

# BROILER ORGANISATION COMMITTEE CHAIRPERSON'S REPORT 2017

PRESENTED BY MARTHINUS STANDER

*Small footprint.  
Big Impact*

[www.sapoultry.co.za](http://www.sapoultry.co.za)



*Overcoming the Unexpected*



# INTRODUCTION

- Year started with good rains, record maize crop, lower feed prices
- Excessive imports still causing imbalance in supply and demand
- Frustrating that EU still claims local producers are inefficient
  - Proved otherwise by University of Wageningen



## INTRODUCTION (continued)

- Industry in distress, retrenchments announced
- Smaller broiler farmers went out of business
- DTI promised to assist
- Several meetings took place between government, industry and labour representatives
- Second half of year dominated by HPAI outbreak



# OBJECTIVES

*To establish and maintain a national organisation in South Africa for the promotion, development and guidance of the broiler industry, as an independent subsidiary branch of SAPA.*

Membership: 42



# INDUSTRY OVERVIEW: 1. Imports from EU

- EU imports flooded market in 2016
  - Farms closed, production cut-backs, jobs lost
- Dec 2016: provisional safeguard of 13.9% imposed
  - Industry wanted 37% to level playing field
- FairPlay, FAWU supported higher safeguard
- EU denied dumping, blamed structural problems in local industry, lack of global competitiveness



# Imports from the EU (continued)

- Reality: EU producers benefit from
  - Direct and indirect subsidies
  - Assistance with exports
  - Quota protection
  - Health and welfare measures
- Research\* shows that EU chicken exports undermine efforts to develop local production in sub-Saharan African countries

\*Initiativet for Handel og Udvikling: *The impact of EU poultry sector policies on sub-Saharan African countries*

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## Imports from the EU (continued)

- AMIE has challenged the safeguard duty
  - SAPA to defend this in court
- 13.9% safeguard fell away on 3 July
- Government hadn't reached decision on renewal and increase by year-end
- In hands of Southern Africa Customs Union



## 2. Industry in distress

- Owing to flood of imports from Brazil, EU, USA
- National task team established at end of 2016
- To date very little progress made
- RCL Foods closed 15 farms, retrenched 1350 workers
- Government appealed to industry to avoid further retrenchments
  - Stated problem being tackled on several levels





## Industry in distress (continued)

- Broiler producers, SAPA, FAWU, retrenched workers marched on EU Delegation in Pretoria
- SAPA, FAWU, AFMA, EU, AMIE made presentations to parliament
- FairPlay held summit in Gauteng, 'cry for action' petition signed
- Industry urged to explore export opportunities, work on transformation



# Industry in distress (continued)

- Govt launched agroprocessing scheme
  - R1 billion budget
  - Grant must be used to increase capacity, create employment, modernise machinery, improve competitiveness, broaden participation
- Govt departments told to buy local poultry
- Further measures in pipeline:
  - Support for exports
  - Reduced cost of maize and soya



### 3. AGOA

- SAPA launched sunset review of anti-dumping duties on bone-in portions from USA
  - Anti-dumping duties expired on 4 April 2017
- ITAC found that expiry was likely to lead to recurrence of dumping and material injury to industry
- ITAC recommended duties be maintained
  - 940 c/kg on selected tariff codes

