South African Poultry Association

Annual Report 2022

SOUTH AFRICAN POULTRY ASSOCIATION

Founded 1904

A NEW TOMORROW

Small footprint. ***Big impact.***

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Broilers - Foreword

Coming out of a very difficult period, we have themed this year “A new tomorrow”. This is an amazing industry, which has grown in value with the broiler industry realizing a growth from R47bn gross value in 2019 to a R59bn industry by end of 2022, while the layers industry grew from R10.6bn to R12.6bn. This industry not only impacted the feed industry in a positive way but also the maize and soya industries. The new competitiveness study that compared the competitiveness of the local industry with that of Brazil, the USA, and the EU, not only found the local industry globally competitive but also found that the industry improved materially in terms of competitiveness since 2019.

All of this happened despite COVID, avian influenza, extremely high raw material prices, suspended anti-dumping duties against Brazil and 4EU countries, stagnant growth in the consumption of eggs, and a material deterioration in infrastructure impacting electricity and water supply and that is why we foresee “A new tomorrow”.

Izaak Breitenbach

Egg Orginisation - Foreword

The year 2022 was one of the darkest years for South African Egg Producers. While we were busy trying to cap the spread of the Highly Pathogenic Avian Influenza (HPAI) which lasted late in the year with more than 2.8 million birds culled. The pressure continued to mount for the producers, and the variable costs to produce eggs were extremely heavy. It is estimated that the variable costs to produce an egg which includes electricity, fuels, and feed has increased from previously circa 70% and is now closer to 80%. Recently these soaring costs, combined with Eskoms' erratic electricity supply causing multiple daily electricity blackouts, which severely negatively impacts egg production and packing, have forced many producers (particularly small producers) and some pack stations to exit the industry. The animal welfare lobbyists also continued to put pressure on their drive for cage-free systems. "There is a famous proverb that says: "There is light at the end of the tunnel"

The National Agricultural Marketing Council (NAMC) which is responsible for advisory to the Minister of Agriculture, Land Reform and Rural Development (DALRRD), conducted a research study on the viability of the different production systems in South Africa. The study was officially signed by the Minister, the results of this study revealed that:
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 additional cost of between **R5,70 and R6,00** per dozen of eggs for 5 years. If an 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 results in a decrease in consumption of **36%** decrease in demand *(Ceteris Paribus)*, which indicates that the industry can retract by 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%, and 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 transformation will also be negatively affected including other industries that are reliant on the egg industry (Maize and soybeans).

From all the above challenges the Egg Board was successful to also position the Egg Master Plan under the Agriculture and Agro-processing Master Plan, which is under Minister Didiza. Because of the South African producer's comparative advantage to produce eggs, I am confident that our resilient egg producers will continue to offer South Africans their much-loved animal protein source

Dr. Abongile Balarane

Agendas

"A new tomorrow"

Small footprint. ***Big impact.***

SAPA EGG ORGANISATION
50th ANNUAL GENERAL MEETING
TUESDAY 6th JUNE 2023
AT 13:45

Agenda

1. Notice convening meeting (notified to members via email February 2023)

2. Roll call of voting delegates

3. Competition disclaimer

4. Formal adoption of the minutes of the 2022 Annual General Meeting

5. Election of committee members

6. Financial statements
   (NB: The audited accounts of the SA Poultry Association for 2022 as published herein are open for discussion at this meeting. The audited financials of the Levy and the Poultry Bulletin are available if desired and the notes to the SAPA financials).

7. Report by the Egg Organisation Chairperson Mr Willie Bosoga.

8. Resolutions of the Egg Organisation

9. General
   Note: Any item on the agendas of the Broiler Organisation or Congress may be raised at this meeting.)

10. Closure

11. Special meeting of newly elected committee members to select office bearers for the Egg Organisation, as well as their representatives to the SAPA Board including their two alternates.

SAPA BROILER ORGANISATION
50th ANNUAL GENERAL MEETING
TUESDAY 6th JUNE 2023
AT 14:30

Agenda

1. Notice convening meeting (notified to members via email February 2023)

2. Roll call of voting delegates

3. Competition disclaimer

4. Formal adoption of the minutes of the 2022 Annual General Meeting

5. Election of committee members

6. Financial statements
   (NB: The audited accounts of the SA Poultry Association for 2022 as published herein, are open for discussion only at this meeting. The audited financials of the Levy and the Poultry Bulletin are available if desired and the notes to the SAPA Financials).

7. Report by the Broiler Organisation Chairperson Mr Gary Arnold

8. Resolutions submitted by members or the committee

9. General
   (Note: Any item on the agendas of the Egg Organisation or Congress may be raised at this meeting.)

10. Closure

11. Special meeting of newly elected committee members to select office bearers for the Broiler Organisation, as well as their representatives to the SAPA Board including their two alternates.

117th SAPA CONGRESS
TUESDAY 6th JUNE 2023
AT 15:30

Honorary Life Members
The following are the present Honorary Life Members of the SA Poultry Association

CF Saunders, Dr E Brock, R Brown, Dr JJ Joubert, W Maree, Prof RM Gous, O Horstmann, Dr J du Preez, M Walne, Dr F Buys, MGF Le Sueur, R Koen, A Saunders, C Du Toit, N Malan, Z Coetzee, M Kingston, Dr Munro Griessel, K Nel, C Rossouw Sr, G Passerini, C Steenhuisen, L Mailula, J Murray, M Torsius, Dr Faan Greyling, B Barnes, Dk Hodgson, T Masihleho, N Elliot, C Schutte

SAPA Board
The following are the present members of the SAPA Board

Willie Bosoga, Adel van der Merwe *(Vice Chairman)*, Colin Steenhuisen, Aziz Sulliman *(Chairman)* Gary Arnold *(Executive Member)*, Jake Mokwene, Marthinus Stander, Achmad Brinkhuis *(1st Alternate)*, Nic Elliot *(2nd Alternate)* Leon de Villiers *(1st Alternate)*, Sas Kasselman *(2nd Alternate)*

Broiler Organisation:
Brendon de Boer, Aziz Sulliman *(Vice Chairman)*, Tumisang Mokwene, Leon de Villiers *(1st Alternate)*, Jake Mokwene *(Executive Member)*, Jimmy Murray, Jack Nkogatse, Frans van Heerden, Sas Kasselman, Nomia Biko, Deon Fourie, Gary Arnold *(Chairman)* Marthinus Stander, Devon Isemonger, Sbusiso Mavuso, Yolanda Philison

Egg Organisation:
Willie Bosoga *(Chairman)* Adel van der Merwe *(Vice Chairman)*, Colin Steenhuisen *(Executive Member)*, Vincent Sharp, Amos Selaledi, Annelie Fischer, Dr Naude Rossouw, Prof Thabo Masihleho, Marco Torsius, Tawfeeq Brinkhuis, Francinah Teffo, Brian Makhele, Achmad Brinkhuis *(1st Alternate)*, Nick Elliot *(2nd Alternate)*

Agenda

1. Notice convening meeting (notified to members via email February 2023)

2. Roll call of voting delegates

3. Competition disclaimer

4. Formal adoption of the Minutes of the 116th Annual Congress (2022)

5. Report by the Chairperson of the Management Committee Mr Aziz Sulliman

6. Financial statements
   6.1 That the SAPA Financial Statements for 2022 be accepted

Agenda (Continues)

6.2 That the Annual Financial Statements of the Poultry Bulletin have been approved by the Auditors and are available

6.3 That the Levy Administrator of the SAPA Financial Statements for 2022 be accepted

6.4 That the Table Egg Levy Administrator of the SAPA Financial Statements for 2022 be accepted

7. Report on decisions taken at the Broiler Organisation and Egg Organisation

8. Resolutions of the SAPA Board

9. Awards
   9.1 Honorary President

   9.2 Certificate of merit

   9.3 Special Award

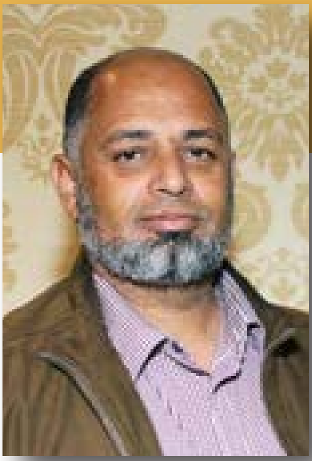
10. Appointment of the auditors for 2023
    To reappoint BVA as SAPA's Auditors for the next financial year.

11. General (Note: Any item on the agendas of the subsidiaries may be raised at this meeting)

12. Closure

13. Special meeting of SAPA Board representatives to select office bearers for the SAPA Board

Organisations Reports



THE SAPA BOARD
CHAIRPERSON'S REPORT 2022

Aziz Sulliman

1. INTRODUCTION

Global events continue to dominate the agenda and to wreak havoc with South Africa's economy. While livelihoods, travel and trade had begun to normalise after the 2020 COVID-19 pandemic, agricultural commodity prices remained elevated due to a powerful combination of factors. The chief of these were stock drawdowns, poor harvests in South America, ongoing tension between Russia and Ukraine, supply constraints in the fertiliser chain, rising energy and shipping costs, a poor palm oil harvest in Indonesia, and the strong demand by China and India for grains and oilseeds. The impact of climate change on weather patterns is unrelenting, with harsh droughts in some areas and tropical storms and flooding in others resulting in reduced crop yields. During 2022 Europe and North America experienced unprecedented outbreaks of highly pathogenic avian influenza (HPAI), hastening the debate on and research into vaccination protocols.

On 24 February 2022, Russia invaded Ukraine and the long-standing tension between the two countries escalated into war. The global grains and oilseeds market was disrupted, and fuel, agrochemicals and fertiliser costs rose dramatically. Driven by these factors and the ensuing steep increases in the cost of animal feed, global food price inflation hit record highs, amplifying concerns about food insecurity in developing countries.

In South Africa deteriorating municipal infrastructure and worsening load shedding created significant challenges for the domestic economy. The agricultural sector, which has the potential to uplift rural people out of poverty, was severely impacted in 2022. The limited farm resources that had to be diverted to public services constrained expansion and significantly increased the cost of doing business, in an environment where elevated input costs had already squeezed profit margins. With a decline in the price of pork and with feed making up 75% of the production cost, pig farmers faced a dire future and there was a mass exodus from the industry during the year. Similarly, many small and medium-sized poultry farms could not survive the pinch and were forced to suspend or permanently close their operations.

While there was a slight reduction in the unemployment rate, poverty remains a crucial issue in our country which needs to be urgently addressed. It is estimated that 80% of our population skip at least one meal a day because households cannot make ends meet. The consequences are devastating: malnutrition affects brain development in young children and reduces productivity in the workplace, or may even lead to death from starvation. Economic hardship combined with a growing sense of frustration and hopelessness amongst poorer people increase the risk of social instability and riots as experienced in KwaZulu-Natal and Gauteng in 2021.

On a positive note, plant-based meat alternatives may no longer be marketed with any reference to meat, eggs or dairy. The Department of Agriculture, Land Reform and Rural Development (DALRRD) announced amendments to Regulation R1283 ('Regulations regarding the classification, packing and marking of processed meat products intended for sale in the Republic of South Africa') relating to the Agricultural Product Standards Act, Act no. 119 of 1990. The use of terms such as plant-based nuggets and eggless eggs are now prohibited. This change should bring an end to misleading advertising by producers of plant-based foods.

Once again, members of the poultry industry contributed to the success of the Mandela Day Challenge, held annually on 18 July, by donating large quantities of chicken meat and eggs. Chefs with Compassion smashed their previous record by cooking over 94 000 litres of nutritious soup for distribution in underprivileged and vulnerable communities in seven provinces.

After several cancellations due to the COVID-19 pandemic, the AviAfrica Congress and exhibition is to be held once again at Emperors Palace in Gauteng, from 6 to 8 June 2023.

2. 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.

3. 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 – without opposition.

4. SAPA'S OBJECTIVES

The association's objectives are:

- To establish and maintain national divisions of the association in South Africa, namely the Egg Organisation (EO) and the Broiler Organisation (BO);
- To enable the members to cooperate effectively for the development and benefit of the broader poultry industry;
- To coordinate the views, aims and efforts of the national organisations in the interests of the broader poultry industry;
- To advance and improve the broader poultry industry by embracing and coordinating the objectives of the national organisations and particularly by:

    - Protecting the broader poultry industry from adverse legislation and any other aggression and by initiating, promoting and assisting with the promulgation of legislation and regulations which are beneficial to the broader poultry industry;
    - Encouraging broader poultry education, conducting and/or assisting in investigational work of a practical and scientific nature and organising seminars and courses;
    - Facilitating and providing guidance in respect of transformation of the broader poultry industry in line with applicable government policies, objectives and legislation;
    - Forming public-private partnerships with government bodies and other public bodies as may be required from time to time;
    - Representing the broader poultry industry on appropriate international bodies and forums for purposes of developing global regulatory and trade frameworks which are to the benefit of the broader poultry industry;
    - Publishing literature, journals, pamphlets and circulars dealing with all matters pertaining to the broader poultry industry, and conducting communications on behalf of such industry;
    - Establishing codes of practice in relation to the broader poultry industry;
    - Promoting the consumption of poultry products in South Africa;

- o Assisting in the opening up and maintaining of export markets for South African egg and poultry meat products;
- o Procuring the compilation of statistics using information received from members and the broader poultry industry, for purposes of maintaining suitable databases for use in the furtherance of the aims of the association;
- o Dealing with any matter which may be in the interest of the broader poultry industry, the association and/or its members.

5. MEMBERSHIP

The membership of SAPA's two direct industry organisations is as follows:

Broilers	123
Eggs	155

Total membership increased by 2.6% in 2022, following growth of 13.4% the previous year.

6. BOARD

The members of the Board were:

Aziz Alie Sulliman (Chairperson)
Adel van der Merwe (Vice-Chairperson)
Gary Arnold
Dr Abongile Balarane (General Manager: eggs)
Willie Bosoga
Izaak Breitenbach (General Manager: broilers)
Jake Mokwene
Vincent Sharp
Marthinus Stander
Colin Steenhuisen

With alternates to the Board being:

Achmat Brinkhuis
Leon de Villiers
Nic Elliot
Sas Kasselman

7. ECONOMIC OVERVIEW

In its January 2023 *World economic outlook update*, the International Monetary Fund (IMF) estimated that the world's economy grew by 3.4% in 2022 (Table 1). This was lower than anticipated, largely owing to a resurgence of COVID-19 in China which hampered growth, the war between Russia and Ukraine, and the global fight against inflation. Global inflation is expected to fall from 8.8% in 2022 to 6.6% and 4.3% in 2023 and 2024 respectively.

TABLE 1: IMF Growth projections (% change)					
Region	**2020**	**2021**	**2022**	**2023**	**2024**
United States of America (USA)	-3.4	5.9	2.0	1.3	1.0
United Kingdom	-9.4	7.6	4.1	-0.6	0.9
South Africa	-6.4	4.9	2.6	1.2	1.3
Eurozone	-6.4	5.3	3.5	0.7	1.6
Middle East and Central Asia	-2.8	4.5	5.3	3.2	3.7
Emerging and developing Asia	-0.9	7.4	4.3	5.3	5.2
Latin America and the Caribbean	-6.9	7.0	3.9	1.8	2.1
Sub-Saharan Africa	-1.7	4.7	3.8	3.8	4.1
Advanced economies	-4.5	5.4	2.7	1.2	1.4
Emerging market and developing economies	-2.0	6.7	3.9	4.0	4.2
Global economy	**-3.1**	**6.2**	**3.4**	**2.9**	**3.1**

South Africa's annual inflation rate for 2022 was 6.9%, up from 4.6% in 2021 and the highest in 13 years (source: Statistics SA (Stats SA)). From June 2022 the inflation rate stubbornly remained above 7%, peaking at 7.8% in July. The inflation rates for 2023, 2024 and 2025 are forecasted to be 6.1%, 5.6% and 4.5% respectively (source: tradingeconomics.com). The average food inflation rate increased from 6.1% in 2021 to 9.2% in 2022, peaking at 12.5% in November.

Official and expanded unemployment rates are shown in Table 2 (source: Stats SA, 2022. *Quarterly labour force survey: quarter 4*: 2022.). South Africa's official unemployment rate in the fourth quarter of 2022 (4Q2022) was 32.7%, down from 35.3% in 4Q2021. The expanded unemployment rate, which includes discouraged work-seekers, decreased from 46.2% in 4Q2021 to 42.6% in 4Q2022. A discouraged work-seeker is a person of legal employment age who would prefer to be working but has given up looking for a job. Women continued to suffer more than men in the job market, with an expanded unemployment rate of 46.6% compared to 39.2% for men. The percentage of young people (15–34 years of age) not in employment, education or training was found to be 45.3% in 4Q2022. The expanded unemployment rate for this category dropped from 60.4% in 4Q2021 to 55.6%. In total, 7.753 million people aged 15–64 years were unemployed in South Africa in 4Q2022, an improvement from the 4Q2021 number of 7.921 million (-2.1%). Figure 1 shows the racial inequality within our society in terms of unemployment levels.

TABLE 2: Provincial unemployment rates (source: Stats SA)				
	Official unemployment rate (%)		**Expanded unemployment rate (%)**	
Province	Oct–Dec 2021	Oct–Dec 2022	Oct–Dec 2021	Oct–Dec 2022
Eastern Cape	45.0	42.1	53.2	47.1
Free State	36.7	34.6	44.2	39.6
Gauteng	36.6	34.0	44.4	39.4
KwaZulu-Natal	32.4	31.4	48.7	47.9
Limpopo	33.9	31.8	52.8	49.6
Mpumalanga	39.7	36.1	52.4	48.2
Northern Cape	25.0	22.1	50.1	44.0
North West	33.8	37.0	49.9	52.3
Western Cape	28.0	22.5	30.4	26.8
South Africa	**35.3**	**32.7**	**46.2**	**42.6**

Of the 15.934 million people employed in 4Q2022, 10.977 million (68.9%) were in the formal sector, 2.955 million (18.5%) in the informal sector, 0.860 million (5.4%) in agriculture, and 1.142 million (7.2%) in private households. Year-on-year employment in the agricultural sector decreased by 8 000 jobs (-0.9%). The majority of the agricultural jobs were in Western Cape, followed by KwaZulu-Natal (Figure 2) (source: Stats SA).

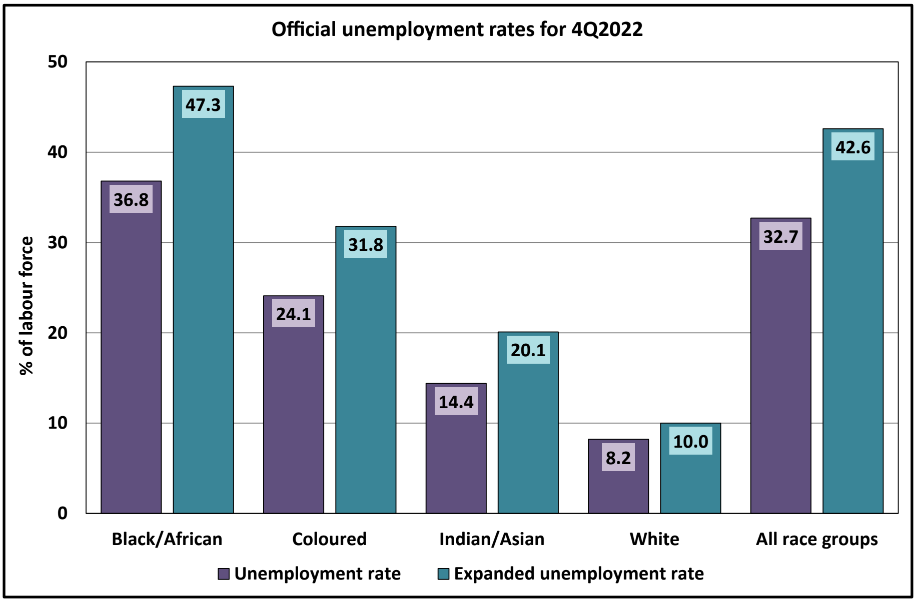


Figure 1: Unemployment levels per race group (source: Stats SA)

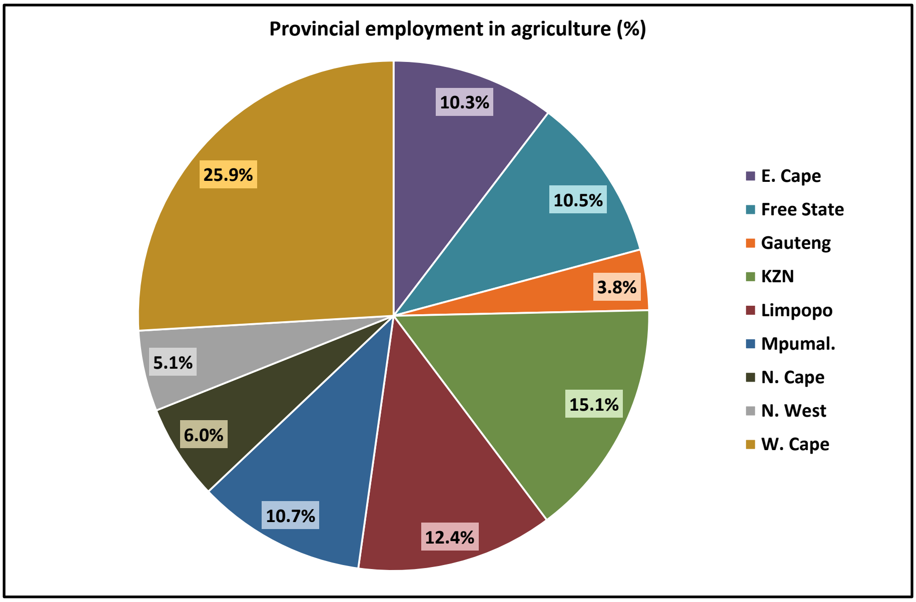


Figure 2: The provincial distribution of jobs in the agricultural sector (source: Stats SA)

8. GLOBAL INDUSTRY OVERVIEW

Rabobank's publication *Global poultry quarterly Q4 2022* forecasted a positive outlook for the global poultry industry despite ongoing operational challenges. The biggest of these challenges were high feed prices, high energy and distributions costs, rising labour costs in some countries and the ongoing threat of avian influenza (AI), especially in the northern hemisphere. Feed prices are expected to ease slightly in 2023 owing to decent maize and soya bean harvests in Brazil and the USA. A weaker global economic climate is likely to affect consumers' spending power and lead to more price-driven behaviour, such as the increased consumption of poultry meat as opposed to more expensive animal proteins. A resurgence of COVID-19 infections may cause disruptions to global markets. Rabobank suggested the focus should be on keeping production balanced with demand and maintaining excellence in operations, farming as efficiently as possible.

In the USA retail chicken prices dropped as production moved ahead of demand, after shortages in the first half of 2022. However, high feed and delivery costs are likely to persist, putting margins under pressure.

The increased slaughter of cattle and decline in beef prices in Brazil made beef relatively more affordable, which resulted in a slight drop in chicken consumption. At the same time, live broiler prices decreased, which improved the competitiveness of Brazilian chicken in its export markets.

Although consumers in the European Union (EU) became more price sensitive, there was a shift from retail to food service outlets. Poultry producers were still struggling with the high cost of feed but this situation is expected to ease slightly in 2023. The war in Ukraine has had a significant impact on the supply and cost of gas. Exports from several EU countries reduced sharply as a consequence of AI trade bans.

China was confronted with a resurgence of COVID-19 and the enforced lockdowns impacted the demand for chicken at food service outlets. Poultry feed prices remained elevated but farming profits turned positive by mid-2022. Poultry imports declined while exports increased due to tight global supply (source: Rabobank, 2022. *Global poultry quarterly Q4 2022*.).

A summary of the global egg industry can be found in the EO chairperson's report.

9. LOCAL INDUSTRY OVERVIEW

9.1. Gross value of animal products

Table 3 shows the gross value of primary agricultural production for 2021 and 2022 (source: DALRRD). The combined farm income for poultry meat and eggs for 2022 was R71.62 billion compared to R61.21 billion in 2021; a 17.0% increase. In the field crops sector, the gross value of sunflower seeds, soya beans and maize expanded by 44.3%, 38.5% and 34.6% respectively.

TABLE 3: Gross value of agriculture (R billion) (source: DALRRD)					
SECTOR	**2021**	**2022**	**Annual % change**	**% of animal products (2022)**	**% of grand total (2022)**
Total field crops	102.17	130.56	27.8		31.1
Total horticulture	105.14	111.70	6.2		26.6
Wool	4.44	5.53	24.6	3.1	1.3
Mohair	1.68	1.46	-12.9	0.8	0.3
Karakul pelts	0.00	0.00	0.0	0.0	0.0
Ostrich feathers and products	0.62	0.75	21.7	0.4	0.2
Poultry meat	50.59	59.02	16.6	33.2	14.1
Eggs	10.62	12.60	18.7	7.1	3.0
Cattle and calves slaughtered	43.23	49.32	14.1	27.8	11.8
Sheep and goats slaughtered	9.82	9.90	0.8	5.6	2.4
Pigs slaughtered	8.88	9.94	11.9	5.6	2.4
Milk	21.17	23.84	12.6	13.4	5.7
Other livestock products	5.41	5.14	-5.0	2.9	1.2
Total animal products	156.47	177.51	13.4	100.0	42.3
Grand total	**363.77**	**419.77**	**15.4**		**100.0**

In rand value, the poultry industry remains the largest sector of South African agriculture at 17.1% of all agricultural production (up from 16.8% in 2021), and 40.3% of all animal products (up from 39.1%). The beef industry, its nearest rival, contributed 11.8% to turnover of all agricultural production and 27.8% of all animal products (Figure 3). Total animal products contributed 42.3% to the gross value of total agricultural products in 2022 (down from 43.0%).

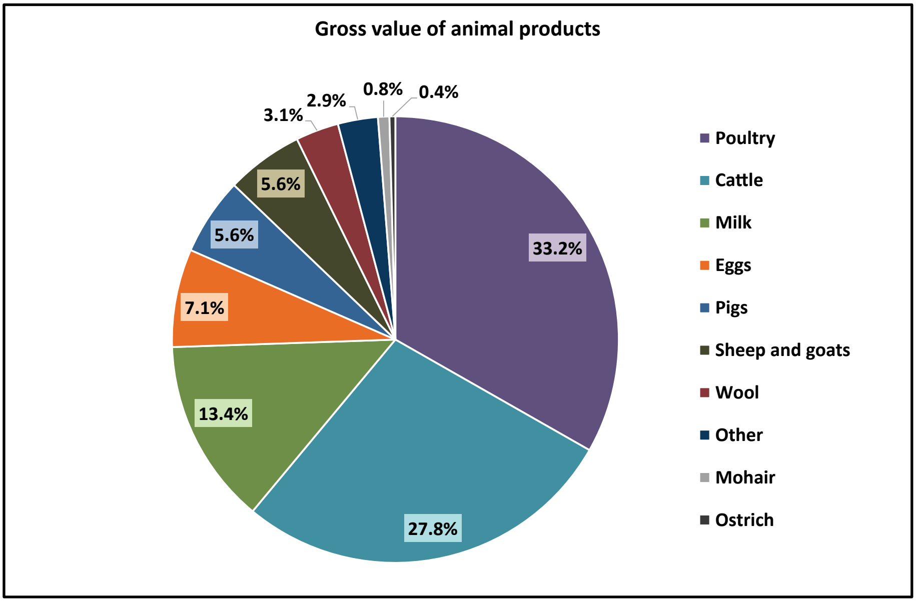


Figure 3: Gross value of animal products (source: DALRRD)

9.2. Production growth of industries

Table 4 summarises the bird numbers in the egg and broiler industries. Some of the statistics are provided by producers and the remainder are estimated using SAPA's forecasting models. Approximately 76% of the birds in the South African poultry industry are used for meat production, while the remaining 24% are used for table egg production.

TABLE 4: Bird numbers in the poultry industry		
Broiler industry	**Birds**	**% of total**
GGP, GP*	741 400	
Breeder rearing**	4 733 431	
Breeder laying	6 965 188	
Broilers	100 356 780	
Total broiler	112 796 799	75.6
Egg industry	**Birds**	**%**
GP rearing*	26 000	
GP laying*	38 075	
Parent rearing*	131 066	
Parent laying*	1 019 000	
Pullets **	7 828 521	
Laying hens	27 403 108	
Total egg	36 445 770	24.4
Poultry industry	**149 242 569**	

* Supplied by producers

** Based on data suplied by hatcheries

The following are summaries: more details are given in the separate chairperson's reports of the BO and EO.

- **Broiler industry**

The number of day-old female parents placed during 2022 increased by 4.2% compared to 2021, while the average number of broiler breeders expanded by 3.3%. The broiler breeder flock is expected to increase by 4.7% to 7.40 million hens by April 2023.

There was a 2.2% annual increase in day-old chick production in 2022, with a total hatch of 1 177 million chicks. The number of broilers slaughtered for the year was 1 113 million; a 2.1% increase compared to 2021.

- **Egg industry**

In 2022 day-old pullet production and layer replacement numbers decreased by 6.5% and 3.0% respectively.

The national layer flock increased by 2.1% in 2022. Hen numbers are expected to decrease by 2.0% in the first four months of 2023 compared to the same period in 2022. Similarly the average number of cases of eggs per week for the first four months of 2023 is expected to be 2.0% lower.

9.3. Consumption of animal protein sources

Consumption of poultry products continues to exceed the consumption of all the other animal protein sources, although milk follows closely behind poultry meat. In 2022 consumption of poultry products amounted to 2.835 million tonnes. In comparison, 1.525 million tonnes of beef, pork, mutton and goat were consumed (Table 5) (source: DALRRD).

TABLE 5: Production and consumption of animal proteins (source: DALRRD)

Protein source	Production (1 000 tonnes)			Consumption (1 000 tonnes)			Per capita (kg)		
	2021	2022	% change	2021	2022	% change	2021	2022	% change
Poultry	1 910	1 951	2.2	2 304	2 282	-0.9	38.0	37.3	-1.7
Milk	3 825	3 771	-1.4	3 755	3 687	-1.8	37.0	36.0	-2.8
Beef	1 053	1 008	-4.3	1 029	987	-4.1	16.9	16.1	-4.8
Eggs	549	562	2.3	542	553	2.0	8.6	8.7	1.2
Pork	321	352	9.5	338	365	8.1	5.6	6.0	7.3
Mutton, goat	168	161	-4.3	177	173	-2.3	2.9	2.8	-3.1
Total	**7 827**	**7 805**	**-0.3**	**8 146**	**8 048**	**-1.2**	**109.0**	**106.9**	**-1.9**

The combined per capita consumption of poultry meat and eggs in 2022 was 46.0 kg, compared to 46.6 the previous year (Figure 4).

