large purchase in one month. Smaller producers may also find it hard to source point-of-lay pullets.
Figure 34. Average layer feed price per quarter, for small-scale and commercial farmers

Table 20: Pullet and hen numbers: Small-scale layer farmers 2018

<table>
<thead>
<tr>
<th>Period</th>
<th>Pullet and hen numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1 2018</td>
</tr>
<tr>
<td>Number of pullets being reared</td>
<td>24 530</td>
</tr>
<tr>
<td>Number of laying hens</td>
<td>108 760</td>
</tr>
<tr>
<td>Farm capacity</td>
<td>247 100</td>
</tr>
<tr>
<td>%</td>
<td>44.0</td>
</tr>
</tbody>
</table>

Average selling prices and the estimated margin over feed cost are given in Table 21. The average prices obtained by commercial egg producers are shown in italics (source: SAPA survey, published in Monthly Egg Price Report).

Figure 35 shows the average price for eggs for the four quarters of 2018. Small-scale producers failed to take advantage of market shortages caused by avian influenza; their prices were generally significantly lower than those obtained by commercial farmers. Expressed as percentages, these price differences are - 7.6 %, - 9.7 %, - 0.4 % and - 3.1 % for the four consecutive quarters.
Table 21: Average selling prices and margin over feed cost: small-scale layer farmers 2018

<table>
<thead>
<tr>
<th>Period</th>
<th>Egg price (R/doz)</th>
<th>Cull price (R/hen)</th>
<th>Feed cost (R/doz)</th>
<th>Margin over feed cost (R/doz)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1 2018</td>
<td>Q2 2018</td>
<td>Q3 2018</td>
<td>Q4 2018</td>
</tr>
<tr>
<td>Egg price</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small-scale</td>
<td>16.32</td>
<td>15.56</td>
<td>17.14</td>
<td>14.73</td>
</tr>
<tr>
<td>Commercial</td>
<td>17.66</td>
<td>17.24</td>
<td>17.21</td>
<td>15.20</td>
</tr>
<tr>
<td>Cull price</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small-scale</td>
<td>43.63</td>
<td>43.68</td>
<td>44.49</td>
<td>41.56</td>
</tr>
<tr>
<td>Commercial</td>
<td>28.18</td>
<td>25.87</td>
<td>28.24</td>
<td>23.93</td>
</tr>
<tr>
<td>Feed cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small-scale</td>
<td>7.04</td>
<td>7.32</td>
<td>7.56</td>
<td>8.07</td>
</tr>
<tr>
<td>Commercial</td>
<td>4.91</td>
<td>5.14</td>
<td>5.20</td>
<td>5.62</td>
</tr>
<tr>
<td>Margin over</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small-scale</td>
<td>9.28</td>
<td>8.24</td>
<td>9.58</td>
<td>6.66</td>
</tr>
<tr>
<td>Commercial</td>
<td>12.75</td>
<td>12.10</td>
<td>12.01</td>
<td>9.58</td>
</tr>
</tbody>
</table>

Figure 35. Average producer price per quarter, for small-scale and commercial farmers

The excellent cull hen price obtained at the end of the laying cycle puts the small farmers in a strong position to purchase new point-of-lays. In 2018, the average cull price of R43.34/hen was 59% of the average point-of-lay price (R73.77).
In Table 21 (above), the estimated feed cost in rand per dozen is a calculation based on the feed price (R/kg) multiplied by a feed conversion of 1.6 kg/dozen. In the fourth quarter, every one dozen eggs produced cost the small-scale farmer R8.07 in feed.

The estimated margin over feed cost is calculated by subtracting the feed cost from the egg price. For small-scale farmers in the fourth quarter:

\[ \text{R14.73/doz} - \text{R8.07/doz} = \text{R6.66/doz} \]

Figure 36 shows that, in 2018, small-scale farmers realised lower margins over feed cost than commercial producers. There is an opportunity here for smaller farmers to focus their efforts on marketing strategies that will increase their selling price.

Other monthly expenses, such as salaries, packaging material, electricity, water, vaccinations, cleaning materials and the cost of new point-of-lay pullets still need to be taken into account before working out the profit per dozen.

**Figure 36. Average margin over feed cost per quarter, for small-scale and commercial farmers**

**Summary of statistical findings**

There is a real opportunity for both smallholder broiler and egg farmers to make profits and develop sustainable businesses. It may not be possible to reduce the cost of inputs, but by focusing on improving farm efficiencies (reducing wastage and mortalities, and increasing production and growth rates), as well as securing reliable markets, the outcome could be very positive.
These results emphasise the importance of reliable statistics for the industry and small-scale farmers in particular. Agricultural statistics are key to measuring the performance in a sector. Data are used for decision making, planning, research, etc. The data presented in this report are obtained from the analysis of the small-scale farmer survey results. Grateful thanks go to Silverpath Consulting for the excellent job they do and to all the small-scale farmers who patiently contribute to the telephonic surveys.

The small-scale farmer statistics are the best available in South Africa but can get better with stakeholder involvement. We encourage all emerging farmers, whether SAPA members or not, to participate in these statistical surveys, so that we can present a better picture of the issues that confront this sector to the rest of the industry and other stakeholders. We need your assistance in this matter.

