



# **Viability of Cage-Free – the Case of the South African Egg Layer System**

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**2023/06/07**



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# 1. Africa and SADC egg market insights

## Africa

- Average Egg consumption on the continent is 44 eggs per person a year.
- With being home for 17,8% of the Global population, Africa egg production contributes only 4,1% to the total Global.
- There is definitely room for improvements.

## SADC

- Countries such as Mozambique lack the necessary infrastructure to support the development of a strong egg sector.
- However other Sub Saharan countries including Kenya, Malawi, Zambia and Zimbabwe have a solid infrastructure but lack consumption.
- There are 48 countries in the Sub Saharan region and one of the challenges is that 36 of those countries.
- Are categorised as low income food deficit countries, relying on donor funding.



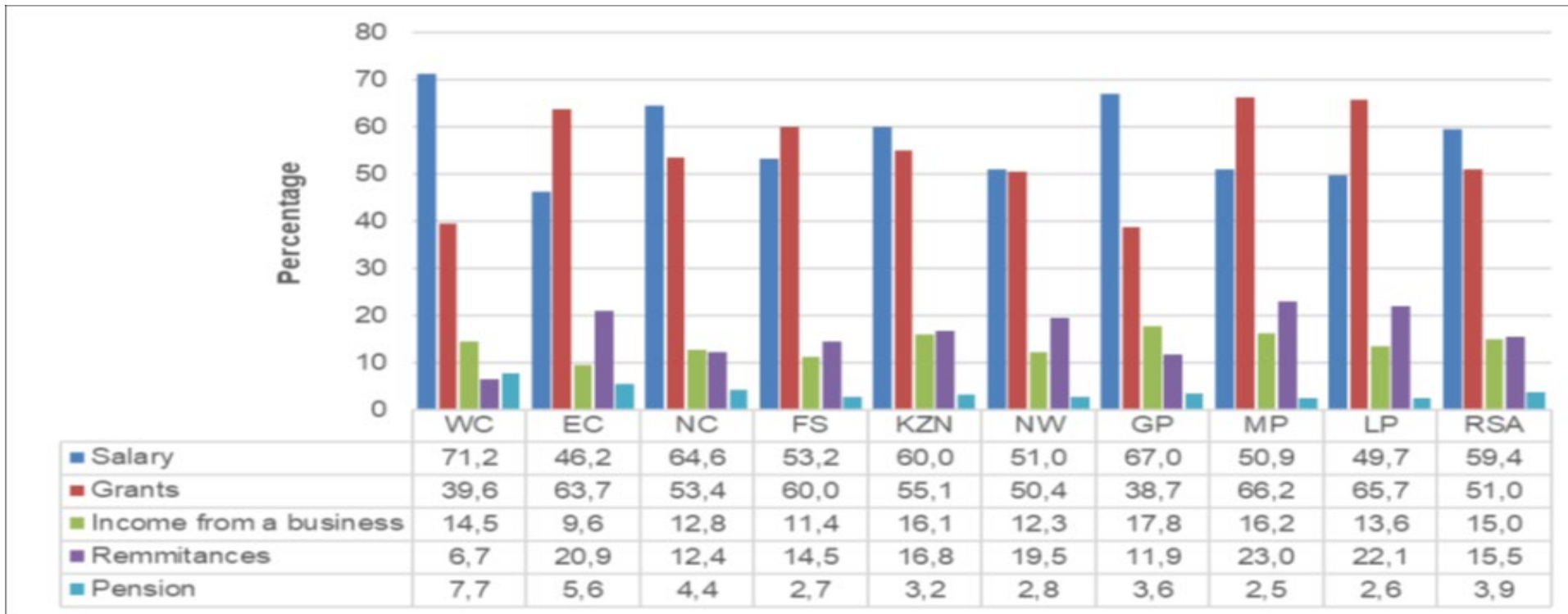
## 2. Social facts about South Africa General House hold Survey. (GHS)

### Population:

- We have a population of 60.5 million people.