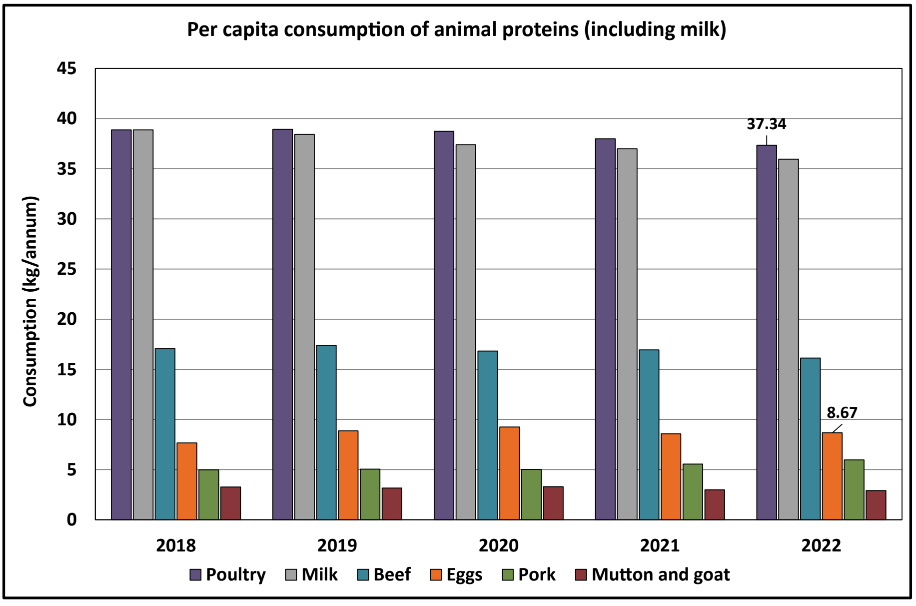


Figure 4: Per capita consumption of protein sources (source: DALRRD)

The poultry sector provided 65.0% of animal protein (excluding milk) consumed in the country; up from 64.8% in 2021. If milk is included, then poultry meat and eggs contributed 35.2% to animal protein consumed; up from 34.9% in 2021 (source: DALRRD).

9.4. Price comparison of animal protein sources

On a rand-per-kg basis, eggs were the most affordable animal protein source at R24.16/kg, followed by pork (R28.42/kg) and chicken (R29.36/kg) (Figure 5). Pork prices recovered in the last quarter of 2022, realising an average abattoir price of R34.33/kg.

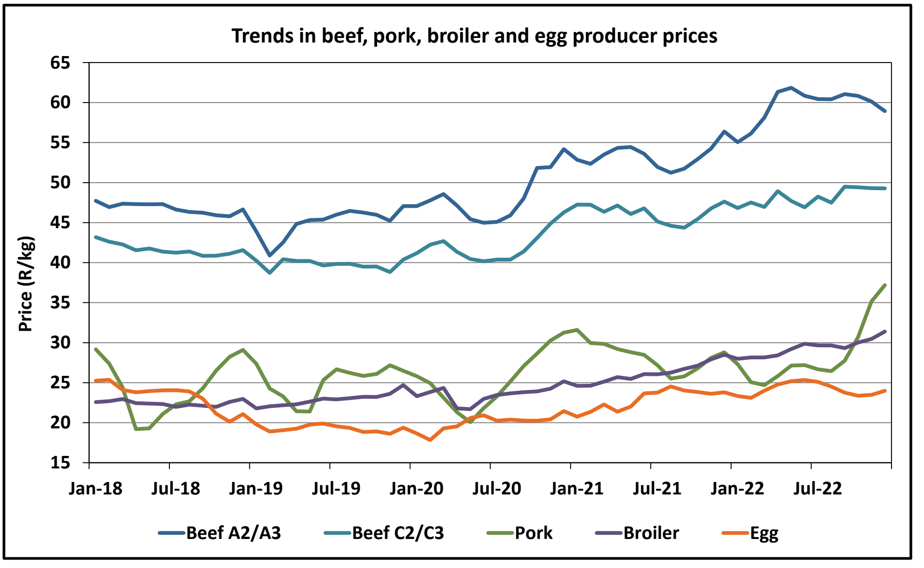


Figure 5: Monthly beef, pork, broiler and egg producer prices (source: AMT, SAPA)

9.5. Production and consumption of maize

Maize production in South Africa is concentrated in Free State (41.1%), Mpumalanga (23.4%) and North West (17.2%). In total, 81.7% of the recent maize crop was grown in these three provinces (Figure 6).

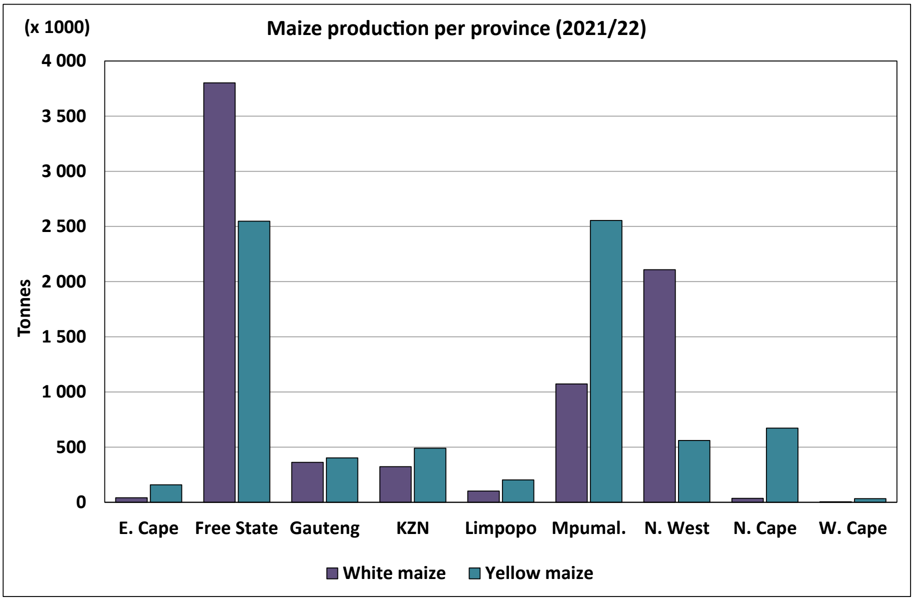


Figure 6: Maize production per province (source: CEC)

"A new tomorrow"
*Small footprint. **Big impact.***

The crop season runs from May to April and the Crop Estimates Committee (CEC) reported that the total maize crop for 2021/22 was 15.47 million tonnes; a 5.2% annual decrease (Table 6). The estimated crop for the 2022/23 season is 15.62 million tonnes (+0.9%).

TABLE 6: Production of summer crops (1 000 tonnes) (source: CEC)						
Crop	**2020/21**	**2021/22**	**% of total**	**% change**	**2022/23***	**% change**
White maize	8 600.0	7 850.0	50.7	-8.7	8 187.2	4.3
Yellow maize	7 715.0	7 620.0	49.3	-1.2	7 427.9	-2.5
Total maize	16 315.0	15 470.0	100.0	-5.2	15 615.1	0.9
Sunflower seeds	678.0	845.6		24.7	775.3	-8.3
Soya beans	1 897.0	2 230.0		17.6	2 651.7	18.9

* CEC forecast: 28 February 2023

In 2022 maize production contributed R63.8 billion to the gross value of agricultural products compared to R47.4 billion the previous year (source: DALRRD).

The total South African consumption of maize for 2021/22 was 11.09 million tonnes, of which 5.90 million tonnes was used for animal feed (Table 7) (source: South African Grain Information Service (SAGIS)).

TABLE 7: Maize consumption (1 000 tonnes) (source: SAGIS)					
Crop	**2020/21**	**2021/22**	**% change**	**Animal feed**	**%**
White maize	6 410.8	7 116.8	11.0	2 407.0	33.8
Yellow maize	4 790.4	3 970.4	-17.1	3 490.8	87.9
Total	**11 201.2**	**11 087.1**	**-1.0**	**5 897.9**	**53.2**

9.6. Feed sales and usage

The poultry industry is the largest customer of the Animal Feed Manufacturers Association (AFMA). A total of 6.939 million tonnes (+2.2%) of animal feed was sold in the period from April 2021 to March 2022. Poultry (including ostriches) consumed 4.422 million tonnes with the bulk thereof going to the broiler industry (Table 8). In total, 63.7% of AFMA's animal feed sales (down from 64.6%) went to the poultry industry (Figure 7).

TABLE 8: Annual poultry feed sales (source: AFMA)					
Feed type	**April 2020 - March 2021**		**April 2021 - March 2022**		**% Change**
	Tonnes	**%**	**Tonnes**	**%**	
Broiler	2 834 628	64.8	2 903 007	65.7	2.4
Layer	990 932	22.7	981 023	22.2	-1.0
Breeder	534 970	12.2	528 289	11.9	-1.2
Ostrich	13 739	0.3	9 228	0.2	-32.8
Poultry	**4 374 269**	**100.0**	**4 421 547**	**100.0**	**1.1**

National feed production during 2021/22 was estimated to be 12.147 million tonnes; a 1.3% annual increase. AFMA sales (7.107 million tonnes, including feed derived from concentrates) therefore represented 58.5% of the national feed produced (source: AFMA).

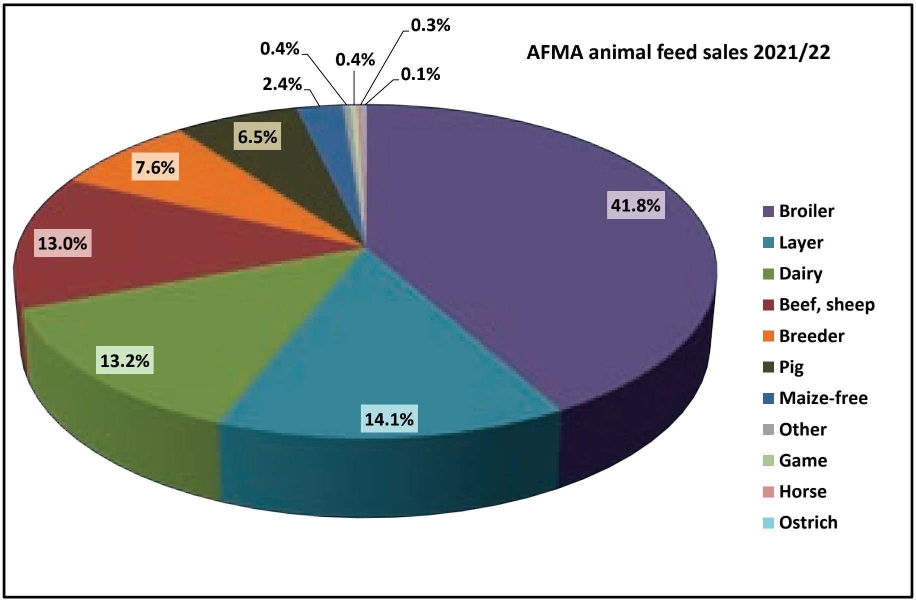


Figure 7: Animal feed sales from April 2021 to March 2022 (source: AFMA)

9.7. Feed prices

The annual average raw material costs for the different poultry feeds are shown in Table 9. These costings are based on feed ingredient prices and a standardised formulation and exclude delivery, additives and mixing costs (source: H. Koster). The substantial annual percentage increases in 2022 follow on from increases of 15.6% for broiler diets and 18.0% for pullet and layer diets in 2021.

TABLE 9: Raw material costs of poultry feeds

Year	Broiler starter	Broiler grower	Broiler finisher	Pullet	Layer
2021	5 466	5 250	5 286	4 508	4 177
2022	6 676	6 416	6 510	5 546	5 169
% change	22.1	22.2	23.2	23.0	23.7

Figure 8 shows the trends in poultry feed costs for the past five years, with forecasts to July 2023 (source: H. Koster).

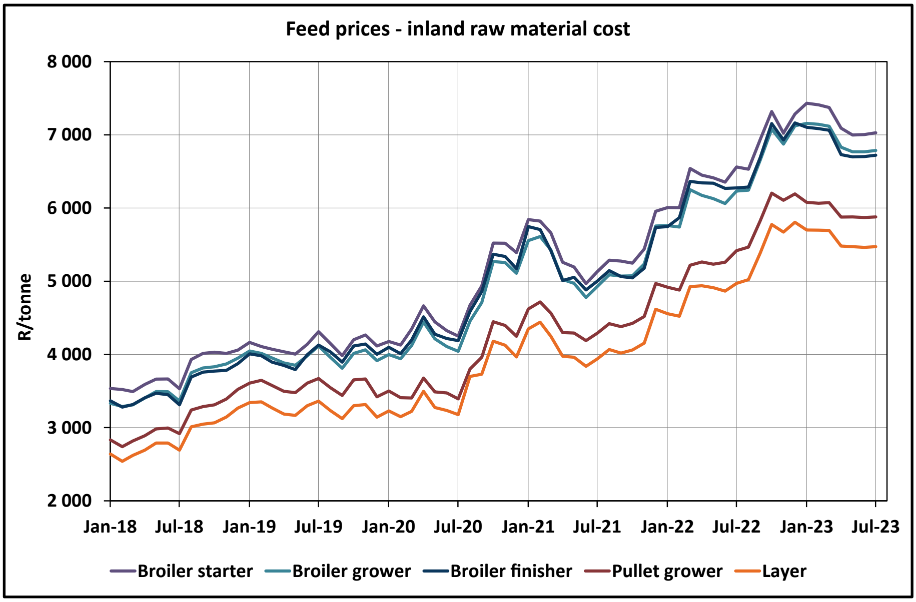


Figure 8: Monthly trends in poultry feed prices (source: H. Koster)

10. TRADE

10.1. Imports

Chicken and egg imports for 2022 decreased by 11.4% and 39.2% respectively (Figure 9). The total free on board (FOB) value of the imports was R4.296 billion (-11.0%), with chicken contributing R4.184 billion (97.4% of the total) and eggs R0.112 billion.

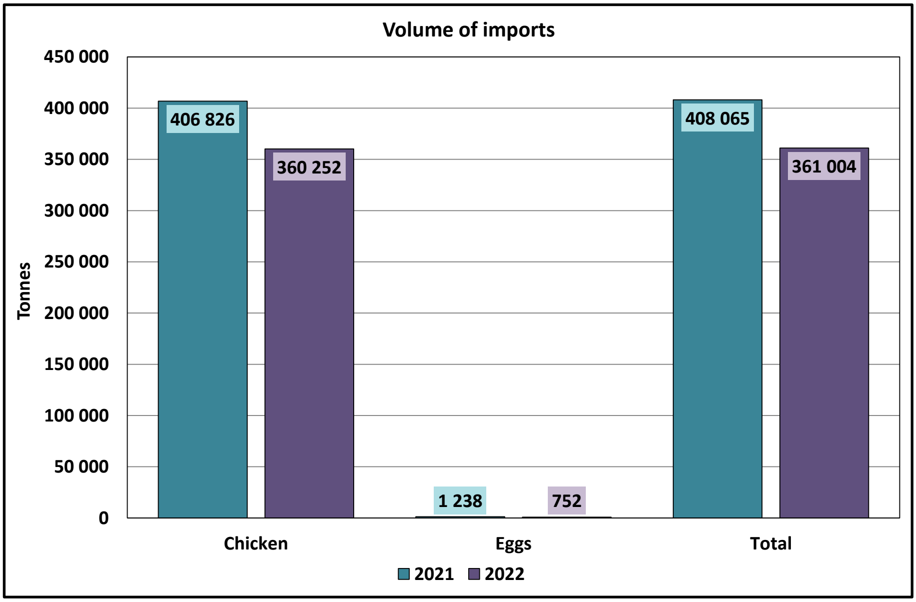


Figure 9: Import volumes of chicken meat and eggs

10.2. Exports

In 2022 the volume of chicken and egg exports grew by 2.2% and 11.7% respectively (Figure 10). The total FOB value of the exports was R1.739 billion (+25.3%), with chicken contributing R1.373 billion (79.0% of the total) and eggs R0.366 billion.

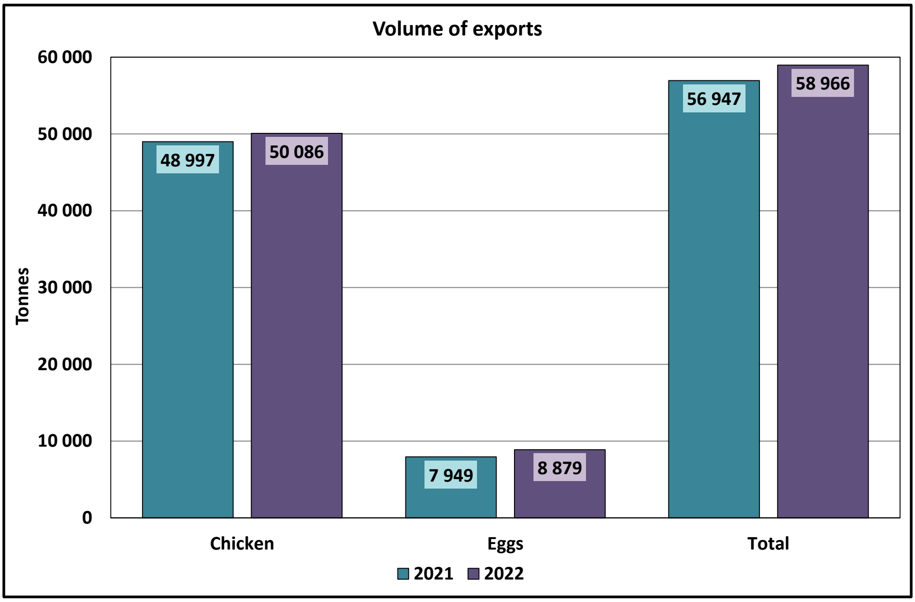


Figure 10: Export volumes of chicken meat and eggs

11. POULTRY HEALTH AND DISEASE

An HPAI working group, consisting of three private veterinarians (Dr Shahn Bisschop, Dr John Grewar and Dr Trudie Prinsloo) and the SAPA general managers (Dr Abongile Balarane and Izaak Breitenbach), continues to fulfil the function of the Poultry Disease Management Agency.

During 2022 much effort was focused on enabling exports to the EU and Middle East. At some point the process of sampling for residues will need to be facilitated, and this will require significant input from the veterinarians.

In view of the fact that HPAI has become endemic and because of the devastating consequences of the disease to farmers, there is a global shift in thinking to move away from a culling policy to a vaccination strategy. The EU parliament is likely to pass legislation on the matter in January 2023 and the outcome is of relevance to South Africa. In the interim, SAPA canvassed the support of the South African Veterinary Association (SAVA) with the result that the latter is on board with the proposed vaccination strategy. Once vaccination has been legislated in the EU, SAPA and the SAVA intend to approach the DALRRD for their backing. In the interim, discussions will be initiated with the DALRRD Director: animal health, Dr Mpho Maja, stating the industry's position on HPAI vaccination. The aim is to obtain approval to vaccinate long-lived poultry against H5 strains of HPAI. These birds include great-grandparents, grandparents, broiler breeders and commercial layers. The Poultry Veterinary Group of the SAVA has indicated its willingness to provide technical support to the DALRRD in developing a science-based approach to HPAI H5 vaccination.

12. INDUSTRY TRANSFORMATION

Transformation remains a critical issue on the agenda in negotiations with government. The poultry industry is required to transform in a meaningful way and at a faster pace to enable black farmers to play a significant role within the value chain. Transformation objectives and targets are specified in both the poultry sector and egg sector master plans and these are dealt with in the separate BO and EO annual reports.

In the past most of the transformation initiatives involved training black farmers and, in some cases, developing business plans for new entrants. For greater impact, SAPA has adopted the approach recommended by the National Agricultural Marketing Council (NAMC), namely that of enterprise development. This entails a commitment to investing time and capital to help previously disadvantaged farmers to establish, expand and improve their businesses: an approach more likely to alleviate poverty and lead to long-term economic growth.

In 2021 the Transformation Committee proposed a model for investment in new-entrant farmers. In addition to providing training, the formation of partnerships with commercial farmers is encouraged. By mentoring new entrants and assisting with access to markets, experienced producers can transfer skills and knowledge, thus helping to ensure the sustainability of the new businesses. Based along these lines, several proposals for transformation projects were submitted by producers during the course of 2022. One of the flagship achievements of the year under review was the securing of funding from government for the development of a pack station in the West Rand area of Gauteng. This partnership is between SAPA and the Gauteng Department of Agriculture and Rural Development.

SAPA continues to highlight the transformation champions within the industry to convey the message about progress in transforming the poultry industry. Several inspirational articles on successful black-owned businesses appeared in *Poultry Bulletin* and other media during the year.

13. COMMUNICATION WITH INDUSTRY

Poultry Bulletin was successfully relaunched in electronic format in April 2021. The magazine serves as the official mouthpiece of SAPA, with six editions being published per annum. Very positive feedback continues to be received, with particular reference to the professional layout and the educational and inclusive content. Editor Melinda Shaw was awarded a Presidential Award Bronze in the category Public Relations and Communication Industry Advancement at the PRISM Awards 2022. *Poultry Bulletin* was named as South Africa's national winner in the Print Journalism category at the 2022 SADC Media Awards, for an article about the Namibian poultry industry.

The new website was launched in 2022 and received much complimentary feedback. It is easy to navigate and visually appealing. Of particular interest is the news page which contains informative articles, video clips and recordings of radio and television interviews. The recipe page displays a large variety of mouth-watering meals designed to promote egg consumption. A wide selection of training material as well as current and past copies of *Poultry Bulletin* are available for download. A new feature of the website is the member login page which gives SAPA members exclusive access to the full range of the organisation's statistical reports.

In the pipeline for 2023 is a new website series entitled 'Emerging Farmer Guiding Light' which will address questions frequently asked by subsistence and small commercial farmers. The aim is to post short articles on technical and logistical matters, including who to contact and how to obtain finance. This last is such a crucial factor in the sustainability of these small businesses that contribute to employment and food security in rural areas, but do not have the means to upgrade or expand their facilities.

SAPA's social media campaign has been successful in reaching smaller farmers using the platforms Twitter, Facebook and Instagram. The Twitter profile is maintained by Shaw Media and has a lively fanbase of over 2 000 followers who engage with posts. SAPA remains committed to broadening its reach and becoming more inclusive so that the organisation represents both commercial and small-scale poultry producers across South Africa.

14. TRAINING AND DEVELOPMENT

The biosecurity training, which commenced in 2019, finally drew to a close in 2022. Over 1 000 subsistence and small commercial farmers benefited from the regional workshops and farm audits which were conducted across the country. Widely regarded as a successful initiative, the training has heightened awareness of diseases such as HPAI and given producers the necessary tools to protect their poultry flocks.

Courses in abattoir management (one), poultry production (four), practical broiler production (one) and commercial layers (two) were held at the KwaZulu-Natal Poultry Institute (KZNPI). The attendance fees were sponsored by the World Poultry Foundation, with the delegates' travel costs being subsidised by SAPA through the old levy surplus fund. This fund is earmarked exclusively for transformation activities.

A three-year skills plan was developed by SAPA and the proposal was submitted to AgriSETA. It is hoped that the funds will be made available in the first quarter of 2023 to allow training to commence before midyear.

Various sources of information relevant to subsistence and small commercial farmers were uploaded onto the new website. Included in this were training manuals written for SAPA by Alan Saunders. However, this is not viewed as a replacement for on-site, practical training courses which are of paramount importance to the industry.

SAPA's Manager: sustainability and development, Christopher Mason, continued to offer telephonic and email support to poultry farmers throughout South Africa. The nature of the support varied from answering general questions and providing specific information, to the verification of suppliers in efforts to combat online scams. More than 450 black farmers received guidance during the year.

15. STAKEHOLDER ENGAGEMENT

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

SAPA also promoted collaboration with the NAMC, the Consumer Goods Council of South Africa, the National Animal Health Forum and other agricultural commodity organisations. Proudly South African CEO Eustace Mashimbye continues to promote localisation as the key driver of economic recovery and growth.

A meeting was held at the Eskom National Control Centre in Germiston, with Izaak Breitenbach and the CEOs of two poultry companies in attendance. The purpose thereof was to explore the options for reducing the impact of load shedding on the poultry industry. On a separate occasion, a proposal was put to DALRRD Minister Thoko Didiza that agriculture be declared an essential service, thereby being exempt from load shedding above stage two.

SAPA conducted an investigation to establish whether primary producers can claim the general fuel levy of R1.18 per litre or the Road Accident Fund levy of R2.18 per litre from the South African Revenue Service for diesel used in generators on farms and at abattoirs. The outcome was that claims can be made off the diesel price; however, producers are advised to keep accurate records because the service performs audits from time to time.

16. FINANCES

SAPA's financial year runs from January to December. It is a non-profit organisation as well as a voluntary member one. Steady progress is being made with improving its financial situation. SAPA is required by its constitution to have R5 million in reserve and this target was achieved by year end. A profitable budget was presented for 2023, bolstered by the anticipated income from the AviAfrica Congress.

SAPA was given another clean audit by BVA Auditing and Assurance. The audited financials will be presented to members for approval.

17. KEY SUCCESSES

- Increase in membership of SAPA for the fourth consecutive year;
- Donations of chicken meat and eggs to feed vulnerable communities;
- Plant-based food labels banned from alluding to meat and eggs;
- Eggs retaining its position as the most affordable animal protein source;
- The substantial contribution to gross value by the poultry sector;
- The reduction in chicken meat and egg imports;
- Growth in exports of chicken meat and eggs;
- Progress with enabling exports to the EU and the Middle East;
- Valuable contributions to disease management by SAPA's contracted private veterinarians;
- SAVA's commitment to supporting the notion of vaccination against HPAI;
- The West Rand pack station transformation project;
- Subsistence and small commercial farmers benefiting from biosecurity training and audits;
- Ongoing remote support of black farmers by SAPA;
- Sponsorship of training courses at KZNPI, which enabled financially strapped producers to attend;
- Successful launch of SAPA's new website, with positive feedback;
- Free training material for poultry producers accessible on the website;
- Enhanced engagement with smaller farmers via the social media platforms;
- Awards for excellence presented to the editor of *Poultry Bulletin*;
- The finding that producers can claim rebates off the diesel price;
- SAPA's participation in and support of global and local organisations.

18. CHALLENGES

The industry faced numerous challenges in 2022:

- Dealing with the fallout from global events;
- Sharply increasing feed prices throughout the year;
- Escalating maize and soya bean prices despite good domestic crop harvests;
- Spiralling input costs, over which the industry has no control;
- South Africa's slow economic growth and the highest inflation rate in 13 years;
- Escalating food inflation rate, putting consumers under severe pressure;
- High levels of unemployment especially amongst the youth and black people;
- Corrupt and incompetent government officials at municipal level;
- The ongoing risk of HPAI infections via migratory birds from Europe;
- Helping new-entrant farmers to survive in a hostile environment;
- Shrinking profit margins, with an increasing number of producers facing insolvency;
- Lack of state veterinary capacity to assist with growing exports.

19. PROSPECTS GOING FORWARD

- Hosting of the AviAfrica Congress and exhibition in 2023;
- Ongoing war in Ukraine and its impact on South Africa's agricultural sector;
- Commodity prices expected to remain relatively high;
- Consumers becoming more price-driven;
- Keeping chicken meat and eggs affordable for low-income households;
- Collapse of emerging farmer businesses due to failed small municipalities;
- Civil society having to do government's job in rebuilding and maintaining infrastructure;
- Reducing reliance on Eskom by moving to alternative energy sources;
- Keeping farming businesses afloat by managing costs;
- Getting DALRRD approval for the principle of vaccinating flocks against HPAI H5;
- Developing a science-based approach to vaccinating against HPAI;
- Developing farm strategies to mitigate the impact of severe weather conditions;
- The formation of more partnerships between commercial and new-entrant farmers;
- Implementation of the skills plan funded by AgriSETA;

• Launch of the ‘Emerging Farmer Guiding Light’ series;
• Expanding exports to developed nations.

20. CONCLUSION

It is hoped that a recovery in international stock levels will cause a downward movement in global maize, sunflower seed and soya bean prices in 2023. A decrease in feed prices will alleviate pressure on our struggling poultry farmers.

There are current economic and political challenges confronting the country which leave the private sector, including farmers, to navigate a way forward for themselves.

THE EGG ORGANISATION
CHAIRPERSON'S REPORT 2022

Willie Bosoga

1. INTRODUCTION

After the annus horribilis that was 2021, it was hard to imagine that worse was to come. However, the year 2022 brought even more hardships to the beleaguered egg industry as input costs continued to climb. Cash flows were severely impacted by record-high feed prices, increased packaging material costs, and soaring energy bills. Distribution costs escalated owing to fuel price increases, travel delays caused by major roadworks, and vehicle damage due to deteriorating road surfaces. Unable to cope with monthly financial losses, a number of egg producers scaled down or closed their operations or were forced into business rescue. There is unlikely to be much relief in 2023, with feed prices expected to remain high due to supply disruptions in global grain markets, and with our government unable to resolve issues relating to poor service delivery.

Although egg producer prices have increased, there needs to be further upward movement to compensate for astronomical feed bills. However, there is likely to be resistance from consumers who are struggling to make ends meet under a burden of debt. Families face severe pressure as their spending power diminishes, and many people go hungry every day. The unacceptably large retail mark-up remains a bone of contention. The Competition Commission has expressed concern over the wide farm-to-retail spread in prices but it remains to be seen whether any significant changes will occur.

While outbreaks of highly pathogenic avian influenza (HPAI) were sporadic during the year, the virus nevertheless remains a significant threat to the industry as Europe and North America were confronted with catastrophic outbreaks. Since the start of the local H5N1 outbreak in April 2021, almost 2.94 million birds from the egg industry have been culled. The province of Western Cape was especially hard hit but a large number of farms in Gauteng and KwaZulu-Natal were also affected.

The signing of the Agriculture and Agro-processing Master Plan (AAMP) in parliament was hailed as a step in the right direction. It represents a social compact to promote inclusive agricultural growth, a transparent and predictable policy environment, equitable access to the means of production and financing, competitive and transformed food value chains, food-secured households, decent jobs, better working conditions and farm safety, key infrastructure as well as expansion of market access on a diversified basis. The egg sector master plan that falls within the AAMP focuses on a number of important issues for our industry and provides a blueprint for progress and change, with specific targets to work towards.

The events and statistics relating to the egg industry in 2022 are summarised in this report.

2. OBJECTIVES

The objective of the EO is to establish and maintain an organisation in South Africa for the promotion, development and guidance of the egg industry as an independent subsidiary branch of SAPA, equal in status to that accorded the Broiler Organisation.