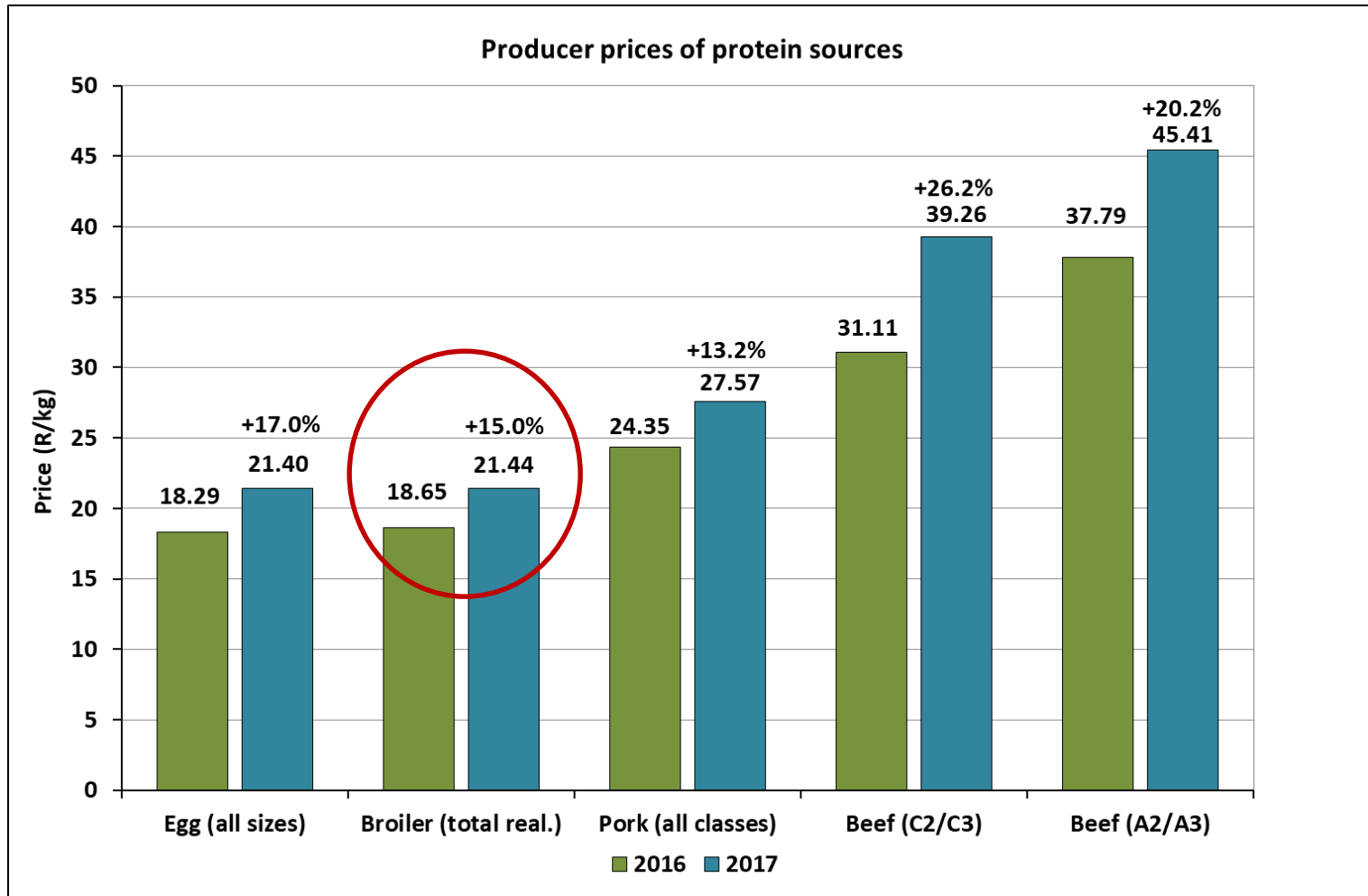


## 4. Avian influenza

- First case in SA confirmed in June on a broiler breeder farm
- In total five broiler farms affected
- 700 000 birds died or were culled
- Egg industry hardest hit (4.7 million birds lost)
- DAFF approved fertile egg imports



