SOUTH AFRICAN POULTRY ASSOCIATION
2015 INDUSTRY PROFILE
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INTRODUCTION

The poultry industry remains the largest single contributor to the agricultural sector in South Africa. Some 20.9% of the total agricultural gross value in 2015 stemmed from poultry production and over 42.8% of animal product gross value. The industry provides direct employment for over 48 000 people and indirect employment to a further 63 000 people; is the second largest consumer of maize; and supports many peripheral businesses as well as those downstream in the value chain. The poultry industry’s influence on the success of the South African feed industry is considerable.

In the broiler industry, the year started well with lower maize and oil prices and the possibility of higher levels of disposable income amongst consumers. However, the relief for broiler producers was short-lived, with an intensification of the El Niño weather pattern and consequent worsening of the South African drought leading to soaring feed prices. Record levels of frozen chicken imports from Brazil and Europe, despite outbreaks of avian influenza in some member countries of the EU, were received against the backdrop of tedious and often acrimonious African Growth and Opportunity Act (AGOA) negotiations between South Africa and the United States of America (USA). The latter resulted in an agreement to allow the annual importation of 65 000 tonnes of US chicken into South Africa from January 2016, free of anti-dumping duties. These tonnes will add to the more than 150 000 tonnes of bone-in portions received from the EU every year, under the duty-free terms of our Trade Development and Co-operation Agreement with the Europeans. Already, the imports have resulted in stock build-ups and price drops and may threaten the survival of the local broiler industry going into 2016.

Outbreaks of highly pathogenic avian influenza (HPAI) in parts of the EU and the USA affected exports of grandparent breeding stock into South Africa, whilst doing little to reduce import levels of poultry meat. To avoid disruptions to trade in breeding stock in the future, a system of compartmentalisation in origin countries, as recommended by the World Organisation for Animal Health, needs to be introduced.

The egg industry endured another tough year of weakened consumer demand and high input costs, relieved to an extent by a much-needed price increase at the end of the year. This followed a number of disease outbreaks on layer farms which affected egg production and caused a drop in supply. The producers’ egg price has not kept up with inflation during the past three years and big retailers continue to erode the farmers’ share of the shelf price of eggs. The consequence of all these factors is an industry in distress.
1. **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 primarily as a body of poultry hobbyists, catering 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.

As the industry 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, including the often contentious matters of area representation, management decentralisation and dispute resolution amongst producers.

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.

1.2 **Milestones**

Since 1904, as the fortunes of the poultry industry changed and a trend emerged of more formal enterprises with modern production processes underpinned by sound commercial practices, SAPA had to dynamically respond to meet the challenges of this increasingly influential agricultural sector.

This necessitated the need for improved controls and comprehensive record keeping, as well as greater co-operation among members to arrive at common objectives, especially in engagements with government and state agencies.

The pivotal role played by SAPA in the development of the commercial poultry industry is reflected in the Association’s key initiatives which charted the course for modern poultry production. These included the establishment of a Record of Production Register, which was considered to be of great value at the time. At SAPA’s request, the Egg Control Board was established in 1951, and the Association was also instrumental in making modern poultry equipment available when hen batteries were still a new concept.
Trade-wise, SAPA was instrumental in getting import tariffs approved; in passing the Livestock Improvement Act; influencing bilateral Trade Agreements; and in having GST on livestock removed, followed later by VAT on eggs.

To advance the industry’s knowledge base, the association facilitated the introduction of SAPA, YTA and KZNPI courses; supported advanced veterinary training at the University of Pretoria’s Onderstepoort facility; set up a central reference laboratory; and facilitated the reduction of surcharges on imported breeding material and equipment.

In 2009, SAPA introduced the industry statutory levy, a bold move that created a new primary funding mechanism for the Association’s work. This initiative empowered SAPA to, amongst other things, make serious progress with the implementation of industry transformation for smallholder farmers; establish improved industry training and development activities; adequately fund disease and production research and development; implement the SAPA Poultry Disease Management Agency (PDMA; a vital function in association with DAFF); engage in professional marketing activities; interact with government on issues affecting the industry; deal with meat import threats; and deal with a number of legal challenges through the courts for the betterment of the industry as a whole.

The statutory industry levy came to an end in the third quarter of 2013, with predictable consequences on project funding. Voluntary funding of the organisation remains problematic if SAPA is to have sufficient funds to represent the interests of all its members. A strategic review of SAPA and the work we do was completed in 2014 and changes to the structure were implemented throughout 2015 (see Chapter 10). For an organisation as old as SAPA, such periods of renewal are essential if we are to remain relevant to the needs of all producers.

1.3 SAPA’s 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.

1.4 SAPA’s mission

To create an enabling environment to achieve sustainable producer profits in the domestic and global village market.

As a representative association, SAPA serves the interests of the poultry industry in a number of ways. SAPA acts as a medium and catalyst for any matter the industry wishes to collectively address. It acts as the face of the industry, addressing and maintaining a presence in society, without which opposing groups could play havoc with the industry’s interests.
The South African Poultry Association is controlled by a Management Committee (MC) that coordinates its activities and objectives, oversees administration, and looks after the collective interests of its members. 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, the SAPA Management Committee now operates with only two subsidiary committees: the Broiler and Egg Organisations. Producers from the Chick Producers and the Developing Poultry Farmers Organisations have been absorbed into their respective product value chains, falling under either the Broiler Organisation or the Egg Organisation. In addition, 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.

1.5 Representation of the industry

The membership of SAPA’s two organisations in 2015 was as follows:

<table>
<thead>
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<th>Product</th>
<th>Members</th>
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<tr>
<td>Broilers</td>
<td>147</td>
</tr>
<tr>
<td>Eggs</td>
<td>123 (70 individual members and 53 members of co-operatives)</td>
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Please note that these figures now include the former members of the DPFO and CPO. The Organisation continues to speak for the industry as a whole in trade negotiations and interactions with government on a wide range of issues. Broiler pricing reports, distributed by SAPA’s statistics team every month, were generated from data submitted by 51.9% of the broiler industry, on the basis of kilogrammes of edible broiler meat and products sold (856 459 tonnes recorded from total annual production of 1 650 821 tonnes).

1.6 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 objectives of the Broiler Organisation are to establish and maintain a national organisation in South Africa for the promotion, development and guidance of the broiler industry, as an independent subsidiary of the South African Poultry Association.

The purpose of the organisation is to promote and advance all matters tending toward the improvement of the broiler and allied industries including production, grading, packing, transportation, storage and marketing by:
- Securing profitable production to provide adequate supplies of broiler products to the consuming public;
- Protection of the broiler producer and/or industry from adverse legislation or any other aggression, and initiating, fostering and assisting in obtaining legislation and regulations beneficial to the broiler and allied industries;
- Improvement in production, testing, grading, packing, transportation, storage, marketing and export of broiler products, and the means in this regard;
- Setting and revising of marketing standards;
- Encouragement of poultry education and training, conducting and/or assisting in investigational work of a practical and scientific nature, and the organisation of seminars or courses;
- Publishing literature, journals, pamphlets and circulars dealing with all matters pertaining to the broiler industry and conducting communication on behalf of this industry;
- Acting as arbitrators in the settlement of any dispute in the interests of members which may arise in any matter pertaining to the broiler or allied industries;
- Dealing with any matter which may be in the interest of the industry, the organisation and its members;
- Submitting individual data to the SAPA office for establishing a suitable statistical system to further the aims of the SAPA.

1.7 **The Chick Producers’ Organisation**

Up until mid-2015, the Chick Producers’ Organisation operated to promote and develop the poultry-breeding and chick-production section of the poultry industry as an independent division of the South African Poultry Association. The purpose of the organisation was to foster, promote and improve the general welfare of those engaged in this sector of the poultry industry, by providing a vehicle through which group action could be taken on matters of common concern.

It promoted and advanced all matters pertaining to the improvement of the poultry-breeding and chicken-producing industry in South Africa by:

- Securing profitable poultry breeding and providing adequate supplies of poultry products;
- Promoting the breeding of poultry and commercial chicken production;
- Encouraging and assisting in the production of chickens of high quality, bred from parents selected for type, stamina and health qualities and for high egg production and/or meat qualities;
- Protecting the poultry-breeding and chicken-producing industry from adverse legislation and any other aggression by initiating, fostering and assisting in obtaining legislation and regulations beneficial to the poultry breeding and allied industries;
- Encouraging poultry education and training;
- Dealing with any matter that may be in the interest of the poultry-breeding and chicken-production industries, the organisation and its members;
• Submitting individual data to the SAPA office for establishing a suitable statistical system to further the aims of SAPA.

As part of the strategic restructuring of SAPA, the Chick Producers’ Organisation has been absorbed into the Broiler and Egg Organisations from mid-2015.

1.8 The Egg Organisation

The role of the Egg Organisation in South Africa is to promote, develop and guide the commercial egg industry as an independent subsidiary branch of the South African Poultry Association, equal in status to that accorded other subsidiary branches of the poultry industry.

The Egg Organisation and its Committee strive to improve the egg industry and to promote it on a national level. This entails, amongst other things:

• A critical evaluation of the methodology of control structures
• Achieving a higher level of operational input
• Liaising with government and consumer bodies on matters of importance
• Striving to build a stronger image for the egg industry on an on-going basis.
• Supporting an industry Code of Practice.

Improvements in the industry can be measured by an increase in egg consumption per capita in South Africa.

1.9 The Developing Poultry Farmers’ Organisation

Small, medium and micro enterprises represent an important vehicle to address the challenges of job creation, economic growth and equity in our country. With this in mind, the Developing Poultry Farmers Organisation (DPFO) has, since 2003, catered for the needs of smallholder and emerging farmers by addressing issues affecting this growing sector of the poultry industry. The organisation has also fulfilled a dynamic capacity building and advocacy role, empowering provincial structures and developing partnerships with the state over time.

With some guaranteed funding available through the statutory levy, the role of the DPFO in facilitating the participation of small scale farmers, individuals and collectives in the South African poultry sector was greatly enhanced and industry transformation looked to be assured. The termination of the statutory levy has reduced the amount of money available for DPFO-specific projects and general organisational work and, from 2015, the organisation has been absorbed into the Broiler and Egg Organisations as part of SAPA’s strategic restructuring.
1.10 Engagement with stakeholders

SAPA’s engagement with government and key stakeholders escalated in 2015, principally because of the complex negotiations around the renewal of the African Growth and Opportunities Act (AGOA). SAPA hopes to continue working closely with, amongst others, the Department of Agriculture, Forestry and Fisheries (DAFF), the Economic Development Department, the Department of Rural Development and Land Reform, the Department of Health, the media and the provincial and local governments. It is through these partnerships that producers can solidify their stand in the local marketplace in preparation for the future challenges of imports and expanding export markets.

DAFF has begun rolling out the Agricultural Policy Action Plan (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 and SAPA hopes to source some transformation funding through this plan. SAPA attended DAFF’s quarterly planning meetings; the idea being to involve the main industries that are going to benefit from APAP in the discussions on fund allocation. A value chain round table for poultry, feed and grains was established with the SAPA CEO as the co-chair of the body.

The drive to export eggs and poultry meat continued, with DAFF dedicating a person to help open up markets, with the Department of Trade and Industry and the Department of International Relations and Cooperation (DIRCO) also assisting. Most of the intended export destination countries are not big poultry producers themselves. SAPA’s Export Forum has drawn up a priority list for export destinations for eggs and meat.

DAFF approved their share of the funding for the new Chair in Risk Management. This is good news because it will ultimately lead to a structured risk assessment programme, ensuring food safety of products destined for local consumers and export markets.

1.11 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. In February 2015, Leading Edge Software took over the provision of statistical services from Mrs Magda Prinsloo.

The reports circulated include the following:

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

“Better together as partners”
Small footprint. Big impact.
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 4.4 % (based on tonnes of meat produced, including spent birds and non-commercial production). The earlier growth period was associated with increased demand for product and well-contained input costs. During the past seven 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. This year’s apparent growth is unlikely to be maintained into 2016, given the lingering drought and ever-increasing imports. In the egg industry, growth (in terms of the number of layer replacement pullets housed per annum and egg production) has averaged approximately 0.7 % and 2.9 %, respectively, since 2006. To put these numbers in perspective, annual population growth between 2004 and 2008 was 1.4 % and between 2008 and 2015 was around 1.66 % per annum.

2.1 Gross value

The gross value of primary agricultural production from poultry meat for 2015, as recorded by DAFF, was R38.807 billion (+14.8 % on 2015 levels). The gross value of egg production was recorded at R9.833 billion. Combined, the gross poultry farm income for 2015 was R48.64 billion, showing a yearly increase of 12.0 %. According to DAFF estimates for 2015, total production of poultry meat, including spent hens from the broiler and layer sectors, was 1.738 million tonnes. The total production of shell eggs and eggs products was 0.446 million tonnes.

Broiler and egg producers are, in rand value, the largest sector of South African agriculture at 20.9 % of all agricultural production and 42.8 % of all animal products. The gross value of ostrich feathers and products was R516.6 million in 2015; this is 0.2 % of agricultural production and 0.5 % of total animal products.

The total gross value of animal products was R113.685 billion and the total gross value of agricultural products was R233.237 billion in 2015. Total animal products contributed 48.7 % to the gross value of total agricultural products, with poultry meat contributing 16.6 % and eggs 4.2 %.

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 continues to dominate the animal products sector, providing 64.4 % of locally produced animal protein (excluding milk) consumed in the country.
The per capita consumption of poultry meat and eggs in 2015 was 40.32 kg and 8.76 kg, respectively, with a combined per capita consumption of 49.08 kg (including backyard consumption). Per capita consumption of beef, pork, and mutton and goat were 18.83 kg, 4.75 kg, and 3.56 kg respectively (source: DAFF).

![Per capita consumption of animal proteins](image)

**Figure 1.** *Per capita consumption of protein sources from 2000 to 2015*

The gap is widening between the total consumption of poultry meat and eggs and the total consumption of other types of meat (Figure 1). During 2015, the total consumption of poultry meat and eggs was 2.742 million tonnes; 82% more than the combined 1.507 million tonnes of beef, pork, mutton and goat consumed over the same period. Of this, 2.234 million tonnes was poultry meat products (including imports) and 0.508 million tonnes was eggs and egg products.

### 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 R34.17 per kg in 2015, while the abattoir selling price for Class C2 / C3 beef was R27.27 per kg. The average price for pork (all classes) was R22.83 per kg. The total realisation producer price for broilers (less all discounts, rebates and secondary distribution) was R18.43 per kg in 2015. It should be noted that the broiler price is for finished product, whilst the other meat prices are ex-abattoir. Eggs are an even more affordable protein source than broiler meat, at an annual average producer price of R16.65 per kg.
The average 2015 prices of animal proteins are given in Figure 2 and monthly prices since 2011 are shown in Figure 3.

**Figure 2.** Average annual producer prices for different protein sources in 2014 and 2015

**Figure 3.** Monthly beef, pork, broiler and egg producer prices (source: AMT, SAPA)
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. The cost effectiveness of egg as a protein source needs to be communicated fully to the South African public. For decades, doctors, scientists and government agencies have warned against diets high in cholesterol. However, in the 2015 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 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 high quality protein, selenium (an antioxidant) and the vitamins in eggs (A, B₁₂, D, riboflavin and folate) may lower the risk of heart problems.

### 2.4 Employment

An employment survey was conducted in 2012 and estimates were made for 2013. No survey was conducted in 2014 or 2015.