The purpose of the EO (and its committee) is to improve the egg industry and promote it at a national and international level. This entails a critical evaluation of the methodology of regulatory structures; supporting an industry code of practice; liaising with government and consumer bodies; collecting, compiling and distributing statistics; supporting training; encouraging transformation; and building brand awareness to grow the market for the egg industry through a successful generic marketing campaign.

3. MEMBERSHIP

The EO consisted of 102 individual producers and 53 members of co-operatives, making a total of 155 producers. Membership grew by 8.4% from the previous year, with the addition of 12 individual producers.

4. BOARD REPRESENTATION

During the period under review the EO Board comprised the following individuals:

Willie Bosoga (Chairperson)
Adel van der Merwe (Vice-Chairperson)
Dr Abongile Balarane (General Manager)
Achmat Brinkhuis
Tawfeeq Brinkhuis
Nic Elliot
Annelie Fischer
Prof. Thabo Masihleho
Brian Makhele (National Agricultural Marketing Council (NAMC))
Dr Naude Rossouw
Amos Selaledi
Vincent Sharp
Colin Steenhuisen
Francinah Teffo
Marco Torsius

5. INDUSTRY STATISTICS

5.1. Egg prices

Average producer prices for all eggs (cage, barn and free range) plus graded and ungraded eggs are displayed in Figure 1. The price for all eggs increased from R16.80/dozen in 2021 to R17.73/dozen (+5.5%) in 2022. Average prices for graded and ungraded eggs increased by 6.6% and 3.2% respectively. In 2022, 82.6% of the eggs were graded, down from 85.4% in 2021.

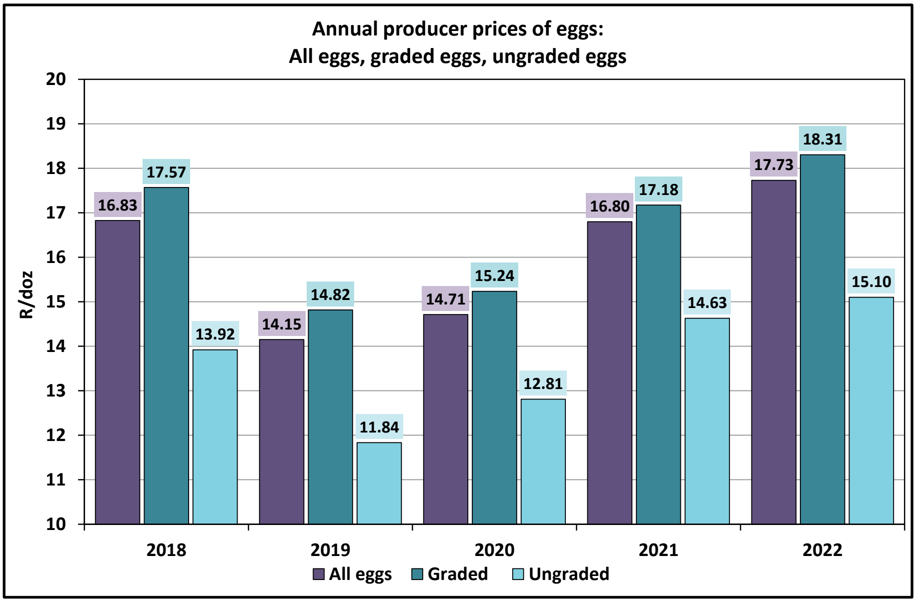


Figure 1: Annual producer prices for graded and ungraded eggs (source: SAPA)

Figure 2 shows the producer prices for the different housing systems. The average price for cage eggs increased by 5.9% in 2022 while for barn + free-range eggs it decreased by 6.2%. In 2022, 98.5% of the eggs were produced in cages (up from 98.3% in 2021). The narrowing of the gap between prices for cage eggs and barn + free-range eggs, since 2018, suggests a shift by increasingly price-sensitive consumers to cheaper options.

These prices are supplied to SAPA by egg producers and in 2022 the sample represented 26.4% (down from 27.4% in 2021) of the forecasted national egg volume. It must be borne in mind that this is a relatively small sample size and the pricing statistics should therefore be seen as trends rather than accurate data.

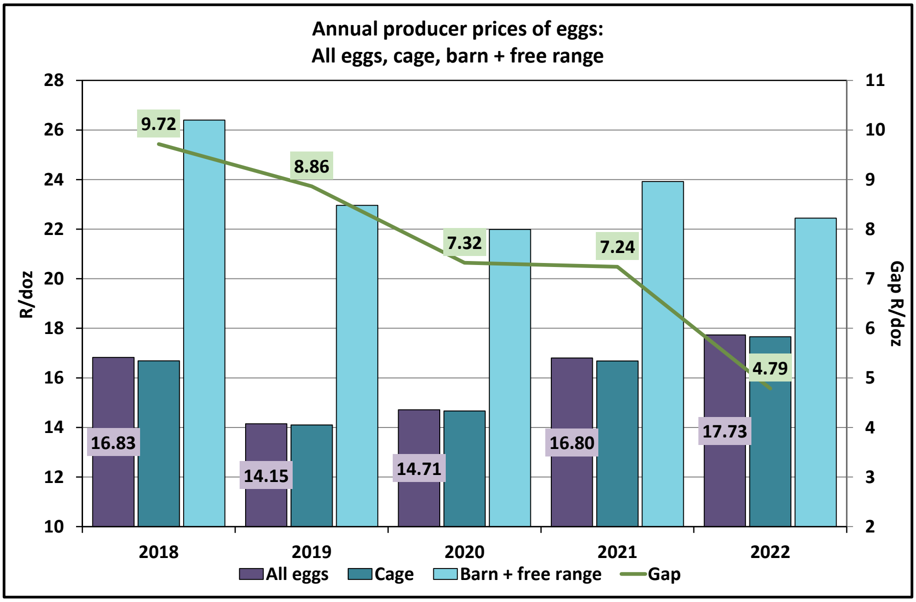


Figure 2: Annual producer prices for the different housing systems (source: SAPA)

Producer prices for the different grades published by Statistics SA (Stats SA) are summarised in Table 1. Stats SA prices do not take all the rebates and trading terms into account but allow for discount offered off the list price. The expected gradeout was used to calculate a weighted average for the purpose of comparison with the SAPA price for all sizes.

TABLE 1: Producer prices (R/doz) for table eggs

Year	Stats SA					SAPA	
	Jumbo	X-large	Large	Medium	Wt. avg.	All sizes	Difference
2021	18.14	16.56	15.45	12.62	16.30	16.80	0.50
2022	20.00	18.69	17.95	15.69	18.53	17.73	-0.80
% change	10.3	12.9	16.2	24.3	13.7	5.5	

The average retail price for large eggs reported by Stats SA was R36.33/dozen; an annual increase of 6.8% and giving an estimated retail mark-up of 102% in the year 2022 (Figure 3). During the past five years, the average mark-up on large eggs was 102.5%.

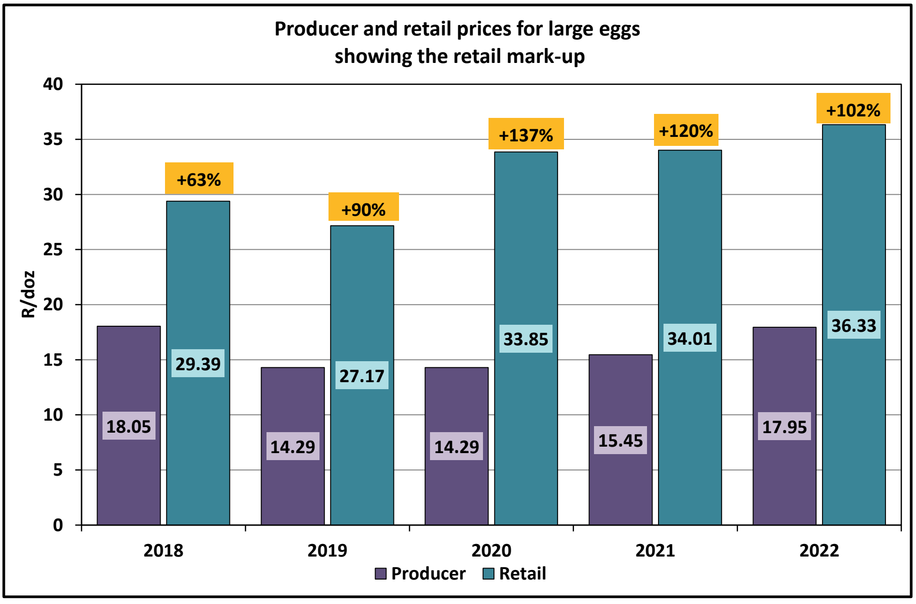


Figure 3: Annual producer and retail prices of large eggs (source: Stats SA)

5.2. Price comparison with other protein sources

Eggs retained their position as the most affordable source of animal protein compared to beef, pork and chicken, costing on average R24.16/kg in 2022 (Table 2 and Figure 4).

TABLE 2: Producer price comparison of animal protein sources (R/kg) (source: AMT, SAPA)					
Year	**Beef A2/A3**	**Beef C2/C3**	**Pork**	**Chicken**	**Eggs**
2021	53.29	46.23	28.34	26.18	22.92
2022	59.59	48.17	28.42	29.36	24.16
% change	11.8	4.2	0.3	12.1	5.4

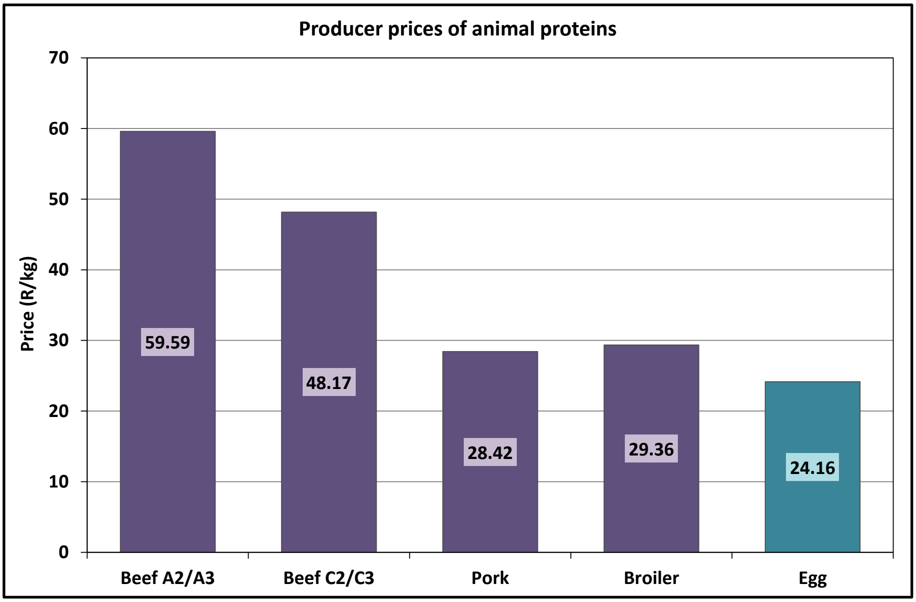


Figure 4: Comparison of prices of animal proteins

5.3. International price comparison

Urner Barry and the United States Department of Agriculture (USDA) track producer prices in the northeast region of the United States of America (USA). Table 3 gives the average prices per dozen of the different grades for 2022 and annual percentage changes. These prices are also expressed in rands using the average exchange rate for the year 2022 of R16.37 to the US dollar.

TABLE 3: USA producer prices ($/doz)				
Source	**Extra large**	**Large**		**Medium**
	White-shelled	White-shelled	Brown-shelled	White-shelled
Urner Barry		$2.88	$2.84	$2.37
% change		+131.4	+89.6	+129.5
Expressed in rands		R47.22	R46.43	R38.73
USDA	$2.73	$2.68		$2.18
% change	+138.8	+145.6		+149.7
Expressed in rands	R44.65	R43.90		R35.72

Figure 5 shows the movement in egg prices in the USA over the past five years. Weekly egg prices spiked in April 2020 at the onset of the global coronavirus pandemic. A dramatic increase occurred in 2022 as a result of shortages due to catastrophic avian influenza (AI) outbreaks.

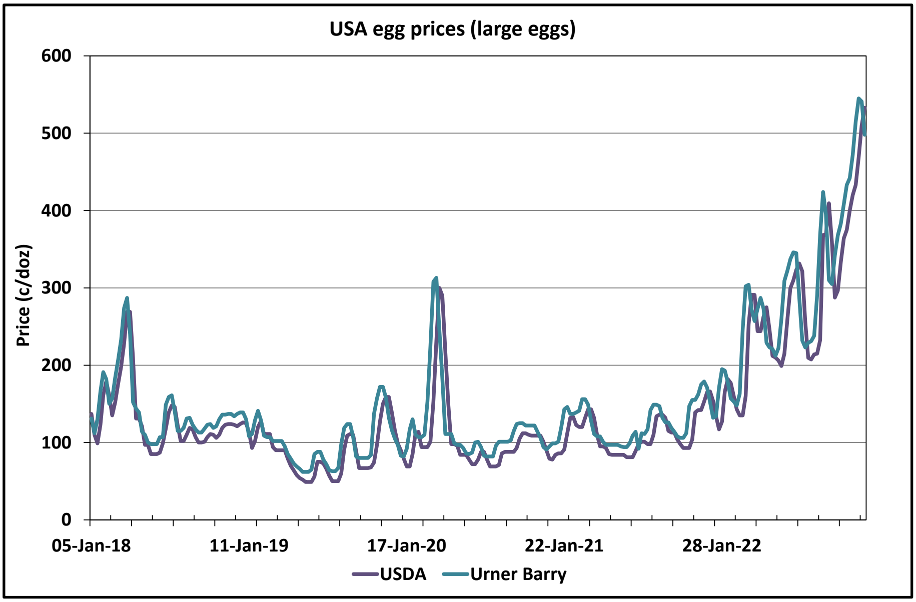


Figure 5: USA egg prices (source: USDA, Urner Barry)

5.4. Layer grandparents and layer breeders

According to the AI surveillance database, there were on average 26 000 grandparents in rear and 38 075 grandparents in lay during 2022. The parent rearing farms were stocked with an average of 131 066 birds. The birds housed on parent laying farms ranged from 0.735 million to 1.308 million, with an annual average of 1.019 million breeding hens and cocks.

5.5. Day-old pullets

Annual day-old pullet placements decreased by 6.5% to 24.34 million (Figure 6); an average of 468 800 per week compared to 499 100 per week in 2021.

In terms of feather colour, 69.1% (up from 64.4% in 2021) of the day-old pullets hatched were silver strains and 30.9% were brown strains. The silver (white-feathered) strains included Amberlink, Hy-Line Silver Brown and H&N Silver Nick birds, while the brown strains included Lohmann Brown Lite, Hy-Line Brown and Dekalb Brown birds.

An estimated 23.97 million point-of-lay pullets were transferred to laying farms during 2022; a 3.0% drop compared to the previous year.

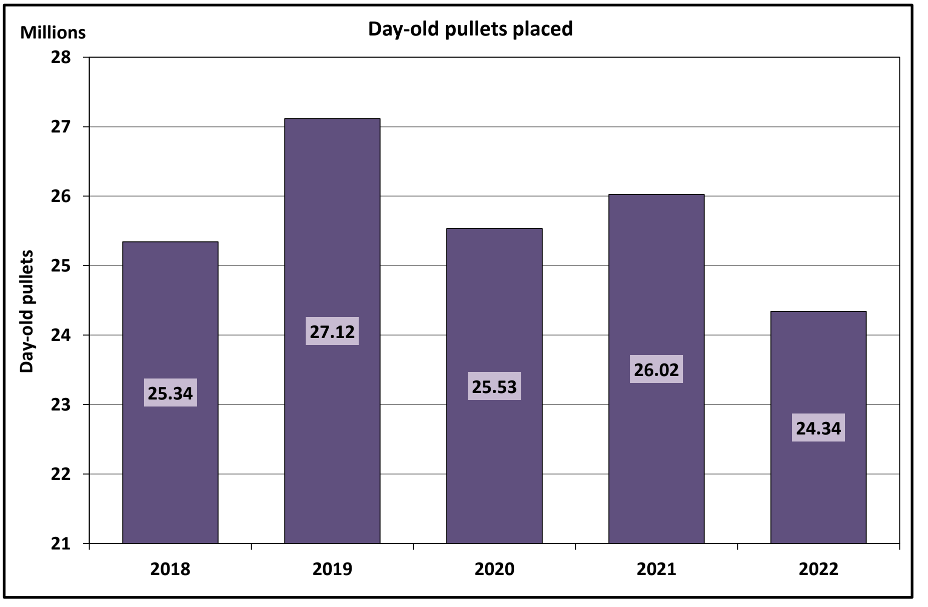


Figure 6: Trend in day-old pullets placed

5.6. Layer flock

The forecasting model used to predict bird numbers and egg volumes was adjusted in 2019. The laying cycle was extended from 74 to 78 weeks of age and new breed standards were applied to the model. These changes resulted in an increase in the estimated size of the national laying flock, the number of cases of eggs produced and the mean egg weight.

The national laying flock increased by 2.1% in 2022, from 26.85 to 27.40 million hens (Figure 7). The main driver of the expansion in bird numbers in 2019 was the abnormally high egg price in 2018, which had been a result of egg shortages due to culling of flocks affected by the 2017 H5N8 outbreak. The record number of day-old pullet placements in 2019 led to the burgeoning laying hen flock in 2020, which caused a surplus of eggs in the market.

The HPAI H5N1 outbreak, which commenced in April 2021, led to the culling of 2.18 million hens in that year. This caused a 7.1% drop in the national flock size in 2021.

Figure 8 shows the distribution of the egg industry birds (grandparents, layer breeders, pullets and laying hens) per local municipality. The highest density of birds was found in City of Tshwane and Mogale City, both in Gauteng.

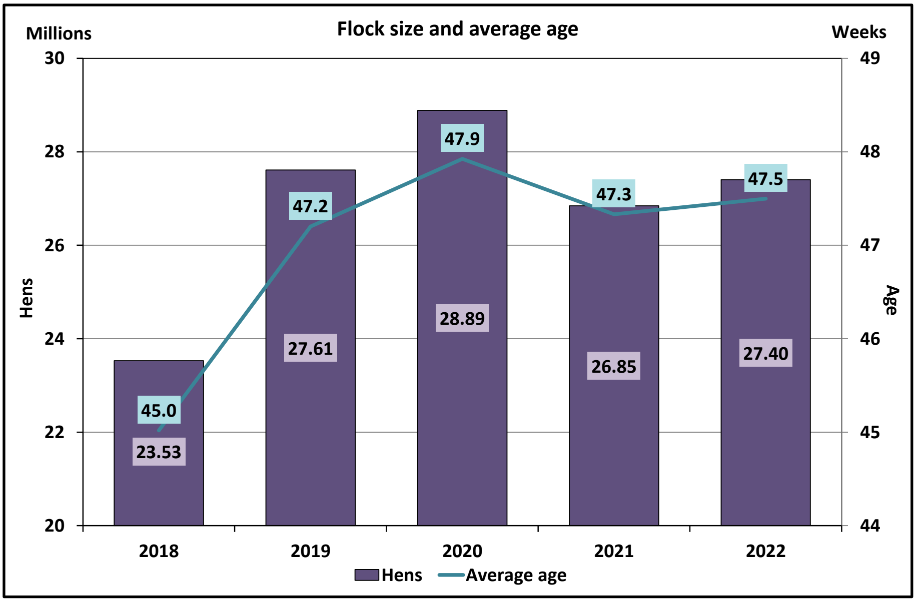


Figure 7: The size of the national layer flock

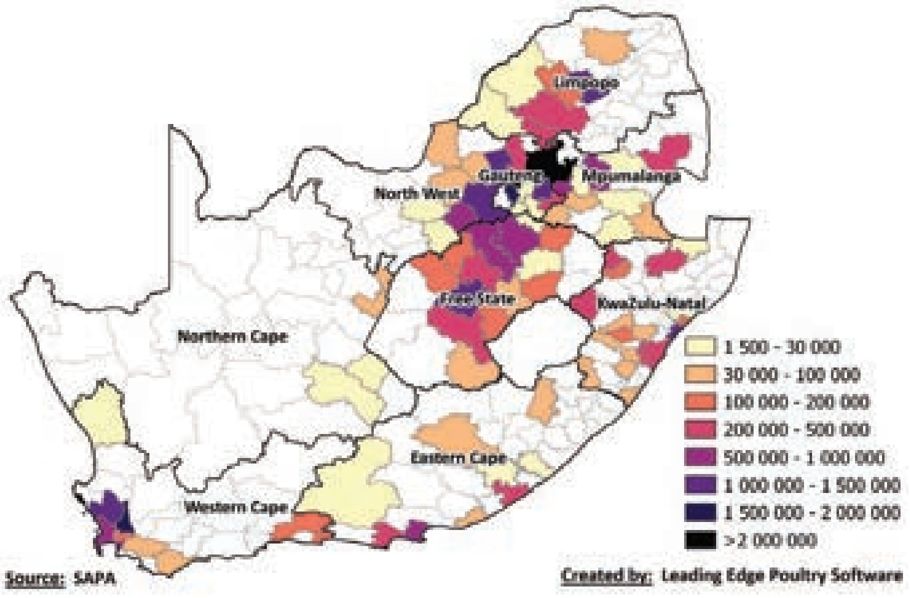


Figure 8: The density of egg industry birds per local municipality (source: AI surveillance monitor, 4Q2022)

5.7. Egg production

In 2022 egg numbers increased in line with hen numbers (Figure 9). The average number of cases produced per week was 462 200; an annual increase of 10 400 cases (+2.3%). Total egg production amounted to 24.10 million cases, or 723.07 million dozen eggs; an increase of 2.3% over 2021 volumes. In 2020 the surge in demand for eggs during the initial stages of the COVID-19 lockdown (from March 2020) helped to alleviate the oversupply. Table 4 summarises bird numbers and egg production and shows the annual percentage change.

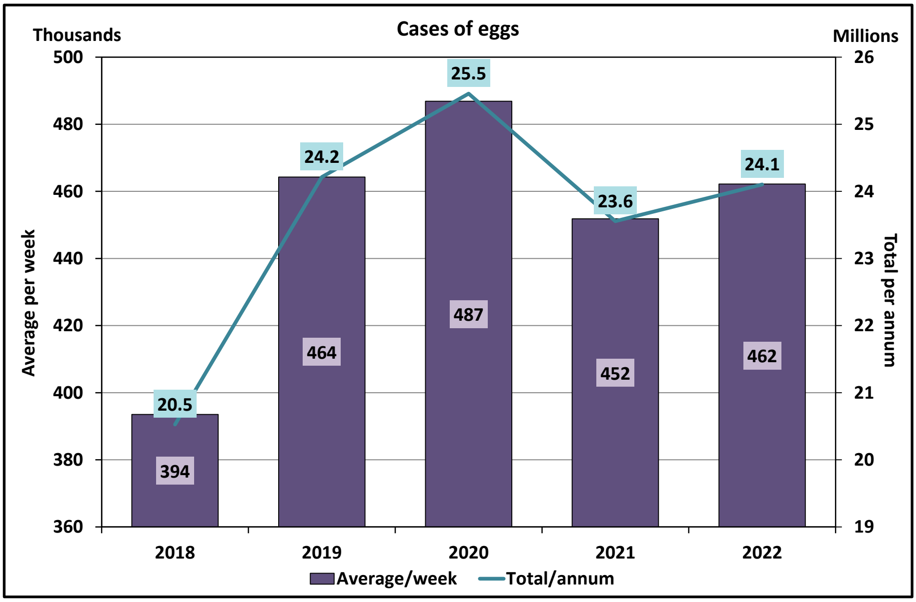


Figure 9: Cases of eggs produced

TABLE 4: Bird and egg numbers for the egg industry (millions)					
Year	**DOP placed**	**LRP placed**	**Laying hens**		**Cases of eggs**
	Per annum	Per annum	Avg. no.	Depop.	Per annum
2021	26.024	24.712	26.846	22.250	23.555
2022	24.341	23.971	27.403	22.022	24.102
Change	-1.684	-0.741	0.557	-0.227	0.547
% change	-6.5	-3.0	2.1	-1.0	2.3

DOP = day-old pullets LRP = layer replacement pullets

Figure 10 illustrates the relationship between egg volume and producer price. The effect of egg shortages, due to the HPAI H5N8 outbreak in 2017, is evident in the first half of 2018. In contrast, the positive growth in egg volumes from the second half of 2018 (augmented by imports) to mid-2020 caused negative growth in egg prices. The industry returned to a more favourable position in 2021, with reduced volumes (due to an outbreak of H5N1) and positive year-on-year changes in the egg price, demonstrating the importance of disciplined supply to the market. From June 2022 the price plunged due to a surplus of eggs and a drop in demand, but this turned around in October as demand strengthened.

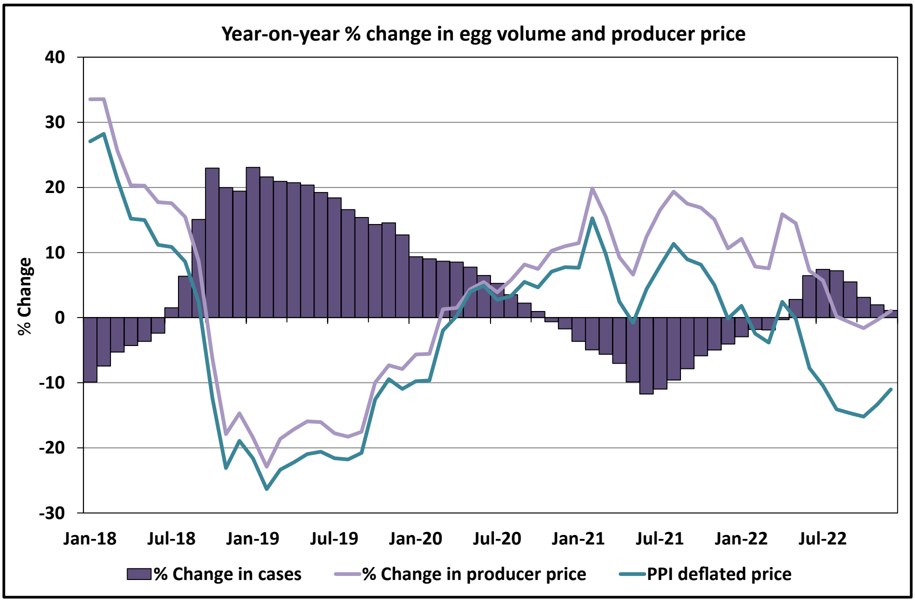


Figure 10: Percentage change in egg volume and producer price

Figure 11 shows the trends in the overall Producer Price Index (PPI), the PPI for agriculture and the PPI for eggs since 2018. The abnormal movement in the PPI for eggs in 2018 was in response to shortages caused by the HPAI outbreak in 2017. From August 2019 to March 2020, the egg price index dropped below the overall PPI, coinciding with a sustained period of oversupply. A change in consumer habits during the COVID-19 lockdown increased the demand for eggs from April 2020, causing egg prices to firm. In the second half of 2022, the PPI for eggs dropped below the overall PPI and the PPI for agriculture.

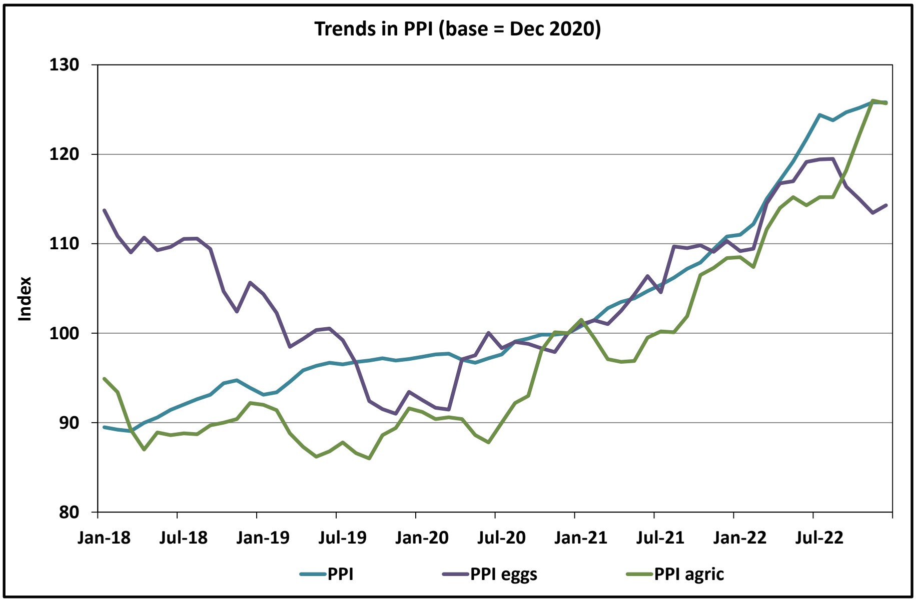


Figure 11: Trends in PPI (source: Stats SA)

5.8. Prospects for 2023

Based on the number of day-old pullets hatched to December 2022, the number of point-of-lay pullets placed is expected to decrease by 734 000 (-8.9%) during the first four months of 2023 compared to the same period in 2022.

An average flock of 26.64 million layers is projected for the first four months of 2023; a decrease of 534 000 layers (-2.0%) compared to the same period in 2022. As a result, egg production is expected to decrease by 2.0% to an average of 448 100 cases per week in the first four months of 2023 compared to the same period in 2022.

5.9. Gross value

With a gross turnover of R12.60 billion at producer level, eggs retain their position as the fourth largest animal product sector in agriculture in South Africa, after poultry meat (R59.02 billion), beef (R49.32 billion) and milk (R23.84 billion) (source: Department of Agriculture, Land Reform and Rural Development (DALRRD)). The turnover increased by 18.7% compared to 2021, after an annual increase of 0.4% the previous year. Eggs' share of the gross value of animal products was 7.1% and of all agricultural production 3.0%, up from 6.8% and 2.9% respectively the previous year. The DALRRD revised their estimates for 2019, 2020 and 2021.

The total value at retail level was estimated to be R26.27 billion for 2022. About 723 million dozen eggs were sold during the year through various channels.

5.10. Feed cost

The average price for layer feed in 2022 increased by 19.8% to R5 712/tonne. This followed an 18.8% increase the previous year. The layer feed price includes distribution cost but excludes medication, additives and VAT. The movement in the feed price over five years is shown in Figure 12. The staggering escalation from April 2022 caused severe distress to an industry already under immense pressure.