### Social security:

- Social grants remain a vital safety net, particularly in the poorest provinces.



## Conti.

### Unemployment:

- According to the Quarterly Labour Force Survey (QLFS) for the first quarter of 2022, the unemployment rate was **63,9% for those aged 15-24 and 42,1% for those aged 25-34 years**, while the current official national rate stands at 35,3%.

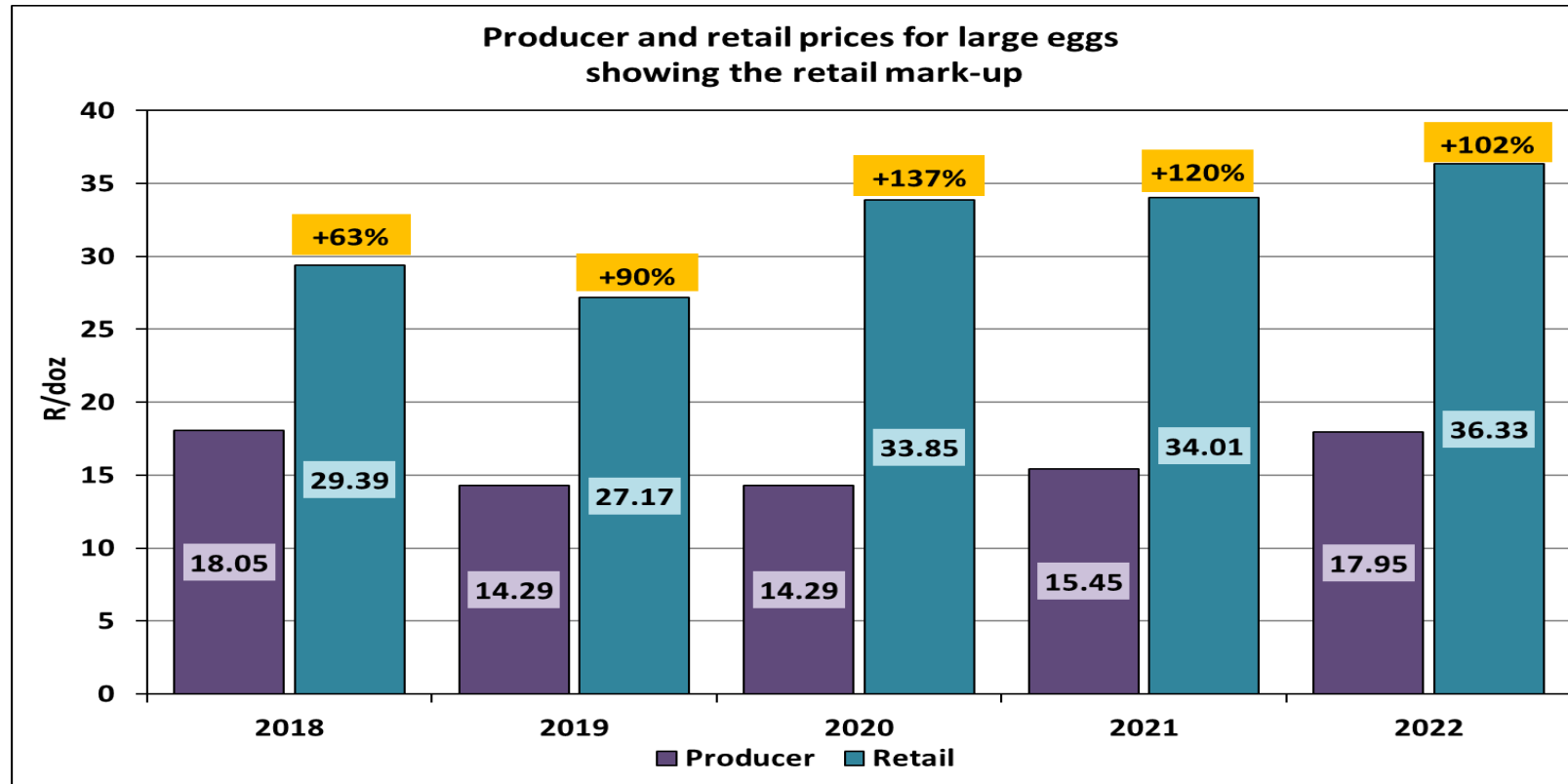
### Food security:

