

EGG ORGANISATION COMMITTEE CHAIRPERSON'S REPORT 2017

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*Small footprint.
Big Impact*

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Overcoming the Unexpected



INTRODUCTION

- Good start to the year
 - Decent rain, bumper maize crop, lower feed prices
- HPAI outbreak confirmed in June
 - Egg industry hardest hit
 - 4.69 million layers culled
- DAFF-appointed assignees to do health inspections on farms
 - This will place extra burden on producers



INTRODUCTION (continued)

- Dutch University of Wageningen doing a global competitiveness study
 - Local data being collected by BFAP
 - Producers are encouraged to take part



OBJECTIVES

To establish and maintain an organisation in SA for the promotion, development and guidance of the commercial egg industry as an independent subsidiary branch of SAPA, equal in status to that accorded other subsidiary branches of the poultry industry.

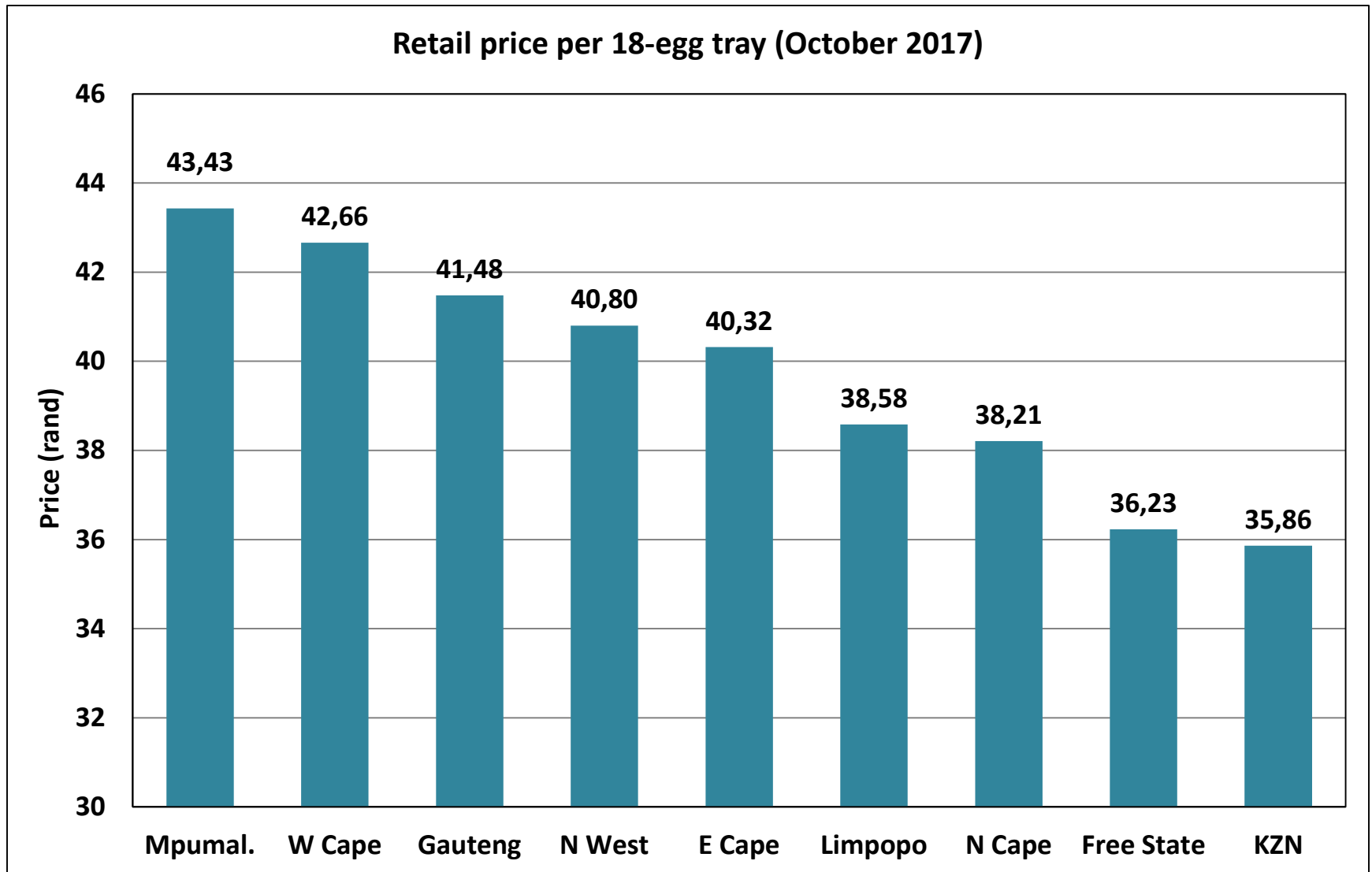


2017 STATISTICS: Egg prices

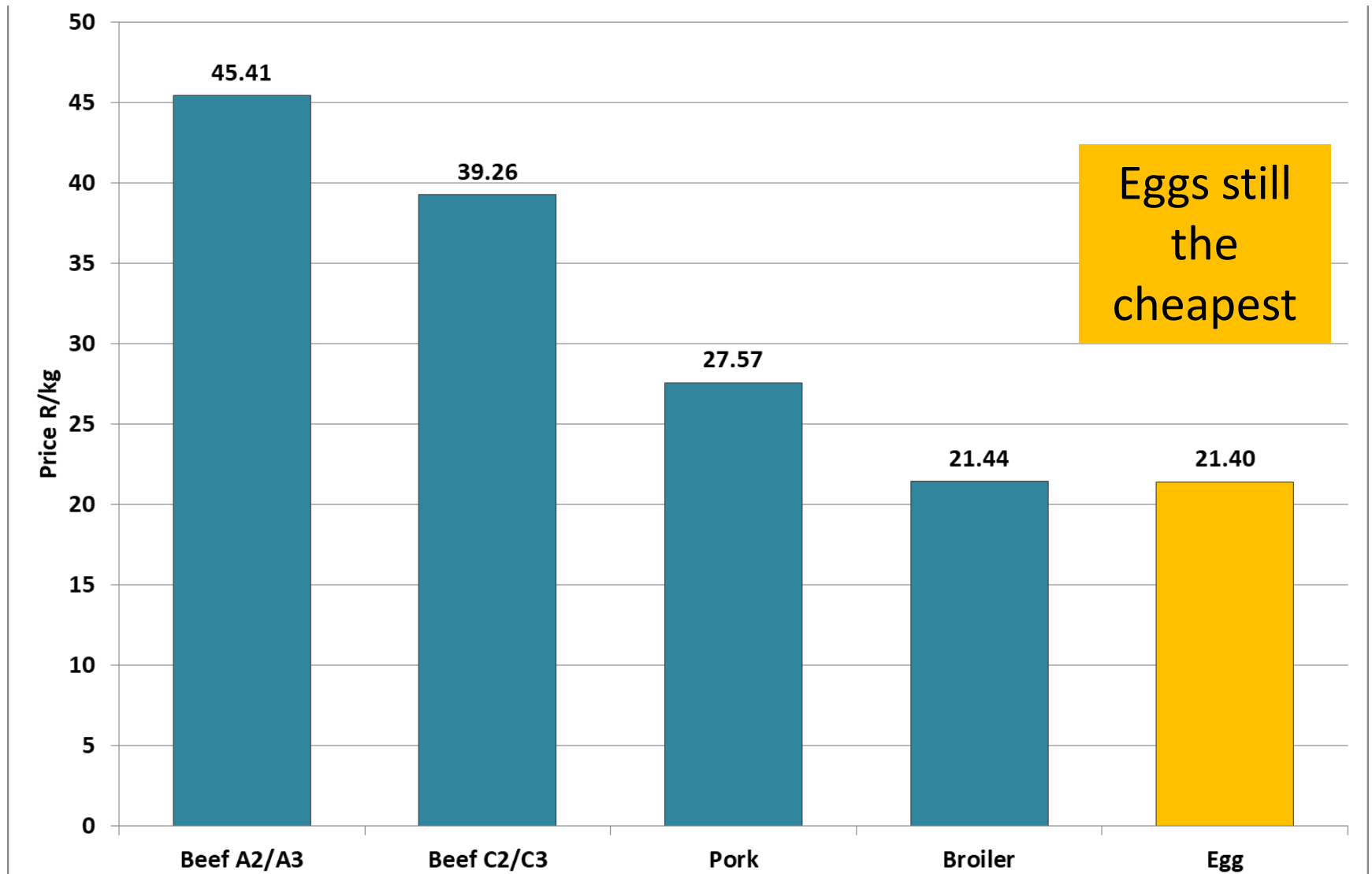
- STATS SA: R17.13/doz
 - Price doesn't take all rebates into account
 - Annual increase +11.7%
- SAPA: R14.99/doz
 - Annual increase +16.7%
- STATS SA retail price R26.04/doz large eggs
 - 60% markup