The trends in the ratios between the producer price for eggs and two feed ingredient prices (yellow maize and soya beans) are depicted in Figure 13. The higher the ratio, the more favourable it is for farmers. In 2018 egg producers were in a strong position but this situation has deteriorated steadily over the past four years (apart from a slight improvement in the egg–maize ratio in 2021).

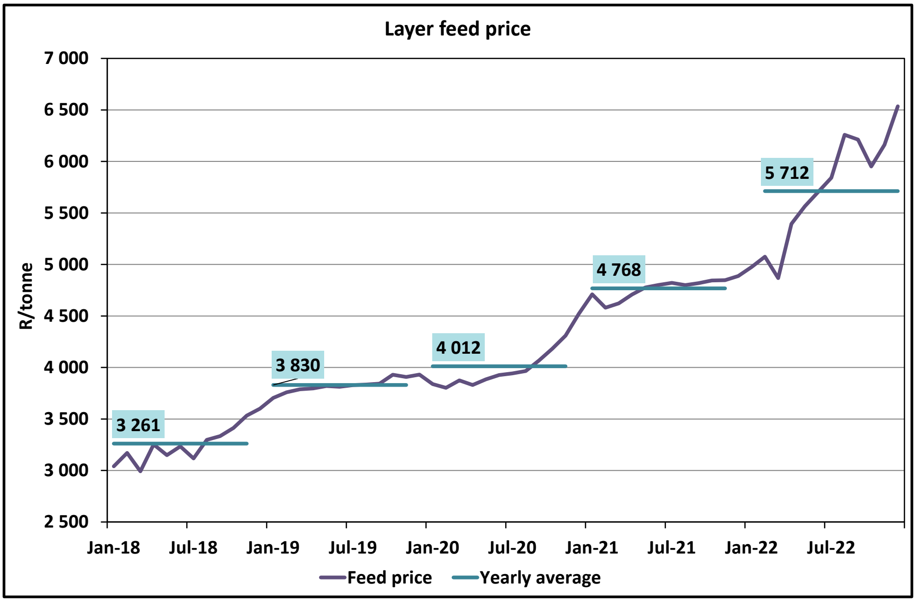


Figure 12: Movement in the layer feed price (source: SAPA)

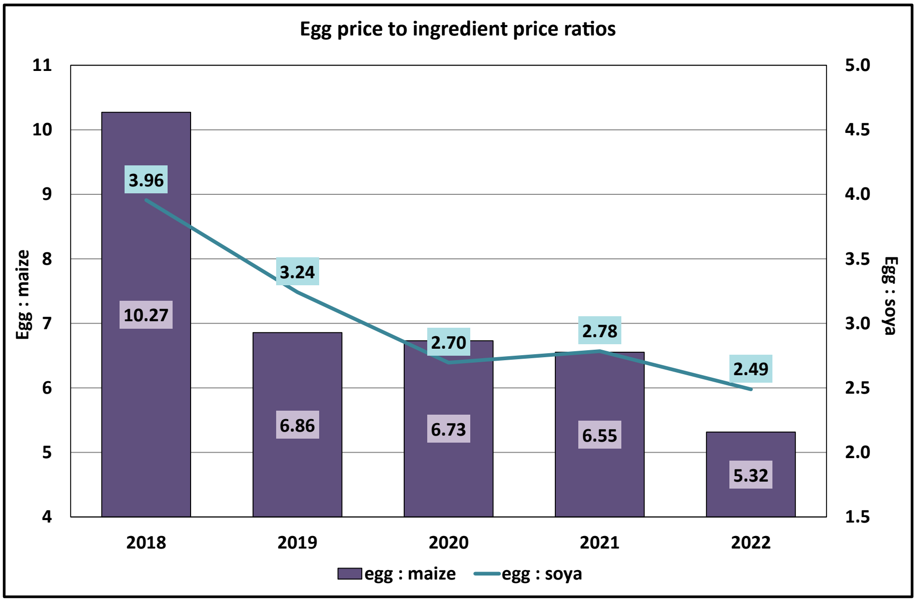


Figure 13: Showing the trend in ratios between egg and ingredient prices

5.11. Feed usage

The estimated feed usage for layers and pullets, using SAPA's forecasting model, is summarised in Table 5. These figures exclude breeder rations. Feed usage in the egg industry increased by 1.1% in 2022.

TABLE 5: Feed usage for the egg industry (tonnes)				
Year	**Rearing**	**Laying**	**Total feed usage**	
	Per annum	Per annum	Per annum	Per week
2021	153 689	1 083 789	1 237 477	23 732
2022	154 950	1 107 779	1 262 729	24 217
Change	1 261	23 990	25 251	484
% change	0.8	2.2	2.0	2.0

According to the Animal Feed Manufacturers Association (AFMA), total feed sales for the layer industry from 1 April 2021 to 31 March 2022 amounted to 981 023 tonnes; a decrease of 9 909 tonnes (-1.0%) compared to the previous year. This includes 33 272 tonnes manufactured in other SADC countries. The breakdown is shown in Table 6.

TABLE 6: Feed sales per region (source: AFMA)		
Province/region	**Tonnes**	**%**
Eastern Cape	38 875	4.0
Free State	210 228	21.4
Gauteng	322 311	32.9
KwaZulu-Natal	64 627	6.6
Limpopo	4 705	0.5
Mpumalanga	106 288	10.8
North West	82 097	8.4
Northern Cape	0	0.0
Other SADC countries	33 272	3.4
Western Cape	118 620	12.1
Total	**981 023**	**100.0**

In addition, 84 184 tonnes of layer concentrates were sold, making a total of 1 065 207 tonnes of balanced feed. AFMA's national estimate of sales, including feed manufactured by non-AFMA members, was 1 305 565 tonnes. AFMA members are therefore believed to have 81.6% of the layer feed market.

SAPA's forecasting model predicted a feed consumption of 1 230 129 tonnes for pullets and layers for the same period; AFMA's estimate is therefore 75 436 tonnes (+6.1%) more than the industry estimate. Feed manufactured in South Africa and transported to poultry producers in neighbouring countries is not taken into account in these calculations.

5.12. Egg consumption

In 2022 the per capita consumption increased from 146.2 eggs (8.93 kg) the previous year to 148.2 eggs (9.06 kg) (Figure 14). The population increased by 0.8% to a midyear estimate of 60.60 million (source: Stats SA), whereas the per capita consumption of eggs increased by 1.4%. The DALRRD estimated the per capita consumption for 2022 as 141.7 eggs or 8.67 kg, allowing for a 5% loss.

The South African dietary guidelines state that fish, chicken, lean meat or eggs can be eaten daily, while recent research indicates that healthy adults can safely consume four to five eggs per week. The per capita consumption of 148.2 eggs translates to 2.8 eggs per person per week.

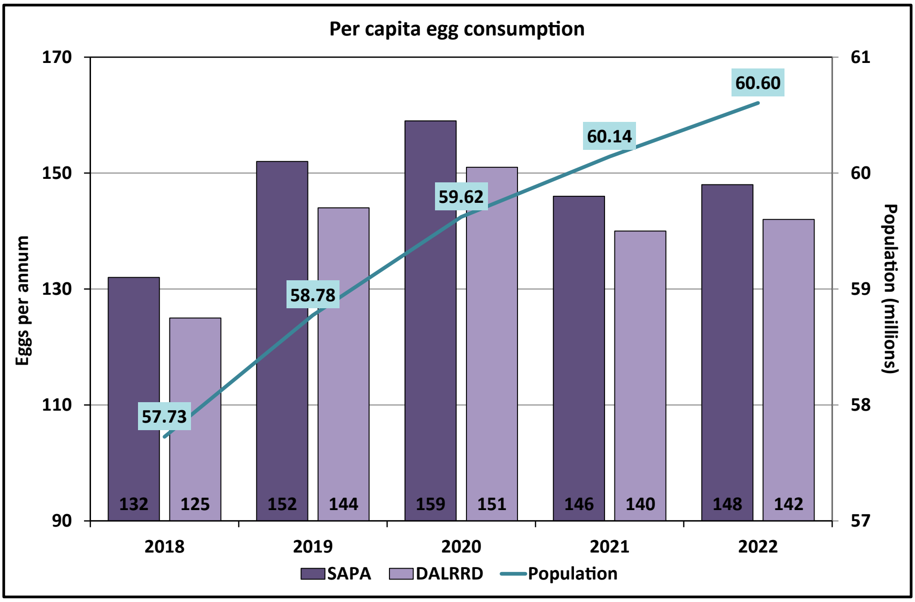


Figure 14: Per capita egg consumption in South Africa

The annual per capita consumption of eggs for a number of countries around the world is shown in Figure 15. As expected, Mexico featured as the top egg-eating nation in 2021, with a per capita consumption of 409 eggs (up from 380 in 2020). It is the first country to break the 400-egg mark. Egg-based breakfasts have always been a daily ritual in this country, but the 7.6% increase in consumption was ascribed to COVID-19 lockdowns and high meat prices. South Africa ranked 32nd out of the 35 countries that submitted data for 2021 to the International Egg Commission (IEC). India, Pakistan and Nepal reported the lowest per capita consumptions of 75, 73 and 62 eggs respectively.

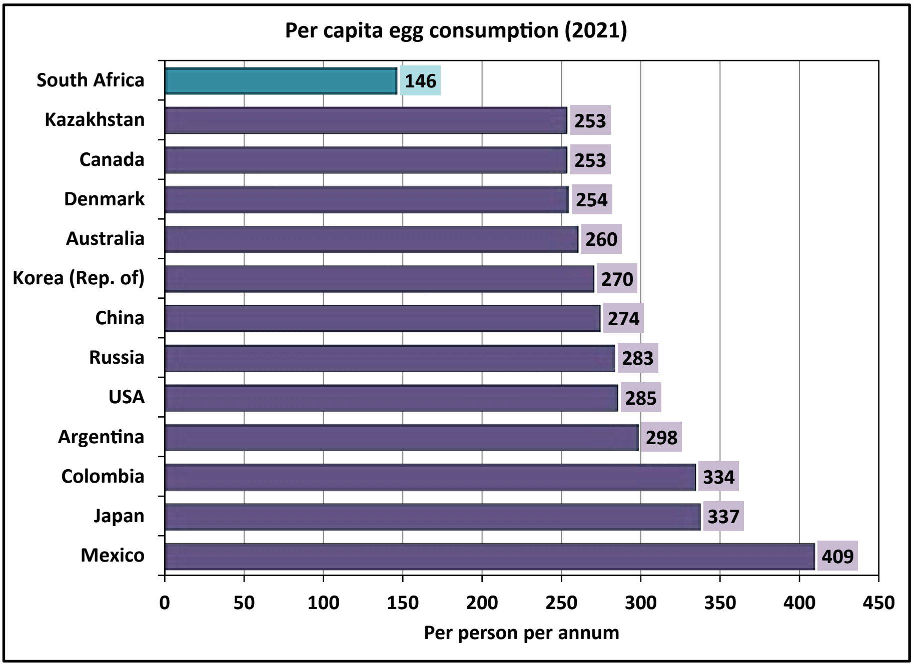


Figure 15: Global per capita consumption (source: IEC)

In 2022 the IEC launched a 10-year initiative to double egg consumption globally, with a target of 365 eggs per person per year. Called Vision 365, the campaign aims to build the reputation of the egg based on scientific facts and to position it as an essential food for good health.

5.13. Industry turnover

The estimated turnover from the egg industry is shown in Table 7. Point-of-lay sales are not included, and the turnover from day-old pullet sales could not be calculated due to the lack of pricing information. The annual turnover increased by 8.1%.

TABLE 7: Turnover of the egg industry

Year	DOP industry		Egg industry				Total
	Price (R/dop)	Turnover (R million)	Producer price	Turnover (R million)	Cull price (R/bird)	Turnover (R million)	Turnover (R million)
2021			16.80	11 873.1	33.79	751.8	12 624.9
2022			17.73	12 819.6	37.55	826.9	13 646.5
Change			0.93	946.5	3.76	75.1	1 021.6
% change			5.5	8.0	11.1	10.0	8.1

DOP = day-old pullet

6. SUBSISTENCE AND SMALL COMMERCIAL EGG FARMERS

These statistics summarise detailed telephonic surveys covering the warmer months (October 2021 to March 2022) and cooler months (April to September 2022). All prices exclude transport and VAT. Weighted averages were calculated throughout.

6.1. Hatcheries

Only two hatcheries took part in the surveys. It is therefore not possible to report on average prices.

6.2. Day-old pullets

Twenty-eight pullet rearers from eight provinces (excluding Western Cape) responded to the surveys. The farms were concentrated in Gauteng (10) and Limpopo (9), with the largest volume of pullets (72% of the total) being reared in Limpopo. Men owned 66% of the businesses and women owned the remaining 34%. Eight producers stopped farming during 2022 for various reasons.

The average number of pullets being reared during the year was 65 800; a 35% annual increase. The average purchase price per day-old pullet was R12.51 (+6%). Only 45% of the capacity of the rearing facilities was used, down from 52% in 2021.

6.3. Pullet feed

The majority (98%) of the respondents purchased their feed in bags. The average price paid per 50 kg bag for starter mash was R329.93 (+9%), for grower mash R317.39 (+5%), and for developer mash R255.59 (-15%). The total quantity of bagged feed purchased during the year was 1 349 tonnes, that is, an average of 981 bags per farmer. The total value of bagged feed purchases was R8.41 million. In addition, 180 tonnes of bulk feed was purchased by pullet rearers.

6.4. Point-of-lay sales

According to the survey responses, 33% of the pullet rearers sold point-of-lay birds; the remaining producers kept the hens for their own laying operations. This was a 25% reduction in the percentage of respondents selling point-of-lays when compared to 2021. Total sales amounted to 74 800 birds and the average selling price was R90.02 per bird; a 3% annual decrease.

6.5. Laying hens

A total of 88 egg producers from all 9 provinces responded to the survey. Of the farms, 27 were located in Gauteng; 22 in Limpopo; 14 in North West; 6 each in Free State and Northern Cape; 4 each in Eastern Cape, KwaZulu-Natal and Mpumalanga; and 1 in Western Cape. The greatest proportion of the laying hens was located in Gauteng (45%), followed by Limpopo (26%). Ownership of the businesses was split equally between men and women.

A total of 33 producers stopped farming at some stage during the survey periods because of the difficulties confronting them.

Point-of-lay pullets were bought by 75% of egg producers, while 3% were sponsored by the DALRRD and 22% reared their own pullets. In terms of housing, 74% of producers kept their hens in battery cages while 21% favoured free-range systems. The remaining 5% used a mixture of cage, barn and free-range systems.

Subsistence and small commercial farmers who responded to the survey owned, on average, 79 800 hens during the year; a 31% annual decrease (following a 65% decrease in 2021). The average purchase price per point-of-lay pullet was R91.74 (+6%). On average, 33% of the capacity of the laying facilities was used; down from 38% in 2021.

6.6. Layer feed

The majority of respondents (93%) bought their feed in bags while the remainder purchased in bulk. The average price for layer mash, excluding VAT and transport, was R334.37/50 kg bag (equivalent to R6 687/tonne). Compared to 2021, the feed price for the respondents increased by 5%. In total, 2 787 tonnes of bagged layer feed were purchased during the year; approximately 684 bags per farmer. The average feed intake for these producers was estimated to be 133 g/hd. The total value of bagged feed purchases was R18.75 million for the year.

The respondents buying in bulk bought 1 122 tonnes at an average price of R4 776/tonne for layer mash (equivalent to R239/50 kg bag). This price is unrealistically low and suggests a survey error. Based on the information provided, the average feed intake was estimated to be 147 g/hd. The total value of bulk feed purchases was R4.88 million.

Feed cost as a percentage of egg income was calculated to be 71%, compared to 75% in 2021. Figure 16 shows the five-year trends in the egg price and feed cost for subsistence and small commercial farmers.

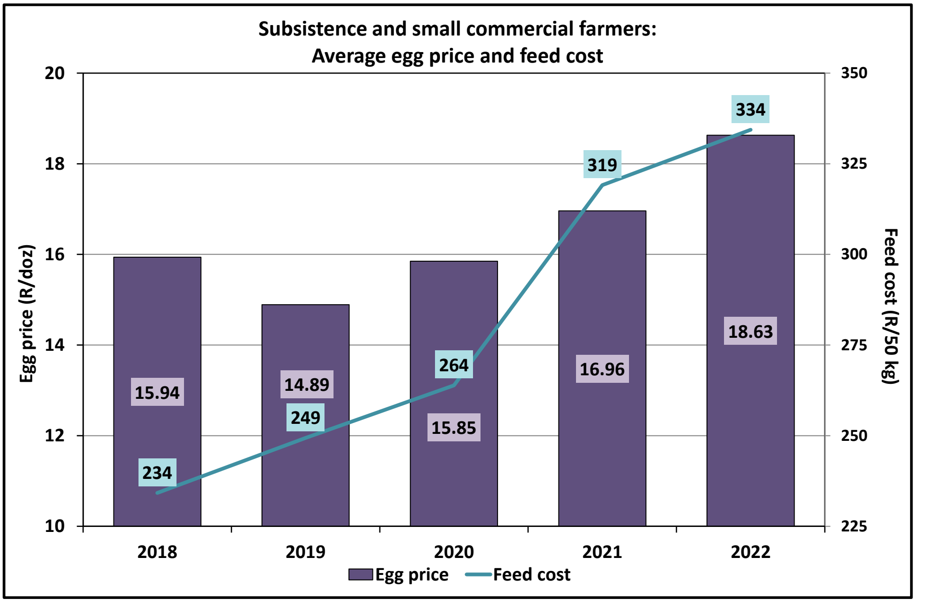


Figure 16: Trend in egg price and feed cost

6.7. Egg sales

Total sales of the survey respondents amounted to 1.77 million dozen at an average egg price of R18.63/dozen; a 10% annual increase. The average rate of lay, based on information provided, was estimated to be 73%, a substantial improvement on the previous year's 67%. The total value of eggs sold amounted to R33.41 million.

6.8. Cull hen sales

In total, 104 800 culls were sold by the survey respondents at an average selling price of R53.55 (+12%). The trends in point-of-lay pullet and cull hen prices since 2018 are illustrated in Figure 17.

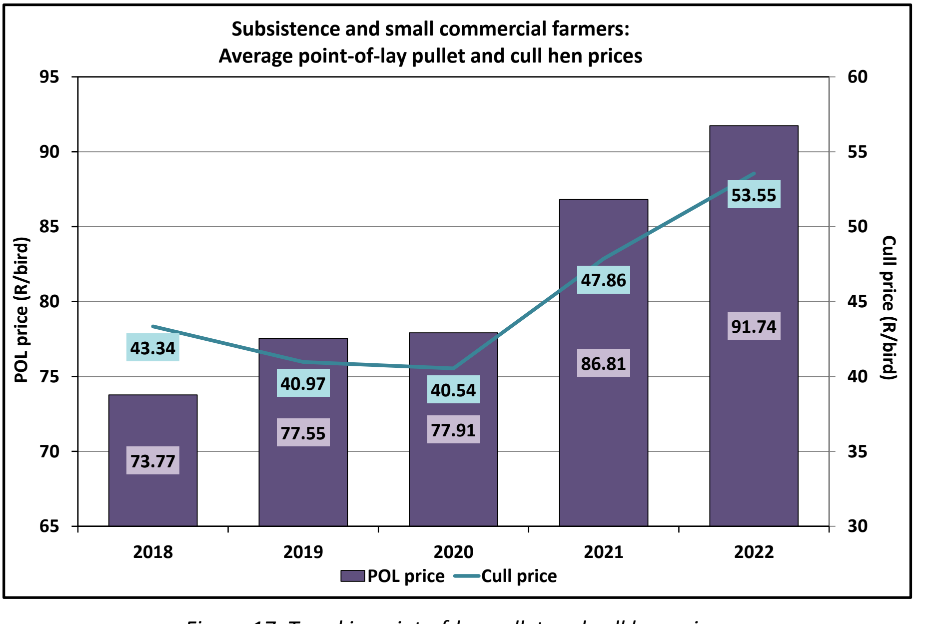


Figure 17: Trend in point-of-lay pullet and cull hen prices

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Small footprint. ***Big impact.***

6.9. Challenges

Below is a summary of the challenges confronting the subsistence and small commercial pullet rearers and egg farmers during the year:

- High input costs: day-old pullets, feed, fuel, transport, electricity and point-of-lays;
- Difficulty sourcing day-old pullets and good quality point-of-lay pullets;
- Remote location of farm combined with unreliable transport;
- Facilities in need of renovation and repair;
- Wanting to expand operations but lacking finance;
- Problems with the supply of electricity and water;
- Poor growth and uniformity of pullets and prevalence of disease;
- Competition for market share for point-of-lays;
- Cold winter weather impacting production and causing problems on laying farms;
- High feed intake of hens in winter;
- Poor egg production, disease and high mortality in laying flocks;
- Lack of market for eggs;
- Clients purchasing on credit were defaulting on payment;
- Little or no profit margin;
- High crime rate in the area.

7. TRADE

7.1. Exports

Exports of chicken eggs totalled 8 879 tonnes compared to 7 949 tonnes in 2021; an 11.7% increase (Table 8). The value of the exports increased by 26.5%, from R288.9 million to R365.6 million, largely owing to a large global increase in the price of fertilised eggs. Figure 18 shows the trend in egg exports since 2018.

The main destinations of these exports were Mozambique (72.7%), Eswatini (17.4%), Botswana (4.2%), Namibia (3.0%) and Lesotho (1.8%). These five countries received 99.2% of South Africa's exports.

TABLE 8: Annual egg exports (source: SARS)

Product (*Gallus gallus domesticus*)	Quantity (tonnes)	% of exports	Value (R million)	% of exports
Fertilised eggs for incubation	4 404.206	49.6	276.568	75.6
Shell eggs (fresh and preserved)	4 454.170	50.2	87.763	24.0
Egg product (yolks, raw pulp, albumins)	21.110	0.2	1.260	0.3
liquid egg product	*15.697*		*0.994*	
dried egg product	*5.413*		*0.266*	
Total exports	**8 879.486**	**100.0**	**365.591**	**100.0**

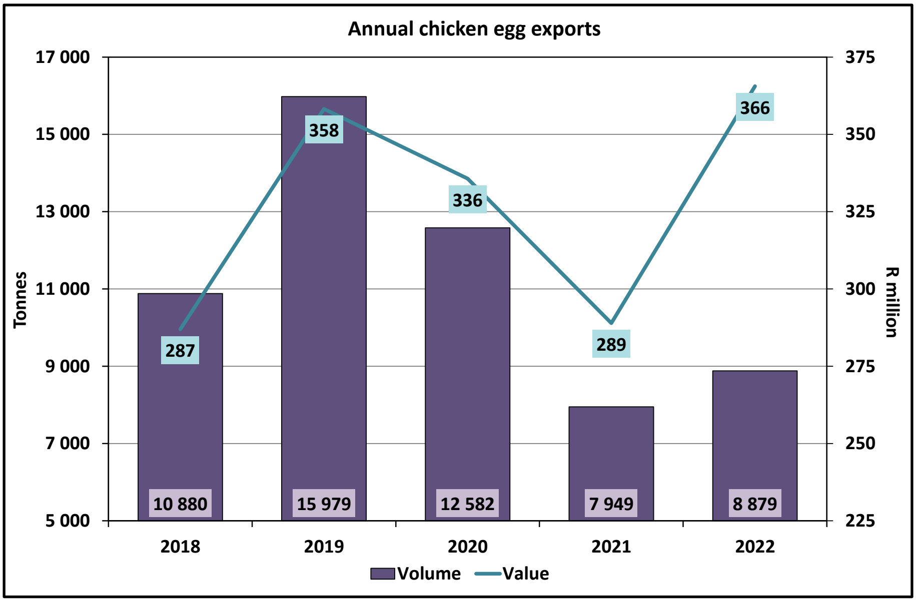

Figure 18: Annual egg exports (source: SARS)

7.2. Imports

Total imports of chicken eggs, including shell eggs and egg products, decreased from 1 238 tonnes in 2021 to 752 tonnes in 2022 (-39.2%). The bulk of the imports was dried egg product (Table 9). The total value of the egg imports decreased from R112.8 million to R112.0 million (-0.7%).

TABLE 9: Annual egg imports (source: SARS)

Product (*Gallus gallus domesticus*)	**Quantity (tonnes)**	**exports**	**(R million)**	**exports**
Fertilised eggs for incubation	1.013	0.1	0.077	0.1
Shell eggs (fresh and preserved)	0.000	0.0	0.000	0.0
Egg product (yolks, raw pulp, albumins)	751.345	99.9	111.969	99.9
liquid egg product	*0.192*		*0.040*	
dried egg product	*751.153*		*111.930*	
Total imports	**752.358**	**100.0**	**112.046**	**100.0**

The five-year trend in imports is shown in Figure 19. The spike in imports in 2018 occurred in response to a national shortage of eggs following the 2017 HPAI outbreak. Recently, global inflation and egg shortages (caused by HPAI outbreaks in the EU, USA and Canada) have pushed up the international price of dried egg product. This resulted in the total value of South Africa’s imports remaining more-or-less constant despite the drop in volume.

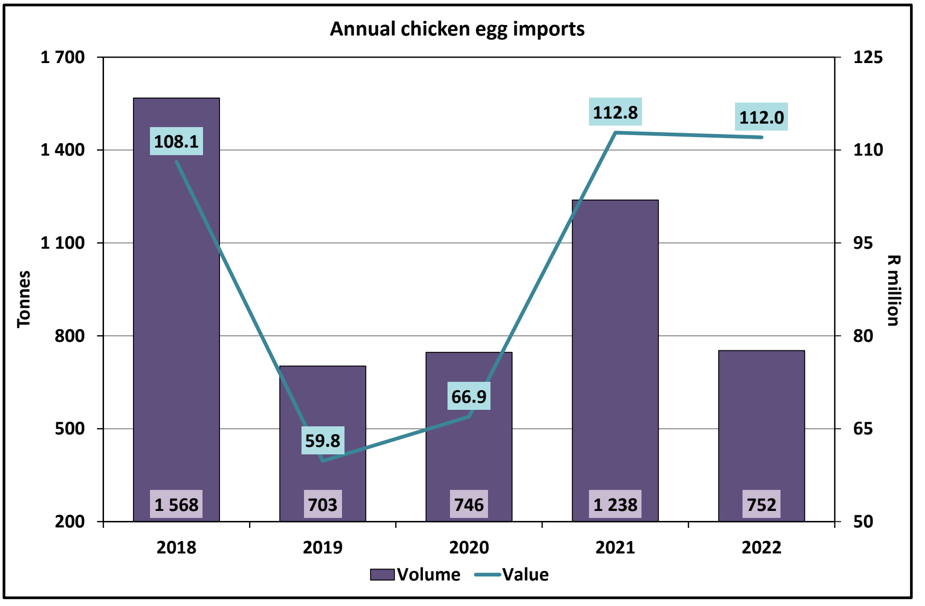

Figure 19: Annual egg imports (source: SARS)

Netherlands, Italy, France and Denmark were the main countries of origin of chicken egg imports, with 32.9%, 28.3%, 18.6% and 16.0% respectively. A further 2.8% of egg imports came from Argentina. These five countries supplied 98.7% of South Africa's egg imports.

8. THE GLOBAL EGG INDUSTRY

Established in 1964 the IEC continues to play a role in linking people of different cultures across continents and representing the egg industry globally. The organisation disseminates scientific information, and fosters collaboration and sharing of best practice, with the aim to support industry growth. Various publications, scientific papers, posters and toolkits are available for download on the IEC website. The IEC is a member of the World Egg Organisation.

Table 10 shows feed costs and bird numbers for some of the countries contributing to the IEC's annual statistical surveys. Prices are quoted in US dollars and are therefore influenced by the countries' exchange rates. Japan had the highest feed price in 2021 followed by Switzerland, Austria and New Zealand. China topped the list in terms of flock size with 1.3 billion hens.

TABLE 10: Feed costs and hen numbers for IEC member countries (2021)				
Country	Costs		Production	
	Feed $/tonne	Annual % change	Laying hens (millions)	Cages %
Argentina	327.00	30.8	47.5	92.0
Austria	591.25	71.7	7.4	0.0
Canada	397.91	28.8	28.5	82.2
China	471.32	27.3	1 300.0	98.0
Colombia	380.44	22.0	58.9	
Cyprus	444.62	20.0		61.4
Denmark	306.92	-8.8	4.3	12.9
Finland	419.79	18.8	4.0	42.0
Germany	416.01	32.4	49.6	5.5
Hungary	321.99	26.7		79.5
India	311.52	4.6	259.7	100.0
Iran	148.50	16.7	68.6	100.0
Ireland	320.46	13.5	3.9	48.5
Italy	331.10		40.5	35.6
Japan	751.80	16.6	140.7	94.3
Kazakhstan	297.00	30.8	13.9	80.0
Mexico	494.70	31.1	172.2	99.6
Netherlands	351.20	23.7	33.0	12.0
New Zealand	530.41	63.4	4.0	53.0
Pakistan	411.00	14.2	50.0	70.0
Russia	244.36	-1.9	160.4	99.5
Slovakia	411.51	24.5	3.1	75.0
South Africa	**322.65**	32.3	26.8	
Spain	385.50	4.0	47.1	73.0
Switzerland	678.35	15.8	3.5	0.0
United Kingdom (UK)	489.00	26.3	43.0	34.6
USA	294.10	32.4	323.0	72.2

On 14 September the IEC, in conjunction with Rabobank, presented a webinar entitled Big changes, big decisions: long and short term consequences of a fast changing world. Presenter Nan-Dirk Mulder suggested that the key themes to watch in 2023 are feed costs, energy prices and availability, supply challenges, labour, geopolitical changes and economic downturns. The war in Ukraine will continue to have a substantial impact on global growth and inflation levels. The world feed price will remain relatively high in 2023, although an increase in the supply of grains and oilseeds should result in a slight decrease. AI remains a major global concern and will continue to disrupt supply chains and international trade. Producers in the European Union will have to deal with issues relating to the price and availability of gas and will need to invest in alternative energy sources. Eggs and poultry remain the best performing animal proteins in a crisis because of their relative affordability. The egg market is projected to grow by 25% from 2021 to 2031, with 85% of the expansion occurring in emerging economies. In response to pressure, consumers are expected to move away from expensive restaurants and premium retail outlets, as well as from organic and free-range eggs, towards cheaper options.

In summing up the global market outlook, Mulder advised the industry that the winners in times of change will be those producers who have market power, international operations, value chain efficiency, flexible supply chains and access to capital.