**Table 1: Surveyed direct employment in the broiler industry (2013)**

<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>
</thead>
<tbody>
<tr>
<td>Employment in the broiler, hatchery and rearing industries (including GPs)</td>
<td>12 880</td>
<td>1 591</td>
<td>14 471</td>
</tr>
<tr>
<td>Employment in the broiler processing industries</td>
<td>25 515</td>
<td>2 029</td>
<td>27 544</td>
</tr>
<tr>
<td>Employment in the broiler distribution industries</td>
<td>4 465</td>
<td>1 604</td>
<td>6 069</td>
</tr>
<tr>
<td>Grand total for direct employees</td>
<td>42 860</td>
<td>5 224</td>
<td>48 084</td>
</tr>
<tr>
<td>Total employees in support industries – indirect employees</td>
<td></td>
<td></td>
<td>59 696</td>
</tr>
<tr>
<td>Total direct and indirect employees</td>
<td></td>
<td></td>
<td>107 780</td>
</tr>
<tr>
<td>Total of related field crops i.e. white and yellow maize and soya</td>
<td></td>
<td></td>
<td>48 474</td>
</tr>
<tr>
<td>Poultry share of related field crops</td>
<td></td>
<td></td>
<td>18 137</td>
</tr>
</tbody>
</table>

The estimated direct employment in the broiler industry in 2015 is 48 118. This number includes hatcheries, rearing, processing and distribution. If related industries are taken into account, another 63 072 employees can be added; totalling 111 190 employees. The poultry share of employees in the related field crops is 19 163 in 2015.
With an estimated 8 025 workers nationwide in 2015, the egg industry is an important player in rural employment. In the last full survey undertaken in 2013, an estimated 6 742 workers, 731 supervisors and 414 managers were employed in the industry, covering support staff, processing, packing, laying, rearing-pullet hatching, parents, parent-rearing and hatching, GP laying and rearing.

2.5 Poultry feed: maize consumption

The total maize crop for 2014/15 was only 9.95 million tonnes, down from 14.25 million tonnes in the previous season. With the drought continuing to bite, the estimated crop for the 2015/16 season is 7.3 million tonnes, a 27 % year-on-year decrease (source: SAGIS; 5/8/2016). About 42 % of the production is expected to be white maize and 58 % yellow maize.

The total South African consumption of white and yellow maize for 2014/15 was 10.237 million tonnes, of which 5.014 million tonnes (49.0 %) were used for animal feed (source: SAGIS). This comprised 1.459 million tonnes of white maize (29.1 %) and 3.555 million tonnes yellow maize (70.9 %).

The South African poultry industry remains the biggest non-human consumer of locally produced maize (AFMA) and, in 2015, maize contributed R24.6 billion to the gross value of agricultural products (source: DAFF).

2.6 Poultry feed: sales of complete feed

![AFMA animal feed sales 2014/15](image_url)

*Figure 4. Animal feed sales from April 2014 to March 2015*
According to AFMA estimates, a total of 6.714 million tonnes of animal feed were manufactured by its members in the period from April 2014 to March 2015. The poultry industry consumed 4.343 million tonnes, of which 2.852 million t was broiler feed, 0.953 million t was layer feed, 0.516 million t was breeder feed and 0.013 million t was ostrich feed. In total, a massive 64.7 % of AFMA’s animal feed sales went to the poultry industry (Figure 4). National feed production during 2014/15 was 11.658 million tonnes, a 2.4 % year-on-year increase in feed sales. AFMA sales represent 57.6 % of the national feed produced (source: AFMA).

### 2.7 International price competitiveness

Although chicken consumption has increased dramatically since the turn of the millennium, only 35% of this increased consumption was produced domestically. Imports, mostly from the Americas and the EU, accounted for 65% of the increased consumption in broiler meat. This raises the question: 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. 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. Brazil, Argentina and the US, amongst the most highly competitive poultry producing nations, are, in addition, all net exporters of both maize and soya beans. In a study on the competitiveness of the EU poultry sector (LEI Wageningen UR, 2013), EU feed-related production costs were 23, 28 and 35% higher than feed-related production costs in the US, Brazil and Argentina, respectively. Whilst, in a year of good harvests, South African poultry producers may also enjoy export parity prices for maize, soya prices tend towards import parity because less than 60% of requirements are produced locally. 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. South African poultry farmers are therefore not in themselves technically inefficient producers; there is simply insufficient supply of locally grown, affordable feed inputs.

Figures from the Bureau for Food and Agricultural Policy’s “Baseline (2015)” suggest that, in 2014, feed costs in South Africa were approximately 30% higher than in Brazil on a €/tonne basis; and that the € cost per kilogramme live weight was approximately 13% higher in South Africa. 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).

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 not matched with increased prices for local broiler products. Indeed, BFAP reported that broiler feed prices increased by 51% between 2010 and 2012 and yet the producer price increased by only 20%. 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.

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. 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, before anti-dumping duties were imposed, from the US.

Figure 5 below illustrates how the amount of bone-in chicken imports, as a proportion of total poultry imports, has increased over the past 8 years. 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 or boneless chicken portions in the imports has decreased in recent years; whereas the proportion of bone-in portions is steadily increasing and exceeded 40 % of total imports from 2012 to 2014. Even with outbreaks of avian influenza disrupting trade in European poultry products, bone-in portions still accounted for 39.3% of total imports in 2015. The EU currently enjoys duty-free access to the South African poultry market, under the Trade, Development and Co-operation Agreement (TDCA). With anti-dumping legislation in place against the US on tariff lines 0207.1491 to 1499 (frozen bone-in chicken imports), most of these bone-in imports have originated from the EU. 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 must now allow 65 000 tonnes/annum of US frozen bone-in chicken portions in to the country - from January 2016. Previously, South Africa applied a tariff of 37 % to imports of frozen bone-in portions, affecting all exporters except the EU, EFTA and SADC nations. In addition, the US has been paying an anti-dumping tariff on this line of R9.40/kg.

The International Trade Administration Commission (ITAC) has accepted that imports of frozen bone-in portions from the UK, Germany and the Netherlands are causing downward pressure on domestic prices and that these imports are 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. Anti-dumping measures against these three countries have been legislated.
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; approaching 2012 lows by the end of the year. 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. However, with the drought continuing, the rand plunging at the end of 2015 and the US about to re-enter the South African market, growth in the local poultry industry is unlikely in 2016.

While cheap imports may benefit consumers if the cheap import prices are passed onto consumers, something 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 and 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. Where the poultry industry has the capacity to significantly increase employment opportunities in South Africa, import companies do not employ many staff.

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 soya beans 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 soya bean development strategy in their Baseline reports and Agricultural Policy Action Plan (Chapter 9), respectively, and this capacity is steadily being increased.
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, Swaziland, Tanzania, Zambia and Zimbabwe (Figure 6). The SADC Secretariat has its headquarters in Gaborone, Botswana.

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 is still under implementation in five SADC Member States, 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)**

According to the Food and Agriculture Organisation (FAO), the total production of chicken meat in the SADC countries during 2013 was 1 857 743 tonnes (Table 2). FAO production figures for 2014 and 2015 are still not available. While the accuracy of these figures may be questionable, they do offer an insight into regional production trends over the last decade. There has been substantial growth in broiler production levels in Angola and Malawi 10 years to 2013, and good growth in Mauritius, Namibia, Zimbabwe, Tanzania and South Africa. However, with the exception of South Africa, this growth has 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.

South Africa dominates regional production of chicken meat, accounting for 80.6 % of total production in the SADC bloc in 2013 (FAOstats). Tanzania and Zimbabwe are the next biggest producers, but each account for less than 5 % of the total regional production of broiler meat. Contraction of the industry occurred in Lesotho, the Seychelles and Swaziland over the past decade.
Table 2: The production of chicken meat in the SADC member countries in 2013 (FAOstats).

<table>
<thead>
<tr>
<th>SADC Country</th>
<th>Production in 2003</th>
<th>% Growth</th>
<th>% of Total production</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2003</td>
<td>2013</td>
<td>(10 yr)</td>
<td>2003</td>
</tr>
<tr>
<td>Angola</td>
<td>8 100</td>
<td>29 880</td>
<td>+ 269</td>
<td>0.70</td>
</tr>
<tr>
<td>Botswana</td>
<td>5760</td>
<td>7 200</td>
<td>+ 25.0</td>
<td>0.50</td>
</tr>
<tr>
<td>Dem. Republic Congo</td>
<td>10 572</td>
<td>11 700</td>
<td>+ 10.7</td>
<td>0.92</td>
</tr>
<tr>
<td>Lesotho</td>
<td>1 960</td>
<td>1 600</td>
<td>- 18.4</td>
<td>0.17</td>
</tr>
<tr>
<td>Malawi</td>
<td>11 240</td>
<td>22 800</td>
<td>+ 103</td>
<td>0.98</td>
</tr>
<tr>
<td>Mauritius</td>
<td>30 000</td>
<td>47 000</td>
<td>+ 56.7</td>
<td>2.61</td>
</tr>
<tr>
<td>Mozambique</td>
<td>22 950</td>
<td>24 300</td>
<td>+ 5.9</td>
<td>2.00</td>
</tr>
<tr>
<td>Namibia</td>
<td>8 160</td>
<td>12 480</td>
<td>+ 52.9</td>
<td>0.71</td>
</tr>
<tr>
<td>Seychelles</td>
<td>1020</td>
<td>700</td>
<td>- 31.4</td>
<td>0.09</td>
</tr>
<tr>
<td>South Africa</td>
<td>899 599</td>
<td>1 497 000</td>
<td>+ 66.4</td>
<td>78.2</td>
</tr>
<tr>
<td>Swaziland</td>
<td>10 500</td>
<td>5 850</td>
<td>- 44.3</td>
<td>0.91</td>
</tr>
<tr>
<td>United Rep. of Tanzania</td>
<td>61 500</td>
<td>87 408</td>
<td>+ 42.1</td>
<td>5.35</td>
</tr>
<tr>
<td>Zambia</td>
<td>38 500</td>
<td>46 000</td>
<td>+ 19.5</td>
<td>3.35</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>40 250</td>
<td>63 825</td>
<td>+ 58.6</td>
<td>3.50</td>
</tr>
<tr>
<td><strong>Total for SADC</strong></td>
<td><strong>1 150 111</strong></td>
<td><strong>1 857 743</strong></td>
<td><strong>283.9</strong></td>
<td></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 2012 (the most recent trade estimates), total production of “chicken meat” in the region at that time was 2 621 737 tonnes, total imports amounted to 793 598 tonnes and exports to 10 357 tonnes. Using a 2012 population estimate of 264.42 million people, per capita consumption of chicken meat is approximately 9.9 kg (2012). 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, as collated by the FAO, per capita consumption would be approximately 6.95 kg (2012) and 6.54 kg (2013).

**Commodity: hen eggs (FAO)**

The total production of hen eggs in the SADC region was 764 370 tonnes during 2013 (Table 3). Based on these figures, ignoring any imports and given an average egg size of 58 g, the average per capita consumption of hen eggs in shell was 45.6 eggs in 2013. This was up from 44.8 eggs per capita in 2012. Per capita consumption ranges from approximately 2 eggs per person per annum in the Democratic Republic of the Congo to approximately 290 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 source when compared to other animal proteins.

As with broiler production, South Africa dominates the egg industry in the SADC region; accounting for 70.6% of total production in 2013 (FAOstats). With the exception of Mozambique (which has increased its capacity by over 500% in the 10 years to 2013) and South Africa, all the SADC nations have lost percentage points in the market compared to 2003 figures, despite some growth in many of these countries.

Table 3: The production of chicken eggs in the SADC member countries in 2013 (FAOstats).

<table>
<thead>
<tr>
<th>SADC Country</th>
<th>Production in 2003</th>
<th>% Growth (10 yr)</th>
<th>% of Total production</th>
<th>Population M</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unit</td>
<td>2003</td>
<td>2013</td>
<td></td>
</tr>
<tr>
<td>Angola</td>
<td>Tonnes</td>
<td>4 900</td>
<td>5 080</td>
<td>+3.7</td>
</tr>
<tr>
<td>Botswana</td>
<td>tonnes</td>
<td>3850</td>
<td>4 700</td>
<td>+22.1</td>
</tr>
<tr>
<td>Dem. Republic Congo</td>
<td></td>
<td>6 700</td>
<td>9 000</td>
<td>+34.3</td>
</tr>
<tr>
<td>Lesotho</td>
<td></td>
<td>1 603</td>
<td>1 700</td>
<td>+6.1</td>
</tr>
<tr>
<td>Malawi</td>
<td></td>
<td>20 000</td>
<td>23 000</td>
<td>+15.0</td>
</tr>
<tr>
<td>Mauritius</td>
<td></td>
<td>13 750</td>
<td>11 800</td>
<td>-14.2</td>
</tr>
<tr>
<td>Mozambique</td>
<td></td>
<td>7 221</td>
<td>45 000</td>
<td>+523</td>
</tr>
<tr>
<td>Namibia</td>
<td></td>
<td>2 624</td>
<td>3 500</td>
<td>+33.4</td>
</tr>
<tr>
<td>Seychelles</td>
<td></td>
<td>1 680</td>
<td>1 350</td>
<td>-19.6</td>
</tr>
<tr>
<td>South Africa</td>
<td></td>
<td>340 000</td>
<td>540 000</td>
<td>+58.8</td>
</tr>
<tr>
<td>Swaziland</td>
<td></td>
<td>1 210</td>
<td>1 200</td>
<td>-0.8</td>
</tr>
<tr>
<td>United Rep. of Tanzania</td>
<td></td>
<td>35 100</td>
<td>33 280</td>
<td>-5.2</td>
</tr>
<tr>
<td>Zambia</td>
<td></td>
<td>41 400</td>
<td>55 000</td>
<td>+32.9</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td></td>
<td>23 550</td>
<td>29 760</td>
<td>+26.4</td>
</tr>
<tr>
<td><strong>Total for SADC</strong></td>
<td></td>
<td><strong>503 588</strong></td>
<td><strong>764 370</strong></td>
<td></td>
</tr>
</tbody>
</table>
4. **DAY-OLD CHICK SUPPLY INDUSTRY**

4.1 **Overview**

The day-old chick supply industry supplies inputs to both the egg and broiler industries. 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.

The broiler industry in South Africa makes use of predominantly 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 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 predominantly 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:

![Figure 7. The broiler production process, from importation of breeding stock to slaughter](image)

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.
4.2 Genetic progress

Table 4: Genetic progress in a) laying hens:

<table>
<thead>
<tr>
<th>Trait</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eggs per hen per annum</td>
<td>309.8</td>
<td>309.6</td>
<td>308.2</td>
<td>308.0</td>
</tr>
<tr>
<td>Eggs per hen housed</td>
<td>312.3</td>
<td>329.5</td>
<td>320.3</td>
<td>323.7</td>
</tr>
<tr>
<td>Kilogrammes feed per kg eggs</td>
<td>2.32</td>
<td>2.31</td>
<td>2.32</td>
<td>2.31</td>
</tr>
<tr>
<td>% mortality per annum</td>
<td>-</td>
<td>-</td>
<td>7.73</td>
<td>8.47</td>
</tr>
<tr>
<td>% hen-day production</td>
<td>84.6</td>
<td>84.8</td>
<td>84.4</td>
<td>84.4</td>
</tr>
<tr>
<td>Age at depopulation (weeks)</td>
<td>72</td>
<td>72/74</td>
<td>74</td>
<td>74</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>33.5/34</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>
4.3 **Turnover**

The estimated egg industry chick production turnover on a day-old pullet basis increased from R180 million in 2014 to R196 million in 2015, an increase of 8.8%. During the same period, the broiler industry day-old chick supply (not including day-old parent pullet supply) increased from an estimated turnover of R4.19 billion to R4.88 billion, an increase of 16.6%.

4.4 **Production: Chick placement numbers per annum**

**Layer breeders**

In 2015, there was an estimated 20 000 layer breeding birds in grandparent operations producing layer parents and a further estimated 300 000 layer breeding birds in parent operations producing layers. From the breeding stock, 24.90 million day old pullets were produced, an increase of 1.9% compared to 2014 (Figure 9).

![Figure 9: The total day old pullets produced per annum in South Africa](chart)

**Broiler breeders**

The average number of parent males and females in rearing during 2015 was 3.86 million per week, from an estimated grandparent and great-grandparent stock of 400 000. This is an increase of 150 239 birds (+ 4.05%) compared to 2014.
A total of 9.68 million day-old parent pullets were placed in 2015; 632 508 (+ 7.0 %) more than in 2014. Based on the number of parent pullets placed, an average broiler breeder flock of 6.72 million hens was estimated for 2015 (Figure 10). This showed an increase of 115 640 hens (+ 1.8 %) compared to 2014. An average flock size of 6.63 million breeder hens was forecast for the first four months of 2016. 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. In total 1 060 million broiler chicks were placed during 2015; 36.4 million (+ 3.6 %) more than in 2014 (Figure 11).