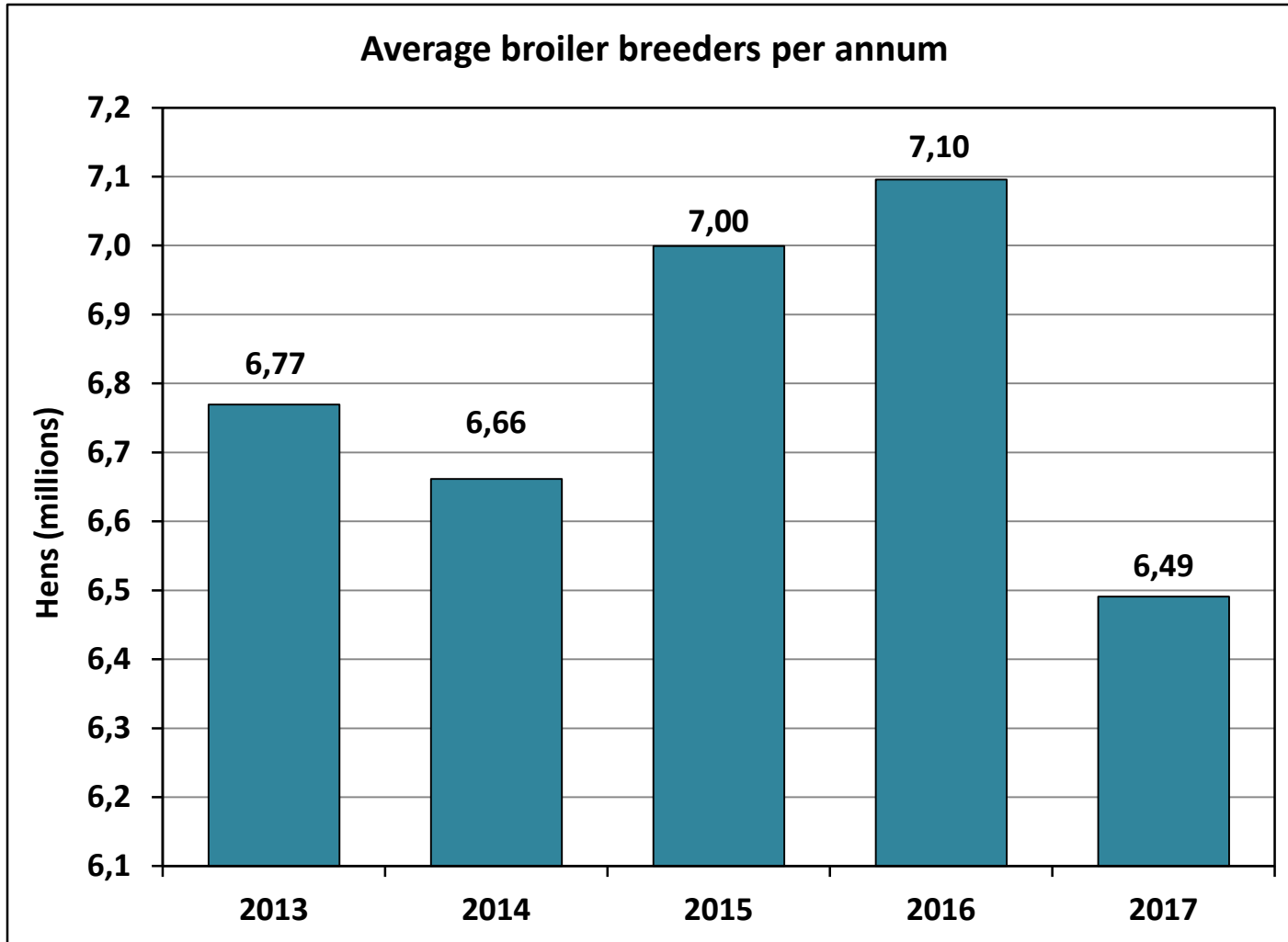
# INDUSTRY STATISTICS: Price comparison



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# Broiler breeders



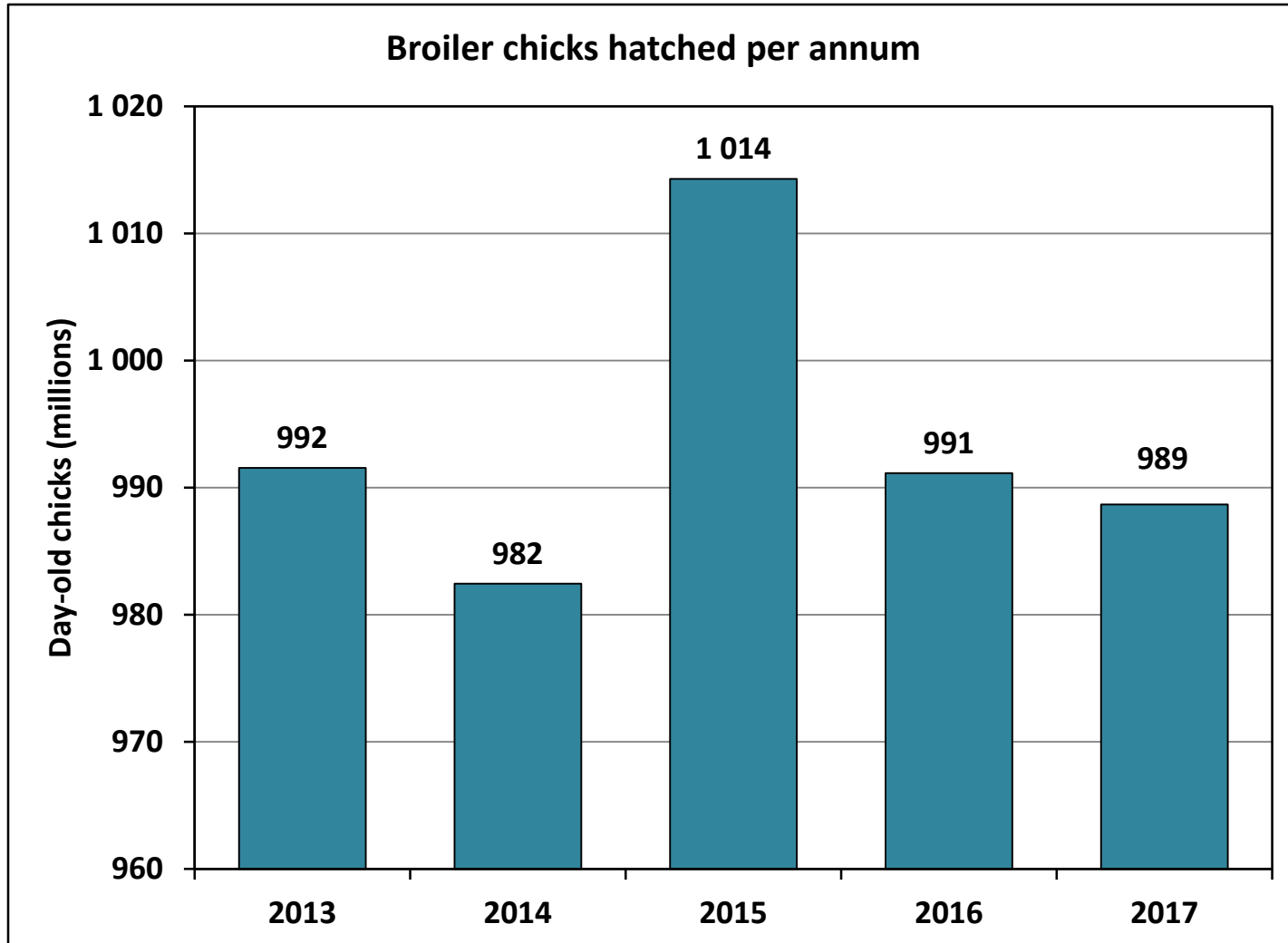
2017: 6.49  
million  
(-8.5%  
annual  
decrease)

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# Day-old chicks



2017: 989  
million  
(0.3%  
annual  
decrease)