- Almost **24%** of South Africans in 2020 were affected by moderate to severe food insecurity. (Stats SA, 2020).
- South Africa's deteriorating food security is mainly driven by the COVID-19 pandemic, as well as **high food prices**, **drought** and **economic decline**. To add further insult to injury, when people become desperate due to many challenges, in July 2021 we have seen a 10-day spree of rioting and looting caused untold damage to the economies of KwaZulu-Natal and Gauteng.

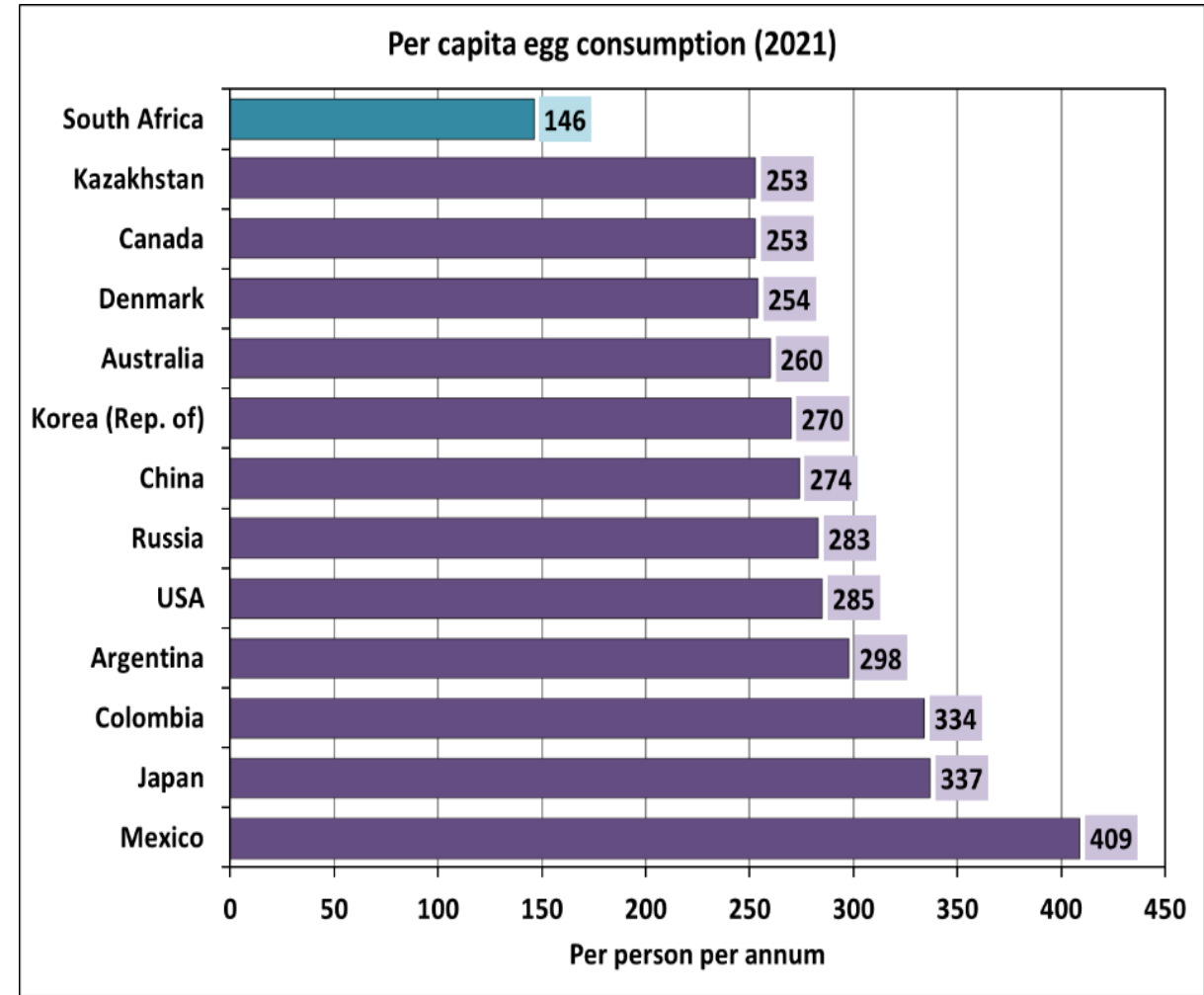
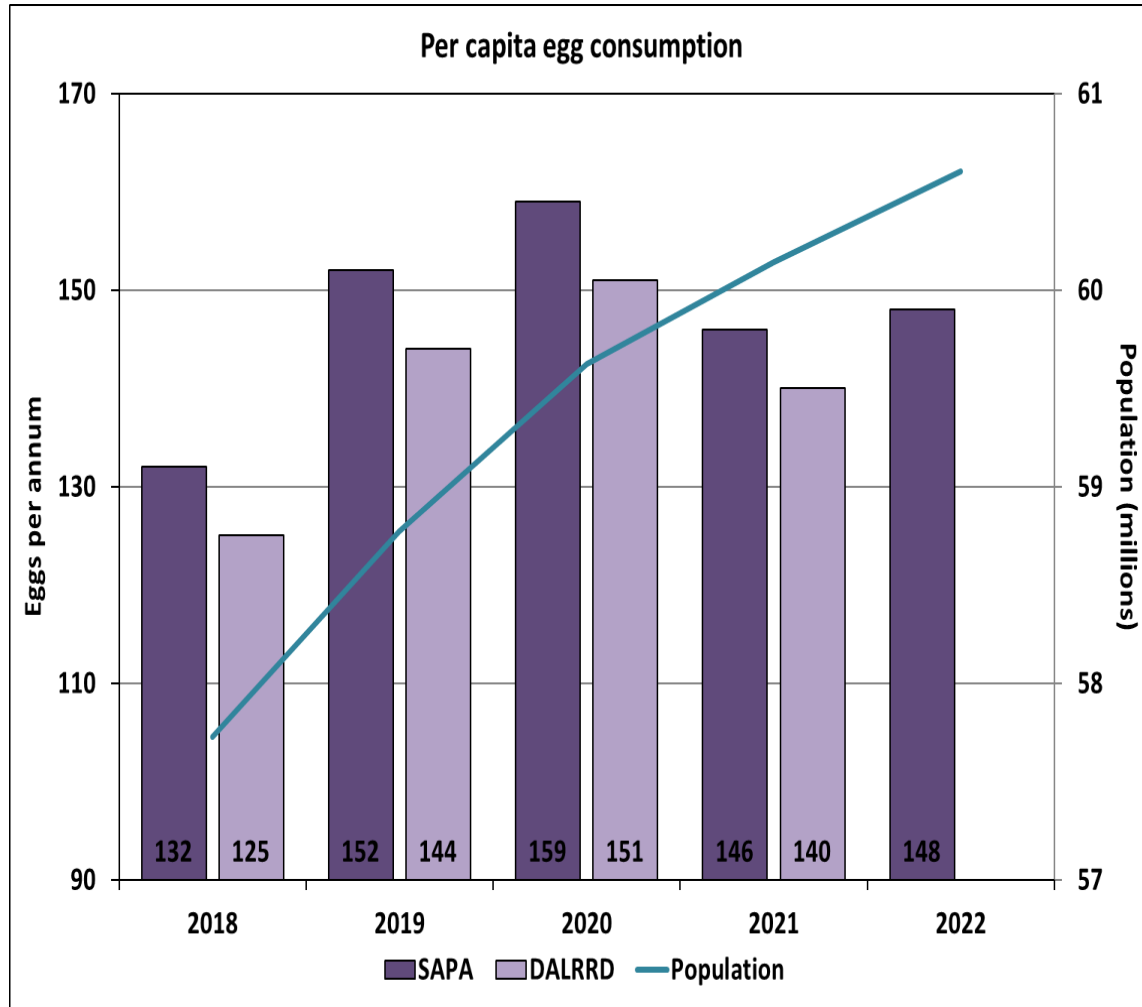