How prices differ in the provinces

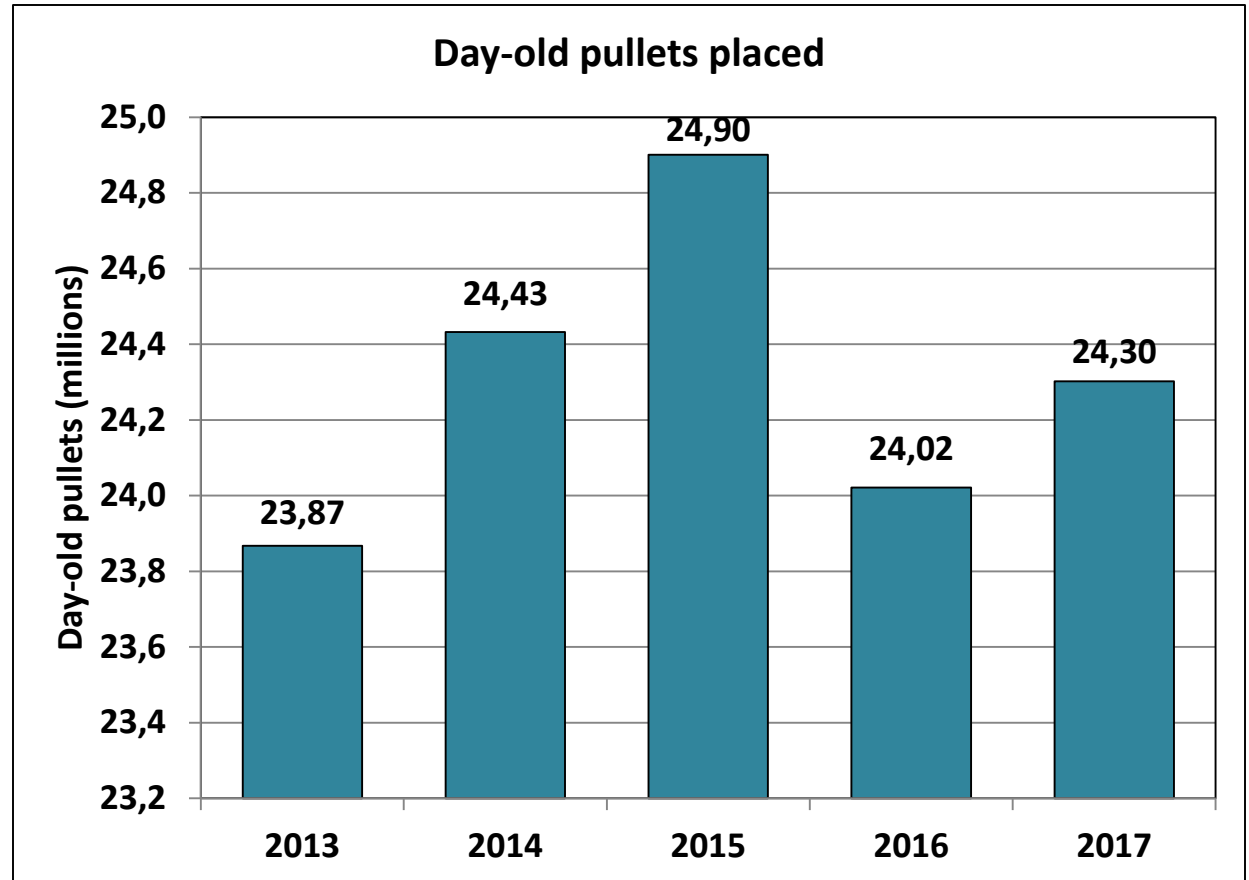


Protein price comparison



Day-old pullets

- 2017 annual increase: 1.2%
- 120 000 culled due to HPAI in July



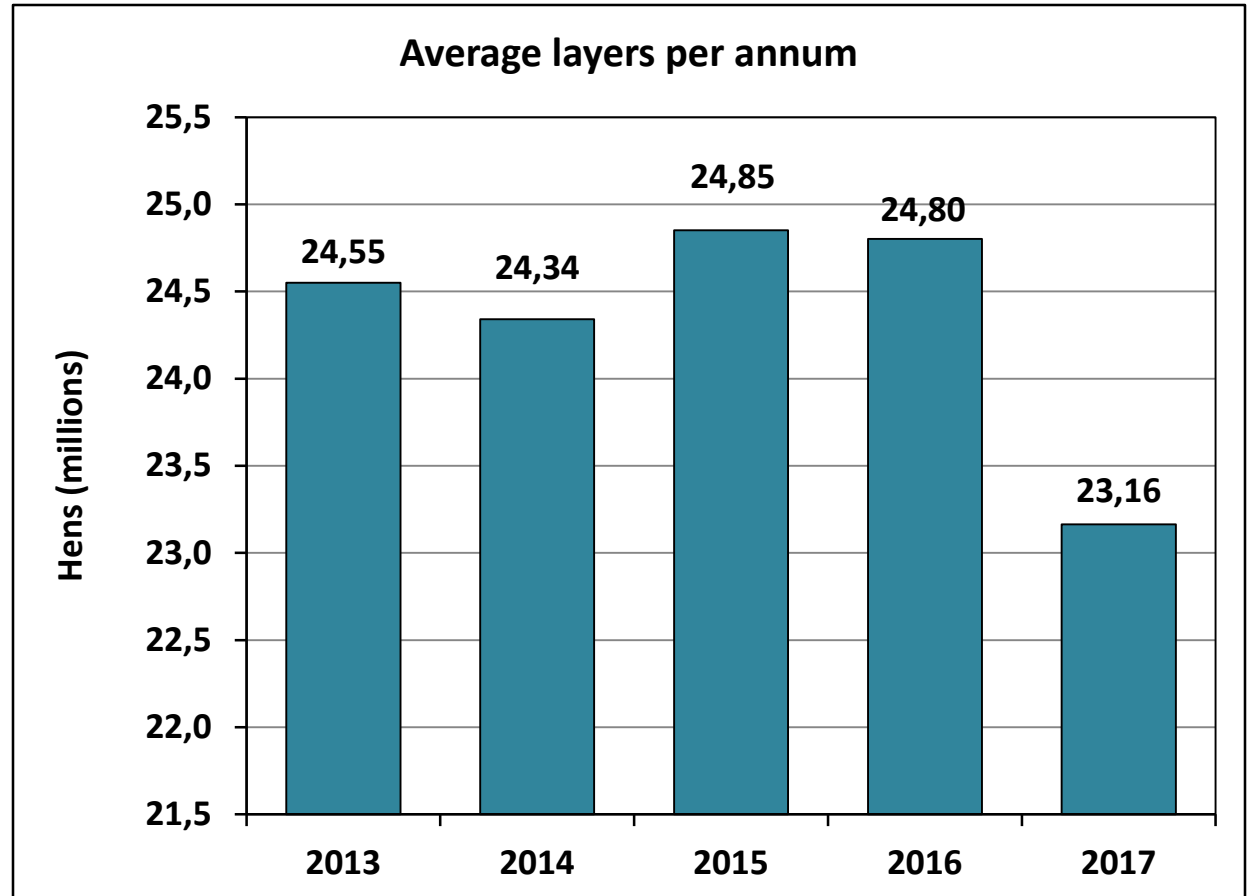
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AVI Africa