9. AVIAN INFLUENZA

9.1. World

Severe outbreaks of HPAI continued unabated across the northern hemisphere in 2022 as the virus survived the warmer summer months and infected a broader range of wild birds. Efforts to contain the spread were unsuccessful as genetic mutations increased the virus's ability to replicate, allowing it to spread more efficiently than previous strains.

About 48 million birds were culled across Europe and the UK as a result of the worst outbreak of HPAI on record. The UK introduced new legislation which forces all bird keepers to take action to help prevent the spread of the virus. An AI prevention zone was declared, making it a legal requirement from 17 October 2022 for all keepers to follow strict biosecurity procedures. Poultry producers in East Anglia were ordered to keep their birds indoors after multiple cases of the influenza were reported. A rapid escalation of cases resulted in the mandatory housing measures being stepped up to include the whole of England from 7 November. Towards the end of 2022, supermarkets were left with empty shelves as the UK faced an egg shortage, although the high cost of production was also to blame.

The USA experienced its worst outbreak in history, with a record 50.54 million chickens, turkeys and other birds being culled across 46 states. The shortages of turkeys and eggs caused prices to soar in retail outlets. Many traditional Thanksgiving celebrations were impacted by the unaffordability of turkey meat. (In 2015 a total of 50.5 million birds were wiped out in what was then the deadliest outbreak to date.)

The first cases of HPAI H5N1 were reported in Central America and South America in the fourth quarter of 2022. Chile, Colombia, Honduras, Panama and Venezuela confirmed the presence of the virus in wild birds, while Ecuador reported the first occurrence in a poultry flock. In Peru 37 000 chickens were culled on a farm near Lima, following several outbreaks in wild birds across the country.

Isolated incidents of the transmission of the virus to humans continue to be reported in the media. In April China confirmed the first known human case of H3N8 in a four-year-old boy whose family kept chickens at home. Later in the year, two cases of AI were detected in humans on the island of Cyprus, in locations close to waterfowls.

Figure 20 shows the distribution of confirmed cases of H5N1 in poultry flocks in the northern hemisphere. The numbers within the circles indicate the number of reported cases in that area.

Figure 20: HPAI H5N1 in the northern hemisphere (source: WOAH-WAHIS)

Table 11 summarises the outbreaks on poultry farms reported to the World Organisation for Animal Health (WOAH (founded as OIE)) during 2022.

Table 11: Global HPAI outbreaks on poultry farms (source: WOAH)	
Subtype	**Affected countries**
H5N8	Albania, Algeria, Denmark, Estonia, Iraq, Japan, Philippines, Vietnam
H5N6	China (People's Republic of), Vietnam
H5N5	Chinese Taipei, Iran
H5N4	USA
H5N2	Chinese Taipei, **South Africa**
H5N1	Algeria, Belgium, Bulgaria, Burkina Faso, Cameroon, Canada, China (People's Republic of), Chinese Taipei, Côte d'Ivoire, Croatia, Czech Republic, Denmark, Ecuador, France, Gabon, Germany, Guinea, Hungary, India, Ireland, Israel, Italy, Japan, Korea (Rep. of), Mexico, Moldova, Nepal, Netherlands, Niger, Nigeria, Norway, Philippines, Poland, Portugal, Reunion, Romania, Russia, Senegal, Serbia, Slovakia, Slovenia, **South Africa**, Spain, Sweden, Togo, UK, USA, Vietnam
H5	Afghanistan, Bulgaria, Pakistan, Russia
H7N3	Mexico
H7N9	China (People's Republic of)
untyped	Peru

9.2. South Africa

The HPAI H5N1 outbreak, which was first reported in Ekurhuleni, Gauteng, on 9 April 2021, continued to affect wild birds and poultry flocks in 2022. By 21 November a total of 166 cases had been reported to the WOAH. This included chickens from the egg and broiler industries, wild birds, ostriches and backyard flocks. Farmers and all poultry keepers were urged to continue implementing biosecurity measures and to report ill and dead birds to state veterinarians.

There was concern about the estimated 3 000 African penguins at Boulders Beach, an important breeding site for the endangered species near Simon's Town, Western Cape. It was confirmed by the Southern African Foundation for the Conservation of Coastal Birds (SANCCOB) that at least 28 penguins had died from the H5N1 subtype between August and October. SANCCOB's centre, where 400 penguins were being rehabilitated, was also affected by the virus.

Table 12 shows the provincial breakdown of birds culled in the egg industry since the start of the outbreak. Of the 2.939 million birds culled, 0.209 million were pullets and 2.731 million were laying hens (2.178 million layers in 2021 and an additional 553 000 in 2022). The percentages of the national flock were calculated using two denominators: the bird numbers from the 1Q2021 AI survey (before the H5N1 outbreak), and the bird numbers from the 4Q2022 survey. This was done to circumvent the effect of fluctuating bird numbers owing to mass culling and restocking. As with the 2017 outbreak of HPAI H5N8, Western Cape was most severely affected, losing between 30.7% and 38.8% of its laying hen flock. It must be noted that these percentages are inflated owing to the low number of laying hens (18–21 million) supplied by industry in the course of the AI surveys.

TABLE 12: Egg industry birds culled per province			
Province	Birds	% of national flock based on	
		1Q2021	4Q2022
Eastern Cape	0	0.0	0.0
Free State	125 000	2.7	2.6
Gauteng	939 374	8.7	11.7
KwaZulu-Natal	229 000	7.4	6.0
Limpopo	0	0.0	0.0
Mpumalanga	0	0.0	0.0
North West	175 600	5.2	4.4
Northern Cape	0	0.0	0.0
Western Cape	1 470 540	38.8	30.7
National	**2 939 514**	9.6	9.6

Figure 21 is a heat map indicating potential hotspots for the transmission of the AI virus, based on farm and bird densities within local municipalities. The relative risk of transmission is low in the green areas, moderate in the yellow areas and high in the red areas. Gauteng and Western Cape are considered to be high-risk zones.

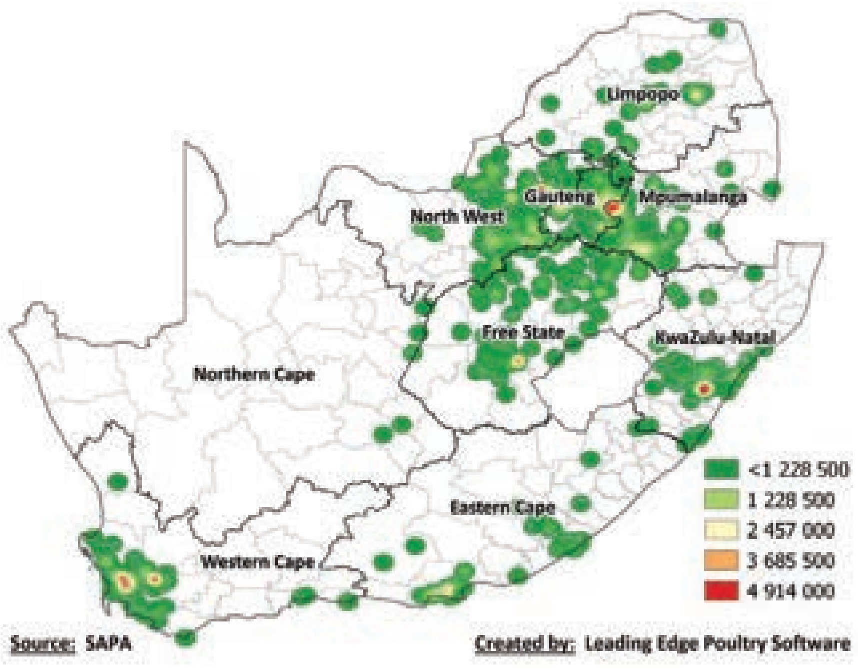

Figure 21: Heat map illustrating the risk of transmission of HPAI (source: AI surveillance monitor, 4Q2022)

10. ANIMAL WELFARE

The annual global slaughter of an estimated 7 billion male chicks continues to be an area of concern for animal welfare organisations. This practice has been banned in France and Germany. Towards the end of 2022, Israeli scientists announced the development of gene-edited hens that could revolutionise the egg industry. When fertile eggs laid by these hens are exposed to blue lighting for several hours, the development of male embryos is stopped. Female embryos are not affected and the chicks hatch normally. The research has not been peer-reviewed because the scientists from the Volcani Institute intend to license the technology. In the meantime, representatives from UK-based organisation Compassion in World Farming have visited the company and have provisionally voiced their support, depending on long-term observations on the health and welfare of the laying hens and female chicks hatched.

The practice of beak trimming of laying hens was ended in Germany and the Netherlands in 2017 and 2019 respectively, and UK egg producers are now under pressure to follow suit. Both caged production and beak trimming are to be banned in Israel. The new legislation comes into effect in 2037 to allow producers time to adapt their housing systems.

In South Africa the Southern African Faith Communities' Environment Institute (a member of Open Wing Alliance) made its voice heard. The organisation aims to bring an end to battery cages. It was unsuccessful in its attempts to get retailer Pick n Pay to commit to transition to cage-free eggs.

11. MARKETING

11.1. Generic egg marketing programme

Protactic Strategic Communications undertook a number of activities during the year on behalf of SAPA. The objective of the marketing campaign was to increase consumer awareness of eggs as an affordable and healthy protein source for any meal and at any time of day.

A selection of appetising egg meals and generic egg images was styled and photographed for use with printed and electronic media releases and on social media platforms (Figure 22). Monthly food and health articles were distributed to all relevant media, resulting in extensive free editorial coverage for eggs.

A double-page, full-colour educational advertorial with recipes featured in the June, August, September, October and December issues of *Heita My Friends*. This advertorial-based magazine is distributed free of charge to 40 000 commuters at 10 of the biggest taxi ranks in Gauteng.

Five egg-themed videos were shot by four well-known South African foodies and health influencers and placed on their social media platforms in August, September and October. These four social influencers have a combined following of over 637 000 and they actively promoted egg recipes throughout the year.

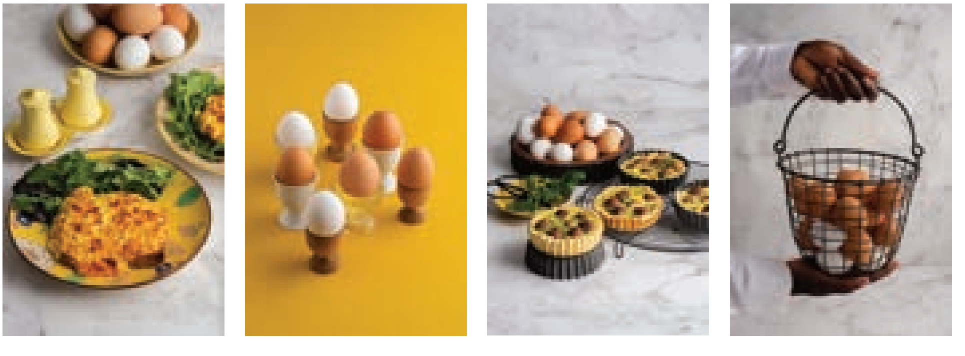

Figure 22: Photos from the 2022 marketing campaign

The EGGcellent Food SA Instagram page grew from 312 in 2021 to 448 followers. The platform reached 56 398 users and resulted in 67 765 impressions. The EGGcellent Food Facebook page increased its fan base from 1 600 to 1 837. This platform reached 240 273 people and enjoyed close to 17 000 engagements. The recipe visuals and competitions proved to be very popular in improving following and engagement.

A special logo was designed to communicate key benefits of eggs in an eye-catching way. This logo is being used on all media platforms (Figure 23).

Figure 23: Logo for social media platforms

11.2. World Egg Day

World Egg Day was celebrated across the globe on Friday, 14 October 2022, the theme being 'Eggs for a better life'. The annual event pays homage to the nutritious and versatile egg, highlighting its benefits to human health, communities and the environment. The IEC made available a range of sample social media posts which member countries could use for marketing purposes (Figure 24). Thirty-three countries, including South Africa, shared their events with the IEC.

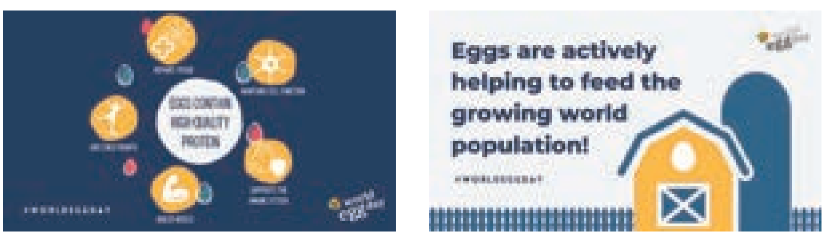

Figure 24: Sample social media posts (source: IEC)

South Africa celebrated World Egg Day with a range of multi-media activities. SAPA sponsored an educational and fun insert on SABC 3's breakfast show *Expresso*, involving an egg race and an omelette challenge. A consumer press release was distributed to all relevant media on 3 October and a double-page feature appeared in the October edition of *Heita My Friends*. Two social media influencers posted videos on their social media platforms on World Egg Day, and Diabetes South Africa distributed a newsletter to over 1 500 subscribers providing information on the health benefits of eggs.

The 28th World Egg Day falls on Friday, 13 October 2023.

11.3. The 33rd Galliova Food and Health Writers' Awards

The Galliova Awards continue to honour magazine, newspaper and online journalists for excellence in food and health writing and for promoting chicken and eggs as part of South Africa's food culture. The annual awards are jointly sponsored by the Egg and Broiler organisations.

To keep the awards relevant in a changing landscape, some of the categories, criteria and scoring methods were revised in 2022. Two new categories were introduced: the Galliova Food Stylist for exceptional visual appeal, and the Galliova Champion for outstanding overall contribution. The Galliova Food Writer award made a welcome return, while the digital food influencer category was renamed Galliova Digital Content Creator. Total prize money was increased to R189 000 to accommodate the additional categories. After two years of virtual events, the ceremony was held on 21 October at the Vergenoegd Löw Estate in Cape Town.

The winners were:
- Galliova Digital Content Creator: Dianne Bibby (*Bibby's Kitchen*);
- Galliova Health Writer: Lydia van der Merwe (*Sarie, Sarie Kos and Sarie Gesond*);
- Galliova Food Stylist: Herman Lensing (*Sarie Kos*);
- Galliova Food Writer: Lydia van der Merwe and Herman Lensing (*Sarie Kos*);
- Egg Champion: Gail Damon (*Fresh Living*);
- Broiler champion: Vickie de Beer (*Lose it! and Keto*);
- Galliova Champion: Herman Lensing (*Sarie Kos*).

Marthinus Stander, honorary president of SAPA, said the organisation was proud to acknowledge once again the importance of the country's food and health media, and that the judges had commented on the excellent standard of work submitted. The official welcome was given by Colin Steenhuisen, a stalwart of the egg industry with a professional career spanning 47 years.

12. REGULATORY MATTERS AND INTERACTION WITH GOVERNMENT

12.1. Agriculture and Agro-processing Master Plan (AAMP)

The AAMP is overseen by the NAMC on behalf of the minister of the DALRRD. On 12 May Minister Thoko Didiza and various stakeholders signed the long-awaited AAMP in parliament. The product of a social compact between government, labour, industry and civil society, it aims to promote inclusive growth, competitiveness, transformation, employment and food security.

The vision of the AAMP is to strive towards globally competitive agriculture and agroprocessing sectors, support market-oriented and inclusive production to develop rural economies, ensure food security and create decent and inclusive employment and entrepreneurship opportunities for all participants in agriculture and agroprocessing value chains.

The objectives of the master plan are to:
- Increase food security in South Africa;
- Promote and accelerate sustainable transformation in the agriculture and agroprocessing sectors;
- Improve access to local and export markets, which will require constant upgrades in the quality of supply to bolster South Africa's competitiveness;
- Enhance competitiveness and entrepreneurship opportunities through technological innovation, innovative financing models for black farmers, infrastructure construction and digitalisation;
- Create an effective farmer support system and agroprocessing incentives;
- Create decent, growing and inclusive employment, in addition to improving working conditions and fair wages in the sector;
- Improve the safety of the farming community and reduce stock and crop thefts and farm attacks;
- Create a capable state and enabling policy environment; and
- Enhance resilience to the effects of climate change and promote sustainable management of natural resources.

The six pillars are:
- Resolving policy ambiguities and creating an investment-friendly environment;
- Investing in, and maintaining enabling infrastructure critical to industry, such as electricity, roads, rail and ports;

- Providing comprehensive farmer assistance, development finance, research and development, and extension services;
- Improving food security, increasing production and employment and ensuring decency and inclusivity;
- Facilitating market expansion, improving market access, and promoting trade;
- Improving localised food production, reducing imports and expanding agroprocessing exports.

Minister Didiza emphasised that the AAMP is a living document that can be adapted over time, if necessary. A fund of R1 billion has been set up by the DALRRD, together with the Department of Trade, Industry and Competition (DTIC), to support various agricultural sectors. In October 2022 an additional fund of R3.2 billion was launched by Minister Didiza and the Land Bank to support the AAMP objectives. Black producers are to be given financial assistance in the form of blended finance (a combination of grants and loans).

The AAMP contains specific targets for production and for black farmers' market share. The NAMC has been tasked with monitoring and evaluating the implementation of the master plan by the different partners.

12.2. Egg sector master plan

In 2021 the EO Board decided to move the egg sector master plan to under the AAMP. This decision followed lengthy discussions between the industry and government, during which it was accepted that the egg and broiler sectors are not homogenous and each industry has its own strategic objectives and plans. Originally, the egg sector master plan was part of the poultry sector master plan which falls under the DTIC.

There are specific factors constraining the growth, transformation, innovation and development of the egg industry, which will be better implemented under the AAMP processes given the AAMP's cross-cutting measures for the broader agriculture and agroprocessing sectors. Amongst the factors are the statutory levies and their transformation component; access to land and water rights; biosecurity control; egg consumption campaigns; product standards and development; export promotion; and land acquisition from previously advantaged individuals transferred in a fair and equitable manner to previously disadvantaged individuals.

In response to the AAMP vision, the egg sector master plan is committed to the following objectives:
- To prioritise and encourage consumption of eggs in South Africa by applying for the continuation of statutory levies, with about 20% of the levies to be spent on consumer education and awareness;
- To increase per capita egg consumption to between 220 and 280 eggs by 2030;
- To transfer ownership from previously advantaged to previously disadvantaged individuals in an orderly, fair and equitable manner. The present production capacity is sufficient for current consumption, with willing previously advantaged owners prepared to sell their businesses to previously disadvantaged individuals;
- To align contract egg producers with larger producers who will offer financial assistance to increase capacity and offtake agreements;
- To export 10% of South Africa's egg production volumes;
- To manage diseases and improve biosecurity to prevent outbreaks of HPAI and other diseases;
- To establish egg depots and pack stations in malls and shopping outlets, especially in townships and rural areas.

12.3. Transformation

The EO's transformation model, entitled Amakip-kip, was launched in 2021. It aims to bring about measurable change by drawing historically disadvantaged small egg farmers into the mainstream economy. The industry is still waiting for the Minister's approval to utilise the levy surplus funds for this project.

In 2022 four beneficiaries were identified: three black small-scale farmers and one white commercial farmer. They are all existing egg producers within the same area of Gauteng and, as a group, approached SAPA for assistance. A business plan was developed for them with the aim to establish a pack station in the West Rand area. This is a R20 million project that is co-funded by the beneficiaries (who agreed to contribute R5 million) and the Gauteng Department of Agriculture and Rural Development.

12.4. Economic study on layer hen housing

The results of the long-awaited study into the viability of alternative housing systems were released by the NAMC in January. It found that a direct investment of R4.93 billion would be required to convert all layer farms to cage-free systems. The consumer would pay R5.70–R6.00/dozen extra if the cost was passed on. The NAMC study predicted that the egg industry would shrink by between 26% and 36%, shedding about 6 160 jobs in the process if the country was forced to move to cage-free production.

Dr Balarane confirmed that while there is a place for barn and free-range eggs in South Africa, it was not feasible to move the entire sector to this type of production system. It would also have a negative effect on transformation because smaller producers would not have the finances to be able to convert successfully.

12.5. Welfare standards

The WOAH draft of a chapter on layer hen housing and welfare failed to receive a majority vote in 2022. The IEC engaged with the WOAH members to ensure that each nation is not forced to comply with regulations that may compromise its food security status. The involvement of the South African egg industry in the global egg industry yielded positive outcomes in the debate around cage-free systems.

The South African Bureau of Standards continued with efforts to finalise the standard 'Welfare of chicken (*Gallus Gallus domesticus*)' (SANS 1758:201X). The various role players, which included animal welfare lobbyists, failed to reach a consensus and the process was reverted to the working group committee. The stance of the EO is that for a country like South Africa which is faced by numerous challenges (a high unemployment rate, high poverty levels, slow economic growth, high inflation and weak exchange rates), production should follow consumption. There must first be a high demand for a particular product and then farmers will ensure that they take advantage of that growth and produce the product. The EO believes all three existing production systems (cage, free range and barn) must remain in place in South Africa.

12.6. Table egg inspections

The Food Safety Agency (Pty) Ltd (FSA) is an independent company that was appointed as an assignee by the DALRRD in 2017 to enforce the quality regulations applicable to poultry meat and eggs. From 1 July SAPA took over the responsibility for paying the inspection fees, on behalf of egg producers, to the FSA. Funds are drawn from the statutory levies of R0.018 per dozen which are paid to SAPA by both egg producers and importers. The inspections are required by law to ensure compliance with regulations. The FSA inspectors also have a duty to examine and verify production and sales records to ensure the correct levy amount is paid.

13. FUNDING MODEL

The new egg and egg product statutory levy was approved on 14 December 2021 and gazetted in January 2022. It will continue at R0.018 per dozen from May 2022 to lapse on 31 March 2026. There is an option to increase the levy in 2024, which will require the consent of the egg industry.

The levy income is to be spent as follows:
- Not more than 10% on administration;
- At least 20% on transformation (empowerment and development of black emerging egg producers);
- 70% on activities such as consumer education to promote egg sales, consumer assurance, research and development, industry information, biosecurity and other training, and veterinary guidance and assistance with poultry disease management.

14. SUCCESSES

The successes of the EO and the egg industry may be summed up as follows:
- The growth in membership of the EO;

- Statutory levy funds to be used to pay the FSA for inspections;
- The signing of the AAMP by Minister Didiza and stakeholders;
- The new transformation project in Gauteng;
- A slowing down in the rate of spread of the HPAI H5N1 virus;
- A recovery in the size of the national layer flock, following culling due to the HPAI outbreak;
- Eggs retaining their position as the most affordable animal protein for human consumption;
- An active generic marketing campaign, with growth in the number of followers on social media;
- The small increase in per capita egg consumption;
- Positive media exposure on World Egg Day;
- The successful in-person hosting of the 33rd Galliova Awards;
- Clear outcome of the NAMC study on layer hen housing;
- An increase in the volume and value of egg exports.

15. CHALLENGES

The EO and producers faced enormous challenges in 2022:
- Failure by government to resolve issues of service delivery and crumbling infrastructure;
- The substantial cost of fuel for running generators on farms and in pack stations;
- Escalating input costs, especially feed, wiping out profit margins;
- The inability of producers to recover these costs in the selling price;
- Farmers coping with neutral or negative cash flows;
- The oversupply of eggs in the second half of 2022, which pushed prices down;
- The culling of 553 000 laying hens during 2022 due to HPAI;
- The ongoing presence of HPAI strains circulating in wild birds;
- Many producers unable to sustain their businesses and becoming insolvent;
- Small commercial farmers in distress, as evidenced by the number who stopped farming;
- Constrained consumer spending in an economy that failed to grow;
- The large retail mark-up on eggs which makes eggs less affordable.

16. FUTURE PROSPECTS

The prospects for 2023 may be summed up as follows:
- Heightened focus on biosecurity following unprecedented numbers of HPAI outbreaks in the northern hemisphere;
- Working with government and other partners to meet the AAMP and egg sector master plan targets;
- Targeted support for black farmers and further progress with transformation;
- Ongoing risk to business survival from inflated input costs;
- A slight easing in the global feed ingredient prices;
- Optimising farm production efficiencies and managing costs as best as possible;
- More producers exiting the industry, creating an egg shortage;
- Balancing supply and demand to prevent producer price drops;
- Joining forces with the IEC to promote their Vision 365 initiative.

17. CONCLUSION

At the end of another tremendously challenging year, the industry finds itself in a precarious position with a multitude of disabling factors beyond the producers' control. The year 2023 is projected to be turbulent for our farmers with the nation's food security under threat. Consumers are likely to be confronted with egg shortages and higher retail prices.

THE BROILER ORGANISATION
CHAIRPERSON'S REPORT 2022

Gary Arnold

1. INTRODUCTION

The year started on a positive note, with the progressive implementation of the poultry sector masterplan gaining momentum in our industry. Imports gradually declined as the fight against predatory trade and illegal practices bore fruit, although severe outbreaks in the northern hemisphere of highly pathogenic avian influenza (HPAI) played a significant role in dampening exports from those countries. The investment in production processing capacity yielded the desired results, creating jobs and improving opportunities for emerging farmers and contract growers to participate in the value chain.

Following a period of 6 months of provisional anti-dumping duties against Brazil plus 4 European Union (EU) countries (implemented on 17 December 2021 and expired on 14 June 2022), Minister of Trade, Industry and Competition Ebrahim Patel reversed much promised progress under the masterplan when he suspended the implementation of definitive anti-dumping duties on chicken imports for a period of 12 months (from 5 August 2022). This was despite the fact that the investigations of the International Trade Administration Commission (ITAC) had confirmed that poultry originating from these countries was being dumped into the Southern African Customs Union (SACU) market. The minister based his decision on the soaring cost of food and the detrimental impact this has on the consumer.

The local poultry industry is sensitive to the plight of cash-strapped consumers and understands that food price inflation can negatively impact South Africa's population. However, poultry producers also feel that the Minister's announcement flew against the spirit of the masterplan, which specifically listed tariff measures as an important pillar to put a stop to dumping. As such, the decision calls into question the trust all have invested in the masterplan process, as it seemed to demonstrate that dumping is acceptable, even if only for a period of 12 months. SAPA made it very clear that the decision will not assist the country's efforts towards localisation, job creation, transformation plans, investment or developing the rural economy. In fact, it may actively cause harm and will certainly disrupt industry investment plans for the foreseeable future.

As government continued in its failure to maintain infrastructure and deliver basic services to South African citizens, the impact on the industry was disastrous. Small-scale farmers without cash reserves were disproportionately affected, forcing many of them out of business. With Eskom unable to resolve its electricity generation woes, load shedding was ramped up during the latter part of the year and the broiler industry was confronted with a crisis. Producers were burdened with having to fund the additional cost of running generators during load shedding, with fuel bills running into hundreds of millions of rands. Processing plants were also forced to adjust to the extremely challenging circumstances. Production cutbacks were introduced in an attempt to minimise losses as with less throughput at abattoirs, broiler producers had to keep feeding the bigger birds that remained on the farms for longer, which effectively wiped out margins.

To add to the difficulties faced by producers through the year, feed prices escalated in early 2022 reaching record highs in the year as raw material input costs soared. This was underpinned by inflated global prices for maize and soya beans on the back of droughts, the Russian conflict in Ukraine and a weaker South African currency. This dashed all hopes of a recovery of profit margins post the 2020 Covid-19 pandemic and associated hard lockdowns which had crippled the South African economy, consumers and businesses alike.

Sporadic cases of HPAI H5N1 were reported during the year. An estimated 57 500 birds were culled in 2022, adding to the 801 000 broilers and breeders culled the previous year. In total, 0.8% of the broiler industry birds were affected by the virus. Together with the egg industry culls, the aggregated loss amounts to almost 3.8 million birds. Producers need to remain vigilant as the virus continues to circulate amongst wild birds and spread at a rapid pace across the globe.

On a positive note, the study on industry competitiveness, undertaken by the Bureau for Food and Agricultural Policy (BFAP) in collaboration with Wageningen University, was completed. This prestigious university is located in the Netherlands and is recognised as a globally important centre for agricultural research. The results confirm once again that the South African industry is globally competitive on a technical production efficiency basis, and our ranking has improved since the last study conducted in 2019. The country lags the United States and Brazil on a cost efficiency basis, primarily the result of higher feed ingredient prices and spiralling local cost inflation driven by failing service delivery and rapidly rising energy costs.

A review of aspects that dominated the broiler agenda in 2022 are presented in this report, along with key industry statistics.

2. OBJECTIVES

The Broiler Organisation (BO) represents commercial broiler producers with the intention to serve the interests of the broiler industry at a national level. The objectives of the BO 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 SAPA.

The purpose of the organisation is to promote and advance all matters tending towards 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 and any other aggression, and initiating, fostering and assisting in obtaining legislation and regulations beneficial to the broiler and allied industries;
- Improvement of production, testing, grading, packing, transportation, storage, marketing and export of broiler productions, and the means in this regard;
- Setting and revising of marketing standards;
- Encouragement of poultry education, 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 propaganda 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 SAPA.

3. MEMBERSHIP

There are 123 current members of the BO, representing approximately 80% of all broilers processed in the country. This number includes small-scale, medium and large producers. Membership decreased from 128 in 2021.

4. BOARD REPRESENTATION

During the period under review, the BO Board comprised the following individuals:

Gary Arnold (Chairperson)
Aziz Alie Sulliman (Vice-Chairperson)
Nomia Biko
Izaak Breitenbach (General Manager)
Brendon de Boer
Leon de Villiers
Deon Fourie
Devin Isemonger
Sas Kasselman
Sbusiso Mavuso
Jake Mokwene
Tumisang Mokwene
Jimmy Murray
Jack Nkogatse
Yolanda Philison
Marthinus Stander
Frans van Heerden

5. INDUSTRY OVERVIEW

5.1. Poultry sector master plan

The masterplan, which aims to stabilise and grow the poultry sector, outlines several strategic objectives:
- To expand the industry by increasing capacity at all stages of the value chain;
- To increase per capita consumption of chicken meat;
- To ensure that, over time, locally produced product makes up an increasing proportion of total consumption;
- To increase exports;
- To increase the level of black participation.

In line with the strategic objectives, five pillars were established. These are:
1. Expanding and improving production, with defined targets to be met by 2023.
2. Driving domestic demand and promoting affordability.
3. Driving exports.
4. Enhancing the regulatory framework and ensuring compliance.
5. Trade measures to support the local industry.

Pillar one required an investment of R1.5 billion in production facilities by broiler companies. This was expected to result in the slaughtering of an additional 1.7 million birds per week, an increase in the amount of cooked chicken available for export, and the creation of 3 600 jobs. A further R1.7 billion was to be invested in 50 contract farming operations (at a cost of R35 million each), adding approximately 1 000 jobs. SAPA was tasked with developing a comprehensive support programme for small independent farmers.