7.3 Industry transformation

A transformation committee was established during 2014 to facilitate transformation activities within SAPA and amongst the SAPA members, and to monitor progress and provide reports to the key stakeholders in transformation. More information can be found in Chapter 10.1.

Clearly the idea behind any transformation agenda is to give people who have been excluded from the mainstream economy an opportunity to successfully participate, but the solution is not always straightforward. Specific markets are needed for smaller new entrant farmers that will allow development projects to succeed and grow - but in recent years the industry as a whole has found itself under huge financial pressure. High levels of imports and soaring feed costs have put small businesses to the sword and only large, integrated operations, with economies of scale are likely to survive in the current environment. This is a worldwide trend in broiler and egg production. Meaningful transformation therefore remains difficult. On the one hand, Government is throwing significant resources at bringing small scale producers into the poultry value chain, in order for them to contribute to food security and rural development, but, on the other hand, it continues to expose the industry to open and often unfair market forces. Government could stimulate much greater levels of industry transformation by ensuring the unfair competition from dumped imports is removed from the market.

SAPA should be better placed to drive transformation projects over the next few years. The reintroduction of the statutory levy on egg producers comes with provisos. Twenty percent of the monies collected must be spent on industry transformations initiatives. In addition, NAMC has approved SAPA’s evergreen transformation trust fund, created from the historical levy surplus, and this fund will be used to support transformation projects.

It remains of critical importance to integrate smallholder farmers and larger new-entrant commercial producers into the poultry value chains. They have a vital role to play in poverty alleviation, ensuring food supply and creating jobs in South Africa.
7.4 Prospects going forward

It is not easy to enter mainstream markets. A definite minimum size exists, below which a broiler farm will struggle to sustain its profitability. In addition, the farm must be close to a feed mill, veterinary services, and abattoir and cold-chain facilities. Egg producers face slightly fewer constraints and it is a little easier for emerging farmers to enter this market. However, egg producers, even at the commercial level, are consistently under strain in South Africa because demand for the product remains weak and does not increase at the same rate as broiler meat demand when consumers’ disposable income increases. The Transformation Committee will continue to push for meaningful transformation within the industry to allow for much improved market access and to support its members with advice, training and mentoring.
8. POULTRY HEALTH / DISEASE AND WELFARE

8.1 Introduction

Outbreaks of poultry disease in recent years, such as Newcastle disease and highly pathogenic avian influenza, have demonstrated the vulnerable position the South African industry is in in terms of disease control. Outbreaks of HPAI have disastrous consequences for both the poultry industry and the consumer (in terms of the nation’s protein supply, food security and food pricing). In the event of a catastrophic disease outbreak, the cost of restocking and disinfection programmes can run into billions of rands. To mitigate this risk, a number of programmes have been developed to safeguard the industry and to ‘Protect the Flock’.

Since the first outbreak of Newcastle Disease (NCD) in the late 1960s, veterinary authorities have delegated implementation of control measures for this disease to the poultry industry. In the absence of a strong national veterinary service, the industry increasingly has to rely on its own initiative to put in place disease control measures against other challenges. The Poultry Disease Management Agency (PDMA) was established in 2012 as a means to protect the national poultry flock through disease surveillance, monitoring, control and management of diseases which threaten the health of the flock and food security. The work of the PDMA is very important in achieving the required disease control compliance for export markets; especially for notifiable diseases such as NCD, salmonella infections (e.g. Salmonella enteritidis), HPAI and any other low pathogenic AI infections.

Funded by SAPA, the PDMA is located at the University of Pretoria Onderstepoort campus (OP) in the Department of Production Animal Studies.

The PDMA’s strategic goals are to have direct involvement in poultry disease control measures through:

- Influencing policy for controlled diseases;
- Disease surveillance of commercial and non-commercial sectors of the poultry sector;
- Reduction of disease levels nationally, which includes a microbial reduction programme;
- Rapid response mechanisms against local and exotic disease threats;
- Improving veterinary and animal health training within South Africa;
- Establishment of a formal Public Private Partnership, under which the state delegates certain regulatory functions to the PDMA;
- Reducing the levels of residues in poultry meat through the residue monitoring programme;
- Collaboration with the ostrich industry for mutual benefit deriving from improved disease control;
- Achieving and maintaining export status for the benefit of both industries.
These goals translate into the PDMA strategic priorities of:

- Engaging national and local government on issues of disease control in the SA poultry industry;
- Making use of the database of poultry farms in South Africa to assist DAFF with monitoring notifiable diseases such as avian influenza, salmonella and Newcastle disease, while simultaneously using it to develop monitoring programmes for critical diseases such as infectious bronchitis;
- Appointing or designating veterinarians with expertise in poultry diseases in each province who are available to assist state veterinarians in the event of disease outbreaks in commercial, smallholder and subsistence poultry;
- Advancing the role of the PDMA in training state veterinarians and/or animal health technicians to improve services delivered by the state in the event of disease outbreaks on poultry farms;
- Developing a residue monitoring programme for poultry products nationally, or at least a database of residue monitoring data that is available;
- Delivering improved technical and veterinary support to smallholder poultry farmers so they can achieve greater production success in collaboration with state veterinary services or through the PDMA’s own initiatives;
- Collaborating with the ostrich industry.