Layer flock

- 2017 annual decrease: 6.6%
- 4.69 million hens died or culled due to HPAI



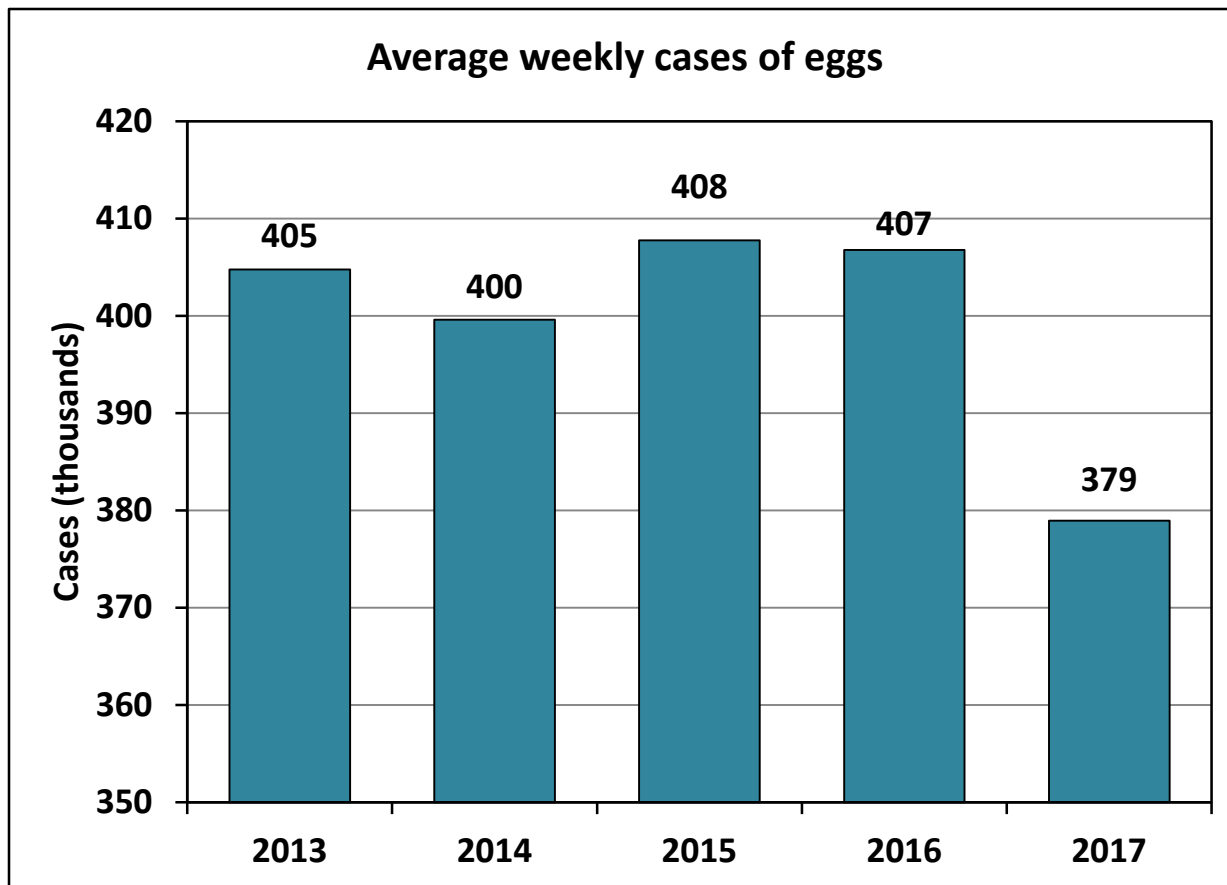
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AVI Africa