![Bird numbers (millions) Broiler breeder placements and national flock size](image)

**Figure 10.** Number of day old and 20 week parents placed per annum and average size of the national broiler breeder flock

<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>2014</td>
<td>3.71</td>
<td>7.19</td>
<td>10.91</td>
</tr>
<tr>
<td>2015</td>
<td>3.86</td>
<td>7.32</td>
<td>11.18</td>
</tr>
<tr>
<td>% change</td>
<td>+ 4.0</td>
<td>+1.8</td>
<td>+2.5</td>
</tr>
</tbody>
</table>

*Note: The number of breeding birds in Table 5 includes males and females.*
In terms of feed usage, broiler breeding stock consumed 519 338 tonnes during 2014 (Table 6).

### Table 6: 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>2013</td>
<td>95 340</td>
<td>434 905</td>
<td>530 245</td>
<td>10 169</td>
</tr>
<tr>
<td>2014</td>
<td>94 875</td>
<td>409 614</td>
<td>504 489</td>
<td>9 702</td>
</tr>
<tr>
<td>2015</td>
<td>98 599</td>
<td>416 783</td>
<td>515 382</td>
<td>9 911</td>
</tr>
<tr>
<td>Change</td>
<td>+3 724</td>
<td>+7 170</td>
<td>+10 893</td>
<td>+209</td>
</tr>
<tr>
<td>% Change</td>
<td>+3.9</td>
<td>+1.8</td>
<td>+2.2</td>
<td>+2.2</td>
</tr>
</tbody>
</table>

**Figure 11.** Broiler chicks placed per annum.
5. EGG INDUSTRY IN SOUTH AFRICA

5.1 Overview

The year 2015 provided yet another twelve months of challenges for egg producers. Pressure continued to be exerted on margins with producers receiving an ever-reducing share of the retail price. The signs of stress shown by the South African consumer provided a compounding source of challenge to demand, and hence prices at the farm gate but there have been some pleasing improvements in egg prices towards the end of 2015. The small reversal in a previous downward trend in the number of layers in production may well be indicative of the resolve of producers, in spite of circumstances.

A 2013 survey representing 45% of the industry indicated that the weighted average age at depopulation was 74 weeks. The production forecasting model was adjusted from December 2013 to take this lengthening of the laying cycle into account. A survey was conducted in the fourth quarter of 2015 to determine the current culling age, but the response from producers was mediocre. In view of this, the forecasting model will continue to use 74 weeks as the age at depopulation.

5.2 Turnover

With a gross turnover of R9.83 billion at producer level, eggs remain the fourth largest animal product sector in agriculture in South Africa, after poultry meat, beef and milk (source: DAFF). The turnover increased by 6.9% compared to 2014. Eggs’ share of the gross value of animal products was 8.6% and of all agricultural production 4.2%.

The total value at retail level was R14.7 billion for 2015. About 638 million dozen eggs were sold in 2015 through various channels.

5.3 Production

Laying flock

The size of the national layer flock increased during 2015 (Figure 12). An average flock of 24.85 million hens was projected; an increase of 1.32 million hens (+2.1 %) compared to 2014.

Egg production

This year, 2015, saw a reversal in the downward trend in egg production of the past two years (Figure 13). The average number of cases produced per week was 407 770, an increase of 8 184 cases (+ 2.1 %) per week. Total egg production in 2015 amounted to 21.26 million cases, or 638 million dozen eggs.
Of the marketable graded eggs (Grade 1) that were sold in 2015, 8.8% were size medium, 45% were size large, 42.4% were size extra-large and 3.8% were size jumbo. There was a 1.8% increase in extra-large and jumbo eggs compared to 2014, no doubt because of the longer laying cycle.

**Figure 12.** The national layer flock since 2011 (millions)

**Figure 13.** Cases of eggs produced annually in South Africa
Table 7, below, summarises bird numbers and egg production and shows the changes for 2015 compared to the previous year.

**Table 7: Bird numbers (millions) and egg production (million cases) for 2014 and 2015**

<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>2014</td>
<td>24.432</td>
<td>23.421</td>
<td>24.341</td>
<td>23.437</td>
<td>0.3996</td>
<td>20.837</td>
</tr>
<tr>
<td>2015</td>
<td>24.901</td>
<td>23.645</td>
<td>24.851</td>
<td>23.934</td>
<td>0.4078</td>
<td>21.262</td>
</tr>
<tr>
<td>Change</td>
<td>468.9</td>
<td>0.223</td>
<td>0.510</td>
<td>0.497</td>
<td>0.082</td>
<td>0.425</td>
</tr>
<tr>
<td>% Change</td>
<td>1.92</td>
<td>0.95</td>
<td>2.09</td>
<td>2.12</td>
<td>2.04</td>
<td>2.04</td>
</tr>
</tbody>
</table>

DOP = Day-old pullets  
LRP = Layer replacement pullets

The downward trend in day-old pullet placements during 2012 and 2013 turned the corner in January 2014 and has since shown a steady increase.

Figure 14 depicts the relationship between egg volume and producer price.

**Figure 14.** Percentage change in egg volume and producer price (egg price after discounts, rebates and advertising)

From January 2010 to February 2013, positive growth in egg production reflected in negative year-
on-year increases in producer and PPI-deflated producer prices for eggs (PPI: producer price index). The high year-on-year increases in producer prices of 2013/14 were associated with a tightening supply of eggs, or negative growth in egg production. However, in 2015, there has been some growth in egg production and, in the second half of the year, year-on-year increases in producer prices have been pleasingly high. Please note: the percentage changes in egg prices presented in the graph are three-month moving averages.

The number of point-of-lay pullets placed is expected to increase by 3.8 % during the first four months of 2016, compared to the same period in 2015.

An average flock of 25.0 million layers is projected for the first four months of 2016. This will be an increase of approximately 250 000 layers (+ 1.0 %) compared to the same period in 2015. Consequently, egg production is expected to increase by 0.8 % (an average of 3 370 cases per week) to approximately 409 300 cases per week in the first four months of 2016.

5.4 Feed usage and cost

Layers, in all stages of the production cycle consumed 1.18 million tonnes of feed in 2015 (SAPA). Of this total, layers in rearing consumed approximately 0.144 million tonnes and hens in lay consumed approximately 1.033 million tonnes.

The feed usage for layers and pullets in 2015 is summarised in Table 8 below.

Table 8: Feed usage in the egg industry in 2015 (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>2014</td>
<td>142 039</td>
</tr>
<tr>
<td>2015</td>
<td>143 570</td>
</tr>
<tr>
<td>Change</td>
<td>1 531</td>
</tr>
<tr>
<td>% change</td>
<td>1.08</td>
</tr>
</tbody>
</table>

According to the Animal Feed Manufacturers Association (AFMA), national sales of layer feeds to their members amounted to 958 829 tonnes from 1 January to 31 December 2015, a 1.1 % increase over 2014 levels.

The average layer feed price indicator for 2014 increased by 0.5 % compared to 2014, to R3 422 per tonne. This followed year-on-year increases of 23.7 %, 12.0 % and 4.8 % in the previous three years. The layer feed price indicator includes distribution, but excludes medication, additives and VAT. The movement in the feed price is shown in Figure 15.
“Better together as partners”
Small footprint. Big impact.
previous year, although lower feed prices through 2010 would have eased the situation somewhat. Then, from October 2012 to December 2014, both feed and egg prices escalated year-on-year but only from April 2013 did increases in egg prices show any increases in excess of feed price increases. Negative year-on-year increases in feed prices in the first half of 2015 allowed positive year-on-year increases in the egg prices which have continued in the second half of 2015, even with escalating year-on-year increases in feed prices from July to December.

5.5 Consumption

The per capita consumption for 2015 was 150 eggs per annum; 3 eggs per person more than in 2014 (Figure 17).

![Per capita egg consumption in South Africa from 2010](chart)

Figure 17. *Per capita egg consumption in South Africa from 2010*

While the population increased by a mid-year estimate of 1.8 %, the demand for eggs increased by 2.3 %. Peak egg consumption in South Africa occurred in 2012 at 153 eggs per person per annum.

The annual per capita consumption of eggs for some of the top egg-eating nations is shown in Figure 18, for 2014. Considerable scope still 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.
5.6 Trade

Egg exports

Egg exports for 2015 totalled 19 117 tonnes, an increase of 23.2 % compared to 2014. The total value of all egg exports was R479.9 million.

Of the 15 526 tonnes exported, fertilised eggs accounted for 9 285 tonnes (48.6 %: 8 920 t chicken; and 365 t other species) at an FOB value of R252.1 million (fertilised chicken eggs: R246.75 million; fertilised eggs of other species: R5.39 million).

Shell eggs and egg product exports totalled 8 187 tonnes, at a FOB value of R206.1 million, as detailed below. Fresh shell eggs contributed 3 570 tonnes to exports (18.7 %: 2 2799 t chicken; and 771 t other species) at an FOB value of R111.4 million (chicken shell eggs: R96.2 m; shell eggs of other species: R15.2 m).

Cooked or preserved shell eggs accounted for 5 033 tonnes of egg exports (26.3 %: 5 028 t chicken and other species, and 0.41 t ostrich) at an FOB value of R86.8 million (chicken and other species: R86.0 million; ostrich: R745 881).

South Africa exported 1 229 t of egg “products” in 2015 (6.4 % of total exports). Dried products accounted for 1 029 t of the exported egg products (163 kg dried yolks, 1028.6 t dried egg (not yolks) and 574 kg dried egg albumins). Liquid egg products totalled 200 t of the exported egg
products (98.4 t liquid egg yolks, 98.9 t raw egg pulp (chicken and other) and 2.4 t of liquid egg albumins). The FOB value of dried egg products was R25.7 million and the FOB value of liquid egg products was R3.91 million.

Hen egg exports (Gallus gallus domesticus; fresh and preserved/cooked and egg products) continue to operate from a low base, being only 1.39 % (6 203 t) of total egg production (446 388 t) in South Africa in 2015.

The main destinations for South African egg exports in 2015 were Mozambique (56.2 %), Angola (9.5 %), Swaziland (8.8 %), Zimbabwe (12.3 %), and Namibia (4.1 %).

**Egg imports**

Total imports of eggs, including shell eggs and egg products (liquid and dried), amounted to 342.7 tonnes in 2015; 119.8 tonnes less (- 26 %) than in 2014. The egg product component totalled 334 tonnes, of which 332 tonnes was dried egg product. The main countries of origin of egg imports were Italy (33.2 %), France (23.6 %), Germany (18.4 %); India (14.1 %), Denmark (7.5 %) and Lesotho (2.5 %). Imports of eggs and egg products represented only 0.075 % of consumption in 2015.

5.7 **Provincial distribution of layers on layer/layer breeder farms**

In a recent Notifiable Avian Influenza (NAI) 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 9 gives the provincial distribution of layer farms (breeder, rearing and in-lay).

<table>
<thead>
<tr>
<th>Layer birds</th>
<th>% of total layer birds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Cape</td>
<td>833 105</td>
</tr>
<tr>
<td>Free State</td>
<td>3 285 903</td>
</tr>
<tr>
<td>Gauteng</td>
<td>6 675 607</td>
</tr>
<tr>
<td>KwaZulu-Natal</td>
<td>2 783 918</td>
</tr>
<tr>
<td>Limpopo</td>
<td>1 641 560</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>2 426 742</td>
</tr>
<tr>
<td>North West</td>
<td>2 668 004</td>
</tr>
<tr>
<td>Western Cape</td>
<td>6 372 123</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>52 612</td>
</tr>
<tr>
<td><strong>GRAND TOTAL</strong></td>
<td><strong>26 739 574</strong></td>
</tr>
</tbody>
</table>

A total of 206 farms reported in the NAI survey, of which 20 were layer breeder farms, 27 were layer rearing farms and 159 were commercial laying hen farms. It is estimated that the
survey represents about 81 % of total hen numbers in South Africa. We continue to try to improve the representation of producers in this survey for disease control and management purposes.

5.8 Challenges and prospects for the South African egg industry

At producer level, pressure continues to be exerted on margins, with producers receiving an ever-reducing share of the consumer price. Related to this is a concern that the rising margins applied to eggs by retailers are in danger of hindering demand for the product.

The South African egg industry faces another year of real challenges, including:

- High commodity prices, related to drought conditions and the embattled rand
- Soaring food inflation and constrained consumer spending
- Forecast increases in interest rates
- Volatility in an already depreciated rand and its effect on input costs
- The possibility of recession in South Africa
- Disappointingly low local consumption of eggs (150 per person per year)
- Weak export demand

There remains some uncertainty as to whether this is the worst drought in 23 years; or since 1983 or 1933; or, indeed, since records began in 1904. Irrespective of the drought’s historical significance, rainfall in South Africa in 2015 averaged just 403 mm, significantly below the average of 608 mm recorded across the provinces since 1904 (South African Weather Service). By December 2015, five provinces had been declared drought disaster areas (Mpumulanga, Limpopo, KwaZulu-Natal, North West and the Free State), but parts of the East, Western and Northern Cape had also been severely affected. The Free State has suffered below average rainfall since 2012.

As a result of the drought, imports of maize in 2015 exceeded levels seen since SAGIS began record-keeping in 2004. Imports this season, which ends on 30 April 2016, have so far reached 1.4 million tonnes (95 % yellow maize for animal feeds, from Argentina and the Ukraine) but Agri SA believes the country will need to import a further 3.8 million t of maize through to April 2017, and 2 million tonnes of wheat. The combined maize harvest is forecast at around 27 % lower than in the previous season (7.255 m tonnes), against an estimated requirement of 10.5 m tonnes (Crops Estimate Committee). The average yellow maize price for 2015 (R 2 616/tonne) is 22 % higher than the average maize price for 2014 (R 2 142/tonne). However, the deteriorating situation for farmers is made clearer when the December 2015 yellow maize price is compared to the average price for 2014. The December price is 67 % higher and expected to rise through the first few months of 2016.

Food price inflation decreased from 6.6 % in January 2015, year on year, to 4.3 % in June 2015; but crept up to 4.8 % in October/November and accelerated sharply in December to 5.9 % (SARB). Higher food price inflation is expected going into 2016 because of the drought-reduced
harvest of maize and other food crops, and the weaker exchange rate. Globally, food prices are easing but the SARB predicts South African food inflation to reach 11% in 4Q 2016.

With both the food inflation and exchange rate outlooks deteriorating badly in late 2015, the Reserve Bank is expected to increase the repurchase rate by 50 basis points at the January 2016 Monetary Policy Committee meeting, to 6.75%. This will push the prime lending rate to 10.25%.

In 4Q 2015, uncertainty over the timing of the first US rate hike since 2008 played negatively on the rand, which had already deflated by almost 21% against the dollar in the first three quarters of the year. An even more catastrophic decline in the local currency followed in December when President Zuma replaced the widely respected Minister of Finance, Nhlanhla Nene, with the inexperienced David van Rooyen. In terms of stocks and bonds alone, analysts estimated the resultant loss to the SA economy was around R500 billion; without taking into account the further devaluation of the rand and a precipitous descent towards “junk status”. The rand touched R16 to the dollar in mid-December 2015; representing a 38% depreciation in value since January 2015.

At the end of 2015, the International Monetary Fund forecast South African economic growth at 0.7% in 2016 and 1.8% in 2017. A disappointing 0.6% growth in the 4Q 2015 again raises the possibility of a recession in early 2016. The agricultural sector suffered contraction of 14% in growth in the 4Q 2015. This sector, after four consecutive quarters of sharp contraction, has registered negative growth of -16% over the past year.