### 3. RSA Egg market outlook

- With a gross turnover of **R11.44** billion at producer level, eggs retain their position as the fourth largest animal product sector in agriculture in South Africa, after poultry meat (R50.96 billion), beef (R43.01 billion) and milk (R21.17 billion).
- The total value at retail level was estimated to be **R26.27** billion for 2022.



# Per capita egg consumption



## RSA Industry challenges

- In January 2021, South Africa's National flock size was estimated at 28 million birds.
- Between April 2021 and September 2022, about 2.8 million birds were culled due to HPAI.
- Feed: Yellow maize and Soybeans prices have risen by 33 and 36% due to the ongoing Ukraine and Russia conflict.
- Fuel prices have risen 14% in **2022** to date, while electricity increased by 9,6% since January 2022.
- Eskom the National energy & power supplier intends to increase electricity tariffs by 32% in 2023.
- Welfare lobbyists continue to put pressure on the cage-free agenda in South Africa, which is driven by Humane Society International.





## 4. Government study on the viability of the RSA egg industry

- South Africa production: 95% is under caged systems, 4% Free range and 1% Barn systems
- In a recent research conducted by the National Agricultural Marketing Council and signed by the Minister of Agriculture on cost to transition from cage to cage free systems the following was revealed.
- Calculation indicates that the capital expenditure for a cage system is between R355/hen and R461 per hen.
- A direct investment of **R4,93 billion** is necessary to switch South Africa to a caged free-system. If the cost, (spread over 5 years), can be passed on to the consumer then it will bring an addition cost of between **R5,70 and R6,00** per dozens of eggs for 5 years.



- If a R6,00 increase in price is the independent variable, this will result in a price of between R28 -R30/dozen to R34 – R36 per dozen.
- This is an increase of **20,6%** and therefore result in a decrease in consumption of **20,6% x 1.75% = 36%** decrease in demand (*Cetrus Paribus*), which indicate that the industry can retract with 36%.
- It is estimated that the GDP of the Egg Industry will decline by 21%, whereas the impact on the use of capital will decline by 27%, while the impact on employment will be a 12% decline.
- State revenue of approximately **R1 092** million will be forfeited due to the implementation of the additional regulations.



# The impact on secondary industries

- Impact on the secondary industry
  - Maize & soybeans
- What will happen in the transformation objectives of the industry.
- What will happen nutritional issues
  - Feeding programs etc
- Due to numerous frustrations ultimately we may see “Riots”.....



## **5. Conclusion:**

- We believe for a country like South Africa which is faced by numerous challenges ranging from high unemployment rate, high poverty levels, slow economic growth, and high inflation including weak rand to the dollar, euro and pound exchange rate.
- That all existing production systems must remain and consumers must be offered a choice of egg options based on their affordability and purchasing power.
- The RSA Government has recently started to amend the Agricultural Products Standard Act: There will stricter regulations for cage free produced eggs.



## Thank You

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**"Yes, eggs could be eaten daily.  
An egg a day is OK" (SA Food Based Guidelines)**