Cases of eggs

- 2017 annual decrease: 7.1%
- Dropped 15% from May to Oct

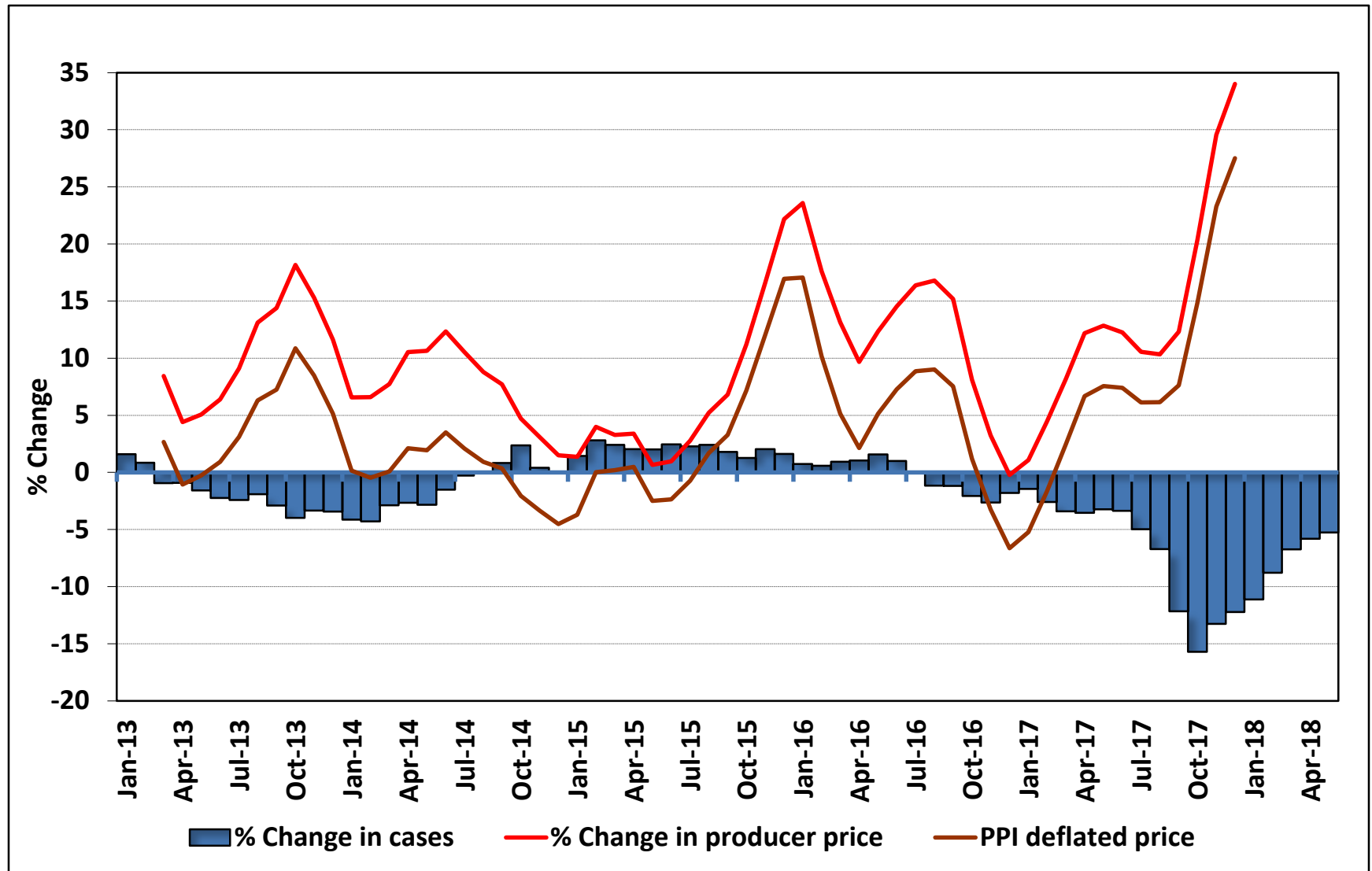


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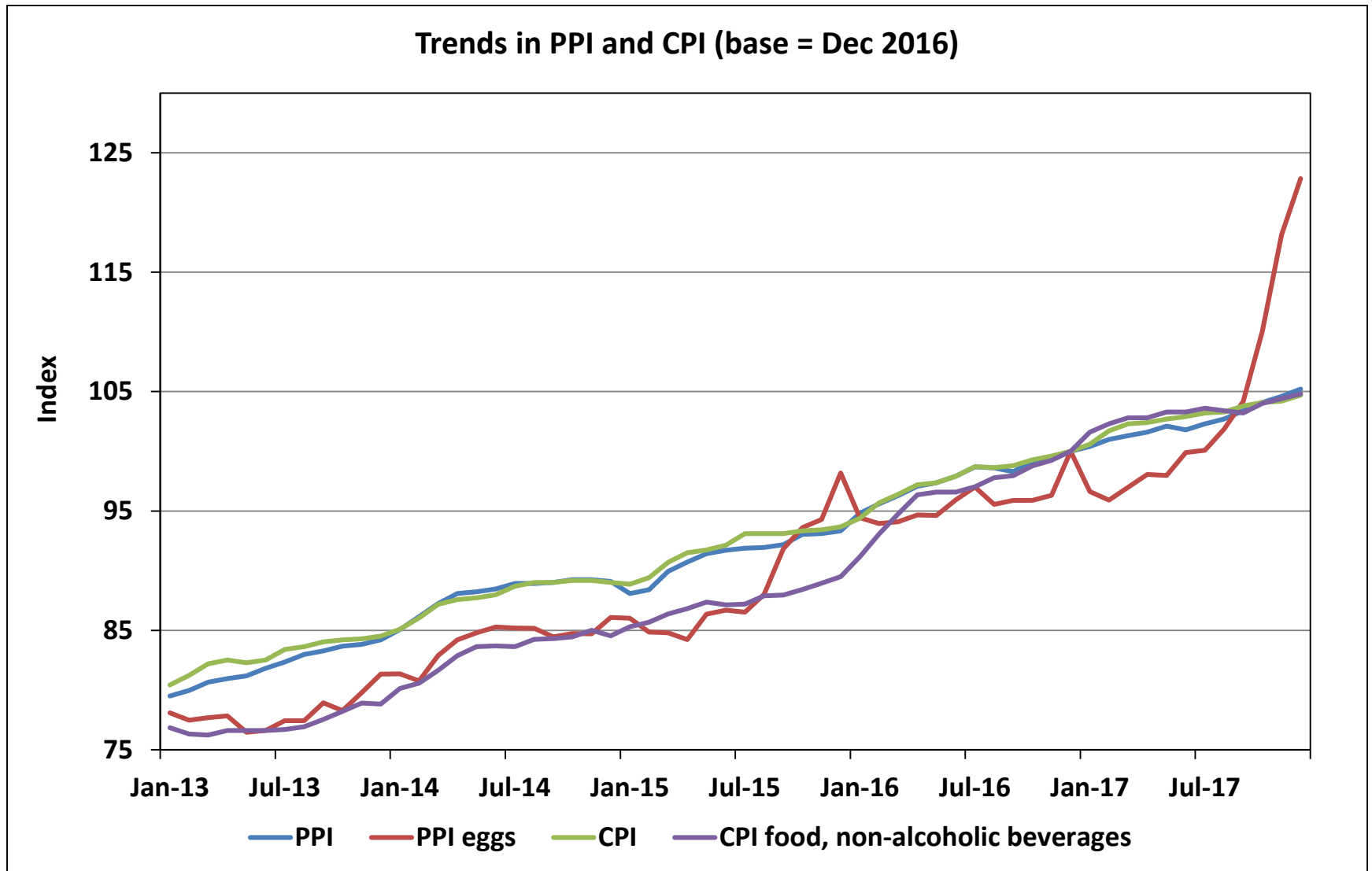
AVI Africa



Change in volumes and producer price v. previous year



PPI eggs lagged behind until AI shortages



Prospects for 2018

- First 4 months of 2018, compared to same period in 2017:
 - Number of point-of-lay pullets to decrease by 2.5%
 - Size of laying flock to decrease by 8.3%
 - Egg production to decrease by 8.1%