By November 2022, R1.8 billion had been spent on poultry production facilities. SAPA members had pledged a further R570 million with an investment target of R2.4 billion by the end of 2024. Unfortunately the load shedding crisis, failing infrastructure and rising cost base have in the majority shelved these additional investments for the foreseeable future. An additional 520 jobs were created in 2022, bringing the total to 1 888. It was anticipated that an additional 712 more jobs could be created by the end of 2024 to achieve a total of 2 600 new jobs (Table 1).

TABLE 1: Progress achieved by SAPA and the industry							
Area	**To 2018**	**2019**	**2020**	**2021**	**2022**	**Target 2023**	**Target 2024**
Cumulative investment (R billion)				1.14	1.8		2.4
Production capacity (million birds)		117	123	135	135	135	138
Slaughter capacity (million/week)		19.5	20.5	22.5	22.5	22.5	23.0
Jobs created			980	388	520		712
Cumulative jobs created			980	1 368	1 888	1 888	2 600
Contribution to GDP (R billion)		48.0	50.5	52.7	59.0	59.0	61.0
Black contract growers							
Cumulative number					13	19	28
Cumulative investment (R billion)					0.46	0.67	0.98
Jobs created						1 638	
Number of broilers in rear (millions)		12.6	14.9	16.0	17.2	17.2	18.0
Black independent farmers							
Received remote assistance		227	402	411	450	400	450
Received training	1350	133	108	172	304	300	300

Thirteen contract farmers have been established thus far, whilst six more are in the process of building new production sites. This will lead to 1 638 new employment opportunities. A further nine people with the potential to become contract growers have been identified and their contact details passed on to the Industrial Development Corporation. Water licences have already been obtained for them and environmental impact assessments (EIAs) have been conducted. In addition, contract companies have been identified for these nine candidates. By the end of 2022 black contract growers were farming with 17.2 million broilers. However, it is felt that the aim to establish 50 new contract farmers needs to be reviewed because the local demand for chicken is not growing and export markets are not forthcoming.

The industry reported an increase of R2.3 billion in the gross value to reach R59.0 billion in 2022, bringing closer the target of increasing the contribution to GDP to R61 billion by the end of 2024.

Biosecurity training has been prioritised in recent years, with 1 000 farmers, 12 Department of Agriculture, Land Reform and Rural Development (DALRRD) officials and 22 state veterinarians receiving training thus far. In addition, biosecurity audits were done on the farms of 150 emerging farmers. During 2022, a further 304 farmers received training in a number of aspects, which included incubation and hatching of eggs, financial record keeping, agroprocessing, general farm management, poultry feed management, production record keeping, market access, and funding access. A three-year skills plan was submitted to AgriSETA and SAPA is awaiting payment from the organisation before launching the new training programme.

Pillar four is concerned with tightening the regulations to prevent the practice of thawing frozen product and selling it as fresh product or brining and refreezing it. To date SAPA has not been successful in stopping poultry importers from engaging in this practice, but transgressions will be reported if information is forthcoming.

Another area to be addressed by pillar four is a review of the regulations governing the classification of imports according to tariff lines, with the aim to prevent fraudulent practices such as the use of incorrect tariff lines and under declaration. SAPA initiated a number of investigations into round-tripping and under declaration. At year end the South African Revenue Service (SARS) was working on 26 cases, with 2 being audited and 1 case in court.

Pillar five of the masterplan outlines the steps to be taken by ITAC in reviewing the entire tariff framework for the poultry industry. The purpose of this action is to address illegal trade, namely the under declaration and misdeclaration of product to circumvent import duties on certain portions. In 2021 SAPA submitted a written proposal on behalf of producers, which included the suggestion that tariff codes are simplified by reducing the number of digits from eight to seven. SAPA also proposed changing to an entry price system (which would elevate the price to a realistic international production price level and thereby prevent under declaration) with an ad valorem tariff (calculated as a percentage of the value of the product). ITAC completed its investigation a year ago and submitted a proposal to Minister Patel.

There was some tension between role players during the year, as some of the signatories did not meet specific targets. The African Farmers' Association of South Africa withdrew from the masterplan citing a lack of progress on the empowerment of black farmers. Frustrated by the government's inability to open up export markets, the Association of Meat Importers and Exporters (AMIE) announced it had decided to appoint its own dedicated export task team. This move is unlikely to be successful because the biggest stumbling block to exports, namely the insufficient infrastructure and capacity of state veterinary laboratories, persists.

Regular meetings of the Executive Oversight Committee, which coordinates, monitors and evaluates progress made in the implementation of the masterplan, took place during the year.

5.2. Trade with the EU

The safeguard duty, designed to protect South Africa from sudden surges in imports of bone-in portions from all EU countries, expired in March 2022. The EU had registered a dispute back in 2019 through the dispute settlement mechanism of the trade agreement between the EU and the Southern African Development Community (SADC). In September it was announced that the arbitration panel of SACU had ruled in favour of the customs union, dismissing the majority of the EU's claims. This ruling has been hailed as a landmark victory for the SADC poultry industry and it paves the way for future arbitration cases. It also sends out a strong message to international trading partners that SACU member countries will be protected from predatory trade.

It remains a priority for SAPA to obtain access to export markets in the EU. A lot of work has been done in this area during the past year but progress is slow. South Africa's residue monitoring programme was submitted by the DALRRD to the EU, along with the required veterinary procedural notice. The application was rejected because the EU had in the interim revised its protocols. In the meantime, local producers have been gearing up to ensure they conform to the EU's strict sanitary and phytosanitary regulations.

5.3. Anti-dumping duties

Provisional anti-dumping duties against Brazil, Denmark, Ireland, Poland and Spain were implemented on 17 December 2021. The duties applied to bone-in portions (drumsticks, thighs and leg quarters) from the four EU countries and to bone-in portions and chicken breasts from Brazil. The provisional duties lapsed on 14 June 2022 and producers anxiously awaited an announcement. In August Minister Patel declared that the permanent implementation of these duties would be delayed by 12 months to 1 August 2023, due to his concerns about the impact of anti-dumping duties on retail prices. SAPA has commissioned a study to investigate to what extent poultry price inflation could be attributed to duties. Furthermore, the impact of rising input costs could be seen on all basic foodstuffs. SAPA and broiler producers voiced their disappointment with the delay, saying that while the industry is sensitive to the plight of cash-strapped consumers, the announcement flies against the spirit of the poultry sector masterplan.

The anti-dumping duties against Germany, the United Kingdom and the Netherlands expired on 26 February 2020 and were subject to a sunset review in 2021. They were renewed for a further five-year period on 23 August 2021. These duties apply to bone-in portions and are 73.33%, 30.09% and 22.81% for the three countries respectively. ITAC found that dumping had continued in spite of these anti-dumping duties that were first applied in 2015. In 2022 AMIE launched legal action against SAPA, the Department of Trade, Industry and Competition (DTIC) and ITAC in an attempt to reverse the duties granted in the sunset review. A replying affidavit was submitted to court and the process is expected to continue in 2023.

SAPA applied to ITAC for a renewal of the United States of America (USA) anti-dumping duty of R9.40/kg on bone-in portions which expired in November 2022. The investigation was triggered and after its completion, Minister Patel has 18 months in which to decide. In the meantime, the current duty remains in place.

5.4. African Growth and Opportunity Act (AGOA)

Under the terms of the AGOA agreement, the USA is allowed an annual export volume of 71 290 tonnes of frozen bone-in chicken free from anti-dumping duties. For the period from April 2021 to March 2022, the USA sent 59 798 tonnes of bone-in portions to South Africa. The total free on board (FOB) value was R785.72 million and the average price per kilogram was therefore R13.14.

Imports from April 2022 to December 2022 amounted to 27 544 tonnes at a FOB value of R388.19 million, giving a unit price of R14.09/kg. These imports have been restricted owing to the USA's numerous HPAI outbreaks. The new quota for the cycle April 2022 to March 2023 had not been gazetted by the time of going to print.

The AGOA agreement lapses in 2025 and will be up for renewal. SAPA intends to request the DTIC to not renew the quota.

5.5. Trade with other SADC countries

The African Continental Free Trade Area became operational in January 2021. It is envisaged that the trading bloc will significantly increase intra-Africa trade over time as it dismantles barriers to trade. Negotiations are ongoing but the process is complex and time consuming. In the meantime, trade is able to take place despite sporadic outbreaks of HPAI in South Africa, due to the country's compartmentalisation.

5.6. Proposal for VAT-free chicken

The issue of VAT-free chicken has been raised once again by several organisations including AMIE, the South African Informal Traders Alliance and the Democratic Alliance. The National Agricultural Marketing Council brought it to the attention of Ministers Patel and Didiza (Agriculture, Land Reform and Rural Development) during an Executive Oversight Committee meeting. FairPlay has joined the discussion in the media and voiced its support for VAT-free chicken as a way of providing more affordable chicken for low-income households.

The aim is to submit a formal application to Treasury in 2023, requesting that bone-in portions and offal be exempt from VAT. A similar proposal requesting VAT exemption on all chicken was submitted in 2019 but was rejected because it would have cost the fiscus an estimated R2.2 billion. Treasury remains resolute about not eroding the VAT base but also about not complicating the system by allowing too many exemptions.

5.7. Food safety

The Food Safety Agency (Pty) Ltd (FSA) was appointed by the DALRRD in 2017 to enforce the quality regulations applicable to poultry meat and eggs. Inspections of processing facilities and importers' premises are required by law to ensure compliance with food safety regulations. A stamp of approval that can be displayed on packaging was finalised by SAPA, the FSA and the DALRRD in 2022. Companies need to be in good standing with the FSA in order to qualify to use the stamp. It is envisaged that the stamp will inform retailers and wholesalers of a producer's compliance with food safety audits, and it should assist with the eradication of non-compliant products.

6. INDUSTRY STATISTICS

6.1. Price comparison of protein sources

The weighted average producer price for total broiler sales realisation (less all discounts, rebates and secondary distribution) for the year 2022 was R29.36/kg; a 12.1% annual increase. Eggs were cheaper at R24.16/kg. Chicken meat remained competitive in relation to beef abattoir prices but was slightly more expensive than pork. The producer prices and the annual percentage changes are shown in Figure 1.

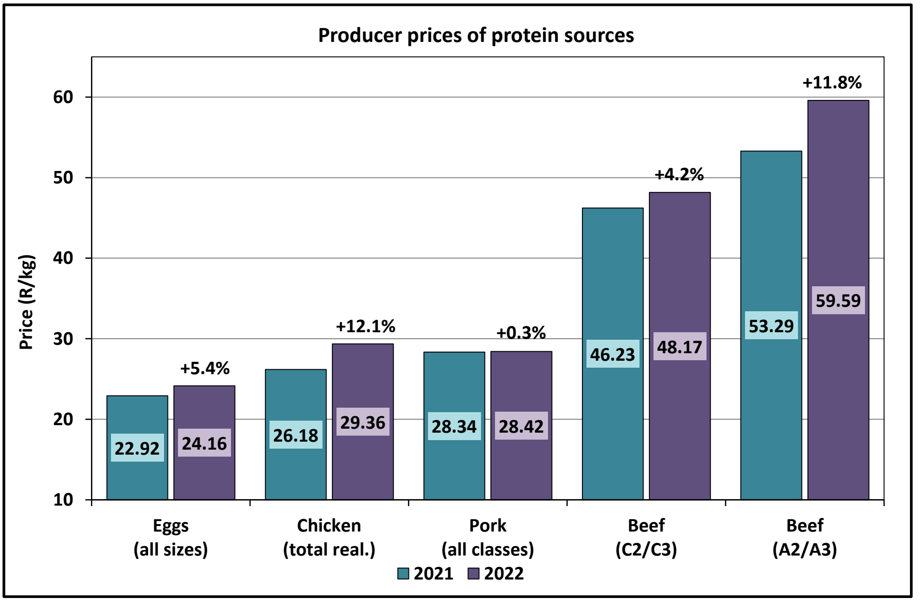

Figure 1: Producer prices of different protein sources (source: SAPA, AMT)

6.2. International price competitiveness

According to the United States Department of Agriculture (USDA), the average price in the northeast region of the USA for leg quarters was 42.24c/lb (a 12.6% annual increase) and for deboned and skinless breasts 229.51c/lb (+28.8%). Using the average exchange rate of R16.37 to the US dollar for the year 2022, the leg quarter price equates to R15.24/kg and the deboned, skinless breast price to R82.83/kg. The South African price for fresh and frozen leg quarters was R34.31/kg and R32.74/kg respectively, and for fresh and frozen filleted breast R48.31/kg and R44.24/kg respectively.

Figure 2 shows the trends in three of the portion prices, with the widening gap between leg quarters and deboned, skinless breasts until June 2022. A contraction in broiler production in the second half of 2020 and early 2021, in part due to persistent hatchability problems, impacted prices in the USA. Average prices (c/lb) for the various portions are given in Table 2.

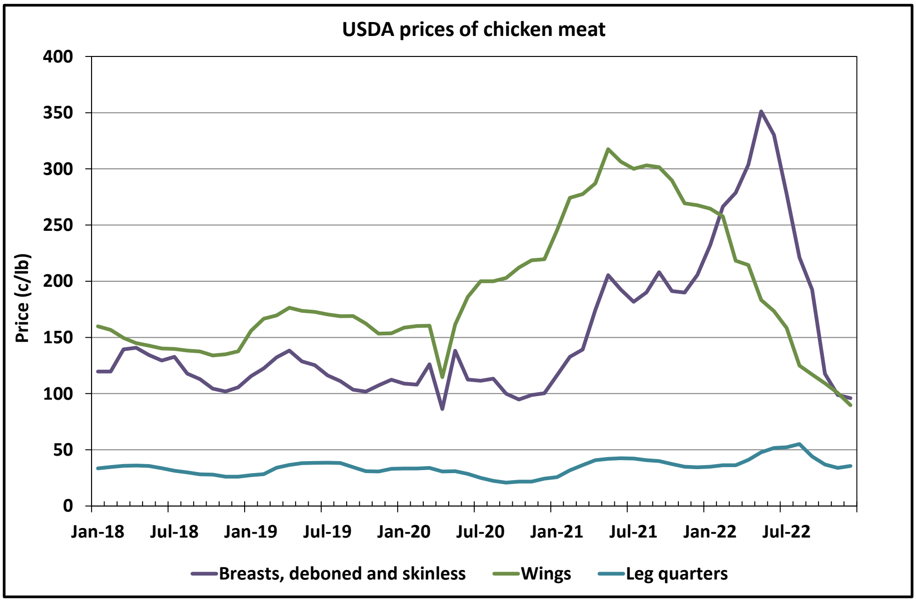

Figure 2: Chicken prices in the USA (source: USDA)

TABLE 2: USDA portion prices (c/lb)			
Portion	**2021**	**2022**	**% change**
Whole broiler	101.58	140.73	38.5
Breasts, deboned and skinless	178.14	229.51	28.8
Tenderloins	241.92	260.87	7.8
Breast with ribs	107.71	157.68	46.4
Breast (line run)	90.86	139.82	53.9
Legs	50.83	57.16	12.5
Leg quarters	37.52	42.24	12.6
Drumsticks	41.05	48.01	16.9
Thighs	53.67	69.49	29.5
Thighs, deboned and skinless	153.72	167.43	8.9
Wings	286.58	165.87	-42.1

6.3. Broiler breeders

In total, 10.118 million female parent pullets were placed on farms in 2022; an annual growth of 4.2%. The average number of parent males and females in rearing during the year was 4.733 million per week; an increase of 137 000 birds (+3.0%) compared to 2021. According to the avian influenza database, the number of great-grandparent and grandparent stock in rear and lay was 741 400.

An average broiler breeder laying flock of 6.965 million hens was estimated for the year 2022, with annual growth of 225 000 hens (+3.3%). Figure 3 shows the five-year trends in the annual placements of day-old female parents and the average size of the national broiler breeder flock.

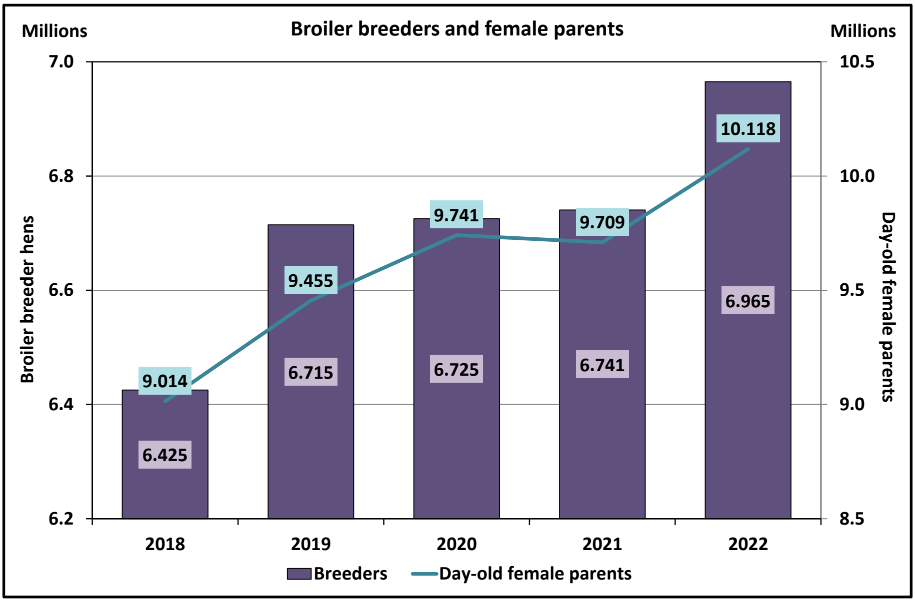

Figure 3: Trends in the breeder flock and female parents hatched

6.4. Day-old chicks and broiler production

Figure 4 illustrates the five-year trend in the actual number of chicks hatched and the estimated number of broilers slaughtered. In 2022 the total hatch grew by 2.2% to 1 177 million. A total of 1 113 million broilers were slaughtered; an increase of 22.5 million (+2.1%) compared to the previous year.

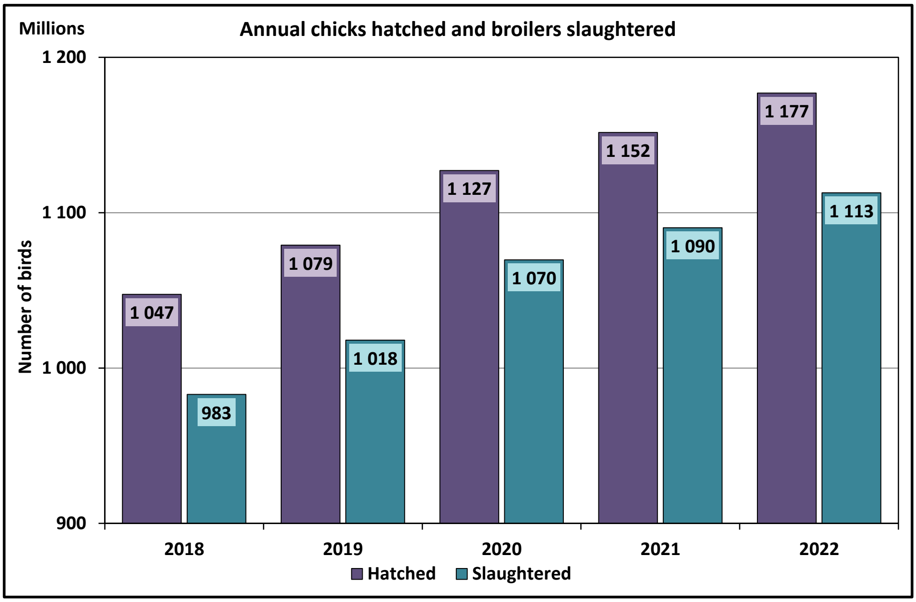

Figure 4: Trends in the broiler flock

"A new tomorrow"
Small footprint. ***Big impact.***

Bird numbers are summarised in Table 3. Figure 5 shows the distribution of the broiler and breeder birds per local municipality. The highest densities of birds belonging to the broiler industry were in Victor Khanye and Lekwa, both in Mpumalanga.

TABLE 3: Bird numbers for the broiler industry (millions)

Year	Broiler breeders		Breeders	Broiler chicks hatched		Broilers	Broilers slaughtered	
	Rearing	Laying	Per week	Per week	Per annum	Per week	Per week	Per annum
2021	4.597	6.741	11.337	22.085	1 151.619	98.240	20.924	1 090.272
2022	4.733	6.965	11.699	22.565	1 176.887	100.348	21.334	1 112.719
Change	0.137	0.225	0.361	0.481	25.268	2.108	0.411	22.447
% change	3.0	3.3	3.2	2.2	2.2	2.1	2.0	2.1

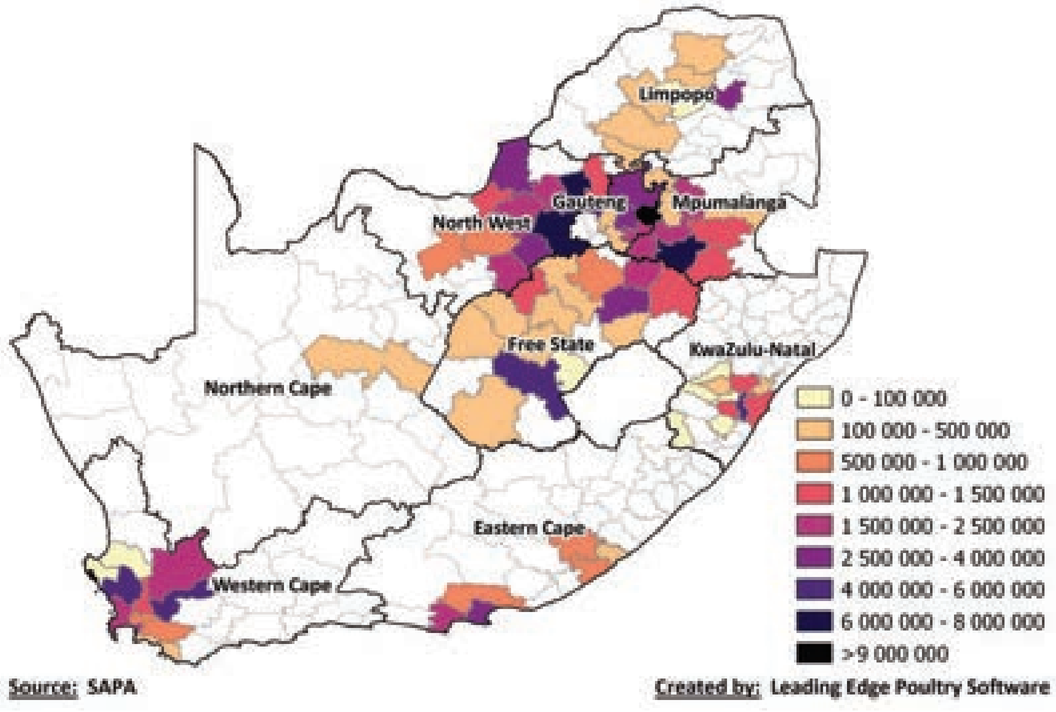

Figure 5: Distribution of birds per local municipality (source: AI surveillance monitor: 4Q2022)

6.5. Prospects for 2023

Based on the number of day-old parent pullets placed to December 2022, the size of the breeder laying flock is expected to increase by 4.7% to 7.40 million birds by April 2023.

6.6. Feed cost

The average broiler feed price for 2022 was R8 275 per tonne (+16.5%) and for broiler breeder feed R7 093 per tonne (+21.0%). The prices include distribution cost, but exclude medication, additives and VAT. The movement in the two feed prices over a five-year period is shown in Figure 6. The upward trajectory, which started in the fourth quarter of 2020, continued into January 2021 before flattening out. However, from January 2022 prices increased at an alarming rate almost every month.

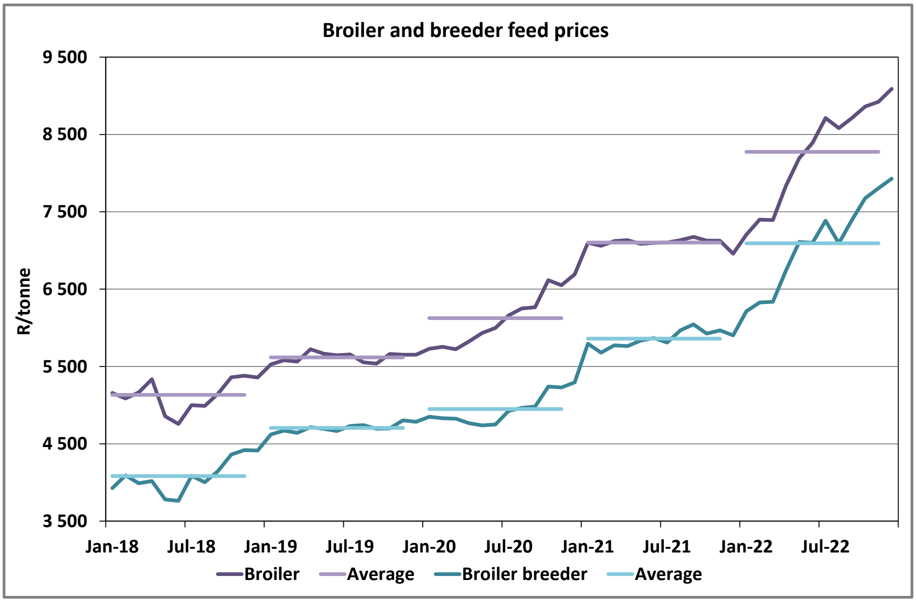

Figure 6: Movement in broiler and breeder feed price

The year-on-year percentage changes in the broiler feed price and the producer price are shown in Figure 7. Margins remained under pressure in the second half of 2020 and to September 2021 as feed prices increased at a faster rate than producer prices. From May 2022 producers were under enormous pressure to survive because they were unable to recover the soaring feed cost in broiler price increases. In December 2022 broiler feed cost 30.6% more than in December 2021; a record high.

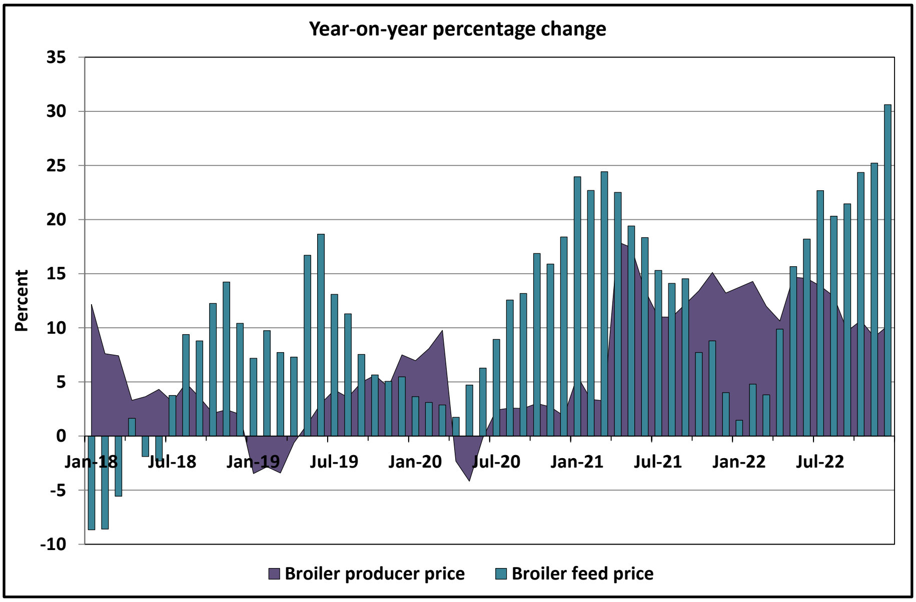

Figure 7: Yearly percentage changes in producer price and broiler feed price

Figure 8 illustrates the ratios between the chicken price and two feed ingredient prices, namely yellow maize and soya beans. The higher the value of the ratio, the more favourable it is for poultry farmers. In 2018 broiler producers were in a relatively strong position, but this situation has deteriorated steadily over the past four years.

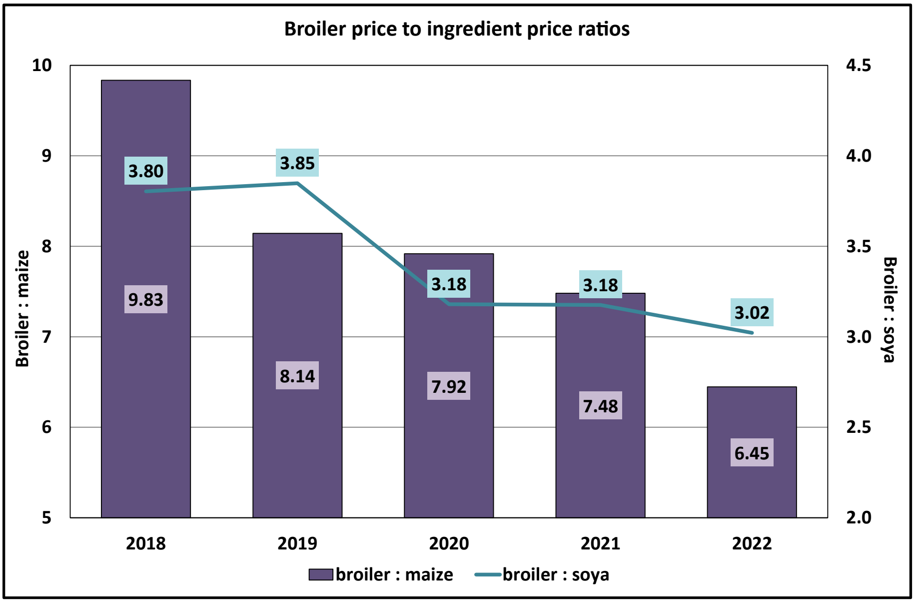

Figure 8: The trend in ratios between broiler and feed ingredient prices

6.7. Feed usage

The feed usage for broiler breeders and broilers is summarised in Table 4.

TABLE 4: Feed usage for the broiler industry (tonnes)

Year	Broiler breeders		Total breeding stock		Broilers		Total broiler industry	
	Rearing	Laying	Per annum	Per week	Per annum	Per week	Per annum	Per week
2021	106 554	420 019	526 573	10 099	2 827 265	54 222	3 353 837	64 320
2022	109 678	434 337	544 015	10 433	2 900 180	55 620	3 444 194	66 053
Change	3 124	14 318	17 442	335	72 915	1 398	90 357	1 733
% change	2.9	3.4	3.3	3.3	2.6	2.6	2.7	2.7

According to the Animal Feed Manufacturers Association (AFMA), national feed sales from 1 April 2021 to 31 March 2022 for breeders and broilers amounted to 3.431 million tonnes; a 1.8% annual increase. This includes 174 570 tonnes manufactured in other SADC countries. The breakdown is shown in Table 5.