The net result of all this for the average South African egg consumer? While world food prices are not expected to increase from their four-year low, food prices in this country are set to soar. The poor spend around 30-40% of their income on food. AgriSA estimate that food prices will have increased 15% by the end of 2016, and that increases will drag on into 2017. South Africa is expected to import 5 to 6 million tonnes of maize in 2016 as a result of the drought (DAFF). The cost of these imports has been increased dramatically by the devaluation in the rand. The inflation rate is forecast to rise steeply as a result of food price hikes, and interest rates could be raised repeatedly through 2016 to counter the inflationary trend. If companies cannot afford to borrow to invest in growth, investors will continue to shy away from South Africa and employment rates will drop as growth stagnates. The cost of meeting the country’s debt obligations will soar and credit agencies are increasingly likely to downgrade South Africa’s credit rating to below investment grade (“junk status”). Transport costs will increase and any impetus to growth from lower oil prices will be lost in increased fuel levies. Crime looks set to increase as jobs become harder to find, leading to further emigration and a smaller tax base. This is the marketplace in which egg producers will try to sell their product in 2016.

Per capita consumption of eggs in South Africa remains disappointingly low at 150 eggs per person per year. Contrast this to figures of 330 in Mexico, 242 in Russia, 256 in Argentina, 263 in the US, 220 in New Zealand, 192 in Brazil and 189 in the UK. The world average for per capita consumption is approximately 210 eggs per person per year.
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)
- Constrained consumer spending

In some African cultures (including 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 exists 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, 318 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.
6. **BROILER INDUSTRY**

6.1 **Overview**

This year became progressively more challenging for South African broiler farmers as the months rolled by. The more favourable raw material prices experienced in 2014 lasted only until January and then climbed steadily through 2015 as the country’s severe drought began to tell. Rising food prices constrained consumer spending further, and the weak local currency, buffeted by political events and policy uncertainty, made everything more expensive for housewives and producers alike. Although the South African poultry industry does not export to the US, the continued participation of South Africa in the African Growth and Opportunity Act (AGOA) became coupled to the issue of dark meat broiler imports. The renewal of this preferential trade agreement in September 2015 was to the detriment of the local broiler industry because a compromise quota for US leg quarters had to be settled on to satisfy the American negotiators and to secure continued access to the US markets for the country as a whole. By June, the industry’s AGOA negotiations had been concluded, with South African producers forced to accept 65 000 tonnes of US bone-in imports per annum from January 2016. These portions will not be subject to the anti-dumping tariffs that have been in place against US leg quarters for more than a decade.

A restoration of normal trading conditions is required for the poultry industry in South Africa to survive. In this regard, the industry’s relationship with various government departments holds the key to the recovery room. SAPA has engaged extensively with government and the International Trade and Administration Commission of South Africa to find an acceptable solution that will protect the local industry and employment, while also promoting fair trade. In 2013, the Commission investigated SAPA’s request that an anti-dumping duty be imposed on frozen bone-in portions of fowls originating or imported from Germany, the Netherlands and the United Kingdom. In a notice published on 25 October 2013, ITAC stated that there was prima facie proof of dumping, material injury, threat of material injury and causation. Final tariffs were gazetted during February 2015, which disappointingly reduced the interim tariffs in place through 2014. Even the higher interim anti-dumping tariffs have proved ineffective, with imports of bone-in portions from the EU remaining at alarming levels. Nevertheless, the final implementation of the EU anti-dumping duty is considered a major success; simply for the key message that the three countries have been found to be dumping surplus chicken parts into our market.

The year ahead will undoubtedly be an impossibly difficult one for many broiler producers, as EU poultry products continue to flood the market, the US resumes trading and the drought deepens. In addition, legislation to limit the amount of brine added to quick frozen chicken products is likely to be gazetted in 2016 and will have serious consequences for some producers.
6.2 Turnover

The gross value of primary agricultural production from poultry meat (inclusive of all types of poultry) for the period 2015 was R38.81 billion, reflecting an annual increase of 13.4 % (source: DAFF).

Poultry meat production is the largest product sector in agriculture in South Africa, ahead of all other animal sectors (beef production (R28.3 billion), milk (R14.4 billion) and eggs (R9.8 billion) and ahead of all field crop and horticultural sectors. The maize sector, for example, had a gross value of R24.6 billion and deciduous and citrus fruit were valued at R17.0 and R14.2 billion, respectively. Poultry meat’s share of the gross value of all agricultural production was 16.6 %, and of all animal products 34.1 %.

6.3 Production

A total of 1004.5 million broilers were produced for slaughter in 2015; 44.1 million (+4.6 %) more than in 2014 (Figure 19 and Table 10).

Based on the number of day-old parent pullets placed to December 2015, the size of the breeder flock is expected to increase by 3.2 % to 6.93 million during the first four months of 2016. The forecasting model predicts a potential production of broilers to July 2016 of 19.97 million per week.
**Table 10: Summary of key results: broiler production**

<table>
<thead>
<tr>
<th>Forecast period</th>
<th>Day-old parent pullets placed /year</th>
<th>Breeder hens average</th>
<th>Broiler chicks placed /year</th>
<th>Broilers slaughtered (based on actual chicks) /year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>9 050 063</td>
<td>6 600 517</td>
<td>1 016 946 418</td>
<td>958 430 417</td>
</tr>
<tr>
<td>2015</td>
<td>9 682 571</td>
<td>6 716 156</td>
<td>1 022 019 466</td>
<td>1 004 515 404</td>
</tr>
<tr>
<td>Change</td>
<td>632 508</td>
<td>115 640</td>
<td>39 926 952</td>
<td>46 084 987</td>
</tr>
<tr>
<td>% change</td>
<td>6.99</td>
<td>1.75</td>
<td>3.91 %</td>
<td>4.81 %</td>
</tr>
</tbody>
</table>

**6.4 Feed usage and cost**

In 2015, approximately 3.517 m tonnes of feed were used by the broiler industry. Approximately 3.002 m tonnes of feed were used to grow broilers while the remaining 515 382 tonnes were used in the broiler breeder industry.

The feed usage for broiler breeders and broilers is summarised in Table 11 below.

**Table 11: Feed usage for broiler breeders and broilers in 2015 (tonnes)**

<table>
<thead>
<tr>
<th></th>
<th>Broiler parents</th>
<th>Total broiler 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>2014</td>
<td>94 875</td>
<td>409 614</td>
<td>504 489</td>
<td>9 675</td>
</tr>
<tr>
<td>2015</td>
<td>98 599</td>
<td>416 783</td>
<td>515 382</td>
<td>9 884</td>
</tr>
<tr>
<td>Change</td>
<td>3725</td>
<td>7170</td>
<td>10 894</td>
<td>209</td>
</tr>
<tr>
<td>%</td>
<td>3.92</td>
<td>1.75</td>
<td>2.16</td>
<td>2.16</td>
</tr>
</tbody>
</table>

According to the Animal Feed Manufacturers Association (AFMA), national feed sales for broilers from 1 January to 31 December 2015 amounted to 2 835 787 tonnes and, for breeders, 498 596 tonnes.

The average broiler feed price for 2015 was R4 934 per tonne; an increase of 2.2 % in comparison with 2014. This followed year-on-year increases of 11.2 %, 30.5 % and 5.2 % in 2011, 2012 and 2013, respectively. The broiler feed price includes distribution, but excludes medication, additives and VAT. The movement in the index feed price is shown in Figure 20.
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Figure 20. Broiler feed price indicator (average across feed phases) from 2010

Figure 21. Year-on-year percentage change in broiler feed price and producer price
The year-on-year percentage changes in broiler feed price and chicken price are shown in Figure 21. The graph clearly indicates why margins were under enormous pressure during 2012. From January 2011 to July 2013, 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 have producers been able to maintain some level of year-on-year increase in the broiler producer price, even when feed prices are 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. In the last two months of the 3Q 2015 and through 4Q 2015, the situation deteriorated again, with annual increases in feed prices outstripping the annual increases in broiler revenues.

6.5 Consumption

Poultry consumption

According to DAFF estimates for 2015, total production of poultry meat (including turkey, ducks, geese and guinea fowl) was 1.793 million tonnes whereas consumption (including backyard consumption) amounted to 2.234 million tonnes. The per capita consumption of poultry meat for 2015 was 40.32 kg per annum, up 5.5% from 38.21 in 2014 (Figure 22). This includes the sale of spent hens from the broiler breeder and commercial layer industries, the sale of all the edible offal, as well as other poultry species.

![Per capita consumption of animal proteins](chart)

**Figure 22. Per capita consumption of poultry meat in South Africa from 2000**
Chicken consumption

Chicken production, including subsistence farming and depleted breeders in the broiler and egg industries, was 1.792 million tonnes (99.9 % of total poultry production). Consumption of chicken meat amounted to 2.166 million tonnes in 2015. The per capita consumption of chicken meat for 2015 was 39.41 kg per annum, up from 37.15 kg in 2014. The annual per capita consumption of chicken around the world, according to OECD-FAO data for 2015, is shown in Figure 23.

Chicken production, including injection marinating, totalled approximately 2.423 million tonnes in 2015. Estimated brining percentages were used on IQF, frozen portions, whole frozen chicken and frozen value added products. Taking marinating into account, the per capita chicken consumption in 2014 was 44.10 kg.

![Global per capita poultry meat consumption](image)

**Figure 23.** *Approximate per capita consumption (kg) of poultry meat worldwide (OECD-FAO Agricultural Outlook 2015)*

6.6 Trade

South Africa is among the most unprotected markets in the world, resulting in countries such as Brazil, and the EU, taking 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 conditions to stop imports into their home markets. For example, the EU, a massive exporter of
chicken to South Africa, imposes a tariff of between R5 and R12 per kg, and Canada applies a 249 % tariff on most imports, Norway 306 % and Mexico 234 %. The tariff increase on leg quarters – the bulk of imports – is only 37 %, with no increase in the tariff on mechanically deboned meat (MDM) which is used in sausages and polonies. Since 81 % of imported leg quarters came from the EU in 2015 (93 % in 2014; before the AI-related trade bans), there is in effect almost no duty on leg quarters at all. Tariffs have no direct effect on the price of local chicken. The price of chicken is lower now, in real terms, than it was two to three years ago.

**Annual broiler imports**

According to the audited figures of SARS (verified), the annual broiler imports for 2015 totalled 457 374 tonnes; a 24 % increase over 2014 levels despite trade bans having been imposed on several countries for much of the year because of outbreaks of avian influenza (Figure 24).

This figure represents 95.6 % of the total poultry products imported (478 447 t; includes turkey, ducks, geese and guinea fowl). Turkey imports in 2015 amounted to 20 724 t (4.3 % of total poultry imports). The broiler imports for 2015 had a free on board (FOB) value of R4.298 billion.

The local industry has, for years, been placed under severe financial stress because of the effect of imports on local pricing. A number of smaller producers closed their doors in the period under review, leading to further concentration of the industry, job losses and less competition in the marketplace. Poultry imports contributed 22 % to poultry consumption in South Africa in 2015.

![Figure 24. Total annual chicken imports since 2007 (tonnes)](image-url)
**Frozen broiler meat imports**

Of the total broiler meat imported through 2015, 99.9% was frozen (456 954 t). Frozen broiler meat imports increased by 24.1% in 2015 over levels imported during 2014 (368 202 t). Broiler imports contributed 21.5% of broiler consumption in South Africa in 2015. If frozen mechanically deboned meat (MDM) imports are excluded, then broiler imports contributed 13% of broiler consumption.

Mechanically deboned meat (MDM) contributed 39.4% to frozen broiler meat imports (179 891 t), while bone-in broiler portion imports contributed 42.1% (192 390 t); carcasses 4.9%; boneless portions 3.5%; and offal 9.2%.

Annual imports of frozen mechanically deboned meat (MDM), frozen whole chickens and frozen bone-in portions are given in Figures 25 (a) to 22 (c); illustrating the increase in importation of MDM and frozen bone-in portions and the decrease in importation of whole frozen chickens.
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**Figure 25.** Annual imports of mechanically deboned meat (MDM), whole frozen chickens and frozen bone-in portions

**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.

**Figure 26.** Imports of frozen bone-in portions from the EU (presented as a single entity) in comparison with the rest of the countries combined
Brazil remained the main country of origin in 2015, largely because it is the main source of MDM imports into South Africa and because of avian influenza related trade bans against several EU countries. Brazil accounted for 50.4 %, or 241 180 t, of total poultry imports into the country in 2015; up 43 % over 2014 levels. The EU is by far the major supplier of bone-in portion imports (Figure 26), with the Netherlands being the second largest individual importer, with 13 % or 61 995 t; a 19.3 % decrease over 2014 levels because of an AI-related trade ban. Belgium accounts for 7.4 % or 35 613 t of imports; followed by Argentina (27 718 t) and France (27 090 t), at 5.8 % and 5.7 % of total imports, respectively. Imports from Germany and UK decreased in 2015 because of AI-related trade bans, totalling 554 t and 15 985 t (3.3 % of total imports), respectively. Imports from the UK decreased by 62.8 % year-on-year; whilst imports from Ireland increased by 61 % in 2015 to 13 336 t (2.8 % of total imports). All other importing countries contributed less than 2.5 % each to total poultry imports.

Imports of frozen broiler meat from the EU as a whole continue to rise with a 35 % increase in volumes over 2014 levels, following on from a 27 % increase between 2013 and 2014. In 2015, 43 % of frozen chicken imports came from the EU.

In tonnage terms, a total of 194 685 t of frozen broiler meat was imported from the EU in 2015, compared to only 4 139 t in 2009.

If the EU countries are considered as a single entity, 41.7 % of total poultry imports (frozen/fresh, including turkey, geese, ducks, guinea fowl) entered SA through the EU in 2015 (Figure 27). South Africa is now the single largest export destination for EU poultry meat exports.

**Figure 27. Poultry imports into South Africa in 2015: EU countries combined**
The main product imported from the EU in 2015 was frozen bone-in portions, accounting for 80% of total broiler imports from the Union and 81% of the bone-in portions imported into South Africa this year. This was followed by offal and carcasses at 9% and 6%, respectively. The main product imported from Brazil was mechanically deboned meat (74% of Brazilian broiler imports); with bone-in chicken portions at 12% and offal at 8%.

**Value of imports**

The value of broiler imports into South Africa amounted to R4.3 billion at the free on board (FOB) level in 2015; a 17.4% increase over 2014. Frozen bone-in portions were imported at an FOB value of R2.724 billion (63.4%) and frozen MDM at R723 million (16.8%). The value of total poultry imports into South Africa, including broilers, turkeys, geese, ducks and guinea fowl totalled R4.68 billion, a 14.5% increase in comparison with the value of total poultry imports for 2014.

**Poultry exports**

A total of 72,444 tonnes of poultry products (chicken, turkey, ducks, geese and guinea fowl) were exported at an FOB value of R1.23 billion during 2015. This is an increase of 9.2% over 2014 levels. Chicken exports accounted for 90.85% of total poultry exports in 2015, and 85.6% of the rand value (FOB) of total poultry exports. Turkey exports totalled 2,084 t in 2015; geese exports 1,816 t; duck exports 1,656 t; guinea fowl 12 t and mixed product (ducks, geese or guinea fowl; not specified) 1,061 t.

Of the total 72,444 t of poultry exports, 55,796 t were frozen products (including 22,129 t of frozen bone-in portions; 11,413 t MDM and 11,923 t of whole frozen chicken) and 13,346 t were fresh poultry products (including 9,634 t of fresh chicken cuts and offal). There were also 3,290 t of products which might either be fresh or frozen (e.g. pâtés, sausages and value-added products).

The main destination countries for poultry exports were Mozambique at 19,681 t, Lesotho at 17,684 t, Namibia at 14,682 t, Botswana at 3,796 t, Zimbabwe at 3,268 t, Zambia at 3,241 t and Swaziland at 1,302 t of the 72,444 total tonnes exported.

6.7 **Provincial distribution of broiler farms**

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

Table 12 gives the provincial distribution of broiler farms (breeder and rearing).