The PDMA and SAPA work in close conjunction with the following branches of the Department of Agriculture, Forestry and Fisheries: Agricultural Production, Health and Food Safety; Food Security and Agrarian Reform; and Economic Development, Trade and Marketing.

The establishment of the PDMA and its successful implementation during 2012 was a major step forward in ensuring that the industry’s flocks of commercial chicks, layers, broilers; indigenous and smallholder birds are protected.

8.2 The Poultry Disease Management Agency (PDMA) in 2018

**Disease monitoring and surveillance**

The PDMA continues to aggregate AI surveillance information, as per its agreement with DAFF. The reporting is conducted on a monthly basis for export compartments and on a six-monthly basis (January to June (1st semester) and July to December (2nd semester)) for non-compartments, according to a prescribed protocol.

The project to enhance the AI surveillance database is in its final phase of implementation. During the period under review, the database was opened to producers who can now submit surveillance reports electronically. This has improved efficiency immensely as it has allowed the
producer information on the database to be updated quickly as well as merged with the cull trader database. The next phase of the project is to provide remote access to the relevant DAFF and provincial authorities as well as to improve the reporting functionality. There has been positive feedback from the industry on the latest developments regarding the use of these databases. It is envisaged that, by the end of the 2019 financial year, producers will make use of the electronic platform for all their submissions.

A total of 304 poultry companies and farms have been registered on the PDMA database for the purpose of monitoring the sale of live birds. These include egg producers, pullet rearers, broiler producers, layer and broiler breeder operations, hatcheries, co-ops, and poultry projects. Furthermore, a total of 9 412 active cull bird traders were registered on the database during the period June 2017 to December 2018. The agency has developed an online platform to assist with managing the process of monitoring live bird sales. One of its main objectives is to reconcile data to give indications of the numbers of chickens that have been bought; sold; or remained in the possession of the traders. The agency records where the trading took place, across all provinces.

Following the 2017 HPAI outbreak, the wild bird surveillance programme has been reviewed and extended in parts of the country. In 2019, the PDMA will further enrich this programme through a review of the HPAI risk map.

*Disease incidence reduction*

Together with DAFF and the Poultry Group of the South African Veterinary Association, the PDMA has drafted a vaccination proposal for HPAI. This proposal seeks to protect the national flock by eradicating H5Nx through the selective use of vaccination. During 2018 this proposal was reviewed and updated and sent to producers for comments. Additionally, the PDMA engaged with the Agricultural Research Council (ARC) regarding laboratory capacity and support for AI diagnostics. The ARC is in the process of optimising its test protocol in consultation with state and private laboratories. Once the project is complete, it will lead to better synergy.

The PDMA has continued to participate in the National Animal Health Forum (NAHF). Through the ad hoc DAFF–NAHF Risk Mitigation and Compensation Committee of this forum, the PDMA has played a key role in the review of the proposal for a “community of practice” in sanitary risk analysis, led by the Research Chair in Poultry Health and Production, Prof. Celia Abolnik. A community of practice is a group of people who share a concern or passion for something they do. Once finalised, this community of practice will go a long way in assisting the industry with disease risk assessment.

*Antimicrobial resistance monitoring and antimicrobial residue monitoring*

Work is still continuing on the Gauteng Department of Agriculture and Rural Development research project to investigate the potential health risks that *E. coli* and other pathogens (namely, salmonella, campylobacter and staphylococcus) pose to consumers of dressed spent hens, culled breeders, and broilers sold in the informal markets in Gauteng.
In 2018 work also continued on the molecular characterisation for the enterotoxigenic *E. coli* and enteropathogenic *E. coli* serotypes. The year was spent on the optimisation process and expansion of the molecular work to be conducted. One of the PDMA officials is incorporating this project into an MSc thesis.

**Capacity development**

A total of 84 state veterinarians have gone through targeted in-service professional training since 2013. The aim of the in-service training is to create state poultry experts in the provinces and municipalities. These experts are to champion poultry disease control by working together with private veterinarians.

Following the outbreak of HPAI in South Africa in June 2017, the poultry training programme for state veterinarians was suspended in an effort to minimise the risk of spreading the virus. This hiatus also afforded the PDMA the opportunity to review the impact of the training programme and to identify where the capacity building efforts can best serve the industry. A decision was taken to extend the programme to animal health technicians (AHTs) who are often the first-line respondents in outbreak situations. The PDMA engaged the University of South Africa to facilitate the training, as it already offers a four-year degree in animal health. Training of AHTs started at their annual congress in Ermelo from 17–19 October 2018. This congress was targeted as it included AHTs from all provinces so the PDMA did not have to go to each province to provide training.

The PDMA continued working on the proposed plan to visit all the provinces to provide much needed technical support to small-scale farmers, AHTs as well as extension officers. In 2018 KwaZulu-Natal, Eastern Cape and Gauteng were visited. This is the first step in creating value within this stakeholder network. As part of this programme, the PDMA provides training in biosecurity, poultry management, the poultry value chain, HPAI as well as emergency disease response.