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# Broiler production

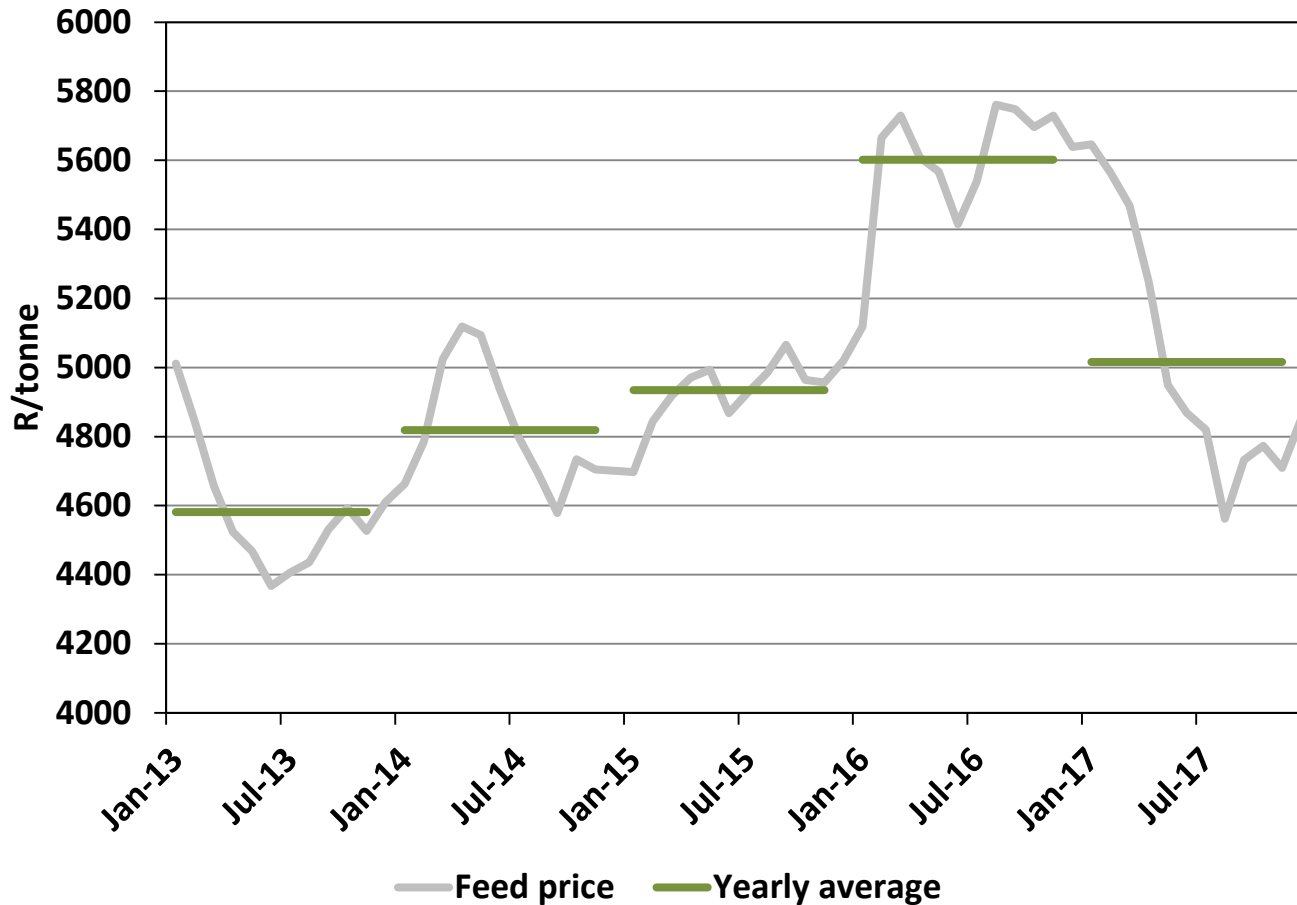
- 2017: 927.1 million slaughtered
- 8.4 million less than 2016 (-0.9%)
- 17.78 million per week
- Forecast for Jan – Jun 2018: 17.86 million per week