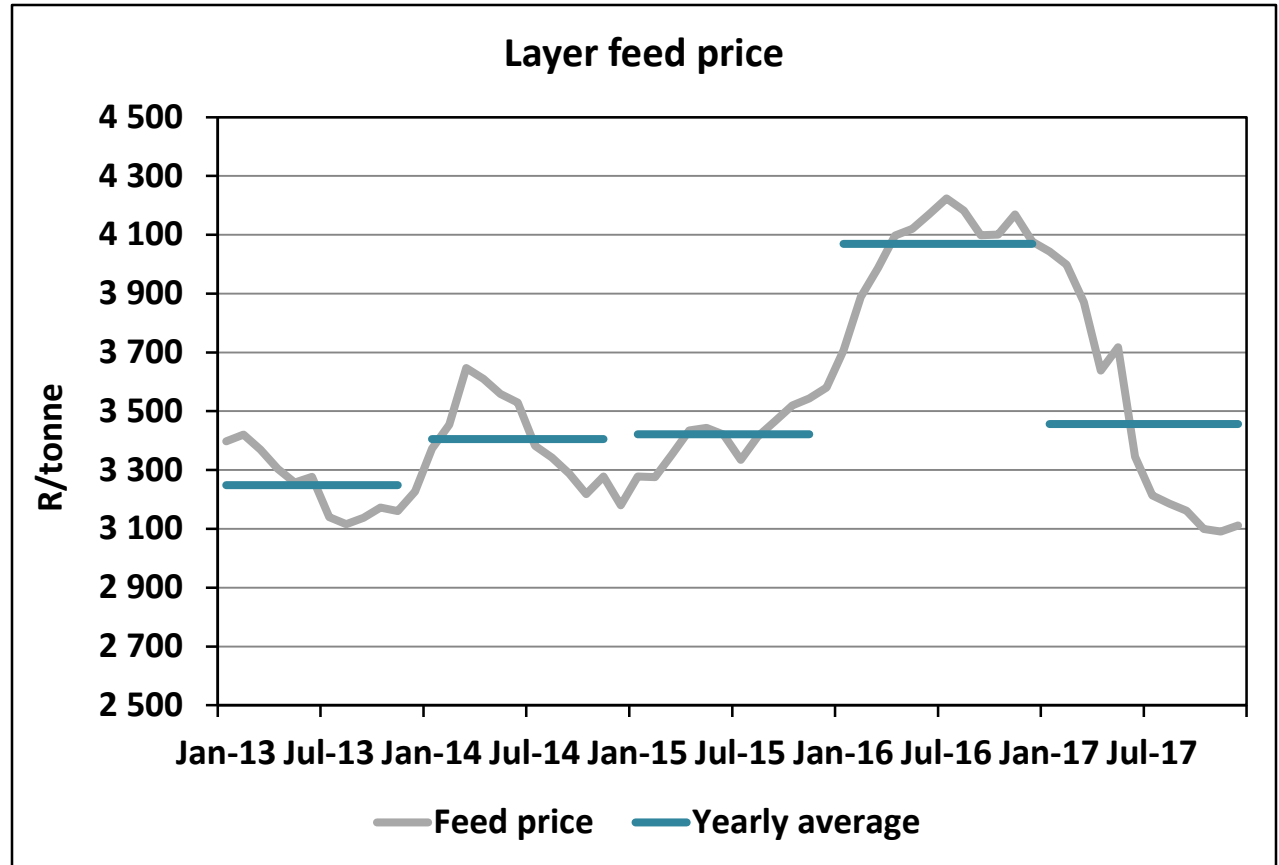
Gross value at producer level

- Gross turnover R10.77 billion
 - 4th largest animal product sector, after poultry meat, beef, milk
- +5.6% compared to 2016
- Share of gross value of animal products: 7.9%
- Share of all agricultural production: 3.9%



Feed price and volume

- Feed price decreased 15% in 2017
- AFMA's layer feed sales decreased 6.9%

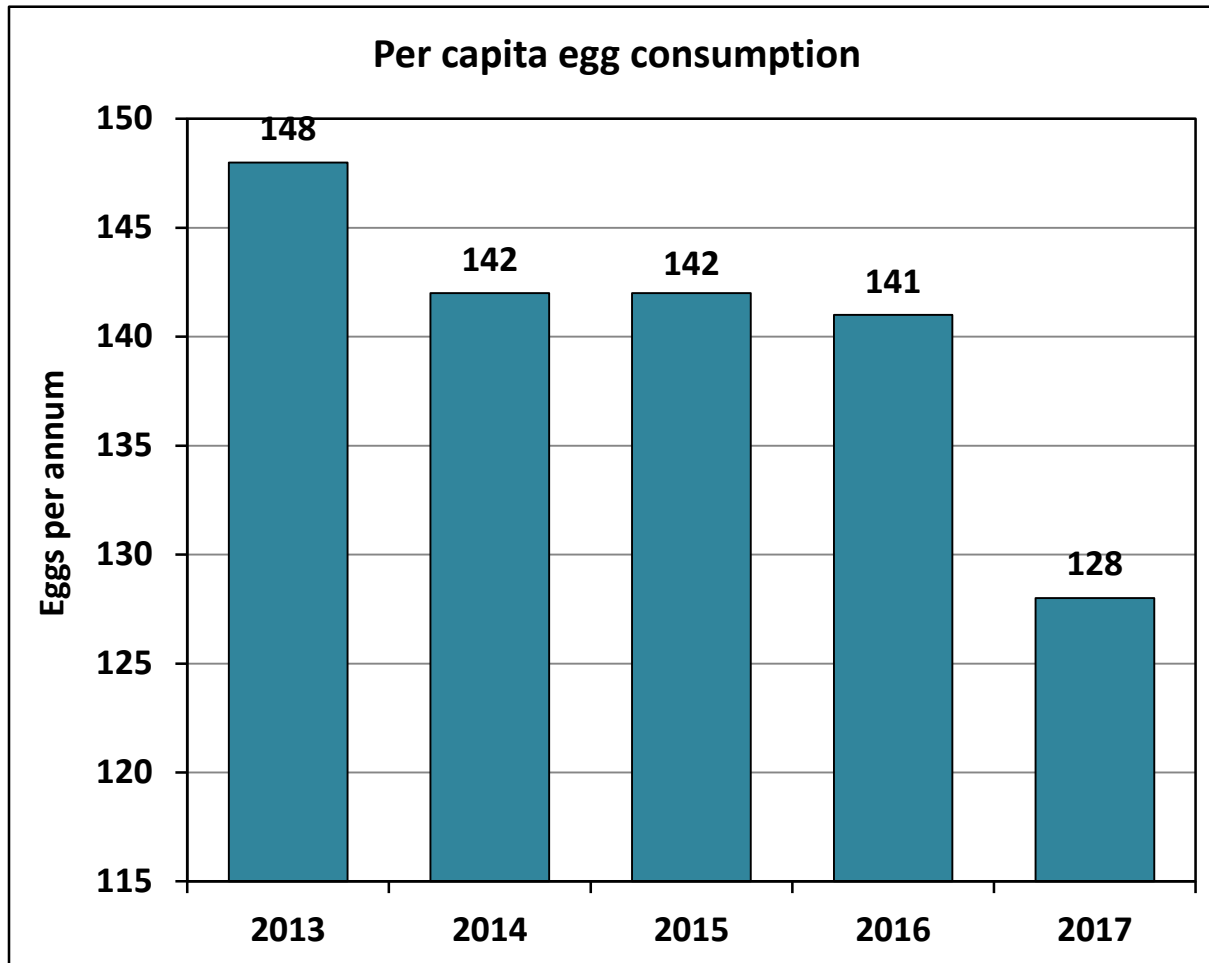


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AVI Africa



Per capita consumption



- Dropped by 9.4% in 2017
- Due to reduced volume and increased price

Overcoming the Unexpected

AVI Africa



Small commercial farmers

- Continue to provide detailed statistics
- Pullet rearing:
 - 12.1% increase in volumes
 - 19.3% increase in selling price
- Layers:
 - Using 46% of capacity of facilities
 - Egg sales 3 million dozen
 - Average price R13.98/doz (+6.1%)
 - Turnover R41.6 million