TABLE 5: Feed sales per region (source: AFMA)				
Province/region	**Broiler**		**Broiler breeder**	
	Tonnes	**%**	**Tonnes**	**%**
Eastern Cape	172 926	6.0	27 533	5.2
Free State	424 199	14.6	43 317	8.2
Gauteng	504 970	17.4	95 648	18.1
KwaZulu-Natal	187 395	6.5	110 756	21.0
Limpopo	93 540	3.2	191	0.0
Mpumalanga	486 622	16.8	108 282	20.5
North West	424 018	14.6	38 978	7.4
Northern Cape	0	0.0	0	0.0
Other SADC countries	140 244	4.8	34 326	6.5
Western Cape	469 093	16.2	69 258	13.1
Total	**2 903 007**	**100**	**528 289**	**100**

If feeds derived from concentrates are included, the total becomes 3.438 million tonnes. The national broiler and breeder feed sales is estimated to be 3.468 million tonnes, which means that AFMA members have 99.1% of the market (source: AFMA). For the same period, SAPA estimated feed consumption at 3.235 million tonnes; 233 400 tonnes less (-6.7%) than actual feed sales. If the feed manufactured by other SADC countries is removed from the calculation, the difference drops to -1.8%. SAPA's estimate excludes feed for grandparent and great-grandparent flocks.

6.8. Meat production

Total production of poultry meat (all saleable products) for 2022 was 1.95 million tonnes; an annual increase of 2.0% (Table 6) (source: SAPA).

TABLE 6: Annual meat production (thousand tonnes)				
	2021	**2022**	**% of total**	**% change**
Broilers	1 761.89	1 798.16	92.2	2.1
Cull breeders	35.30	36.65	1.9	3.8
Cull laying hens	39.61	39.21	2.0	-1.0
Commercial production	1 836.81	1 874.02	96.1	2.0
Subsistence farming	74.00	75.52	3.9	2.1
Ducks	0.66	0.76	0.0	14.2
Total	**1 911.47**	**1 950.30**	**100.0**	**2.0**

The DALRRD estimated the total production of poultry meat at 1.951 million tonnes, up 2.2% from 2021. The department's estimate is 0.1% more than SAPA's production estimate.

6.9. Consumption

According to SAPA's calculations, chicken meat consumption amounted to 2.260 million tonnes in 2022, equating to a per capita consumption of 37.3 kg (Table 7). This includes the sale of spent hens from the broiler breeder and commercial layer industries and all edible offal.

TABLE 7: Consumption of poultry meat						
	DALRRD			SAPA		
	2021	2022	% change	2021	2022	% change
Poultry meat						
Tonnes (thousand)	2 304	2 282	-1.0	2 293	2 272	-0.9
Per capita (kg)	38.00	37.34	-1.7	38.13	37.48	-1.7
Chicken meat						
Tonnes (thousand)				2 269	2 260	-0.4
Per capita (kg)				37.72	37.29	-1.1

6.10. Gross value

The gross value of primary agricultural production from poultry meat (inclusive of all types of poultry) for the year 2022 was R59.02 billion, reflecting an annual increase of 16.6% (source: DALRRD). Poultry meat contributed 33.2% to the gross value of animal products (up from 32.3% in 2021) and 14.1% to all agricultural production (up from 13.9% in 2021). The DALRRD revised their estimates for 2019, 2020 and 2021.

6.11. Industry turnover

The estimated turnover from the broiler industry is shown in Table 8. Average day-old chick prices were not available.

TABLE 8: Turnover of the broiler industry								
Year	DOC industry		Broiler industry					Total
	Price (R/doc)	Turnover (R million)	Producer price (R/kg)	Turnover (R million)	Cull hens (million)	Cull price (R/bird)	Turnover (R million)	Turnover (R million)
2021			26.18	46 232.2	8.034	46.03	369.8	46 602.0
2022			29.36	52 916.8	8.353	50.68	423.3	53 340.2
Change			3.18	6 684.7	0.319	4.7	53.5	6 738.2
% change			12.1	14.5	4.0	10.1	14.5	14.5

DOC = day-old chick

7. SUBSISTENCE AND SMALL COMMERCIAL FARMERS

These statistics summarise detailed telephonic surveys covering the warmer months (October 2021 to March 2022) and cooler months (April to September 2022). All prices exclude transport and VAT. Weighted averages were calculated throughout.

7.1. Hatcheries

There were seven hatcheries that responded to the survey. They were located in Eastern Cape, Free State, Gauteng, Limpopo, North West and Northern Cape.

A total of 309 300 hatching eggs were purchased during the year at an average price of R4.66; a 32.2% annual increase. A further 469 100 fertile eggs were produced by the hatchery owners on their own breeder farms. Of the chicks hatched, 62 000 were kept by the respondents for their own broiler farms and 480 300 were sold at an average price of R8.99 each (+10.1%). The total value of the day-old chick sales was R4.39 million.

7.2. Broiler producers

A total of 274 broiler farmers (up from 227 in 2021), from all 9 provinces, took part in the survey. The provincial representation of broiler farms was Eastern Cape (11), Free State (10), Gauteng (50), KwaZulu-Natal (29), Limpopo (131), Mpumalanga (23), North West (12), Northern Cape (6), and Western Cape (2). The farms had greater female (60%) than male (40%) ownership.

The average purchase price of a day-old chick in 2022 was R9.31; a 14.6% annual increase. The sum of chicks placed per cycle was 248 000 (-5.0%) and the average number of chicks placed per cycle per farm was 920. The average utilisation of the broiler farms was 29.8% of capacity; down from 31.0% the previous year. The reported average mortality rate per cycle was 6.7%.

7.3. Broiler feed

Bagged feed was purchased by 99% of the respondents in 2022. The prices are summarised in Table 9 and exclude VAT and transport.

TABLE 9: Feed prices

Feed	Bags (R/50 kg)	% change
Broiler starter	371.27	7.4
Broiler grower	352.16	7.6
Broiler finisher	342.19	8.3

Total bagged feed purchased by small broiler farmers for the year amounted to 7 620 tonnes, which equates to approximately 564 bags per farmer per annum. The value of bagged feed purchases for 2022 was R49.95 million; a 28% year-on-year increase. Feed cost as a percentage of income for these farmers was estimated to be 81%. Figure 9 illustrates the five-year trend in the bagged feed cost and price of day-old chicks for small broiler producers.

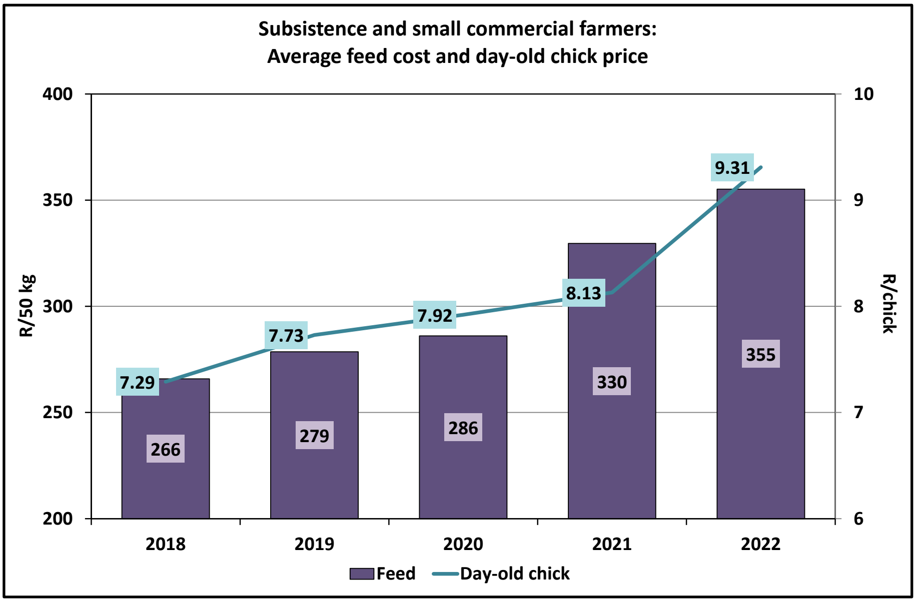

Figure 9: The trend in feed and day-old chick prices

An additional 1 878 tonnes of bulk feed was purchased but the reported price was unrealistic.

7.4. Broiler sales

The average cycle length (from placement to placement) was 11.8 weeks, and the average age at which broilers were sold live was 5.9 weeks (41 days). The sales figures for the year 2022 are summarised in Table 10. The total value of these broiler sales was R67.44 million. The average slaughter fee charged by abattoirs was R6.02 per bird and the average weight at slaughter was 1.79 kg. Figure 10 shows the five-year trend in the prices of live and slaughtered broilers.

TABLE 10: Broiler sales figures

Marketing channel	% of birds	Quantity	Price (R/bird)	Price (R/kg)	Total value (R million)
Live sales	80.3	845 700	66.39		56.11
Abattoir	19.7	207 800	79.79	31.83	11.33

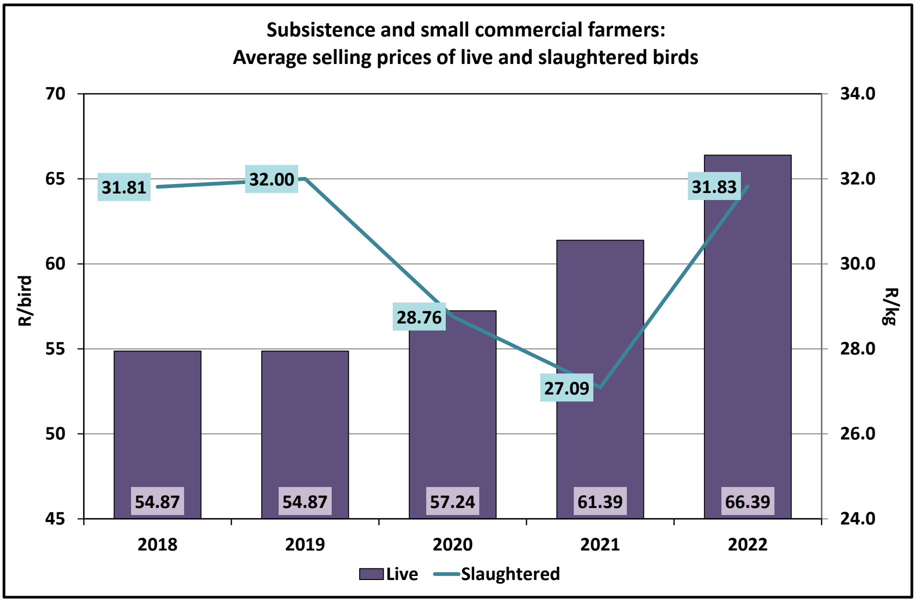

Figure 10: The trend in the selling prices of live and processed broilers

7.5. Contract growers

The larger contract growers rearing more than 40 000 birds per cycle have been removed from the subsistence and small commercial farmer surveys. Seven small contract growers from two provinces responded to the survey in 2022. These farms were located in Limpopo (six) and Mpumalanga (one). The farms had greater male (54%) than female (46%) ownership.

A total of 260 000 chicks were placed on contract farms per cycle, with a farm average of 40 000 chicks placed per cycle. The capacity utilisation of the broiler farms was 94.1%. The average mortality rate on the contract growers' farms was 3.2% and the average age at slaughter was 4.7 weeks (32.9 days).

7.6. Abattoirs

Seven abattoir owners responded to the survey in 2022. These businesses were located in Eastern Cape, KwaZulu-Natal, Limpopo, Mpumalanga, Northern Cape and Western Cape. Four of the businesses were owned by women and three by men.

The average number of birds slaughtered per day was 863, up from 850 in 2021. The abattoirs operated on average four days per week. An estimated 1.09 million birds were slaughtered during the year. Their average slaughter fee was R10.33 per bird and the average selling price for dressed birds was R40.40/kg; an annual increase of 5.9%.

7.7. Challenges

The most common complaints of respondents for 2022 were:

- Poor condition of facilities;
- No finance available for maintaining or upgrading facilities;
- Lack of working capital for feed, chicks and medication;
- The high cost of all farm inputs, especially feed;
- Difficulties sourcing fertile hatching eggs and good quality day-old chicks;
- Chicks delivered late and often of substandard quality;
- Difficulties sourcing reasonably priced feed and vaccines due to remote locations;
- Poor growth rates and high mortality rates due to inclement weather and disease;
- Poor or erratic supply of water and electricity, including load shedding;
- Mismanagement of local municipality causing service delivery issues;
- Unstable or poor market conditions with many competitors;
- Unable to find an abattoir nearby;
- Low or no profit due to high input costs and production problems;
- Cash flow problems owing to non-payment by customers or the use of fake money;
- High crime rate in the area;
- Require further training in poultry husbandry and abattoir management.

8. TRADE

8.1. Poultry imports

Annual poultry imports totalled 373 049 tonnes (source: SARS); this was a decrease of 59 258 tonnes (-13.7%) compared to 2021. The bulk of this was chicken, but 12 642 tonnes of turkey meat and 153 tonnes of other poultry meat were also imported during the year.

Poultry imports made up 16.4% of poultry meat consumption, compared to 18.9% in 2021.

The FOB value of poultry imports amounted to R4.566 billion; a decrease of R788.8 million (-14.7%) from the 2021 value.

For the sixth consecutive year, Brazil was the main country of origin of poultry imports, accounting for 75.6% (up from 66.6% in 2021) or 282 128 tonnes. The USA was the second largest country of origin, with 12.8% or 47 774 tonnes; followed by Argentina (9.0% or 33 455 tonnes). As a whole, the EU contributed 0.6% (2 199 tonnes) to total poultry imports, compared to 8.8% in 2021.

8.2. Chicken imports

Chicken imports amounted to 360 252 tonnes; 46 575 tonnes less (-11.4%) than in 2021 (Figure 11). Chicken imports represented 96.6% of total poultry imports. Of the total chicken meat imported, 359 683 tonnes was frozen (99.8%), 9.5 tonnes was fresh and 153.5 tonnes was processed.

Chicken meat imports were equivalent to 18.5% of domestic chicken meat production and 15.9% of consumption in 2022.

The FOB value of chicken imports amounted to R4.184 billion; an annual decrease of 11.2%. The main contributors were frozen mechanically deboned meat (MDM) at R2.050 billion and frozen bone-in portions at R1.396 billion; 49.0% and 33.4% of the value of chicken imports respectively.

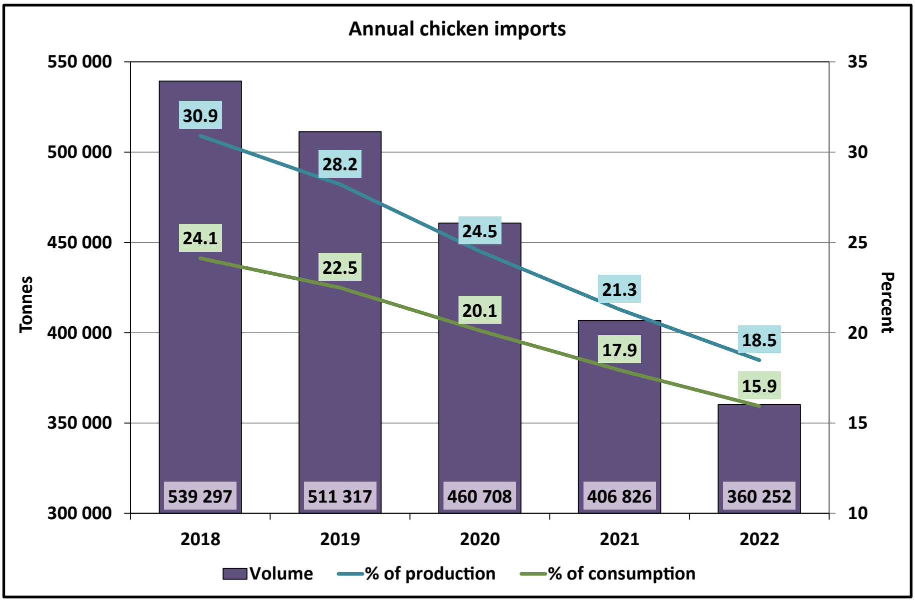

Figure 11: Annual chicken meat imports from all countries

Table 11 reflects the different frozen products in terms of volume and value, and their percentage changes, compared to the previous year. Of the 91 282 tonnes of bone-in portions, 67.5% were leg quarters, 16.3% drumsticks, 9.8% wings, 4.4% thighs, 0.2% bone-in breast portions, and 1.8% other bone-in cuts.

TABLE 11: Frozen chicken imports (source: SARS)

Product	Volume (tonnes)	% change	Value (R million)	% change
MDM	189 584	4.6	2 050.3	26.8
Bone-in portions	91 282	-32.1	1 395.9	-28.6
Whole frozen birds	1 003	-92.4	19.7	-92.4
Carcasses	7 009	-2.1	54.8	23.5
Boneless portions	2 242	-77.0	67.8	-67.9
Offal	68 562	14.1	573.5	-3.7
Total	**359 683**	**-11.4**	**4 162.0**	**-11.1**

Chicken imports from Brazil decreased from 280 131 tonnes in 2021 to 272 944 tonnes (-2.6%) in 2022 (Figure 12). Brazil's contribution to total chicken imports was 75.8%. These imports were mostly MDM (176 183 tonnes; 64.5% of total) and frozen offal (62 446 tonnes; 22.9% of total). The average price was R11.14/kg; MDM and frozen offal landed at R10.93/kg and R8.40/kg respectively.

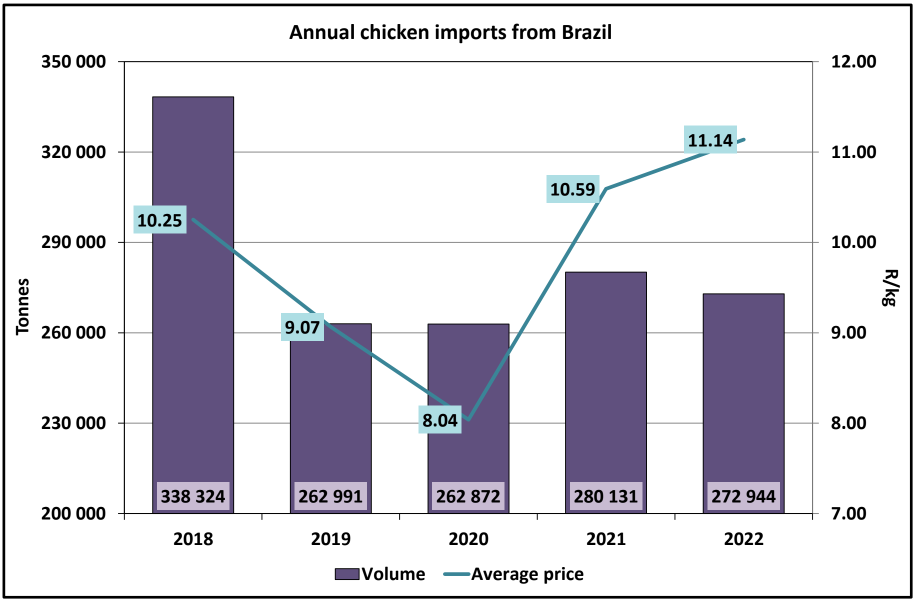

Figure 12: Chicken imports from Brazil

Imports of chicken from the EU amounted to 1 874 tonnes in 2022, compared to 33 128 tonnes the previous year; a 94.3% decrease (Figure 13). These imports landed in South Africa at R16.53/kg and accounted for 0.5% of total chicken imports. Frozen bone-in portions (669 tonnes) made up 35.7% of the EU imports, landing at an average price of R19.34/kg. Imports were severely constrained owing to the widespread HPAI outbreaks in Europe.

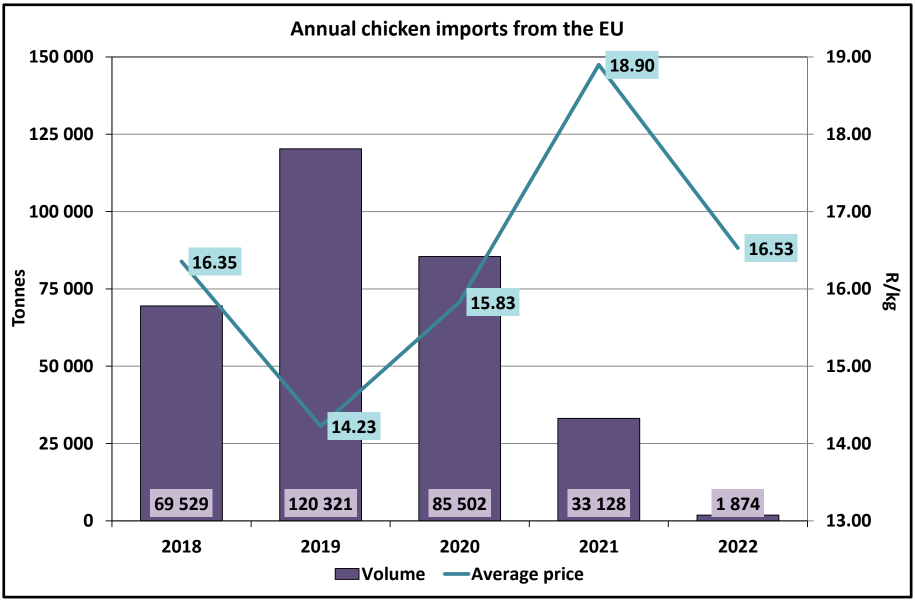

Figure 13: Chicken imports from the EU

Imports of chicken from the USA totalled 46 384 tonnes in 2022, compared to 61 837 tonnes in 2021; a 25.0% decrease (Figure 14). These imports accounted for 12.9% of total chicken imports. Imports of frozen bone-in portions were 45 289 tonnes at an average price of R13.81/kg. Frozen leg quarters (30 440 tonnes) and frozen drumsticks (11 139 tonnes) made up the bulk of these bone-in portion imports (67.2% and 24.6% respectively). Imports from the USA were restricted owing to extensive outbreaks of HPAI H5N1.

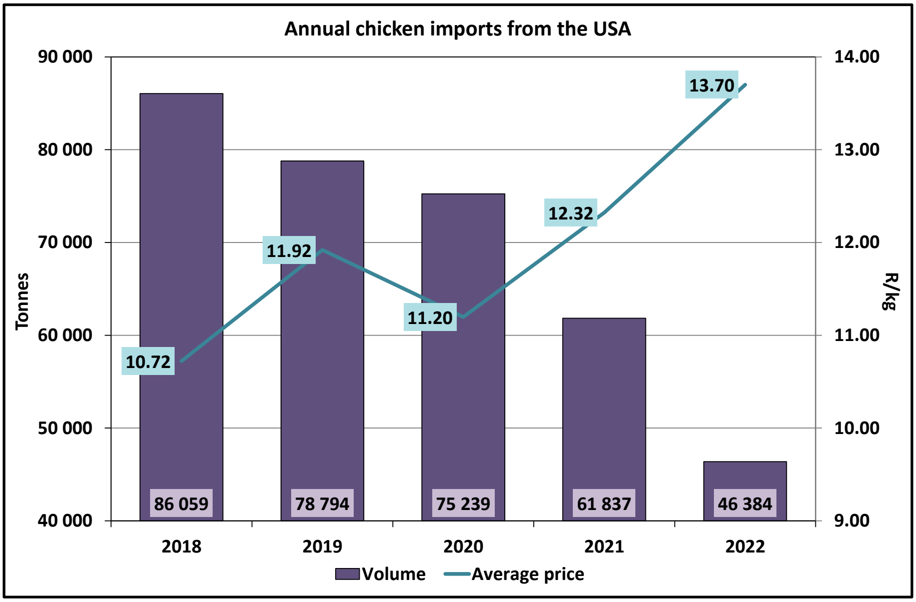

Figure 14: Chicken imports from the USA

In 2022 the USA and Brazil were the two biggest contributors to frozen bone-in portion imports (49.6% and 30.2% respectively), followed by Argentina with 16.6% of the total (Figure 15).

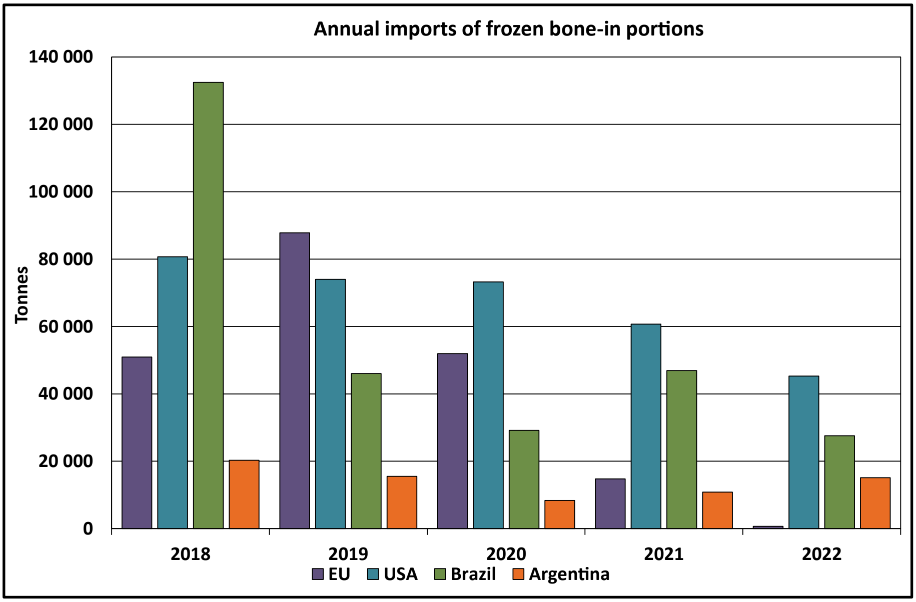

Figure 15: Frozen bone-in portion imports

8.3. Poultry exports

Poultry meat exports totalled 51 641 tonnes in 2022; an increase of 1 030 tonnes (+2.0%) over the previous year. The FOB value of these exports was R1.439 billion, up from R1.153 billion (+24.7%) in 2021.

A total of 50 086 tonnes was chicken meat exports; an annual increase of 1 089 tonnes (+2.2%). The FOB value of these exports was R1.373 billion, up from R1.099 billion (+25.0%) the previous year (Figure 16). According to SARS, chicken meat exports were 97.0% of total poultry exports, with turkey contributing 1.0%, and duck, geese and guinea fowl making up the remaining 2.0%.

Chicken meat exports made up only 2.6% of domestic chicken meat production in 2022, remaining unchanged from the previous year.

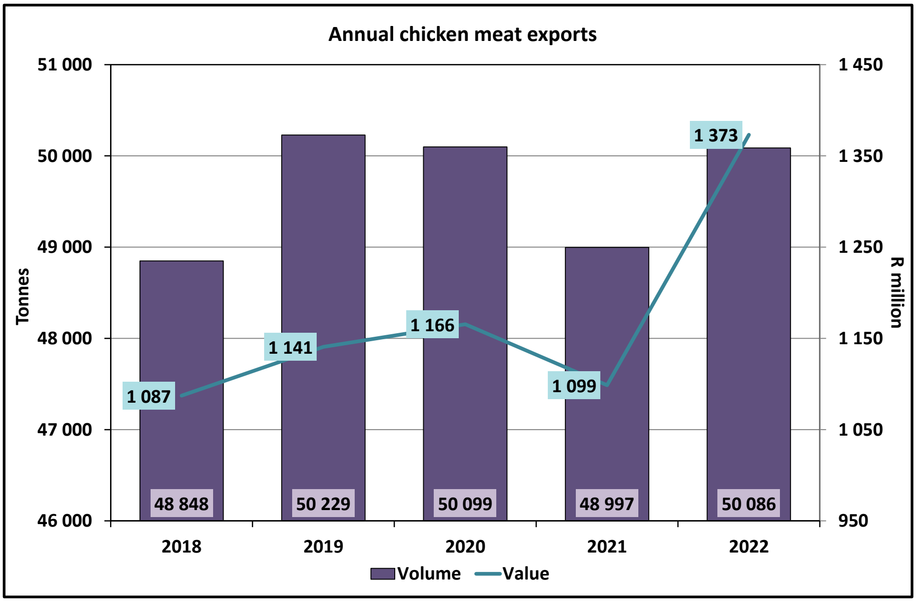

Figure 16: Annual exports of chicken meat

The main destination countries for chicken exports were Lesotho (50.3%), Mozambique (17.8%), Namibia (17.4%), Eswatini (5.2%), Botswana (5.0%), and the United Arab Emirates (1.5%). The remaining 34 destination countries collectively received 2.8% of the exports.

9. THE GLOBAL BROILER INDUSTRY

Global production of poultry meat is expected to increase by 0.6% in 2022, from 137.9 to 138.8 million tonnes (source: Food and Agriculture Organization (FAO), 2022. *Food outlook: biannual report on global food markets: November 2022.*). Total meat production is forecast to increase by 1.2% to reach 360.1 million tonnes. This is mainly due to expansions in China as the pig industry recovers from African swine fever, and in beef and poultry production in South America. In contrast, meat production is expected to decline in the EU. Across the world, farmers' profits have been eroded by high input costs and disease outbreaks.

Global trade in poultry meat is forecast to increase by 2.8%, from 15.8 to 16.2 million tonnes, but trade in all meat will decrease by 0.8% to 41.6 million tonnes. It is anticipated that China's imports of pork will decline as domestic production increases. Many countries are expected to have subdued meat imports due to economic downturns and high global meat prices (source: FAO, 2022. *Food outlook: biannual report on global food markets: November 2022.*).

The long-term shift in consumption towards poultry meat is expected to continue, as chicken is seen to be healthier than other meats in high-income countries and is more affordable in middle- to low-income countries. The FAO projects that by 2031 poultry meat will constitute 47% of all meat proteins consumed.

The poultry meat statistics for 2022 are summarised in Table 12. While Asia was responsible for 38.9% of the production of poultry meat, the continent absorbed 49.8% of the imports and consumed 42.2% of the global utilisation. The biggest exporters were North and South America, achieving a combined total of 56.6% (source: FAO, 2022. *Food outlook: biannual report on global food markets: November 2022.*). Africa's estimated population in 2021 was 1.39 billion people, making up 17.6% of the global population (source: United Nations, Department of Economic and Social Affairs, Population Division (2022). *World population prospects 2022.*), yet the continent's share of production and consumption are only 4.9% and 6.6% respectively.