# Feed cost

Broiler feed price

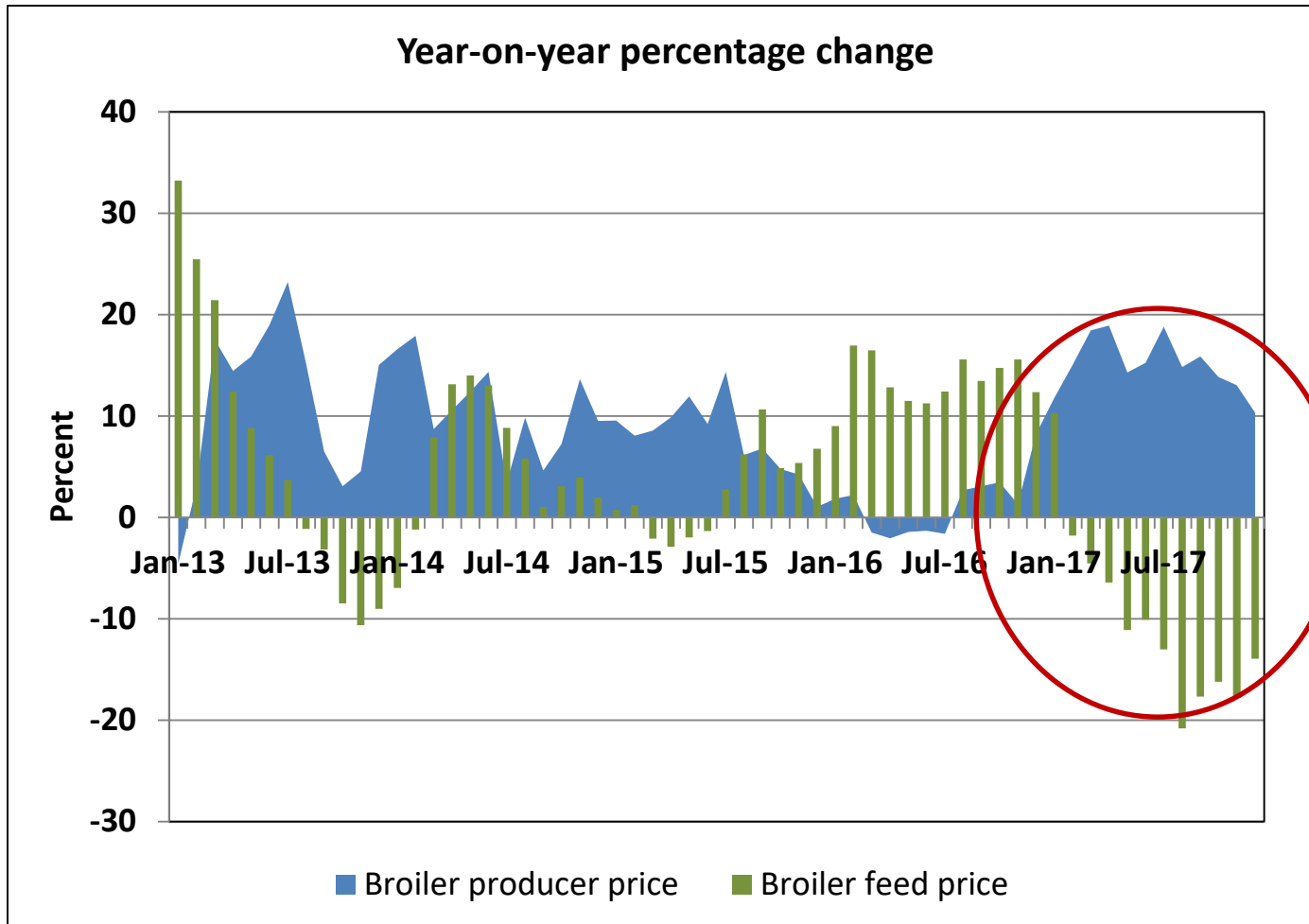


Broiler feed:  
R5 016 per tonne  
(-10.5%)

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# Year-on-year % change: producer price and feed



2017: 15% increase in producer price; 10.5% decrease in feed price

# Feed usage for the broiler industry

	Per annum	Per week
2016	3 336 748	63 818
2017	3 275 271	62 813
Change	-61 477	-1 004
% change	-1.84	-1.57

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# Consumption (million tonnes)

- Poultry meat: 2.152
  - 38.1 kg per capita
- Chicken meat: 2.122
  - 37.6 kg per capita
- DAFF's estimate 2.215
  - 38.9 kg per capita
- Poultry imports = 26% of consumption

## GROSS VALUE (source: DAFF)

- R44.04 billion (+20.1%)
- Poultry meat contributed:
  - 32.1% of all animal products (+1.4%)
  - 15.9% of all agricultural production (+1.6%)
- Calculated by DAFF based on its own estimations of poultry meat production, in the absence of industry data from SAPA.

# SMALL SCALE FARMERS

## Hatcheries

- 878 000 doc sold @ R6.61 (+14.1%)
- R5.8 million turnover (-46.7%)

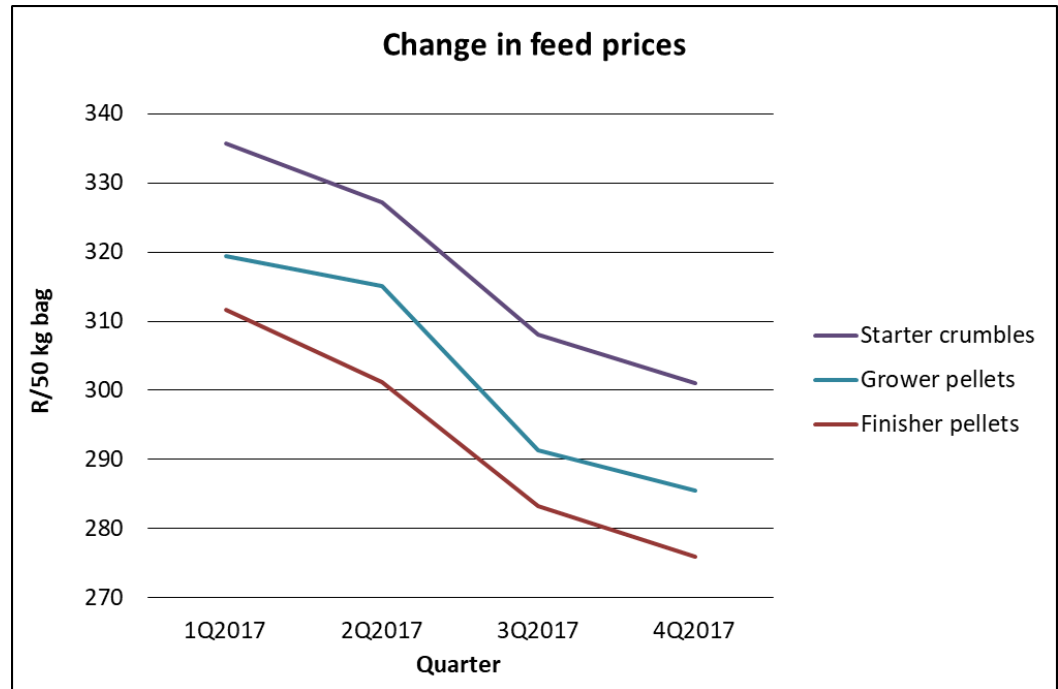
## Broilers

- 173 farmers (209 in 2016)
- 1.015 million chicks placed (-14.6%)
- Paid R6.82 per chick
- Only 30% of facilities utilised