Small commercial farmers (continued)

- Feed:
 - Total value R26.5 million
 - Bagged feed price decreased by about 5% in 2017. (Depots not passing on benefit of lower prices?)
- Cull hens:
 - Average selling price R36.41



TRADE - Exports

- 9 984 tonnes of eggs for consumption
 - +56% compared to 2016
- 3 669 tonnes of fertile eggs
 - -59% compared to 2016
- Value of exports R306 million
- Main destination was Mozambique (78% of total exports)

TRADE - Imports

- 484 tonnes of shell eggs and egg products
 - +124% compared to 2016
 - Mostly dried egg product
- Value of imports R39.5 million (+47%)
- Main country of origin: Italy (45%)



GLOBAL EGG INDUSTRY

- Top egg-eating nation in 2016 was Mexico, at 371 eggs per capita (source: IEC)
- Major health scare: fipronil, a banned insecticide, was found in eggs in 40 countries
 - Container of contaminated egg powder destroyed in Durban harbour
- Severe HPAI outbreaks in northern hemisphere in winter 2016/17
 - Highly contagious strain H5N8
 - Reached Zimbabwe on 2 June



AI IN SOUTH AFRICA

- First case: 19 June on broiler breeder farm
- DAFF banned live bird sales
- Second case: 26 June on a layer farm, Mpumalanga
- Neighbouring countries suspended trade
- Ban on live bird sales lifted, but movement restricted
 - Cull bird traders to register with PDMA
 - Vets to certify birds disease-free
 - PDMA developed database



AI IN SOUTH AFRICA (continued)

- Calls for vaccination to be made available
- Despite biosecurity, HPAI spread rapidly to other provinces
 - W. Cape severely affected
 - 70% of hens died or culled
- 3.7 million eggs a day taken out of market
- DAFF to compensate farmers for culling of uninfected birds only



ANIMAL WELFARE

- Nestle and McDonalds SA to phase out cage eggs
- SPCA cracked down on live bird sellers for condition that cull hens are kept in
- SAPA's revised code of practice raised concern about proposed 550 cm² cage space per bird
- OIE's global layer welfare standards available for comment



EMPLOYMENT

- 6 434 workers, 678 supervisors, 391 managers
- Total employees: 7 503
- Estimated 505 lost jobs (-6.3% compared to 2016)



MARKETING

- World Egg Day celebrated on 13 October
- Many overseas countries organised sporting and fun-filled events
- We are missing an opportunity to promote egg consumption



GALLIOVA AWARDS

- Held at Landtschap in Stellenbosch on 20 October
- Theme: 'Local is lekker'
- Chicken dishes featured in 2017 for first time



INTERACTION WITH GOVERNMENT

- Agricultural Product Standards Act:
 - New regulations came into effect on 15 April 2017
 - To do with grading, packing and marking of egg
- DAFF appointed Agency for Food Safety and Quality to inspect egg production and packing units
 - Producers unhappy with proposed fee
 - Agreed on R0.0072 per dozen eggs packed or produced



FUNDING MODEL

- Dwindling membership caused funding problems for the EO
- SAPA applied to NAMC for statutory levy
 - Support of producers of 66% of eggs needed
- After HPAI outbreak, producers agreed to stand together
- Revised application to NAMC:
 - Levy of 1.5c/doz sold to trade
 - May take 6-18 months



SUCSESSES

- Following HPAI outbreak, producers rose to the challenge
- Producers, SAPA, PDMA, government officials, private and state vets pulled together
- Close working relationship established with government
- Media helped to educate public
- Producers unaffected by AI made good profits



CHALLENGES

- Containing the spread of H5N8 virus
- Stepping up biosecurity on all farms
- Registering cull hen traders with the PDMA
- Getting compensation from government
- Dealing with shortages of eggs, day-old pullets and point-of-lay hens
- Finding a way to work with the DAFF-appointed assignee's food safety inspectors



CHALLENGES (continued)

- Convincing egg producers to join SAPA
- Funding the EO
- Getting historically disadvantaged producers into the value chain
- Increasing participation in BFAP's global competitiveness study
- Changing mind-sets on cage stocking densities



FUTURE PROSPECTS

- The likely recurrence of HPAI outbreaks in winter
- Increased spending on biosecurity infrastructure
- Restocking farms after quarantine ends
- Low-interest loans for those recovering from HPAI
- Working closely with government
- Reaching consensus on ways to transform the industry
- The introduction of a statutory levy to fund the EO



FUTURE PROSPECTS (continued)

- A dire shortage of water in the W. Cape
- Reducing cage stocking densities
- The growing demand for cage-free eggs
- Using World Egg Day to promote egg consumption
- BFAP publications:
 - International competitiveness of our egg industry
 - Economic impact of HPAI on the industry



CONCLUSIONS

- Egg industry recovering from a turbulent year
- Very real threat of a recurrence of HPAI outbreaks
- We need to pull together as producers, and focus on stringent biosecurity
- Otherwise we face farm closures, job losses, egg shortages, retail price increases