**8.3 Avian influenza (AI)**

During 2018, the poultry industry gradually recovered from the catastrophic outbreaks of the H5N8 strain of HPAI, as depleted flocks were replaced. In total, there were 107 reported cases in 2017, of which 75 occurred in the Western Cape. Farms placed under quarantine were officially declared free of the virus 42 days after the first effective disinfection.

No new cases were reported on commercial poultry farms in the Western Cape after 31 October 2017, although there was a reoccurrence at a previously infected farm still under quarantine. Producers continued to be vigilant and to maintain strict biosecurity. There were numerous infections in the province early in 2018 in wild birds such as swift terns, African penguins and Cape gannets. Vendors in the province were badly affected by a lack of availability of cull hens and had to source birds from further afield at higher prices.

Eight outbreaks of HPAI H5N8 were reported in commercial ostrich flocks in 2018: in the Karoo Hoogland municipality of the Northern Cape (3 September); Hessequa (15 and 27 September; 19 November); Oudtshoorn, Western Cape (26 September); Swellendam, Western Cape (29
October); City of Cape Town, Western Cape (20 November); and Kannaland, Western Cape (7 December).

There was one confirmed case of HPAI in June 2018 in a commercial layer flock in Gauteng, which resulted in the culling of 30 112 hens. Five cases of HPAI were confirmed in backyard flocks in 2018: (Theewaterskloof (Western Cape); near Groblersdal (Limpopo); De Kroon, near Brits (North West); one in flocks of ducks and quail (Madibeng, North West); one in Mbombela, Mpumulanga (domestic swan); and one in early June on an unspecified farm in Ekurhuleni (Gauteng)). Commercial poultry farmers in the areas were informed and advised to be vigilant.

State veterinarians reported 103 “outbreaks” in wild birds and hobbyist birds in a report to the OIE (24 July 2017; updated 14 September 2018). The last reported case in wild birds was a blue crane, found in the Western Cape in mid-July 2018.

DAFF granted dispensation for producers to import fertilised eggs in order to replace lost stock as quickly as possible. In March, 23.6 tonnes of fertilised eggs were imported from Brazil. A further 2.1 tonnes were imported from Ireland in May. It is not clear from the data provided by the South African Revenue Service whether these were fertilised eggs for the broiler or egg industry.

In February BFAP released a report entitled *Economic impact of the 2017 highly pathogenic avian influenza outbreak in South Africa*. In total, 4.7 million birds died or were culled in the laying sector: 4.6 million commercial laying hens, 86 500 layer breeders and the remainder were pullets in rear. The provincial breakdown of affected laying hens is shown in Table 22. The estimated biological loss of R238.9 million was made up as follows: R225 million for culled laying hens; R5.2 million for eggs that were destroyed; and R8.65 million for culled layer parents. The estimated value of income foregone was R1.221 billion: R408 million lost from egg sales and R813 million from layer breeder flocks. The latter includes income lost from day-old pullet and point-of-lay pullet sales. It proved difficult for BFAP to calculate the direct costs associated with the outbreak, but these were estimated to be R40.5 million, of which approximately 87% accrued to the egg industry.

<table>
<thead>
<tr>
<th>Province</th>
<th>Birds dead or culled</th>
<th>% of provincial hen population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free State</td>
<td>360 000</td>
<td>10.1</td>
</tr>
<tr>
<td>Gauteng</td>
<td>415 258</td>
<td>7.3</td>
</tr>
<tr>
<td>KwaZulu-Natal</td>
<td>111 945</td>
<td>3.6</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>394 435</td>
<td>34.8</td>
</tr>
<tr>
<td>Western Cape</td>
<td>3 320 056</td>
<td>71.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4 601 694</strong></td>
<td></td>
</tr>
</tbody>
</table>

Dr Charlotte Nkuna, interim CEO of SAPA, communicated to Parliament’s portfolio committee on agriculture, forestry and fisheries the cost of the HPAI outbreak to the poultry industry. The lack of a compensation policy, slow emergency disease response, limited capacity for disease
monitoring and detection, and the lack of risk assessment capability were highlighted as ongoing challenges.

8.4 Animal welfare

Over the years, the poultry industry has been sensitive to the animal welfare aspects of poultry farming practices and, therefore, the existing Code of Practice (COP) has been updated to give the necessary guidance for certain methods of production and in the handling of chickens. The last version in 2012 addressed the sensitive issues of cage density for commercial layers, drinker systems in cages, maceration and euthanasia of chickens, transportation of chickens, and the treatment of end-of-lay birds and cull outlets.

Egg producers in Canada, Australia, New Zealand and the USA continue to be pressured by welfare organisations and retail outlets to switch to cage-free production systems. There is some resistance from farmers who have already invested heavily in colony cages. The debate continues on the need to balance hen welfare with the issues of environmental sustainability, availability, affordability and food safety.