# SMALL SCALE FARMERS (continued)

## Broiler feed

- 98% of farmers purchased bagged feed
- Prices dropped 7-8% in 2017
- Total volume 6 086 tonnes
- Value R32.2 million



# SMALL SCALE FARMERS (continued)

## Broiler sales

Marketing channel	% of producers	Quantity	Avg. price	Total value (R million)
Live sales	90.5%	1 023 453	R50.58/bird	R51.4
Abattoir	9.5%	101 855	R33.84/kg	R6.1
			R62.73/bird	

## Abattoirs

- 560 slaughtered/day
- R5.81 slaughter fee
- R34.83/kg selling price



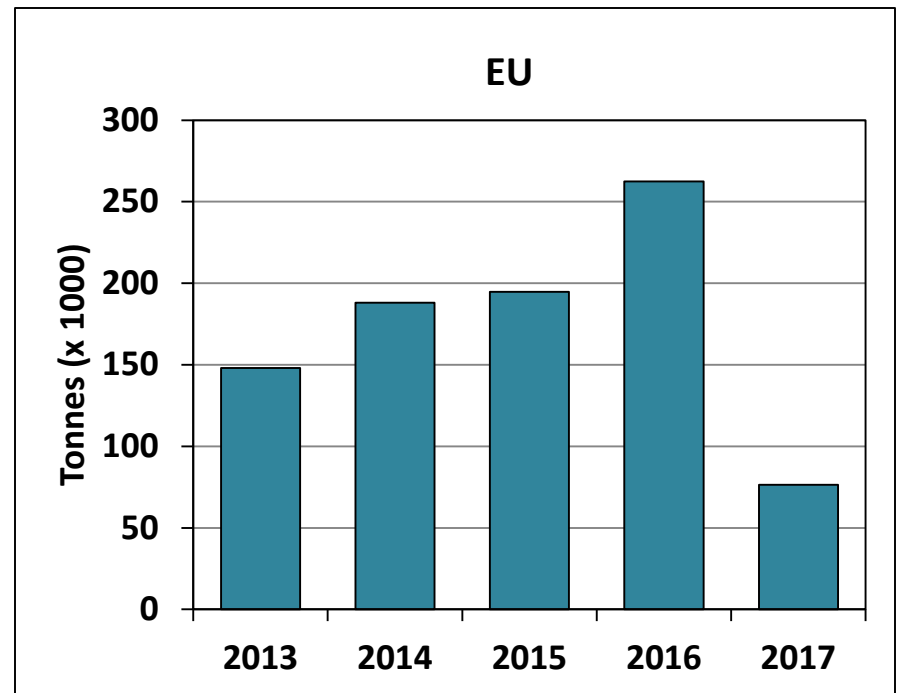
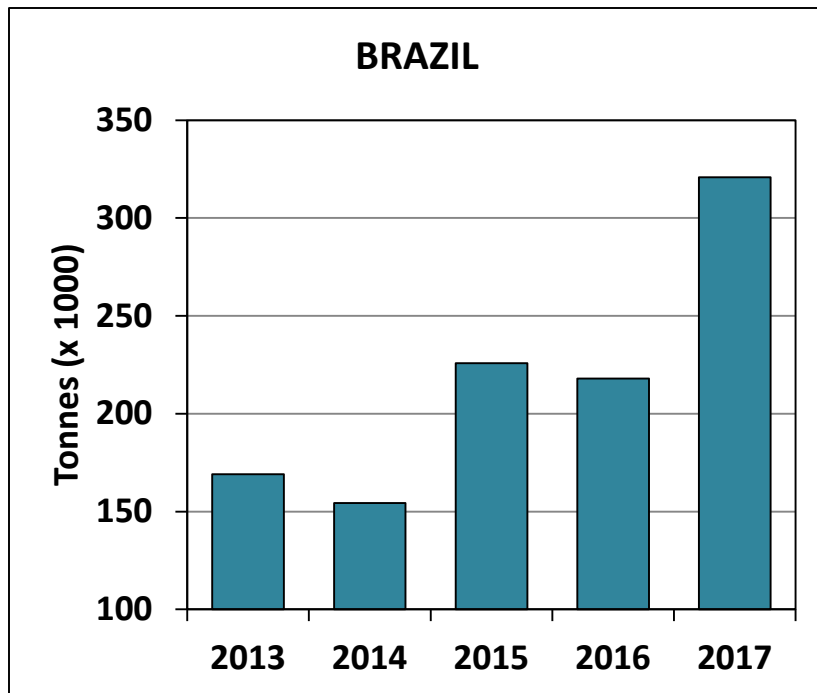
# TRADE: Imports