A total of 639 farms reported in the NAI survey, of which 131 were broiler breeder farms and 508 were broiler rearing farms.
Table 12: Provincial distribution of broiler chickens in South Africa

<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>7 140 153</td>
<td>5.8%</td>
</tr>
<tr>
<td>Free State</td>
<td>6 703 000</td>
<td>5.5%</td>
</tr>
<tr>
<td>Gauteng</td>
<td>10 069 092</td>
<td>8.2%</td>
</tr>
<tr>
<td>KwaZulu-Natal</td>
<td>14 824 456</td>
<td>12.1%</td>
</tr>
<tr>
<td>Limpopo</td>
<td>3 560 460</td>
<td>2.9%</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>22 724 108</td>
<td>18.6%</td>
</tr>
<tr>
<td>North West</td>
<td>30 391 645</td>
<td>24.9%</td>
</tr>
<tr>
<td>Western Cape</td>
<td>26 812 823</td>
<td>21.9%</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>125 000</td>
<td>0.1%</td>
</tr>
<tr>
<td>GRAND TOTAL</td>
<td>118 822 116</td>
<td>100%</td>
</tr>
</tbody>
</table>

6.8 Performance efficiency

Feed conversion ratio (FCR) and performance efficiency factor (PEF) values will depend on the management of each enterprise. However, top South African broiler farms are capable of achieving FCR figures of around 1.61 and PEF figures of around 304. Average slaughter age is now 33.5 – 34.0 days at a weight of 1.8 kg.

6.9 Challenges and prospects

With a crippling drought beginning to bite and the rand at the mercy of global and local politics, all poultry farmers have had to deal with rising maize and input costs and constrained consumer spending in 2015. Along with these local economic and climatic difficulties (outlined in Chapter 5.8 above), the broiler industry has faced challenges above and beyond those faced by the egg industry. These challenges included negotiations with the US over leg quarter imports; the return of the EU countries to the poultry market after the 2014/2015 avian influenza outbreaks; limited export opportunities and changes to the legislation governing brining levels in chicken products.

In June 2015, after protracted negotiations, the South African Poultry Association and the USA Poultry and Egg Export Council agreed to open the South African market to 65 000 t of American frozen leg quarters per annum. The US had threatened to block South Africa's inclusion in the preferential AGOA trade deal (up for renewal in 3Q 2015) if the anti-dumping tariffs imposed on US leg quarters were not lifted. AGOA was enacted in 2000 under the Clinton administration. It allows liberal duty-free and quota-free access between sub-Saharan economies and the US markets on more than 6 000 product lines. A number of local industries, including motor, wine and edible fruits, have benefited from the deal. US consumers prefer "white" chicken meat (primarily breast meat) and wings. The rest of the chicken is considered waste and is exported to countries like South Africa at prices well below the cost of production. This is considered 'dumping'. South Africa had
been imposing anti-dumping duties on US bone-in portions amounting to R9.40/kg, which is close to the maximum allowable under World Trade Organisation rules. During 2015, numerous meetings took place in Washington and Paris between SAPA, Trade and Industry Minister Rob Davies, Ambassador Faizel Ismail (South Africa’s Special Envoy on AGOA), representatives from the broiler industry, and US senators. An offer made in March 2015, allowing 50 % more tonnage of US chicken imports per year to be exempt from anti-dumping duties, was rejected. The US wanted more. The agreement eventually struck in Paris did not eliminate the 15-year anti-dumping duties, but instead set an annual duty-free quota for bone-in chicken portions.

Despite the resolution in mid-year, the issue of US poultry imports rumbled on through much of the 2H 2015. The negotiations were further complicated by unprecedented outbreaks of avian influenza in the USA which gave South Africans every right to keep the door to US imports firmly closed. Veterinarians from both countries met in Pretoria in September 2015 for discussions on the animal health issues. The parties agreed to draw up a protocol based on surveillance methods of the World Organisation for Animal Health (OIE). The document entitled ‘Protocol for Poultry Meat and Day-Old Chicks’ was signed by the veterinarians on 13 November. Minister Davies then met with the US Trade Representative Ambassador Michael Froman in Kenya in December to assess progress with the animal health issues. The final protocols for pork, beef and poultry are due to be signed on 6th January 2016. A notice was published in the Government Gazette on 18 December, amending Schedule 4 of the Customs and Excise Act, Act 91 of 1964 to state that a rebate on the anti-dumping duty will be allowed on 65 000 tonnes per annum of bone-in portions imported from the USA.

Although the South African poultry industry derives no direct benefit from the African Growth and Opportunity Act (AGOA), it has been forced to concede on the issue of bone-in imports for the “greater good of the country”. South Africa has had to lower its import standards, specifically for salmonella testing, and the US will now be able to export untested portions to our shores. It is estimated that for every 10 000 tonnes of meat imported, 1 000 direct and indirect jobs will be lost in the local industry. Given that the total volume of bone-in imports from all countries reached 157 086 t in 2014, the quota granted to the US will raise total imported volumes to around 20 % of local production of bone-in portions. The Americans are, officially, back.

Bans imposed on imports from the Netherlands, Germany, Hungary and the UK following AI outbreaks in 4Q 2014 and 1Q 2015 were lifted in the 2Q 2015. The UK returned briefly to the South African market, only to be banned again after a further outbreak of HPAI in July 2015, but resumed normal levels of imports in December 2015. A reported case of HPAI in Lower Saxony, Germany in July 2015 prevented German imports returning to the South African market in spring 2015 and, to date, German imports remain negligible. The Netherlands have had no further outbreaks of avian influenza and accounted for 22.4 % of total poultry imports into South Africa in 4Q 2015. At the beginning of March 2015, final anti-dumping duties of between 3.86 % and 73.33 % were gazetted, against a number of firms from the UK, Netherlands and Germany (ITAC; www.itac.org.za; media report 2/3/2015). Although the duties are probably too low to present any meaningful barrier to dumping, the local industry is grateful that ITAC has accepted the European
trade practices are “unfair” and causing material damage to South African businesses. The effectiveness of these anti-dumping measures will only be seen fully in 2016 when normal trade with AI affected countries resumes, but 2H 2015 trade levels suggest that the duties have had little or no impact on volumes. Six other EU countries, which have veterinary permission to export to South Africa remain free to pick up any volumes lost to the three countries against which anti-dumping duties apply. An application is now before ITAC to return the EU to the position where they were charged the same tariff levels as all other major exporters.

Imports of frozen bone-in portions will continue to threaten local businesses and jobs once US imports commence and bans on imports from European countries with avian influenza outbreaks are lifted. In these regions, dark meat, bone-in portions are surplus to requirements in a market that prefers white meat. Americans consume perhaps five times more white meat than dark meat but obviously have to produce the two in fixed proportion in a whole chicken. The oversupply of dark meat in Brazil, the EU and the US drives prices down to levels which may, in a market such as South Africa which favours dark meat, be below-cost and impossible to compete with (see Chapter 2.7).

Despite promising increases in exports of 162% in 2014 and a further 9.2% in 2015, the industry’s inability to export any significant quantities of product continues to be a challenge. Achieving a level playing field in international trade remains difficult: South Africa is a first world country in World Trade Organisation terms and therefore has open borders. Export to African neighbours is limited since, as developing economies, these countries protect their local producers. 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. In the EU, local producers receive subsidies in various forms, making it harder for South Africa to compete.

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. In this regard, the 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. The comprehensive plan being developed with Government should help grow the industry, both locally and as an exporter. At the AVI Africa Congress in 2014, the Director of Industrial Development at the Department of Trade and Industry (DTI), Imameleng Mothebe, spoke of the Department’s plans to help the South African poultry industry break into new export markets. A five-year plan has focused initially on markets in the Middle East and Angola. Angola has traditionally been a very important market for Brazilian poultry products but its buying power has declined recently, with lower revenues from oil. It is estimated that for every 10 000 tonnes of chicken meat exported, 1 069 jobs would be created. In 4Q 2015, the first meeting of the SAPA Export Forum was held, which identified potential export markets. It is hoped that, once a new head is appointed to the PDMA, outstanding obstacles to successfully growing export markets can be more quickly removed.
It is hoped that the Department of Trade and Industry will move forward with the designation of poultry in terms of the Preferential Procurement 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.

The global poultry news in 1Q 2015 was dominated by the effect of outbreaks of avian influenza around the globe: new outbreaks were reported in Hungary, Nigeria and several US states and there were on-going outbreaks in China, Japan and India. All key exporters were hit by weaker trade conditions in the 1Q 2015 but some recovery began in 2Q 2015 as importing nations began to lift restrictions on countries affected by avian influenza. Canadian and European cases were resolved by mid-year and the resultant import bans lifted, but the US, Russia, Asia and Africa continued to experience trade bans because of later outbreaks. US broiler exports dropped by 14% in 2015 because of outbreaks of HPAI in 20 states and leg quarter prices dropped towards the 20 c/lb level. The US, in particular, was on edge through the northern hemisphere autumn, fearing that lower temperatures and migratory birds might lead to further outbreaks and events continue to occur around the world, most recently in Europe, Vietnam and Africa. While there is a lull in this storm at the end of 2015, it seems likely that avian influenza will continue to disrupt trade in poultry products for some time to come. For the South African producer, this can mean a welcome reduction in the level of broiler imports from affected countries, but can also cause challenges in terms of the movement of breeding stock and in protecting the national flock, which remains HPAI-free.

The issue of brining levels in frozen broiler products is yet to be fully resolved and gazetted. In December 2013, DAFF published new brining regulations by way of an amendment notice to the Agricultural Product Standards Act, Act 119 of 1990. These draft regulations set the maximum amount of flavoured water, salts and/or colorants that may be injected into individual poultry portions at 15%. According to the Agricultural Research Council, which conducted research on this for DAFF, in some IQF portions the levels of brine can be 30% or higher. The Department is of the opinion that these levels go beyond what is necessary to retain succulence and flavour and suggest that some producers are deliberately manipulating the weight of their chicken portions. SAPA has argued that although the proposed 15% level is significantly higher than the 4 to 8% of mass originally mooted by DAFF, it falls far short of the current frozen portion brining levels and will have consequences that will negatively affect consumers and producers alike. The Association is seeking 25% in chicken portions, to the Department’s proposal of 15%. The broiler industry had been promised an opportunity to properly present concerns about the new brining regulations to DAFF. Representatives met with the Minister of Agriculture, Forestry and Fisheries, Mr Senzeni Zokwana, at the end of October and thereafter with his officials. Both parties agreed that the regulations need to be technically correct and capable of being monitored. A revised regulation has been drafted for DAFF to consider, along with the results of the SAPA-commissioned consumer research into brining. Poultry producers invested substantial amounts of money in their brining equipment more than 10 years ago when IQF portions became dominant products in the market; and, with the reduction of allowable brine levels, machines would operate below optimum
levels. The industry has accepted the Department’s maximum level of 10% in whole birds. The industry has sought clarity over labelling requirements and monitoring of brining levels. While SAPA remains committed to regulation, the regulations as proposed offer big challenges to the industry and consumer.

Poultry producers have a lot of work to do to counter negative public perceptions about brining practices and “industry greed”. Brining is a common international practice in the meat industry, used for many products including bacon, ham and chicken. When frozen chicken defrosts, it loses moisture which needs replacing. Brining also tenderises, flavours and preserves the meat, as well as making products more affordable. Frozen chicken accounts for about 90% of the local market, making brining a more important process in South Africa than in some other countries.

“Loadshedding” has become part of the South African lexicon and way of life in 2015. For poultry producers and processors, it presents particular challenges, from providing heating and ventilation for growing birds, through to difficulties in the slaughter and cold storage facilities. Where reliable scheduling has been absent, abattoirs have faced production line stoppages, compromising both the welfare of the birds and the safety of the product. Wastage has increased in abattoirs where product could not be chilled effectively in time and cleaning times have increased. Birds have spent extended periods in crates on trucks during stoppages because of scheduling issues. On farms, producers have had to invest in alternative technologies, such as solar panels and gas equipment, to continue operating during outages, driving up the cost of production. Farmers will be hoping that 2016 sees a more stable supply of electricity.
7. THE DEVELOPING POULTRY FARMERS ORGANISATION (DPFO)

7.1 Overview

Emerging and contract broiler farmers contribute about 2% of 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.

The DPFO was a membership-based organisation with a Committee which focused on transformation, capacity building and advocacy. The DPFO had 89 members in 2014, with approximately 300 farmers on the DPFO database. The mission of the organisation was to lobby the donor community and government on behalf of developing/smallholder farmers and to facilitate access to resources for these farmers, enabling them to manage successful poultry farming enterprises.

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 (see Chapters 10.2 and 12.2 for more information).

7.2 Developing poultry farmers: statistics

SAPA continues to play the major role in the collection of statistics by conducting quarterly surveys amongst new-entrant and small commercial. 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 28 shows the distribution of survey respondents in South Africa for the period October to December 2015.
Survey respondents have cited a number of challenges confronting them. These challenges included a lack of knowledge of many aspects of poultry farming; lack of access to markets; poor farm infrastructure; outbreaks of disease; high mortality rates (especially in hot weather); lack of funding for expansion or renovation; and problems sourcing reasonably priced quality inputs. Respondents felt that continual support and mentoring is needed to make small businesses sustainable. Amongst the small-scale broiler farmers, specific issues included difficulties in sourcing good quality chicks at an affordable price, and a lack of relevant business skills. Many producers were selling their product below cost because of problems with their business model and soaring feed prices. This has forced many aspirant farmers to stop production. Small-scale egg farmers are experiencing problems with diseases, the high cost of feed and point-of-lays, low production, and lack of transport, water and electricity.

**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 29 depicts the distribution of small broiler producers in South Africa in 2015. The survey results are summarised in the tables below.
Contract growers for broiler companies represented 91% of broilers being reared by small-scale members of SAPA during the fourth quarter of 2015.

A large number of broiler producers exited the market in the first quarter of 2015, possibly owing to a reduction in demand for live birds at that time of year (Table 13).

**Table 13:** *Small broiler producers: survey respondents and business activity in 2015*

<table>
<thead>
<tr>
<th>Period</th>
<th>Small commercial broiler farmers 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1 2015</td>
</tr>
<tr>
<td>Number of respondents</td>
<td>303</td>
</tr>
<tr>
<td>Completed questionnaires</td>
<td>241</td>
</tr>
<tr>
<td>Number that stopped farming</td>
<td>62</td>
</tr>
<tr>
<td>Number that resumed farming</td>
<td>0</td>
</tr>
</tbody>
</table>

The average costs of inputs paid by survey respondents, for the four quarters of 2015, are shown in Table 14 below. Prices exclude VAT and delivery. Where possible, prices paid by commercial farmers are shown in italics. 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.
Table 14: The average input costs of survey respondents in 2015: broiler producers

<table>
<thead>
<tr>
<th>Period</th>
<th>Input costs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1 2015</td>
</tr>
<tr>
<td>Day-old chicks (R/bird)</td>
<td>6.04</td>
</tr>
<tr>
<td>Broiler starter (R/t)</td>
<td>5 895</td>
</tr>
<tr>
<td>Broiler grower (R/t)</td>
<td>5 558</td>
</tr>
<tr>
<td>Broiler finisher (R/t)</td>
<td>5 316</td>
</tr>
<tr>
<td>Av. commercial broiler feed (R/t)</td>
<td>4 820</td>
</tr>
</tbody>
</table>

Figure 30 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 + 16.0 %, + 10.6 %, + 6.7 % and + 14.5 % for the four consecutive quarters. Large broiler producers generally qualify for volume discounts which give them a substantial advantage.

![Broiler feed price indicator 2015](image)

**Figure 30.** Average broiler feed price indicator per quarter, for small and commercial farmers

Production volumes and selling prices for 4Q 2015 are summarised in Table 15 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 R4.75 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 15: Production volume and selling prices of survey respondents in 4Q 2015: broilers**

<table>
<thead>
<tr>
<th>Period</th>
<th>Q4 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Live sales volume (birds)</td>
<td>743,364</td>
</tr>
<tr>
<td>Average price (R/bird)</td>
<td>54.52</td>
</tr>
<tr>
<td>Live sales as a % of total sales</td>
<td>71.7</td>
</tr>
<tr>
<td>Slaughtered volume</td>
<td>293,352</td>
</tr>
<tr>
<td>Average price (R/kg)</td>
<td></td>
</tr>
<tr>
<td><strong>Small-scale</strong></td>
<td>29.09 (R46.55/bird)</td>
</tr>
<tr>
<td><strong>Commercial</strong></td>
<td>18.80</td>
</tr>
</tbody>
</table>

The estimated margin over feed cost, for small-scale and commercial producers, is shown in Figure 31. 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 31. Estimated margin over feed cost per quarter (broilers) for small-scale and commercial farmers**
As seen in Figure 31, the small-scale broiler farmers enjoy a substantially larger margin than commercial farmers, despite their higher feed prices, because of their inflated selling price. However, compared with margins over feed cost of over R30/bird in 2014, it can be seen that feed costs and perhaps constrained bird prices are starting to reduce margins for smaller farmers.