Internationally, McDonalds launched an advisory council with the aim to source all its food and packaging material in a sustainable manner. The company remains committed to improving animal welfare and minimising antibiotic use and other corporations tend to follow any lead McDonalds sets. In October 2018, it was announced that seven multinational food companies had joined forces to establish the Global Coalition for Animal Welfare (GCAW). The companies include Aramark, Compass Group, Nestlé, Sodexo and Unilever. The five core goals of the coalition aim to eliminate battery cages for hens, improve conditions for broilers, reduce antimicrobial resistance, improve animal transportation standards, and improve the welfare of farmed fish. The GCAW will work closely with animal welfare experts to develop a road map for change, support producers, and conduct specific research into welfare issues.

The IEC continues to work with the World Organisation for Animal Health (OIE) to develop global standards for laying hen housing. The OIE draft animal welfare standards have been published for comment: SAPA has submitted inputs through Chief Veterinary Officer of South Africa, Dr Botlhle Modisane, and receives updates from the IEC on this matter. SAPA is collaborating with the South African Bureau of Standards on its own draft chicken welfare standards (currently under development); the Association is core to the working group established by the agency.

The revised Code of Practice was discussed at the AGM held at Congress in June. A resolution was passed to keep feed trough space at 8.5 cm per hen and cage floor space at 450 cm² per hen until 1 January 2039. For new cage installations after 1 January 2019, the feed trough space should be increased to 10 cm per hen and the floor space to 550 cm². While producers remain sensitive to the demands of animal welfare groups, a balance needs to be found between the financial implications for both small- and large-scale egg farmers who have invested in infrastructure and public pressure, taking into consideration genuine welfare concerns backed by scientific research.

A high-level IEC working group is addressing the challenge of antimicrobial resistance in the industry.
9. AGRICULTURAL POLICY ACTION PLAN

SAPA has collaborated with the Department of Agriculture, Forestry and Fisheries (DAFF) on a series of strategic programmes and projects and believes an active and meaningful partnership between industry and government is important for all stakeholders.

In July 2013, Cabinet resolved that the Department of Agriculture, Forestry and Fisheries should develop a plan that addresses the vision of the National Development Plan (NDP) and the New Growth Path. Under the Medium Term Strategic Framework of the NDP, agricultural development is seen as a key to realising three important outcomes: Number 4 (decent employment through inclusive growth), Number 7 (comprehensive rural development and food security) and Number 10 (the continual protection and enhancement of environmental assets and natural resources).

Agriculture is seen as critical in achieving higher levels of employment and better food security. Agriculture delivers more jobs per rand invested than any other sector and it is hoped that the sector can generate a million new jobs by 2030.

Vision 2030 of the National Development Plan calls for an inclusive rural economy wherein “...rural communities should have greater opportunities to participate fully in the economic, social and political life of the country. People should have access to high-quality basic services that enable them to be well nourished, healthy and increasingly skilled. Rural economies will be supported by agriculture, and where possible by mining, tourism, agro-processing and fisheries...better integration of the country’s rural areas, achieved though successful land reform, job creation and poverty alleviation”.

The National Development Plan, Chapter 6, sets out clear targets and actions to realise this vision. It identifies almost 600 000 potential jobs in communal areas and 400 000 jobs in commercial agriculture. Roughly a third of the jobs created would be in secondary and service industries, upstream and downstream of primary agricultural jobs. Besides increasing the amount of land under irrigation and making better use of land in communal areas, the NDP also aims to identify sectors of the agricultural economy which have the highest potential for growth and employment. Industries and regions with the most potential to create jobs will receive the most support.

The Department says there is a need to promote agricultural development in a manner that translates into rural development and poverty alleviation. Increased collaboration between successful farmers and the beneficiaries of land reform programmes is seen as important in job creation. The Department also identifies a need to find a better balance between large-scale and small-scale subsectors, thus broadening market participation.

The Agricultural Action Policy Plan (APAP), presented as a draft in spring 2014 and accepted by Parliament in March 2015, is a value-chain approach to encouraging rural development. Under this Plan, the Department of Agriculture has identified important agricultural value-chains and will target government investment accordingly.

The Department is concerned that South Africa increasingly relies on imports of crops (wheat; soya) and livestock products (poultry), while agriculture itself relies on imports of inputs (e.g.
fertiliser, feed, mechanisation). There is a need to create a more sustainable and productive sector and to strengthen the country’s competitiveness by supporting localization where there is potential.

Whilst poultry production is not as labour intensive as, for example, horticulture or sugarcane farming, the potential for growth in this sector is seen as high. The Poultry Integrated Value chain was identified as one of eight sectoral key action programmes (KAPs) under APAP. These sectors were chosen based on their contribution to food security, job creation and growth, and their potential contribution to South Africa’s trade balance. The other KAPs are: red meat; fruit and vegetables; wine; forestry; fisheries; wheat and biofuels.

The APAP programme aims to provide a long-term vision and focused interventions in a five-year rolling schedule. The programme is based on Sectoral Key Action Programmes (mentioned above) and Transversal Key Action Programmes (e.g. research and innovation; land reform; Fetsa Tlala (the government’s hunger eradication programme); Climate Smart Agriculture (CSA) and the Strategic Integrated Project on Agro-Logistics and Rural Infrastructure).