- Annual poultry imports: 556 900 tonnes (-0.6%)
  - FOB value R6.4 billion
- Chicken imports: 524 300 tonnes (-0.8%)
  - FOB value R5.9 billion
- Main countries of origin: Brazil (60.6%), USA (15.6%)
- Poultry imports = 34% of local production



# Annual frozen broiler imports: Brazil and EU

EU affected by trade bans due to HPAI



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# TRADE: Exports

- Poultry meat: 62 800 tonnes (-15.1%)
  - FOB value R1.3 billion
- Chicken meat: 59 200 (-14.1%)
  - FOB value R1.2 billion
- Poultry exports = 3.8% of production

# EMPLOYMENT

Number of employees (including contract workers)	Junior staff (Paterson A and B grades)	Supervisory and senior staff (Paterson C grade and above)	Total
Broiler breeder, hatchery and rearing	12 596	1 556	14 152
Broiler processing	24 954	1 984	26 938
Broiler distribution	4 367	1 568	5 935
<b>Total for direct employees</b>	<b>41 917</b>	<b>5 108</b>	<b>47 025</b>
Support industries – indirect employees			58 383
<b>Grand total of direct and indirect employees</b>			<b>105 408</b>
Related field crops (maize, sunflower and soya)			47 408
Poultry share of related field crops			17 738

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# MEAT INSPECTION SCHEME

- Published in govt gazette in July 2017
- Scheme is compulsory, applies to all abattoirs
- Assignees to provide inspection services
- Due to be rolled out in April 2018
- Foundation for national microbial and residue monitoring programmes



# FOOD SAFETY

- APS Act allows DAFF to appoint assignees
- Agency for Food Safety and Quality has been appointed to inspect abattoirs, production and packing plants
- Inspection fee: R0.015 per carcass



# FUNDING

- Dwindling membership had caused concern
- HPAI crisis brought producers together
- Agreed on voluntary contribution funding model
- SAPA can continue with important work being done on behalf of industry
- SAPA is recognised by Government as representing the Industry



# SUCCESSSES

- Record maize yields, lower feed prices
- Positive outcome of the US anti-dumping sunset review
- Keeping AGOA quota at 65 000 tonnes
- Producers standing together





# CHALLENGES

- Team SA collaboration with Government
- Creating an enabling economical environment
- Dumping
- HPAI/Compensation/Vaccination
- Lack of broiler production and pricing stats from the industry was a problem in 2017
- Affected SAPA's ability to supply accurate stats to the broader community



## CHALLENGES (continued)

- BFAP reinforced the importance:
  - Credible historical data underpins the bulk of their research
  - Their model output was used for AGOA negotiations, ITAC for EU safeguard, IDC competitiveness study
- It is in the interests of the broiler industry to submit data regularly to SAPA



# FUTURE PROSPECTS

- Rigorous and honest engagement with government
- Focus on preventing HPAI infections; protecting the national flock
- Increased imports of bone-in portions from the EU
- A meaningful safeguard tariff to stem the flow
- Change in political leadership, slow economic recovery
- High unemployment, weak consumer spending

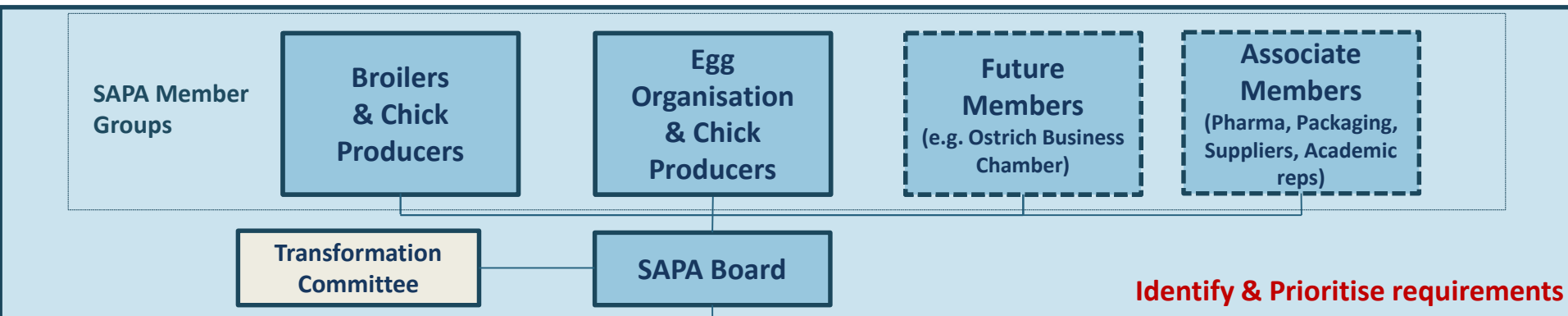


# FUTURE PROSPECTS (continued)

- Assisting new entrants to become sustainable businesses
  - Provide market access
  - Exploit export opportunities
- Independent meat inspection scheme