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 16). A smallholder egg farmer is defined as a person producing less than, or equal to, 20 000 eggs per day, that is, 1 667 dozen per day.

Figure 32 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.
The majority of participants in the fourth quarter survey were resident in the Gauteng, the Northern Cape and Limpopo, followed by the Free State. The Western Cape and Eastern Cape had the least number of participants.

Table 16: Survey respondents and business activity in 2015: small-scale egg producers

<table>
<thead>
<tr>
<th>Period</th>
<th>Surveyed small-scale egg producers 2015</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1 2015</td>
<td>Q2 2015</td>
<td>Q3 2015</td>
<td>Q4 2015</td>
</tr>
<tr>
<td>Number of respondents</td>
<td>72</td>
<td>80</td>
<td>79</td>
<td>79</td>
</tr>
<tr>
<td>Completed questionnaires</td>
<td>68</td>
<td>75</td>
<td>74</td>
<td>78</td>
</tr>
<tr>
<td>Number that stopped farming</td>
<td>4</td>
<td>5</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>Number that resumed farming</td>
<td>3</td>
<td>8</td>
<td>9</td>
<td>0</td>
</tr>
</tbody>
</table>

The cost of inputs is summarised in Table 17 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.

Table 17: The average input costs of small-scale survey respondents in 2015: eggs

<table>
<thead>
<tr>
<th>Period</th>
<th>Input costs</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1 2015</td>
<td>Q2 2015</td>
<td>Q3 2015</td>
<td>Q4 2015</td>
</tr>
<tr>
<td>Day-old pullet (R/bird)</td>
<td>9.84</td>
<td>8.64</td>
<td>9.55</td>
<td>7.29</td>
</tr>
<tr>
<td>Point-of-lay pullet (R/bird)</td>
<td>55.93</td>
<td>57.74</td>
<td>57.32</td>
<td>56.17</td>
</tr>
<tr>
<td>Laying mash (R/tonne)</td>
<td>4 706</td>
<td>5 204</td>
<td>4 911</td>
<td>4 180</td>
</tr>
<tr>
<td>Small-scale</td>
<td>3 302</td>
<td>3 432</td>
<td>3 405</td>
<td>3 548</td>
</tr>
<tr>
<td>Commercial</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
“Better together as partners”
Small footprint. Big impact.

INDUSTRY PROFILE

2015

Figure 33. *Average layer feed price per quarter, for small-scale and commercial farmers*

Bird numbers and egg production are shown below (Table 18). 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.

**Table 18:** *Pullet and hen numbers: Small-scale layer farmers 2015*

<table>
<thead>
<tr>
<th>Period</th>
<th>Pullet and hen numbers</th>
<th>Pullet and hen numbers</th>
<th>Pullet and hen numbers</th>
<th>Pullet and hen numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1 2015</td>
<td>Q2 2015</td>
<td>Q3 2015</td>
<td>Q4 2015</td>
</tr>
<tr>
<td>Number of pullets being reared</td>
<td>3 347</td>
<td>4 910</td>
<td>4 170</td>
<td>17 090</td>
</tr>
<tr>
<td>Number of laying hens</td>
<td>193 491</td>
<td>204 513</td>
<td>158 860</td>
<td>253 111</td>
</tr>
<tr>
<td>Farm capacity</td>
<td>398 700</td>
<td>322 182</td>
<td>313 600</td>
<td>470 565</td>
</tr>
<tr>
<td>%</td>
<td>48.5</td>
<td>63.5</td>
<td>50.7</td>
<td>53.8</td>
</tr>
</tbody>
</table>

Average selling prices and the estimated margin over feed cost are given below (Table 19). The average prices obtained by commercial egg producers are shown in italics (source: SAPA survey, published in *Monthly Egg Price Report*).

Figure 34 shows the average price for eggs for the four quarters of 2015. Small-scale producers generally sell their eggs at a much higher price than commercial producers. Expressed as percentages, these price differences are +13.5 %, +19.5 %, +20.7 % and +2.8 % for the four quarters.
consecutive quarters. Because the small producer generally sells ungraded eggs in 30-egg trays, there is no grading cost and the packaging material cost is lower.

**Table 19:**  *Average selling prices and margin over feed cost: small-scale layer farmers 2015*

<table>
<thead>
<tr>
<th>Period</th>
<th>Average selling prices and margin over feed cost</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1 2015</td>
</tr>
<tr>
<td>Egg price (R/doz)</td>
<td></td>
</tr>
<tr>
<td>Small-scale</td>
<td>14.55</td>
</tr>
<tr>
<td>Commercial</td>
<td>10.90</td>
</tr>
<tr>
<td>Cull price (R/hen)</td>
<td></td>
</tr>
<tr>
<td>Small-scale</td>
<td>39.55</td>
</tr>
<tr>
<td>Commercial</td>
<td>24.50</td>
</tr>
<tr>
<td>Feed cost (R/doz)</td>
<td></td>
</tr>
<tr>
<td>Small-scale</td>
<td>7.64</td>
</tr>
<tr>
<td>Commercial</td>
<td>5.36</td>
</tr>
<tr>
<td>Margin over feed cost (R/doz)</td>
<td></td>
</tr>
<tr>
<td>Small-scale</td>
<td>6.91</td>
</tr>
<tr>
<td>Commercial</td>
<td>5.54</td>
</tr>
</tbody>
</table>

**Figure 34.**  *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 DPFO members in a strong position to purchase new point-of-lays. In 2015, the average cull price of R39.22/hen was 68% of the average point-of-lay price (R57.71).

In the above table, the estimated feed cost in rand per dozen is a calculation based on the feed price (R/kg) and on the assumption that the hens are eating 115 grammes per day and are laying at a rate of 85%. In the fourth quarter, for every one dozen eggs produced it cost the small-scale farmer R6.79 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:

\[ \text{R13.40/doz} - \text{R6.79/doz} = \text{R6.61/doz} \]

Figure 35 shows some very interesting results. In 2014, small-scale egg producers had a much better margin over feed cost than commercial farmers, despite paying a higher price for feed. This was because they were often selling their eggs directly to the end user or to the informal market. Large commercial producers selling to the formal market pay substantial rebates to the retailers. In 2015, with feed prices escalating and less money in consumers’ pockets, small-scale farmers have realised lower margins, sometimes below those realised by commercial producers.

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 35. Average margin over feed cost per quarter, for small-scale farmers (laying hens)
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.

Note that all of the statistical reports produced by SAPA are available on the SAPA website. If the way in which information presented does not meet the needs of SAPA members, contact our data collection team at Silverpath Consulting (cynthia@silverpath.co.za) and we will make the necessary changes to reports.

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 10.2 and a report on the activities of this Committee can be found in Chapter 12.2.

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.

With some guaranteed funding available until recently, through the statutory levy, the role of the DPFO in facilitating the participation of small scale farmers, individuals and collectives in the South African poultry sector seemed possible. The termination of the statutory levy at the end of 2013 reduced the amount of money available for small-scale farmer-specific projects and general organisational work. However, the SAPA Board agreed towards the end of 2015 to earmark SAPA’s statutory levy surplus for transformation projects, under the direction of the new Transformation Committee. A proposal will be discussed with NAMC to invest the surplus in an
evergreen trust fund, with the idea that 6% of the trust’s capital be used annually to promote industry transformation.

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 in chickens and highly pathogenic avian influenza (HPAI) in ostriches, have demonstrated the vulnerable position the South African industry is in in terms of disease control. An outbreak of HPAI in chickens would have disastrous consequences for both the poultry industry and 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 could be expected to run into billions of rands. To mitigate this risk, a number of programmes have been developed to protect 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 (such as *Salmonella enteritidis*), HPAI and any other low pathogenic AI infections.

Funded, until recently, by the industry statutory levy paid by poultry producers and managed 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;
- Investigating 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;
- Considering 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 2015

**Government engagement**

The engagement between the Poultry Disease Management Agency (PDMA) and government has grown since 2012 and continues to work well. DAFF now consults the PDMA on poultry-related disease control, epidemiology, imports and exports, and veterinary public health matters. On-going disease risk assessment, to establish where diseases are most likely to originate, will enable effective protection of the national flock from disease outbreaks.
We are on track to promote awareness, through multi-agency collaborations and interactions between government, academia and the industry, of the regulation and control of veterinary antimicrobial agents and recommended best practices for the management of antimicrobial use, stewardship and resistance.

**Poultry veterinarians placement programme**

This project was conceived in appreciation of the low levels of exposure of veterinary science students to poultry science and production. The programme aims to create a group of poultry experts who can be absorbed by the industry without the need for extensive further training. The trainees are exposed to operations on broiler and layer farms and at a hatchery. Attention is paid to problem identification, post-mortem analysis and defining solutions. The veterinarians are also linked to private poultry practitioners to hone their skills. A total of 51 state veterinarians have gone through targeted in-service professional training since 2013. A further 14 veterinarians have been scheduled for training in 2016. The training is supplemented by seminars, where both private and state veterinarians are invited to discuss specific important topics.

**Development of the National Residue Monitoring and Microbial Reduction Programmes**

Historically, DAFF only tested for chemical residues in meat at a few abattoirs. Large poultry producers and retail companies conducted their own monitoring of residues in their products. Following a request from DAFF to co-operate with the implementation of a National Residue Monitoring Programme, government released a draft paper on residue monitoring in poultry. The paper proposes that all available records of residue analyses conducted on behalf of retailers be made available to the programme. These data would enable the country to comply with international requirements for exports, and allow the establishment of maximum residue levels (MRL) in imported products.

Whether exporting their products or supplying major retailers, poultry producers appreciate the need for a strong National Residue Monitoring Programme (NRMP). Local consumers have a right to high quality and safe poultry products. The NRMP and the Microbial Reduction programmes are essential tools that the industry can use to standardise the quality of the product that South African consumers buy. These projects are a collaboration between SAPA and the DAFF Veterinary Public Health Directorate (VPH). The Epidemiology Section of the University of Pretoria is also involved in these projects.

A broiler sampling protocol has been designed and tested at three large processing facilities. The next phase will be to determine the basic guidelines for routine sampling of residues and microbial agents; then, based on the outcome of the results, an application to test the rest of the country will be made. The National Department of Health (DoH) has been invited to participate in the research, to facilitate a ‘One Health’ approach. The long-term objective of the programme will be to enable the export of products, irrespective of farm size, with endorsement from DAFF based on
standardized testing and monitoring programmes; whilst simultaneously benefiting health amongst local poultry consumers.

The PDMA, in collaboration with DAFF’s Veterinary Public Health (VPH) division, ran a successful pilot study of egg sampling, residue and microbial presence testing as a first step towards the development of a national residue and monitoring programme for eggs. A total of 32 commercial and 6 small-scale layer farms were included in this preliminary sampling around Gauteng province. The egg sampling protocol is currently the subject of two MSc projects. The outcomes of these two projects, which started in early 2015, will be used to set the minimum testing requirements for egg producers in the formal and informal sectors. The testing protocols will also be used for export purposes, where national programmes are required by importing countries. Most importantly, the protocols will provide the egg industry with benchmark levels from which improvements can be made and measured. The programme will allow for continuous monitoring, evaluation and improvement of disease and residue procedures.

In light of the outcomes of the Antimicrobial Resistance Summit held in October 2014, the poultry industry has to commit to being part of the solutions team and make sure that it plays its role in addressing the issues. The Department of Health (DoH) is very clear with regards to the actions they wish to see, and producers, veterinarians and the pharmaceutical industry need to join hands with DAFF to start looking at solutions for the meat producing industries. Proactive actions are needed to avoid being required to implement actions that may not be practical in the field. The process will begin with a three-year review of the use of antimicrobials in animal feeds and additives.

**Meat Safety Scheme**

As part of the Meat Safety Act, Act 40 of 2000, the issue of independent meat inspection (IMI) is being dealt with by government, in conjunction with the industry, on a consultative basis. The absence of such a scheme for poultry is negatively impacting retailer audit scores and certain export opportunities. The poultry industry meat inspection scheme will be separate from red meat inspection and will be implemented in phases taking into account the size and location of different abattoirs.

The scheme involves enhancing meat safety practices; conducting surveys; offering training; investigating food-borne diseases; promoting good hygiene practices; determining the origin of meat and animal products; monitoring residues in meat and animal products; creating assessment services; creating standard microbiological testing protocols, etc. All national production should be produced to a common minimum standard. All imported products can be then be tested against the scheme standard and all further processing by importers can also be tested against local standards. Import barriers, relating to the minimum standard, can be put in place to protect consumers where necessary.
The Meat Safety Act and Independent Meat Inspection have been topical during the National Animal Health Forum (NAHF) meetings and the slow pace of progress with both has been cause for concern. The NAHF continues to engage government to find workable solutions for all industries and to ensure that consumers are protected during the process.

*Developing a searchable registered products database*

Information on registered products is available on the PDMA website. There has been great progress in the submission of package inserts from various companies since the notification sign was uploaded to the landing page of the website. However, to date, not all companies have submitted their products’ inserts, and continued efforts are being made to complete this process. The database will be an effective tool to assist producers with farm management. The website is open to the public: [www.poultrydiseases.co.za](http://www.poultrydiseases.co.za).

*Research Chair in Sanitary and Phytosanitary Risk Analysis*

Funding has been secured from the Department of Science and Technology and DAFF to establish a Research Chair in Sanitary and Phytosanitary Risk Analysis. The joint funding will be for five years at a cost of R3 million a year; renewable for a maximum of three five-year terms. The National Research Foundation (NRF) will include this position in the next call for research chairs in 2016. The animal health industries, through the National Animal Health Forum, will suggest projects and provide project funding. The chair will be responsible for building the country’s risk analysis capabilities by training postgraduate students.

*Disease surveillance and mapping*

A workshop on risk analysis and surveillance was held by the PDMA in February 2015 (Pretoria). Private and state veterinarians were invited to discuss the current status of disease surveillance and the risk posed by trans-boundary animal diseases. It was concluded that there is a need for an established and routine surveillance system to be in place. The PDMA continues in its attempts to establish a system for the reporting of poultry diseases that are diagnosed throughout the country. It should be understood that an active and reliable poultry disease surveillance system is a priority to enable a better understanding of the country's disease situation and to enable proper monitoring and control. We have continued to approach industry’s role players to provide us with past and current confidential data on diagnosed cases for purposes of planning a reliable disease surveillance system. In the same vein, we are appealing to the Directorate of Animal Health (DAH) in DAFF to regulate this activity and make it compulsory for all industry players, laboratories, farms, abattoirs and necessary partners to report cases, and to implement adequate measures of punishment for non-compliance. This will force the industry into compulsory reporting whatever the situation is, on a case-by-case basis.
The HPAI surveillance system, run by DAFF with support from the PDMA, is one of the rare exceptions to this problem. Our inability to negotiate better terms, especially regarding salmonella requirements, with the USA over the AGOA renewal should be a strong motivation to get our programmes for controlled diseases in place through the PDMA as soon as possible. These programmes will also be a prerequisite for the envisaged farm-to-fork meat safety system, as well as to comply with export requirements.

It is possible to state, with conviction, that no South African chicken flocks were infected with notifiable avian influenza through 2015. The outbreaks of low pathogenic AI in ostriches should, however, be a warning to chicken producers that the risk of HPAI is real and high biosecurity standards should continue to be enforced.

The necessary pathogen reduction programmes for diseases such as HPAI, NCD, mycoplasma, salmonella and campylobacter are available from the same countries that supply genetic material. Local conditions, however, contribute to increased susceptibility to diseases, and the presence of negative management-related conditions often manifest in the prevalence of some diseases, such as infectious bronchitis and mycoplasma. This makes the ability to farm successfully with such advanced genetic material only possible when the necessary managerial and technical expertise can be relied on.