Institutional arrangements and processes are also being put in place to help achieve the development objectives, especially in integrating planning, monitoring and evaluation between the Department of Rural Development and Land Reform and DAFF across all three spheres of government (local, provincial and national).

Each Key Action Programme in APAP has: a problem statement; aspirations; policy levers; nature of interventions and key outputs (actions).

For the Poultry Integrated Value Chain, the problem statement reads as follows:

- Globally, poultry is expected to account for more than half of meat consumption. SA’s consumption of white meat has increased far more rapidly than that of red meat and consumption is expected to increase by 34% by 2023 (to 2.6 million tonnes or 50 kg per capita). Unfortunately, much of this increase has been by way of imports, especially of low-cost frozen portions. Production is only expected to expand by 2 million tonnes to 2023, “necessitating” the importation of 680 000 tonnes per year (SAPA’s emphasis, italics: imports are reducing local production, not compensating for lack of domestic capacity).

- Poultry production systems have a high dependency on imported feed grains for animal feed; up to 63 % of soya oilcake has been imported in the past, pushing up feed prices.

The strategy of the Key Action Programme for poultry focuses on import substitution. When the KAP was drafted, there existed hope that the new import tariff structures would stimulate local production. However, with the US now allowed to export over 65 000 tonnes/annum of frozen chicken portions to South Africa, free of anti-dumping duties, and with the EU and Brazil still enjoying favourable access to the local poultry market, import substitution and growth of the South African broiler industry are likely to be problematic.
The Department of Agriculture, Forestry and Fisheries sees the main challenges and constraints to the broiler industry as:

- The increasing cost of production, especially feed and energy
- The increasing cost of day-old chicks, and variable quality of day-old chick supply in the market
- Dumping and/or oversupply of imports from the EU & South America
- Variable control of poultry diseases
- Low demand/consumption in neighbouring countries
- High initial investment for start-up
- Need for R&D to improve production systems and feed conversion ratio
- Unstable electricity supply
- Monopolistic behaviour of processors and retailers
- Lack of official information in the market, stock population, etc.
- Inadequate market access for smallholder producers
- Highly concentrated commercial poultry sector with less smallholder farmer participation
- Slow transformation agenda
- Abattoirs and hatcheries not well located for smallholder farmers
- Losses due to diseases and pests
- Low levels of transformation

In terms of raw materials, the Key Action Programme hopes to ensure a reduction in feed costs by increasing domestic production of soya bean (to meet increased capacity in crushing facilities) and infrastructure investment in soya bean and yellow maize production and processing. Soya bean-grading regulations will be amended, and regulation relating to the retention of protected soya bean seeds will be developed and implemented. Smallholder training programmes focused on soya bean and yellow maize production and post-harvest practices will be refined and expanded. Off-take agreements with feed companies will be sought.

A national Poultry support programme (“master plan”) will be developed and implemented in partnership with SAPA. Research programmes will be initiated, aimed at making broiler production more energy-efficient and at developing higher-yielding soya bean varieties through partnerships with private sector seed companies.

For more information on the Agricultural Policy Action Plan, the reader is referred to the following link for a full presentation on the aims of the programme:


In the State of the Nation address in February 2016, President Zuma announced a “Nine-point plan” to rejuvenate the flagging economy. One of the nine points is the “revitalisation of agriculture and the agro-processing value chain”; now known as RAAVC. During 2016, the Government also introduced the concept of Operation Phakamisa, initially with the ocean and mining economies and then, in spring 2016, with the agricultural sector. Operation Phakamisa is derived from the Malaysia’s Big Fast Results methodology which has been used successfully to achieve rapid economic transformation. Its broad aim is to stimulate growth, foster job creation and instill transformation along the agricultural and agro-processing value chain.
Departments of Rural Development and Land Reform (DRDLR) and DAFF held a series of strategic workshops in a six-month consultation period in order to produce a scoping document to be used at a 5-week Operation Phakamisa laboratory in September/October 2016. There were 161 registered participants at this laboratory and poultry producers made their voices heard in the Livestock work-stream. Of the 27 initiatives decided on during the course of the laboratory, five fell under the Livestock workstream:

1. Livestock Skills and Knowledge Upgrading Programme.
2. Access to commercial and alternative livestock value chains.
3. National Livestock census and animal identification and traceability programme; to strengthen exports; improve disease control; and ensure adherence to international trade protocols.
4. Enhanced animal health, through revolutionary veterinary services.
5. Fortified veld management; for sustainable livestock production; aiming to rehabilitate 550 000 hectares of old lands and eroded and cleared areas, with a 20% improvement in grazing capacity by 2030.

In 2018, President Ramaphosa has reaffirmed that he views agriculture as one of the greatest opportunities to significantly grow the economy and to help create jobs. In various government budget speeches, APAP, RAAVC and Operation Phakamisa are still mentioned as current policy instruments in growing agriculture. Interventions in the soybean industry appear to be bearing fruit as the country moves quickly towards self-sufficiency but there is still scope to reduce imports of soybean oilcake. Substantial government action to grow the poultry industry and support small-scale broiler farmers is yet to materialize; despite a budget of R128 million rand being reported to support the Poultry KAP in 2017. Poultry farmers will be hoping the industry master plan becomes a reality in 2019.
10. **SAPA STRATEGY**

Following years of disinterest and dissent, producers pulled together behind SAPA in 2018 and committed to build a strong representative body for the industry. Agreement was reached on the way forward involving a new organisational structure, collection models, and key activities.