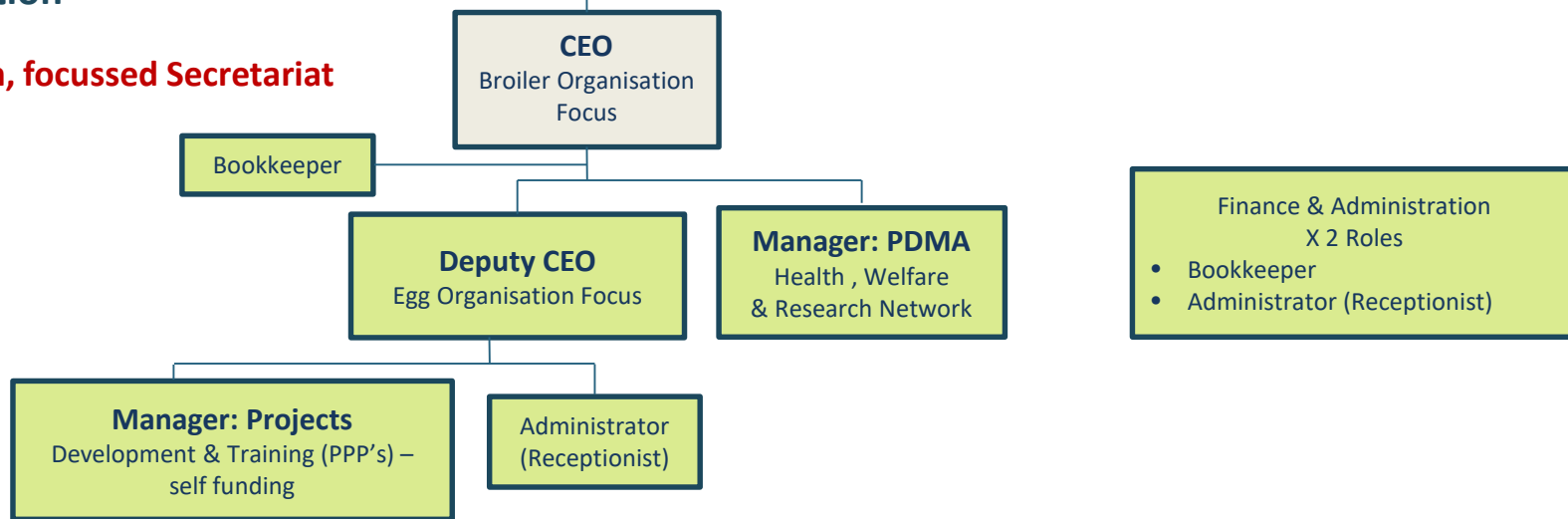


## Operating Model and Secretariat Structure



### SAPA Organisation

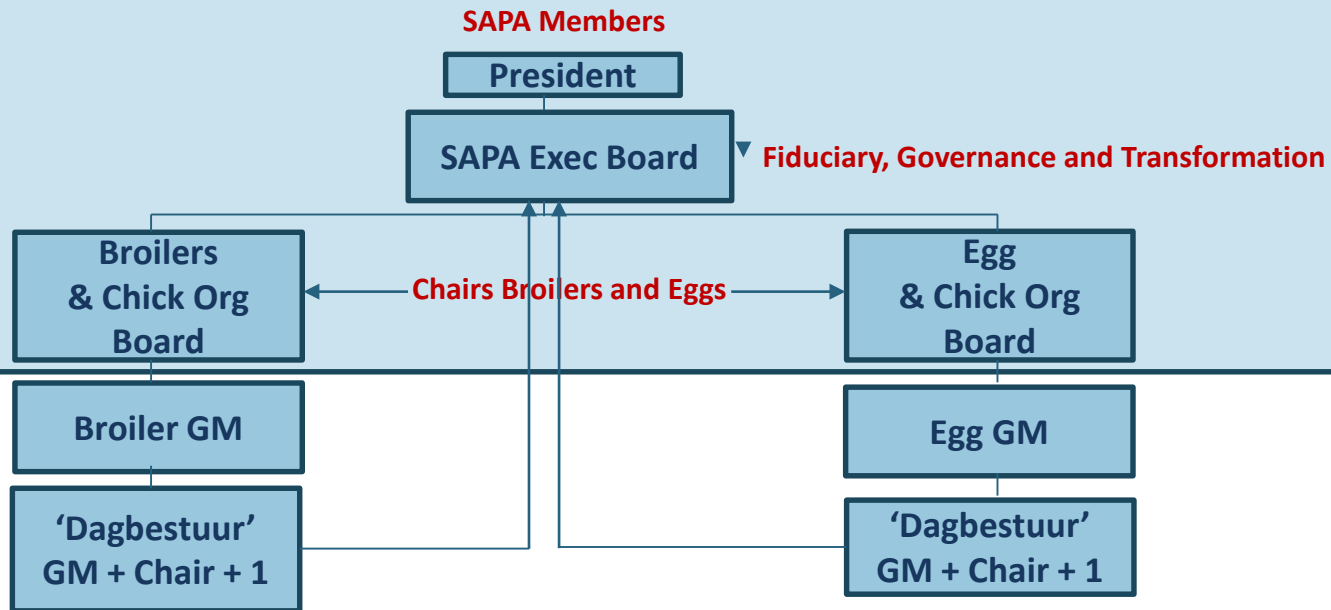
**A very lean, focussed Secretariat**



### Outsourced Services



## Operating Model and Secretariat Structure



**SAPA Secretariat and Shared Services**



**Outsourced Services**



# CONCLUSION

We need to engage policy makers and tackle the range of issues that face the industry, to the benefit of all producers in South Africa, big and small.

We can significantly contribute to what our country needs.