There was a confirmed outbreak of *Salmonella gallinarum* in pullets in the Malmesbury district in the Western Cape Province in 2015. There were also three cases of *Salmonella enteritidis* confirmed during the egg project. A research and surveillance programme on salmonella is in the pipeline to track the various serovars because *Salmonella* species are considered to be frequent contaminants of chickens and have caused several foodborne outbreaks in humans. Discussions are still being held towards finalising the salmonella movement control protocol with the DAH.

In 2015, the PDMA continued work on sourcing disease data from laboratories and mapping these data using GIS (Geographic Information System). This process was started in 2014, looking at four diseases and three laboratories. The plan is to broaden the data source base and include more laboratories. The diseases that will be mapped include Newcastle disease, infectious bronchitis, avian influenza H6, salmonella and mycoplasma.

**National Animal Health Forum**

The PDMA represents SAPA at the National Animal Health Forum (NAHF). Some key discussions that have involved and affected the poultry industry are:

*Implementation of the Provision of Veterinary Services Report recommendations*

The World Organisation for Animal Health (OIE) performed a gap analysis on the provision of veterinary services in the country as part of the Provision of Veterinary Services Report recommendations. The recommendations will be used by DAFF to acquire more resources.
Compulsory community service (CCS) for veterinarians

Newly graduated veterinarians will be deployed in areas where there is a shortage of veterinarians to support farmers. The CCS will be a requirement for practice in South Africa. The programme should commence in 2016.

The manufacture and use of unregistered products

The manufacture and use of unregistered products is increasing and is of particular concern where vaccine and antibiotics are concerned. The NAHF is working to find solutions to the issue and to protect the human food chain.

8.3 Poultry research Chair: 2015

The industry sponsored Chair in Poultry Health and Production at the University of Pretoria (UP) was formally established in August 2012. The mandate of the Chair, Professor Celia Abolnik, is to conduct research into poultry diseases with the aim of improved control.

The 9th International Symposium on Avian Influenza (held in Athens, Georgia, USA in April) and the World Veterinary Poultry Association’s (WVPA) Congress in Cape Town in September were the highlights of 2015. The Chair was involved in the planning of both congresses, serving on the programme committee for the US symposium and the scientific committee for the Cape Town congress. The Chair presented keynote talks at both events, on the topics of avian influenza (AI) in ostriches and Newcastle disease (NCD), respectively. The University of Pretoria’s (UP) poultry postgraduate students attended the Cape Town congress; one oral paper and four posters were presented on topics ranging from NCD, AI and the infectious bronchitis virus to mycoplasmosis. Monitoring of the current exotic Newcastle disease virus (NDV) genotype VIIh outbreak has led to the strains isolated by the national laboratories being sequenced to reconstruct the molecular epidemiology of the outbreak. This activity dovetails with an international collaborative initiative to establish a unified nomenclature for NDV genotypes. A full South African NDV genome was also completed and submitted to the GenBank database. A review published in the proceedings of the WVPA congress details the history and current status of NDV in South Africa.

The biosafety level III (BSL3) poultry facility is proving its worth as an excellent investment and valuable asset to poultry research in South Africa. In 2015, numerous clinical trials for student projects were accommodated: one entailed a Mycoplasma gallisepticum (MG) vaccine trial, and another focused on factors driving the genetic evolution of NDV, in which vaccination against the current NDV outbreak strain was also assessed. Results of these studies are expected to be published in 2016/17. In another trial in the BSL3 facility, ostriches were used in a transmission experiment for the AI virus.
Progress in the three Tshwane Animal Health Cluster/Technology Innovation Agency (TAHC-TIA) projects remains on track. The University of Pretoria and the Council for Scientific and Industrial Research (CSIR) entered into an official collaboration agreement for the ostrich AI ELISA project, and the Chair has been an official visiting scientist at the CSIR since May 2015. Soluble H5 and H7 subtype influenza proteins were successfully expressed in the tobacco plant system, which is ideally suited to the large-scale production of antigens. The ELISA test, for which these H5 and H7 antigens are intended, will enable more rapid, sensitive, specific and high-throughput screening of ostrich blood samples for disease surveillance and export testing. This partnership with the CSIR has the potential for the development of many more poultry disease assays, providing that funding can be secured.

On another TIA project, 81 isolates of mycoplasmas were made from mycoplasmosis cases submitted to the UP Poultry Section, and full genome sequencing and assembly for more than half of these has been completed. The genome assembly and annotation project is being undertaken by a PhD student. A surprising finding was that 47% of these isolates from flocks where typical pathogenic mycoplasmas were suspected (that is, M. gallinarum (MG) and M. synoviae (MS)), were M. gallinaceum organisms. South Africa does not vaccinate against M. gallinaceum and according to Dr Naola Ferguson-Noel from the USA, who presented a talk at AviAfrica 2015, MG/MS vaccines will not cross protect against M. gallinaceum. Our laboratory has now published the first international complete genome sequence for M. gallinaceum. Other mycoplasma species were also identified in the national flock, and the aim of the TIA project is to develop molecular diagnostic assays to distinguish the various Mycoplasma spp.

Other research outputs included the complete genome sequencing of 64 Nigerian NDVs (a PhD project) using a National Research Foundation (NRF) competitive funding grant held by the Chair. The Chair also sequenced the full genome for the low pathogenic AI H5N2 strain isolated from Western Cape ostriches by Deltamune, and confirmed, based on reassortment of the internal genes, that this virus was a recent point introduction from the wild bird reservoir.

Upgrades to the infrastructure at the Poultry Research Facility in 2015 included the installation of a state-of-the-art vehicle disinfection system (the funding was won in an international competition for bio-security enhancement to existing infrastructure, sponsored by CRDF Global in the USA), and the procurement of an ultracentrifuge for the poultry research laboratory by UP.

The Chair’s administrative commitments continue to grow through a re-appointment to the South African Veterinary Laboratory Scientific Forum, and membership of the UP’s Exotic Leather Cluster and the SAPA Poultry Health and Welfare Committee. The Chair was also appointed as a convenor for one of the NRF’s rating and evaluation committees, and peer-reviewed scientific papers for nine international journals, by invitation. The total research grant income earned for UP by the Chair in 2015 amounted to R2 719 280, excluding a further R160 000 in postgraduate student Health and Welfare Sector Education and Training Authority bursaries. Four peer-reviewed papers appeared in published journals and a further three were submitted.
Peer-reviewed articles in ISI-listed journals 2015:


### 8.4 Technical support for emerging farmers

The PDMA is working on a proposal to visit the nine provinces with state veterinarians who have gone through training discussed above (Chapter 8.2) in order to provide much-needed technical support. This will be the first step in creating an interface and added-value relationship between the state veterinarians and the farmers. This programme aims to bridge the gap between these two important role players, to address the public health and safety concerns about chickens sold in informal markets. In addition, the programme aims to improve the knowledge and perception of, and attitude towards, food safety amongst producers in this sector. An appeal will be made to the provincial structures to assist in identifying the small-scale farmers who operate in this sector.

### 8.5 Notifiable Avian Influenza (NAI)

Production of poultry products for local consumption and export under successful disease surveillance and control programmes must be implemented at a level which complies fully with the export requirements of available international markets. The role of the PDMA in achieving the required disease control compliance for controlled diseases such as Newcastle disease (NCD), salmonella infections, and surveillance for HPAI (and any other avian influenza infections) has been discussed above. A routine surveillance programme for Notifiable Avian Influenza (NAI: “bird ‘flu”), using a protocol which follows OIE guidelines, has been in place since September 2005. According to this protocol, all commercial ostriches, chickens, and non-commercial chickens should be sampled and tested six-monthly for both the H5 and H7 avian influenza sub-types. The surveillance protocol undergoes periodic revision to keep it up to date. Bi-annual reports on the NAI status of the South African Poultry flock can be found on the SAPA website.

At present, the surveillance by DAFF in the ostrich industry uses protocols and diagnostic techniques on a par with the best in the world, including a standardised testing protocol developed...
by Deltamune, OVI and DAFF and advanced diagnostic methods implemented by Professor Abolnik (University of Pretoria) who is sponsored by the poultry industry. It is of the utmost importance that the poultry industry continues its surveillance for avian influenza at such a level and remains supportive of DAFF’s efforts to control this potentially devastating disease.

While the broiler and egg industries in South Africa remain HPAI free, the persistence of the LPAI H6N2 strain in the national flock cannot be ignored. It is of concern that the industry is prepared to ‘accommodate’ this low pathogenic strain in the national flock. The continued practice of vaccination against this disease results in a high-risk comfort zone in handling a disease notorious for genetic shifts and drifts. The strain may not be killing large numbers of chickens, but its economic impact is concerning; thus it is beneficial to develop a strategy to eradicate it.

Three previous unrelated outbreaks of H5N2 in ostriches in the southern Cape (2004; 2006; 2011) were successfully ended through the use of culling programmes. No further isolations or identification of the highly pathogenic H5N2 virus were made in 2012 but new introductions of LPAI H7N1 occurred in that year. In 2013, the strain affecting ostriches in the southern Cape was identified as LPAI H7N7 by the University of Pretoria. South Africa’s status as free from Highly Pathogenic Notifiable Avian Influenza (HPNAI) was revoked in 2011 by the EU until certain conditions were met. The four-year ban on ostrich exports to the EU was lifted in 2015 in response to improvements in bio-security measures.

During 2015, South Africa reported 32 outbreaks of low pathogenic avian influenza (LPAI) on ostrich farms in the Eastern and Western Cape. Most of the outbreaks were in the Western Cape in the regions of Hessequa, Kannaland and Oudtshoorn but there were outbreaks in Ikwezi and Camdeboo in the Eastern Cape in mid-year and December. In September, there was an outbreak in the Mossel Bay area of the Western Cape. Only 10 deaths were recorded in all these cases and the South African ostrich flock remains free of highly pathogenic avian influenza (HPAI).

While few deaths were reported in ostriches, one outbreak of LPAI (H5N2) on 1 December 2015 was reported in domestic ducks in the Western Cape, with 175 deaths from over 3000 cases identified. This incident is now resolved. In view of the successful implementation of NAI surveillance programmes by the ostrich industry and the effective control over the occasional positive cases, a close cooperation between the two industries must be maintained together with government officials. It is of the utmost importance that the poultry industry continues its surveillance for AI at such a level, so as to be in support of the required level of vigilance for this very important, potentially high-risk and disastrous disease, and to support the control measures implemented by DAFF.
8.6 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) have 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.

Important factors that play a role in the ability of the industry to be able to meet the welfare challenges are the availability of technical support from scientists, the financial and economic situation in the country, the pressure from animal welfare groups and from animal rights groups, as well as the political and bureaucratic environment to allow for welfare improvement.

It is the view of the Poultry Health and Welfare Committee that codes of practice which effectively deal with the welfare aspects of poultry farming through realistic and practical industry-orientated guidelines, rather than South African Bureau of Standards (SABS) standards, are preferable; although this does not preclude the use of an SABS standard.
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 could 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 was 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.

- Poultry production systems have a high dependency on imported feed grains for animal feed; about 63 % of soya oilcake is imported, 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 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 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:

10. SAPA RESTRUCTURING

10.1 Restructuring

In October 2013, the need for a new, more efficient SAPA became clear. Members insisted that the activities of SAPA be made more relevant to all of them. In January 2014, SAPA took the decision to consolidate 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 CPO and the DPFO would be absorbed into their respective product value chains, falling under either the Broiler Organisation or the Egg Organisation.

With revised national and provincial structures decided upon, a draft Constitution was drawn up. Delays were experienced in the restructuring process as the four subsidiaries debated the proposed changes. The Egg Organisation, in particular, felt that the problems affecting the broiler industry swamped the ability of the SAPA structures to deal with problems in the egg industry, and the need for two completely separate representative bodies was mooted. In the end, a further revised but unified membership structure (two member bodies and a Board composed equally of both bodies) was accepted by the Executive Committee of all four organisations.

Under the new SAPA structure, membership representation of the Association will be by category, as follows:

Subsistence farmers

Broiler: less than 1 500 birds per cycle
Egg: 1 – 499 hens

Small commercial farmers:

Broiler: more than 1500 birds per cycle; less than 40 000
Egg: 500 – 50 000 hens

Large commercial farmers:

Broiler: more than 40 000 birds per cycle; less than 40 000
Egg: More than 50 000 hens

The provincial structures for both the Broiler and Egg Organisations will nominate representatives to participate in the relevant national structure. The provincial and national structures of both the Organisations will need representation from all sectors of their value-chains; for example, abattoirs
will need to be represented within the Broiler Organisation structures, and pullet-rearers within the structures of the Egg Organisation.

The Management Committee accepted the draft constitution in April 2015 and agreed that the new SAPA member structure should go before the SAPA Congress in June, for member approval. Besides the consolidation of the organisations, key changes which would be discussed at Congress included:

*The provincial structures.*
These will now be voluntary, less formal and self-funding, rather than part of a formal lower tier of the national SAPA structure. They will have increased flexibility to set their own rules, without the need to have these rules proposed and accepted at a SAPA AGM.

*The Egg Organisation.*
Egg producers will now have a dedicated person to serve their needs.

*Project management.* SAPA staff will no longer be involved with project management on any research projects undertaken by either of the two new organisations. All project management costs must be fully funded by the project itself.

At the 109th Congress of the South African Poultry Association, members in each of the four SAPA subsidiaries voted to create two new organisations representing the egg and broiler value chains. They also voted to establish a Board to manage all non-egg and non-broiler specific affairs and to be an over-arching and unifying authority. The SAPA Board will have four representatives from each of the two Committees, and two alternatives. The initial leadership of the two producer bodies and the Board will be determined by the current Management Committee, to allow for continuity in management while the new structures are launched. From SAPA Congress 2016, normal voting processes will apply.

Once it had been accepted by Congress, the new SAPA constitution had to be approved by the Commissioner of SARS. The existing SAPA structures therefore had to remain in place until SARS were satisfied with the constitution – this approval was received in October 2015. The new Constitution could then be implemented, by virtue of written resolutions prepared and signed by the new Committees in the months leading up to the SARS announcement.

Along with the changes to the membership structure of SAPA, there has been a parallel restructuring of the SAPA secretariat, which began in June 2014 with five staff members leaving the Association’s offices as part of the downscaling process. The restructuring of the secretariat to serve the needs of the new provincial and national structures continued in 2015, with three further retrenchments reducing the SAPA staff by 50% from its peak of 16 employees. Five redefined positions were rewritten and advertised during 2015.
In order to realise the new SAPA strategy, the existing funding structures will change. Expected expenditure decreased by 40% in 2015 and this level is to be maintained through 2016. A meeting of the Management Committee in August 2015 worked on the budgeting process and sent a draft proposal to the two new organisation committees for consideration. The two committees used the draft proposal to draw up and agree to their own budgets, including their contribution to the shared services budget (cost of secretariat, statistical services, website, etc.). The bulk of the decision-making is thus done at individual committee level, with the SAPA Board ratifying the shared services budget only at the end of the process.

The Egg Organisation held its first meeting on 12 November 2015 and opted for a flat-rate funding model of 1 c/dozen eggs, on top of a basic membership fee of R400/year. The Broiler Organisation held its first meeting on 26 November 2015. Its funding model is based on the number of birds slaughtered per week. Broiler breeder producers have tentatively agreed to carry 14% of the Broiler Organisation costs.

Under the new membership structure, the provincial organisations will be expected to conduct a survey of the producers in their province and to recruit producers and build membership of SAPA to increase its relevance. Databases of producers at provincial level will be maintained and shared with the SAPA national structures. Provincial organisations will be expected to lobby the relevant authorities on local issues and to identify empowerment opportunities and development projects.