A special general meeting was held on 12 April to approve the changes to the constitution. The new constitution was registered with the South African Revenue Service on 1 June. The amendments were ratified at Congress on 12 June, allowing for the replacement of the CEO with two general managers and the removal of provincial structures.

SAPA now consists of two independent organisations, each with its own board and general manager. The Broiler and Egg boards will take full responsibility for their administrative functions and their general managers will report to the board of directors. The SAPA Board will retain the governance and fiduciary responsibilities of SAPA.

The poultry industry has received a lot of negative media attention in recent years owing to import woes, bird welfare issues, HPAI and listeriosis. It is also evident that many members of the public are uninformed or misinformed on issues relating to poultry. The Board therefore identified a need for a public relations and communication strategy.

After analysing feedback from exhibitors and attendees of the 2018 Congress, the decision was taken by the Board to hold the AviAfrica Congress every second year (thus the next one will be in 2020). In the years in between, the AGMs will be held at different venues around South Africa.

10.1 **Industry transformation**

The key tasks of the Transformation Committee are:

- To align government’s economic empowerment policy with the actions and policies of SAPA and to help close economic gaps between black and white poultry farmers. The emphasis is on facilitating and overseeing transformation for all SAPA members through identifying business opportunities and enabling processes, as well as recording and reporting on transformation outcomes;

- To ensure that government is fully informed of transformation activities in the poultry sector through a two-way communication process, which will allow government to advise on policy developments, funding criteria, and related transformation opportunities;

- To mobilise resources at a strategic level for enterprise development, as per the AgriBEE scorecard, by providing advice and guidance to developing farmers, as well as facilitating the initiation and completion of development projects;

- To deploy specialist resources and project management to support development projects.
During his budget speech in parliament on 14 May, DAFF Minister Senzeni Zokwana encouraged emerging and commercial farmers to work together to achieve win-win relationships. He acknowledged the need for investment in agricultural infrastructure and called on the Land Bank, the Development Bank of Southern Africa, the Industrial Development Corporation, and the National Empowerment Fund to assist with funding for agricultural and agro-processing projects.

Sovereign Foods entered into a landmark black economic empowerment deal with Cultiver Investments, an agricultural company wholly owned by black people. Sovereign Foods has signed a 10-year preferential procurement offtake agreement for day-old chicks and broilers. Cultiver will receive credit facilities as well as ongoing support and training to ensure its breeder, hatchery and broiler operations succeed and expand. A deal of this nature removes the barriers to entry into the poultry industry and creates market access for a fledgling company. Cultiver plans to produce 342 000 hatching eggs per week and hatch 285 000 day-old chicks per week.

Harry Gwala Agri (Pty) Ltd is a non-profit organisation supporting several projects in the Harry Gwala District Municipality of KwaZulu-Natal. Commercial farmers willingly share their skills, experience and networks with neighbouring small-scale producers. These aspiring farmers are mentored and given access to finance with the aim of helping them to become self-sufficient. A number of successful projects are underway. The organisation also sponsors an internship programme, where students at Esayidi TVET College in Umzimkhulu are given work exposure on local farms, as well as a stipend. This successful model could serve as a prototype for commercial poultry farmers to unite and build relationships with small-scale egg and broiler producers in their areas.

Judy Stuart, the founder and CEO of Future Farmers Foundation, received an award from the Swiss-based Jacobs Foundation in recognition of the valuable work she does with aspiring black farmers. Future Farmers gives disadvantaged young people with a passion for farming the opportunity to ‘learn as they earn’ by placing them on local farms and then sending them overseas for one-year agricultural internships. In 2018 there were 37 Future Farmer interns working on dairy, poultry, beef and crop farms in the USA and Australia. The organisation is based in Howick, KwaZulu-Natal.
11. TRAINING AND SKILLS DEVELOPMENT

This year, 2018, proved to be a quiet year in terms of training as SAPA was involved in the final stages of its restructuring. SAPA did, however, make an application to AgriSETA for some funding and facilitated the training of 45 poultry meat examiners (PME) with the funds received.

11.1 Poultry meat examiners training

The service provider appointed for this initiative was the Academy for Continuous Professional Development (ACPD) and, once again, outstanding results were achieved. Of the 45 candidates enrolled for the training, 44 were deemed to be competent. The one student found not to be competent received expanded opportunities but still did not succeed. All of the successful candidates are now employed; some were previously without jobs. They were all appointed under the Meat Safety Act, Act 40 of 2000, on certification.

The ACPD has kept a record of the candidates’ portfolios of evidence which are available at the ACPD offices, where they will be kept on record for a period of five years.