10.2 Industry transformation

Stakeholders in the DPFO raised concerns that the transformation process within the poultry industry has been slow and that the proposed new structures would do little to improve this situation. The chairmen of the four subsidiaries met in mid-2014 to discuss how the new structure will integrate, rather than isolate, smaller farmers. In August 2014, a sub-committee on transformation was formally established. Under the revised organisational structure, this eight-man sub-committee automatically transfers to being a sub-committee of the new SAPA Board in 2015. The Chairman of the Transformation Sub-committee is Justice Zotwa. The sub-committee is tasked with facilitating the transformation process for all SAPA members. The Transformation Committee will need to identify and monitor transformation opportunities; liaise with government on transformation issues and policy; and mobilise funding for enterprise development and fully support such projects.

The Transformation Committee will play its role in assisting all SAPA members to grow together and to narrow the gap between large commercial farmers and small emerging farmers, in order to grow and sustain the entire sector. The Chairman of the Committee believes that the industry should not simply “comply” with the transformation agenda but show a willingness to contribute to the challenges of food security, job creation, and the development of small farmers. He has also urged historically disadvantaged South Africans not to rely solely on others for transformation, but to take responsibility for advancing themselves. In August 2015, a key decision was taken by the Management Committee to accept that the role of SAPA in transformation is to facilitate work that
brings about social, political and economic change in the industry, rather than to do it directly. AgriBEE scorecards will be circulated by SAPA and will be used by the Transformation Committee to measure the success of its work.

SAPA has been working with the DTI and DAFF on the transformation of the industry for the past two years. Recent developments have seen most of the major producers agreeing to support the transformation initiative and work with developing farmers. The Department of Agriculture, Forestry and Fisheries will be the lead agent in this process and the newly launched Agricultural Policy Action Plan (APAP) has transformation as a cornerstone. APAP is an official Cabinet-approved policy with the purpose of prioritising spending within DAFF. Poultry is one of the priority sectors in terms of APAP.

The industry transformation focus is on creating more and better opportunities for previously disadvantaged producers, by improving access to quality inputs, information, finance, veterinary services and abattoir facilities; providing mentorship; assisting in the creation of regional networks for smallholder producers; and expanding market access.

Smallholder farmers are accepted as an integral part of the South African agricultural economic structure. Their integration, as well as that of Historically Disadvantaged Individuals (HDI), into established commercial value chains is of critical importance in order to establish and ensure sustainable, inclusive and equitable value chains. Direct support by existing commercial farmers for smallholder farmers is a necessary part of this equation.
11. TRAINING AND SKILLS DEVELOPMENT

11.1 SAPA management courses: 2015

The year 2014 proved to be an extremely disappointing year in terms of attendance of the annual SAPA management courses with, nationally, a total of 48 attendees, compared to 163 candidates in 2013. The drastic drop in attendance has been attributed to the general economic conditions in the industry, the removal of the course subsidy as a consequence of the statutory levy having been brought to an end and a temporary saturation in terms of the need for the courses. As a result, it was decided not to offer SAPA management courses in 2015 and 2016, with the proviso that, should there be a renewed demand, the courses would be reintroduced before 2017.

11.2 DAFF small farmer training

The primary focus of SAPA’s training activities in 2015 was the DAFF small farmer training initiative. During 2014, a total of 206 farmers benefitted through this initiative. The Department expressed its satisfaction with the management of the project and has subsequently signed a further agreement with SAPA. This commitment amounts to R1.5 million over a two-year period, with the expectation that 250 farmers will benefit. The focus of the new agreement will be to assist existing smallholder farmers with their training requirements and will exclude new entrants.

The target set for assistance in 2015 was 125 farmers but 172 farmers were trained, exceeding expectations. This project will continue in 2016 once the second payment from DAFF has been received. This year saw the introduction of “Farmer Profile” forms, which assisted in directing training towards existing small-scale farmers, rather than aspirant farmers. A farmer feedback model to determine the impact of the training was also introduced, as DAFF wanted to ascertain the impact of training on the farmers and to establish whether the farmers had any further training needs.

11.3 AgriSETA funding

Funding support through the Agricultural Sector Education and Training Authority (AgriSETA) continues. In late 2015, all SETA’s were requested to engage with stakeholders to discuss, inform and solicit inputs on a gazetted document from the Department of Higher Education and Training (DHET) entitled “Proposal for the New Skills Development Strategy (NSDS) and Sector Education and Training Authorities (SETA’s) landscape within the context of an integrated and differentiated post school education and training system (NSLP-2015)”. A workshop for stakeholders was hosted by AgriSETA on 8 December 2015 and a further meeting is scheduled for 20 January 2016. SAPA has convened a special training meeting scheduled for the 9 February 2016 to discuss the matter, following which a submission will be made to the DHET and AgriSETA.
A project application for the development of twenty emerging farmers, which was initially declined, was resubmitted as part of the AgriSETA Discretionary Grant applications which expired on 31 January 2015. Unfortunately, this application did not succeed but an application to offer Poultry Meat Examiner and Poultry Meat Inspector training was accepted. Further to the funding received from AgriSETA, SAPA is now represented on the AgriSETA Poultry Subsector Committee, as well as on the Grant and Funding Allocation Committee.

11.4 Poultry processing qualifications

During 2014, an application was sent to AgriSETA for the development of poultry processing qualifications in terms of the Quality Council for Trades and Occupations (QCTO) Qualifications Framework. The QCTO were obliged to place a moratorium on the development of new qualifications due to demand; however, AgriSETA ensured that SAPA’s application was not affected by the moratorium. AgriSETA is still awaiting feedback from the QCTO on a way forward for the development and registration of much needed poultry processing qualifications.

11.5 IDC Research Grant (Agro-processing Competitiveness Fund)

A funding proposal was sent to the IDC to fund two research projects in 2014, namely:

- ‘Transformation of an industry: Designing a strategic business model for developing farmers’, conducted by BFAB, University of Pretoria;
- ‘Research survey to determine the perception of SAPA members and key stakeholders about SAPA’s roles and responsibilities’, conducted by BathoPele;

A funding grant of R808 054 was approved by the IDC. The BathoPele survey was completed as per the agreement. However, the transformation project being run by the University of Pretoria ran into difficulties and an extension was given to the project, which should be concluded at the end of 2016.

11.6 Poultry Meat Examiners (PME) training

There is a constant need for suitably trained Poultry Meat Examiners (PME) in the poultry sector. AgriSETA granted SAPA R500 000 for Poultry Meat Examiner and Poultry Meat Inspector training. This project commenced in November 2015 and 56 PME and 18 PMI candidates are expected to receive their qualifications in May 2016.
12. SAPA TECHNICAL COMMITTEES

12.1 Introduction

The modern-day poultry industry consists of a series of logistically planned, high-tech production operations, requiring intensive management inputs, which rely strongly on technical support from both South Africa and abroad. The role of the SAPA technical committees and work groups is to assist the industry in successfully continuing with sustainable supplies of high protein food from the modern-day poultry breeds by minimising environmental and disease-orientated stress factors, and by applying production practices which will optimise the potential of the most genetically advanced food animal species. The industry needs to adopt a broad-based self-regulatory policy for situations which need proactive control; for example, disease control, poultry welfare, antibiotic use, product safety. This approach should include research trials under South African conditions; timely development of standards; unconditional participation in disease control programmes and application of all necessary and relevant customer oriented procedures (COPs) in practice to produce products of the required quality under acceptable conditions.

Meetings of the different work groups, that is, the Transformation Committee, the Poultry Health and Welfare Work Group, the Food Compliance Work Group, the Training Committee and the Research Committee, were held regularly through 2014 and Government agencies engaged where necessary.

12.2 The Technical Committees and Work Groups

Transformation committee

The Transformation Committee got off to a slow start in 2015. The DPFO committee challenged SAPA on its willingness to transform, which threatened to hold up the implementation of the new SAPA strategy at Congress. Fortunately the Management Committee and the DPFO were able to resolve their differences and move forward.

The reality is that there is not enough common understanding between large and small-scale farmers. Clearly the idea is to give people who have been excluded from the mainstream economy an opportunity to successfully participate, but the solution is not straightforward. Specific markets are needed for smaller new entrants that will allow these development projects to succeed and grow.

The Committee intended to review the current status of the poultry industry and set an appropriate agenda for the empowerment and benefit of all its affiliates, especially for the black poultry producers within those affiliates. However, the industry was slow to respond to requests for information on individual company’s status of their transformation plans and successes. If the industry is to form a true partnership with government, it will need to deliver on transformation.
The key tasks of the 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, with the emphasis on facilitating and overseeing transformation for all SAPA members through the identification of business opportunities, 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.

A strategic session was held in August and a draft transformation document was to be developed and approved by the Transformation Committee. The document is intended to define the scope and nature of the work to be done by SAPA to support transformation initiatives. The Management Committee accepted that the role of SAPA in transformation is to facilitate work that brings about social, political and economic change in the industry, rather than to do it directly. Despite further meetings of the Transformation Committee, by the end of the year the draft document had not materialised.

On a positive note, part of the AGOA quota of chicken imports from the US is to be allocated to historically disadvantaged individuals. The South African poultry industry had insisted that any concession made to the US must have a transformational effect, if only amongst local importers.

SAPA continued to work with the Gauteng Department of Agriculture and Rural Development (GDARD) on the development of a medium-sized, black-owned poultry value chain. Three mothballed abattoirs were visited and found to be unsuitable, which led to SAPA requesting more money to build a new abattoir in a greenfield industrial area. It is encouraging that government is prepared to partner with SAPA from the beginning of the project.

**Research Selection Committee**

This Committee’s purpose is to consider and evaluate various research proposals that will utilise available funds for market or scientific research. Research proposals must be of broad-based practical advantage to the industry, addressing issues such as disease management, nutrition, production, abattoir operation, agricultural engineering and economics, etc. At least 20% of the research conducted must benefit the goals of industry transformation, assisting smallholder farmers entering the commercial sector. Committee members represent the main sectors of the industry, and include nutritionists, veterinarians and other relevant scientists.
**Training Committee**

This Committee’s purpose is to consider proposals and issues relating to training and development within the established commercial and developing poultry farmer sectors. Emphasis is placed on the development of a national training and development strategy for the sectors and the establishment of minimum standards for skills development.

In addition to this, the committee’s role will be the establishment of a national network of SAPA-recognised providers of both poultry specific and non-poultry training.

The Committee works with the broader industry, developing farmers, statutory organisations and interested parties. Work group participants include members from industry (egg and broiler); local government and veterinary supply companies.

The Research Selection and Training Committees work together on matters relating to bursaries and scholarships at local universities, for both undergraduates and post graduates. Through the Research Committee, relationships are built with the Universities for the Training Committee to build on. The Committees strive to ensure growth in poultry science studies and research and in the number of poultry veterinarians and foster the establishment of centres of poultry excellence in South Africa.

SAPA’s Training and Development manager arranges and co-ordinates industry training by service providers that include the KwaZulu-Natal Poultry Institute and works to improve training resources. In this role, his function is informed and supported by the SAPA Training Committee comprising human resource managers from SAPA member companies and invited consultants.

**Poultry Health and Welfare Work Groups**

The Poultry Health Work Group considers issues related to poultry health and poultry disease control; working with Government where appropriate to prevent and manage diseases that threaten the national flock. Topics under discussion include controlled and other diseases (especially those that have the potential to decimate the industry’s commercial well-being), and events that reduce bio-security effectiveness. The group monitors international movements in poultry welfare and reacts accordingly (see Chapter 8.6).

Along with the contributions of this work group, poultry health is managed through the PDMA, the Research Chair at Onderstepoort; and the National Animal Health Forum, of which SAPA is a member and vice-chair.

Work Group participants include members from industry [egg and broiler] and industry consultants, central and local government, University of Pretoria (OP), the PDMA, and poultry veterinary supplying companies.

The Poultry Welfare Work Group considers proposals and issues relating to poultry welfare, including international practices and trade movements. Outcomes are recorded in SAPA’s Code of
Practice, with which members are obliged to comply as a *minimum* standard. Standard operating procedures are being discussed concerning poultry welfare in commercial production (including work on layer hen caging, broiler housing and stocking densities, handling and slaughter of birds) which will allow the industry to properly justify and defend production systems to consumers and the media.

**Food Compliance Work Group**

The Food Compliance Work Group interprets and considers relevant Food Safety Acts (Department of Health and DAFF), regulations and industry standards. It is the role of this work group to inform the industry how it needs to react to ensure continuous compliance when working with Government and consumer bodies.

Matters of food safety and compliance that require input from the poultry industry, DAFF, the Department of Health and product-control persons/food technologists from larger retailers, etc., include:

- The effect of salmonella and avian influenza on poultry production and consumption in South Africa in the event of an outbreak in the country;
- Broiler-processing regulations (Notice No. 153 of 24/02/2006 under the Meat Safety Act (Act 40 of 2000)) and their effect on the availability of safer chicken meat products for the consumer;
- Regulation R146 under the Foodstuffs, Cosmetics and Disinfectants Act (Act 54 of 1972) which deals with regulations on labelling and advertising of foodstuffs. It affects a number of marketing and production practices;
- The Consumer Protection Act; the regulations of which came into effect in April 2011;
- Pathogen-reduction plans and the responsible use of antibiotics in broiler and egg production;
- The ethical responsibility of poultry farmers and veterinary poultry consultants in their use antimicrobial remedies;
- Water pick-up and flavour enhancement, referred to as “brining” (discussed in Chapter 6); measurement and monitoring of brine injection levels during production runs, using NIR meat scanners to maintain accuracy;
- Food safety and quality audits.
13. CONCLUSION

Despite more promising business results in 2014, the South African poultry industry as a whole experienced renewed and increasing pressure in 2015; from rising feed and input costs, subdued consumer spending, alarming levels of poultry meat imports and limited export opportunities.

The egg industry came under renewed pressure in 2015, as the lower feed prices experienced through 2014 fell away as the year progressed. A strong El Niño event dominated South Africa through 2015, causing drought conditions and a drastically reduced maize crop. The country will need to import substantial quantities of maize until the 2016/2017 harvest. South African egg producers continue to wrestle with an ever-diminishing share of the retail egg price and a disappointingly low per capita consumption of eggs.

In the broiler industry, anti-dumping protection against the UK, the Netherlands and Germany for bone-in portions was gazetted but the final duties are lower than the provisional measures which had been in place since 2014 and are unlikely to be effective in stemming the tide of cheap bone-in imports from the EU. Temporary trade bans against the countries affected by avian influenza were sequentially lifted as the year went on and the brief respite from imports was over. The 2015 AGOA trade negotiations could deliver 65 000 tonnes of cheap US bone-in imports into the South African market in 2016. At the same time, broiler producers will face soaring feed costs as our drought-stricken country is forced to purchase maize from the Americas with a weakened rand; and some producers will face additional business challenges once the new brining legislation is finalised.

The organisation tasked with steering the broiler and poultry industries through these troubled waters underwent a year of restructuring and streamlining in 2015. As part of the restructuring process, SAPA conducted a national survey to gauge the value that the organisation is perceived to contribute to the industry as it executes its roles and functions. Respondents agreed that SAPA showed strength in how it represents the industry with regards brining, trade, bone-in imports and matters concerning the Competition Commission. Communication was also regarded as an area of strength for SAPA; specifically in terms of dealing with the media on industry matters and through the collection and dissemination of industry statistics and information. SAPA’s service delivery was seen to have been negatively affected by the cancellation of the statutory levies and yet more than 90 % of respondents affirmed the need for SAPA to act as a single voice on behalf of the industry.

The International Food and Agricultural Organization, in working to support food security in developing countries, takes a strong viewpoint in support of producer organisations in ensuring value generation for producers in the food value chain. The South African Poultry Association remains the collective voice of the poultry industry and will strive to represent the industry in a manner that will be beneficial to all stakeholders. The industry expects SAPA to lobby, negotiate, collaborate and interact with all regulatory bodies in the interest of the industry, to protect and promote trade and to create an enabling environment for sustainable and profitable business. The organisation will also provide guidance and support to the industry on matters that will ensure...
compliance with international best practice standards on poultry health, welfare and food security and will promote transformation of the industry through the development and integration of developing farmers. The industry can be assured that SAPA will continue to gather, process and distribute information and statistics about the industry to stakeholders.

Although 2015 has been an increasingly difficult year, SAPA remains committed to our vision, namely 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.
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