The challenges noted during the training intervention were:

- Some of the learners found it difficult to complete the required practical training hours as stipulated;
- Some of the learners required additional support to cope with the training material presented;
- Some of the abattoirs started the process late due to internal processes;

SAPA would like to thank AgriSETA for funding the training initiative and the ACPD for providing a professional service and to congratulate them on the successful outcome.
12. CONCLUSION

South African egg and broiler producers entered 2018 enjoying lower feed prices and healthier margins. Market conditions deteriorated as the year dragged on. Producers go into 2019 under renewed pressure from rising feed costs, a glut in supply (egg producers) and high levels of cheap imports (broiler producers). While not as impressive as the 2016/17 harvest, the 2017/18 maize crop looks set to exceed local consumption, supporting South Africa’s position as a net exporter of maize. However, maize prices are expected to firm through 2019 and, although global soybean prices are forecast to moderate, the rand:dollar exchange rate is likely to raise the cost of soybean oilcake for South African buyers. In its October World Economic Outlook, the International Monetary Fund adjusted its growth estimate for the South African economy downwards from 1.5% to 0.8% for 2018. Record levels of unemployment and a stalled economy have reduced disposable income and a growth rate of 0.8 % is not enough to improve employment figures and drive spending. The year ahead promises to be a challenging one for local poultry farmers if GDP growth cannot be improved.

Egg prices are likely to drop further in 2019 as repopulation efforts have resulted in oversupply. Producers continue to fight retailers for a fair share of the price consumers pay for eggs and will hope that there is no recurrence of HPAI outbreaks in commercial flocks during the 2019 winter. Improved spending on biosecurity, on all farms, should reduce the risk of transmission from infected wild birds. Egg export markets contracted by a further 22 % in 2018, after a disappointing year in 2017, and so there remains ground to be regained in this regard.

Local consumption of eggs (130 eggs per person per annum in 2018) remains 7.8 % below 2016 levels (before the HPAI outbreaks) and 14.8 % below the peak achieved in 2012 (152.5 eggs/person). With per capita consumption in countries such as the US, Russia, Mexico, Japan and China exceeding 220 eggs per annum and, in some cases, approaching an egg a day, there is considerable scope in the SADC region to increase local per capita consumption. South African consumers may increase egg purchases while the current situation of oversupply pushes prices down. Clever advertising and marketing campaigns could help cement these gains in per capita consumption. Now that the statutory levy of 1.5 c per dozen on all eggs sold has been reintroduced, SAPA’s Egg Organisation will be expected to take the lead in promoting the consumption of eggs. A new general manager will join the Egg Organisation in January 2019 and assume this marketing role. It is likely that welfare issues will continue to dominate the egg industry press for some time to come and represent a challenge to industry survival and growth in an era of social media campaigns.

In the broiler industry, 2019 will be a more difficult year than 2018. The European countries which export to South Africa have suffered no recent outbreaks of HPAI and can be expected to gradually return to the market. It will be interesting to see whether the EPA safeguard of 35.3 % will be enough to keep imports from the UK, Netherlands and Germany in abeyance. The safeguard is already scheduled to drop to 30 % in March 2019. If these three exporters do not resume exporting to South Africa, Poland, Ireland, Denmark and Spain still have the potential to steal market share back from the Brazilians, particularly with frozen bone-in portions. Imports accounted for 25 % of South African poultry consumption in 2018 and are up 21 % on the 5-year average from 2013 to 2017. The survival of the local industry still depends on how
successful producers are in convincing government to protect poultry farmers and local jobs from the dumping of ‘waste’ chicken products by the EU, the US and Brazil. It must be hoped that government and industry together will find a way forward in 2019 – to stimulate growth and job creation in the South African poultry industry, whilst still allowing fair trade with exporting nations.

Looking beyond tariff protection, the broiler industry must seek to unlock export opportunities in conjunction with DAFF and the Department of Trade and Industry. Smaller independent producers must be assisted with improved economies of scale and access to the domestic market. The designation of domestic poultry products in government and municipal procurement processes would be of value in this regard. There is scope to invest in equipment to produce mechanically deboned meat (MDM). The listeriosis outbreak this year has demonstrated that South Africa still has a way to go in meeting the sanitary and phytosanitary standards needed to export broiler products to the European market. It has to be hoped that DAFF and the DTI will work with other government departments to strengthen meat inspection and food safety protocols at all levels in the production chain.

SAPA is committed to representing the interests of both large and small producers and to protecting the egg and broiler industries from further contraction. SAPA remains dedicated to realising its vision: to create a viable and sustainable industry, contributing to economic growth and development, employment, and food security based on successful producers adhering to environmental and ethical production norms and generating sustainable profits. The poultry industry has the capacity to create jobs and provide food security, but support from government is crucial to its survival. At the end of another difficult year, we are closer to government than before and this relationship will be nurtured going forward.

Poultry producers will hope that 2019 brings welcome rain, no further outbreaks of HPAI and concrete steps to protect local farmers from the predatory strategies of meat importers. It is important to remember that, for every tonne of egg and meat product not imported, a significant number of local jobs could be created.
SAPA contact details

Postal address
PO Box 1202, HONEYDEW, 2040, South Africa

Physical address
Wild Fig Business Park, Block C, 1494 Cranberry Street, HONEYDEW Ext 19, 2170

GPS: S026°04’714” | E027°55’535”

e-mail
info@sapoultry.co.za
www.sapoultry.co.za