TABLE 12: Poultry meat statistics for 2022 (thousand tonnes) (source: FAO)

Region	Production	%	Imports	%	Exports	%	Utilisation	%
Africa	6 845	4.9	2 321	15.5	124	0.8	9 042	6.6
Asia	53 927	38.9	7 434	49.8	3 358	20.7	57 996	42.2
Central America	5 573	4.0	1 974	13.2	50	0.3	7 498	5.5
Europe	22 153	16.0	2 232	14.9	3 417	21.0	20 962	15.3
North America	25 226	18.2	405	2.7	3 967	24.4	21 611	15.7
South America	23 417	16.9	450	3.0	5 226	32.2	18 641	13.6
Oceania	1 646	1.2	119	0.8	91	0.6	1 674	1.2
World	**138 787**	**100.0**	**14 935**	**100.0**	**16 233**	**100.0**	**137 424**	**100.0**

The USDA predicts global chicken meat production of 102.9 million tonnes in 2023. Global exports for the year are forecast to be 14.0 million tonnes, with Brazil reaching 4.560 million tonnes and the USA at 3.329 million tonnes (source: USDA, 12 January 2023. *Livestock and poultry: world markets and trade.*). Figure 17 shows a comparison of the USDA statistics, expressed as percentages of the global total, for four major players: the USA, Brazil, the EU and China. Brazil is expected to produce 14% of the world's chicken meat, but to export a staggering 33% of the global total. China, on the other hand, is balanced in terms of its production and consumption.

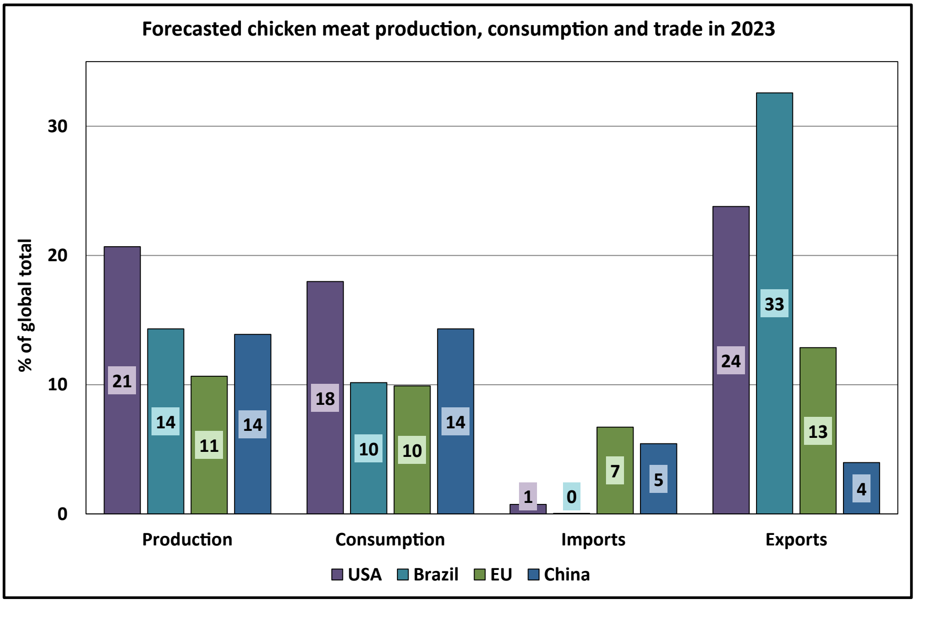

Figure 17: USDA forecasts expressed as a percentage of the global total

Figure 18 shows the annual trend in global meat prices since 2018 (source: FAO, 2022. *Food outlook: biannual report on global food markets: November 2022.*). The poultry meat price index has increased steeply since 2020. Figure 19 illustrates the monthly trend in the poultry meat price index with its peak in June 2022.

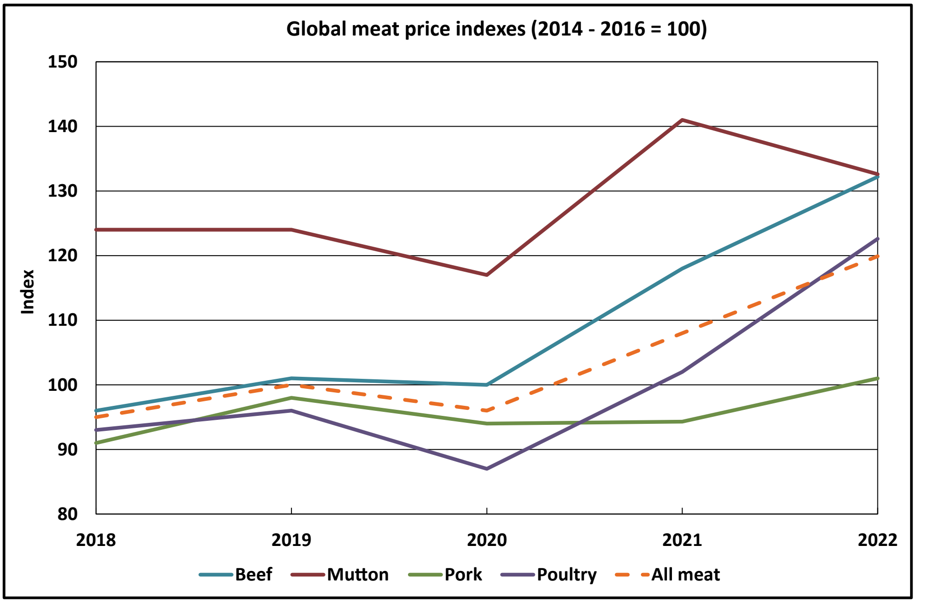

Figure 18: Annual global meat price indexes (source: FAO)

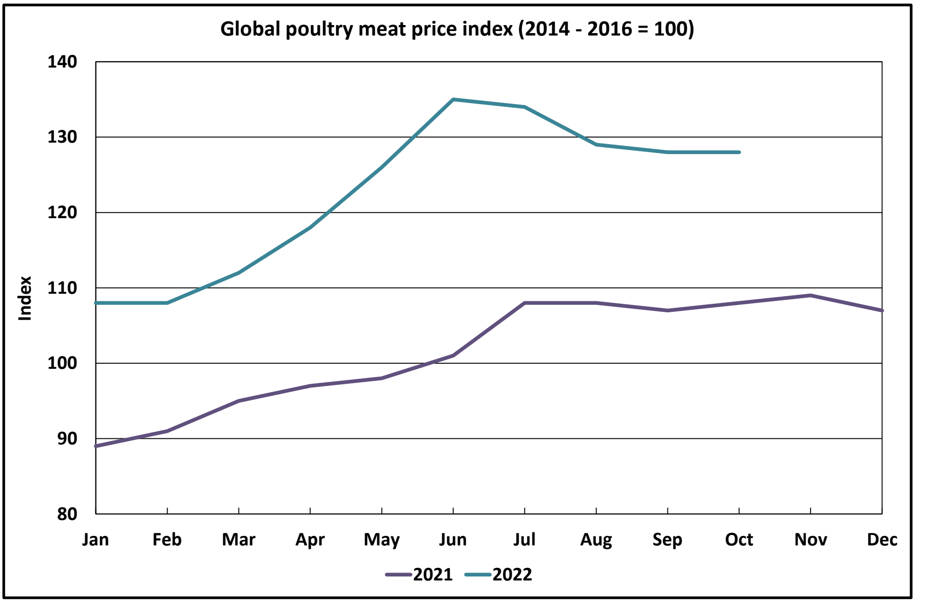

Figure 19: Monthly poultry meat price indexes

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10. PROMOTIONAL ACTIVITIES AND MEDIA EXPOSURE

There was continued focus during the year on the public relations campaign, with the broiler industry receiving regular exposure in the media. Articles highlighting the difference between producer and retail prices, and the impact of load shedding on the poultry industry, were written for *Landbouweekblad*.

The 'buy local' campaign also received media coverage. Shoprite has committed to buy local chicken unless it is in short supply. In addition, the retailer has agreed to use the Proudly South African emblem on its advertising leaflets and on the no-name brand.

The positive outcome of the recent competitiveness study will be used by FairPlay in 2023 to lend credibility to the broiler industry, addressing the perception that it simply looks for tariff protection to hide inefficiencies.

Minister Patel is to be invited to attend an open day in 2023 to showcase the application of technology in broiler production and processing, and to demonstrate the progress with investment in new facilities.

11. FUNDING

A voluntary contribution funding model remains in place to sustain the important work being done by SAPA, the BO and general manager Izaak Breitenbach on behalf of the industry. These financial contributions do not cover all the costs of the BO, largely because of the legal and other expenses incurred in the ongoing fight against dumping.

SAPA continued with efforts to increase revenue streams by canvassing for new members. By the end of 2022, there were 38 allied members of SAPA, who pay monthly contributions in return for access to poultry statistics and other benefits such as preferential advertising opportunities. This membership increased from 23 in 2021. The additional income to the BO from allied membership is almost R800 000 per annum.

12. SUCCESSES

- The findings by BFAP and Wageningen University that our industry is globally competitive;
- Additional investment in production facilities as outlined in the poultry sector masterplan;
- Further momentum in the development of small emerging and black contract growers;
- Targeted support to black producers in the form of business plans, EIAs and water licences;
- An increase in employment in the poultry sector in line with masterplan objectives;
- Comprehensive programme of training and support of small commercial black farmers;
- The arbitration panel ruling against the EU's claims in relation to the safeguard duty;
- Submission of the application to renew the USA anti-dumping duties;
- SARS uncovering and dealing with instances of illegal trade;
- The substantial drop in annual chicken imports (largely due to HPAI outbreaks);
- A slight increase in chicken meat exports;
- Some progress made towards facilitating exports to the EU;
- A rise in the industry's contribution to GDP;
- Contributions to the rural economy and food security by subsistence and small commercial farmers;
- Positive and regular exposure for the BO in the media;
- The launch of the FSA stamp of approval;
- The commitment by Shoprite to buy local chicken.

13. CHALLENGES

- Eskom's failure to bring about an end to load shedding;
- The massive negative implications of a deteriorating electricity supply on agribusinesses;
- Crumbling municipal infrastructure and poor to non-existent service delivery by government;
- The perpetual fight against dumping and illegal trade practices;
- The temporary suspension of anti-dumping duties against five countries by Minister Patel;

- The erosion of trust in government's commitment to the masterplan;
- A potential reversal of the gains made thus far by the implementation of the masterplan;
- Lack of support on various issues due to insufficient state veterinary resources;
- Indecision by industry as to whether to continue with investments in infrastructure;
- Mounting difficulties for small, rural farmers struggling to survive;
- The decrease in membership of the BO;
- Increasing the revenue stream to be able to finance ongoing trade disputes;
- The culling of flocks due to isolated HPAI outbreaks;
- Record-high feed prices eroding profit margins;
- The financial difficulties facing small producers buying feed in bags;
- Producers unable to recover the soaring input costs in chicken price increases;
- The slight drop in per capita consumption of chicken meat;
- Stimulating demand for chicken meat in the face of rising poverty levels amongst consumers;
- Increased chicken imports from Argentina;
- The EU revision of its protocols hampering efforts to obtain access to EU markets.

14. FUTURE PROSPECTS

- Stabilisation in the feed price and other input costs;
- The implementation of permanent anti-dumping duties against Brazil and four EU countries;
- Renewal of the anti-dumping duty on bone-in portions from the USA;
- Reduced levels of imports as the new anti-dumping tariffs take effect;
- Continual action by SARS against transgressors at border posts;
- The outcome of the legal action launched by AMIE to reverse the sunset review decision;
- Approval by Minister Patel of the revision of all trade measures;
- Treasury's ruling on VAT exemption on bone-in portions and offal;
- Outlawing the practice of thawing and refreezing imported chicken products;
- Ongoing implementation of biosecurity procedures to control HPAI infections;
- Vaccinating poultry flocks against HPAI;
- Growing production to catch up with the capacity of expanded facilities;
- Producers moving to alternative energy sources to reduce reliance on Eskom;
- Increased black participation in and ownership of poultry farms and businesses;
- Enhanced support for subsistence and small commercial farmers;
- Working with Proudly South African to increase local demand;
- Capitalising on export opportunities to other SADC countries;
- Exporting cooked chicken and other products to the EU and Saudi Arabia;
- Enhanced compliance with FSA inspections;
- Improving the image of the broiler industry in the minds of consumers;
- Addressing the perception that tariffs are a major driver of retail prices;
- Growing membership of the BO and improving the BO's financial position.

15. CONCLUSION

In the face of the many difficulties that exist as this report is penned, it is evident more than ever that for the South African poultry industry to survive and see long-term sustainability, an active and engaging poultry association contributed to by all broiler producers is of paramount importance. The alternatives are dire and certainly not an option – food insecurity, massive unemployment and deepening poverty.

I would like to take this opportunity to thank Izaak Breitenbach and the team at SAPA for the sterling work they do for the broiler organisation; your efforts are much appreciated.

Financial Statements

"A new tomorrow"

Small footprint. ***Big impact.***

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	A non-profit farmers association for commercial poultry farmers
Board Members	A Sulliman A Van der Merwe W Bosoga C Steenhuisen V Sharp M Stander G Arnold J Mokwene
Registered office	Wild Fig Business Park, Block C 1494 Cranberry Street Honeydew Ext 19 2194
Postal address	P.O. Box 1202 Honeydew 2040
Auditors	BVA Gauteng Inc Chartered Accountants (S.A.) Registered Auditors
PBO number	9300014951

Level of assurance These annual financial statements have been audited in compliance with the applicable requirements of the Constitution of the South African Poultry Association.

THE SOUTH AFRICAN POULTRY ASSOCIATION

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Preparer	The annual financial statements were independently compiled by: Synedrio Consulting Service Proprietary Limited Mr GJ Viviers CA(SA)
Issued	13 April 2023

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The reports and statements set out below comprise the annual financial statements presented to the board:

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Statement of Profit or Loss and Other Comprehensive Income 94

Statement of Changes in Equity 95

Statement of Cash Flows 96

Accounting Policies 97

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The following supplementary information does not form part of the annual financial statements and is unaudited:

Detailed Income Statement 118

Summary of cost per broiler organisation 120

Summary of cost per egg organisation 121

Board's Responsibilities and Approval

The board is required by the Constitution of the South African Poultry Association, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the International Financial Reporting Standards for Small and Medium sized Entities ("IFRS for SME"). The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with the International Financial Reporting Standards for Small and Medium sized Entities ("IFRS for SME") and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The annual financial statements comprise of:

• the statement of financial position;
• the statement of profit or loss and other comprehensive income;
• the statement of changes in equity;
• the statement of cash flows; and
• the accounting policies and notes to the annual financial statements.

The board acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the board to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The board is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The board is satisfied that the entity has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on pages 93 to 117.

The annual financial statements set out on pages 93 to 117, which have been prepared on the going concern basis, were approved by the board on 13 April 2023 and were signed on its behalf by:

A Sulliman

I Breitenbach

Board's Report

The board has pleasure in submitting their report on the annual financial statements of South African Poultry Association for the year ended 31 December 2022.

1. Nature of business

South African Poultry Association was incorporated in 1904 in South Africa as a public benefit organisation. The entity is a non profit farmers association for commercial poultry farmers which discusses and decides on matters of mutual interest and communicates on behalf of the industry.

There have been no material changes to the nature of the business from the prior year.

2. Reporting

The annual financial statements have been prepared in accordance with International Financial Reporting Standards for Small and Medium sized Entities ("IFRS for SME") and the requirements of the Constitution of the South African Poultry Association. The accounting policies have been applied consistently compared to the prior year.

The entity recorded a profit after tax for the year ended 31 December 2022 of R576 816 (2021: R1 944 555).

3. Board members

The board members in office at the date of this report are as follows:

Board members	Designation	Nationality
A Sulliman	Chairman	South African
A Van der Merwe	Vice Chairman/Board member SAPA	South African
W Bosoga	Board member SAPA	South African
C Steenhuisen	Board member SAPA	South African
V Sharp	Board member SAPA	South African
M Stander	Board member SAPA	South African
G Arnold	Executive member/Board member SAPA	South African
J Mokwene	Board member SAPA	South African

4. Events after the reporting period

The board is not aware of any material event which occurred after the reporting date and up to the date of this report.

5. Going concern

The board believe that the entity has adequate financial resources to continue in operation for the foreseeable future.

Accordingly, the board have satisfied themselves that the entity is in a sound financial position and that it has access to sufficient borrowing facilities and support from its holding entity to meet its foreseeable cash requirements. The board is also not aware of any material non compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the entity.

The annual financial statements have accordingly been prepared on the basis of accounting policies applicable to a going concern.

6. Litigation statement

During the financial year, The Association of Meat Importers and Exporters (AMIE) entered into a legal dispute with the South African Poultry Association (SAPA) regarding anti dumping duties implemented on chicken imported from Brazil and four other European Union countries, namely Denmark, Ireland, Poland and Spain. Refer to note 18 of the annual financial statements for detailed disclosure.

Same as recorded above, the directors are not aware of any other legal or arbitration proceedings, including proceedings that are pending or threatened that may have a material effect on the financial position of the company.

7. Auditors

BVA Gauteng Inc. continued in office as auditors for the entity for 2022.

BVA
Auditing & Assurance

BVA Gauteng Inc
IRBA No: 948168
Reg No: 2015/239766/21
Directors: G Cornelissen CA(SA), LJ Fourie CA(SA)
L Edwards CA(SA)

Independent Auditor's Report

To the board of South African Poultry Association

Report on the Audit of the Annual Financial Statements

Opinion

We have audited the annual financial statements of South African Poultry Association (the company) set out on pages 93 - 118, which comprise the statement of financial position as at December 31, 2022, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of South African Poultry Association as at December 31, 2022, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Constitution of the South African Poultry Association.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (Parts 1, 3, 4A and 4B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Independent Auditor's Report (continued)

Other Information

The board is responsible for the other information. The other information comprises of the Board's Report as required by the Constitution of the South African Poultry Association, which we obtained prior to the date of this report. Other information does not include the annual financial statements and our auditor's report thereon.

Our opinion on the annual financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the board for the Annual Financial Statements

The board are responsible for the preparation and fair presentation of the annual financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Constitution of the South African Poultry Association, and for such internal control as the board determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the board are responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

Independent Auditor's Report (continued)

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board.
- Conclude on the appropriateness of the board use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that BVA Gauteng Inc. has been the auditor of South African Poultry Association for 5 years.

BVA Gauteng Inc.
Chartered Accountants (S.A.)
Registered Auditors
Per: Graham Cornelissen
Chartered Accountant (S.A.)
Registered Auditor

April 13, 2023
Johannesburg

Statement of Financial Position as at 31 December 2022

Figures in Rand	Notes	2022	2021
Assets			
Non-Current Assets			
Property, plant and equipment	2	72 022	29 890
Intangible assets	3	2	2
		72 024	**29 892**
Current Assets			
Loans to group entities	5	475 000	500 000
Trade and other receivables	6	12 136 464	2 606 548
Cash and cash equivalents	7	7 132 097	5 093 322
		19 743 561	**8 199 870**
Total Assets		**19 815 585**	**8 229 762**
Equity and Liabilities			
Equity			
Special reserves	8	9 479 715	1 027 614
Accumulated funds		5 647 560	5 370 090
		15 127 275	**6 397 704**
Liabilities			
Current Liabilities			
Trade and other payables	9	1 396 932	1 832 058
Income received in advance	10	3 291 378	-
		4 688 310	**1 832 058**
Total Equity and Liabilities		**19 815 585**	**8 229 762**

The accounting policies on pages 97 to 107 and the notes on pages 108 to 118 form an integral part of the annual financial statements.

Statement of Profit or Loss and Other Comprehensive Income

Figures in Rand	Notes	2022	2021
Revenue	11	29 283 635	30 836 101
Project related costs	12	(171 856)	(30 687)
Gross profit		**29 111 779**	**30 805 414**
Other income	13	146 729	236 478
Operating expenses	14	(28 847 278)	(29 157 135)
Operating profit		**411 230**	**1 884 757**
Investment income	15	165 586	59 798
Profit before tax		**576 816**	**1 944 555**
Tax	16	-	-
Profit for the year		**576 816**	**1 944 555**
Other comprehensive income		-	-
Total comprehensive income (loss) for the year		**576 816**	**1 944 555**

The accounting policies on pages 97 to 107 and the notes on pages 108 to 118 form an integral part of the annual financial statements.

Statement of Changes in Equity

Figures in Rand	Special reserves	Accumulated funds	Total equity
Balance at 01 January 2021	**(1 044 473)**	**5 104 501**	**4 060 028**
Profit for the year	-	1 944 555	1 944 555
Transfer from special reserves	(29 157 135)	29 107 734	(49 401)
Transfer to special reserves	30 811 644	(30 786 700)	24 944
Additional payments	417 578	-	417 578
Balance at 01 January 2022	**1 027 614**	**5 370 090**	**6 397 704**
Profit for the year	-	576 816	576 816
Transfer from special reserves	(28 991 534)	28 984 289	(7 245)
Transfer to special reserves	37 443 635	(29 283 635)	8 160 000
Balance at 31 December 2022	**9 479 715**	**5 647 560**	**15 127 275**

The accounting policies on pages 97 to 107 and the notes on pages 108 to 118 form an integral part of the annual financial statements.

Statement of Cash Flows

Figures in Rand	Notes	2022	2021
Cash flows from operating activities			
Cash used in operations	17	(6 235 086)	864 726
Investment income		165 586	59 798
Net cash (used in) from operating activities		**(6 069 500)**	**924 524**
Cash flows from investing activities			
Acquisition of property, plant and equipment	2	(76 980)	-
Disposal of property, plant and equipment	2	7 494	-
Proceeds received (loans advanced) to group entity		25 000	(500 000)
Net cash used in investing activities		**(44 486)**	**(500 000)**
Cash flows from financing activities			
Net proceeds from special reserves		8 152 761	393 123
Total cash movement for the year		**2 038 775**	**817 647**
Cash at the beginning of the year		5 093 322	4 275 675
Total cash at end of the year	7	**7 132 097**	**5 093 322**

The accounting policies on pages 97 to 107 and the notes on pages 108 to 118 form an integral part of the annual financial statements.

Accounting Policies

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1. Basis of preparation and summary of significant accounting policies

The annual financial statements have been prepared on a going concern basis in accordance with the International Financial Reporting Standards for Small and Medium sized Entities ("IFRS for SME").

These annual financial statements comply with the requirements of the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

These accounting policies are consistent with the previous period.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below.

The accounting policies detailed below have been consistently applied to the entity's financial statements.

Functional and presentation currency

These financial statements are presented in Rand, which is the fund's functional currency and presentation currency. All amounts are rounded to the nearest Rand.

Approval

The annual financial statements were authorised for issue by the chairman on 13 April 2023 and are subject to the approval of the board at the Annual General Meeting.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Accounting Policies (continued)

Trade receivables

The entity assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for loans and receivables is based on the amounts outstanding, which management feel, will not be collected or only partially collected.

Impairment testing

The recoverable amounts of individual assets have been determined based on the higher of value in use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of assets.

Key sources of estimation uncertainty

Useful lives, depreciation methods and residual values

Useful lives, depreciation methods and residual values of the items of property, plant and equipment are reviewed annually. For residual values the estimate is made after taking into account the condition of the item, age and judgement relating to useful lives.

1.2 Control

Management considered the various elements, as set out in IFRS for SME section 9: Consolidated and Separate Financial Statements, on determining whether it controls and should consolidate the interests held in subsidiary and special purpose entity ("SPE") as listed in note 4.

Management has made considerations whether the entity:
- has power over the subsidiary and SPE;
- is exposed to, or has rights to, variable returns from its involvement with the subsidiary and SPE; and
- has the ability to affect those returns through its power over the entity.

The entity has the power to appoint and remove the majority of the board members of the subsidiary and SPE and has the power to direct the relevant activities of the subsidiary and SPE. Therefore, the board of the entity concluded that the entity has the practical ability to direct the relevant activities of the subsidiary and SPE unilaterally and hence the entity has control. Based on these indicators the subsidiary and SPE's are controlled by the entity.

Accounting Policies (continued)

1.3 Property, plant and equipment

Property, plant and equipment are tangible assets which the company holds for its own use and which are expected to be used for more than one period.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Cost includes costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

Depreciation

Depreciation is the systematic allocation of the depreciable amount of an item of plant and equipment over its estimated useful life. Plant and equipment are depreciated and is recognised in profit and loss on the straight line basis over their expected useful lives to their estimated residual value.

Depreciation is recognised on the depreciable amount, of an item of plant and equipment. The depreciable amount is the difference between the cost of an item of plant and equipment and its residual value.

Residual value is the estimated amount that the entity would currently obtain from disposal of an item of plant and equipment, after deducting the estimated costs of disposal, if the item were already of age and in the condition expected at the end of its useful life. The useful lives and residual values of the individual items of plant and equipment are reviewed on an annual basis and any revision to these are accounted for as a change in accounting estimate.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	4 years
Office equipment	Straight line	4 years
IT equipment	Straight line	3 years
Laboratory research equipment	Straight line	5 years

Accounting Policies (continued)

1.3 Property, plant and equipment (continued)

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised. Gains are not included in revenue.

1.4 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Accounting Policies (continued)

Amortisation is provided to write down the intangible assets, on a straight-line basis, as follows:

Item	Useful life
Computer software	3 years

1.5 Financial instruments

Initial recognition and measurement

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument in another entity.

Financial instruments are recognised initially when the entity becomes a party to the contractual provisions of the instruments. The entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. Classification is re-assessed on an annual basis.

Financial instruments are measured initially at fair value. Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Effective interest method

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received) that form an integral part of the effective interest rate, transaction cost and other premiums or discounts through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at fair value through profit or loss.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Accounting Policies (continued)

1.5 Financial instruments (continued)

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derecognition

Financial asset

The entity derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the entity neither transfers nor retains substantially all the risk and rewards of ownership and continues to control the transferred asset, the entity recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The company derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or they expire.

Accounting Policies (continued)

1.5 Financial instruments (continued)

Subsequent measurement

Financial assets

The subsequent measurement of financial assets depends on their classification as follows:

- **Loans to related entities**

These include loans to related entities and are recognised initially at fair value plus direct transaction costs. Loans to group companies are classified as loans and receivables.

- **Trade and other receivables**

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

- **Cash and cash equivalents**

Cash and cash equivalents comprise of cash balances and call deposits with maturities of three months or less from the acquisition date. Cash equivalents are short term, highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in fair value. Interest earned on cash invested with financial institutions is recognised on an accrual basis using the effective interest method.

Accounting Policies (continued)

1.5 Financial instruments (continued)

Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit and loss or at amortised cost, as appropriate. The entity determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value, and in the case of loans and borrowings at amortised costs, plus directly attributable transaction costs.

The entity's financial liabilities include trade and other payable.

Subsequent measurement of financial liabilities depends on their classification as follows:

- **Trade and other payables**

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

1.6 Income received in advance

Income received in advance comprises out of congress income received not recognised until such events has taken place. Congress income is recognised in profit and loss in the period in which these events take place.

1.7 Leases

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

1.8 Stated capital and special reserves

Special reserves

The entity has separate projects and disclose the funds for each project separate in special reserves. The board from time to time authorises the transfers between the relevant reserves as funds are received and used for the expenses relating to that particular project.

Accounting Policies (continue)

1.9 Government grants

Government grants are recognised when there is reasonable assurance that:
- the entity will comply with the conditions attaching to them; and
- the grants will be received.

Government grants are recognised as other income, and disclosed separately in special reserves - projects. The costs incurred relating to the specific grant are recognised in the period in which the expense has occurred in project related costs, and is disclosed separately in the special reserves - projects. When the grant has been received and the utilisation thereof stretch over a long period of time, the funds are deposited in an interest bearing investment, and the interest accrued is recognised in interest income, and disclosed separately in the special reserves - projects.

The special reserves - projects disclose the funds still available per project in the closing balance.

1.10 Revenue

Revenue comprises of:

- Membership fees; and
- Additional membership fees.

Recognition

Revenue earned by the entity is recognised on the following basis:

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Accounting Policies (continued)

1.10 Revenue (continued)

Interest received

Interest is recognised, in profit or loss, using the effective interest method.

1.11 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as leave pay and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted. The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense when incurred.

1.12 Contingent liabilities and contingent assets

A description of contingent liabilities and contingent assets are disclosed in the annual financial statements unless the possibility of the outflow or inflow of economic benefits is remote. Assessment of the likelihood of the economic outflows, and/or inflow taking place, is reviewed on a continual basis.

The contingent liabilities and contingent assets are disclosed by providing an estimate of the financial effect as well as any uncertainties in relation to the financial effects and the timing of the economic outflow/inflow that may take place.

Accounting Policies (continued)

1.13 Events after the reporting period

Should events after the reporting period but prior to authorisation of the annual financial statements be confirmation of circumstances existing prior to the end of the reporting period, the annual financial statements will be accordingly adjusted to include the effects of the events. However, should such events not have any bearing on circumstances that existed prior to the end of the reporting period, such events will be disclosed separately in the notes of the financial statements. Such disclosure includes the nature of the event and its estimated financial effects.

1.14 Related parties

Related parties are considered to be related if one party has the ability to control or jointly control the other party or exercise significant influence over the party in making financial and operational decisions. Key management personnel are also regarded as related parties. Key management personnel are those persons having authority, control and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

1.15 Cash flow statement

The cash flow statement is prepared on the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed.

For purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks net of bank overdrafts, all of which are available for use by the entity unless otherwise stated.

Investing and financing operations that do not require the use of cash and cash equivalents are excluded from the cash flow statement.

Notes to the Annual Financial Statements

2. Property, plant and equipment

	2022			2021		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	361 247	(361 225)	22	361 247	(361 225)	22
Office equipment	334 414	(266 647)	67 767	420 081	(410 034)	10 047
IT equipment	488 359	(484 127)	4 232	514 050	(494 230)	19 820
Laboratory research equipment	28 000	(27 999)	1	28 000	(27 999)	1
Total	**1 212 020**	**(1 139 998)**	**72 022**	**1 323 378**	**(1 293 488)**	**29 890**

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Depreciation	Closing balance
Furniture and fixtures	22	-	-	22
Office equipment	10 047	76 974	(19 254)	67 767
IT equipment	19 820	-	(15 588)	4 232
Laboratory research equipment	1	-	-	1
	29 890	**76 974**	**(34 842)**	**72 022**

Reconciliation of property, plant and equipment 2021

	Opening balance	Disposals	Depreciation	Closing balance
Furniture and fixtures	22	-	-	22
Office equipment	51 719	(3)	(41 669)	10 047
IT equipment	94 089	-	(74 269)	19 820
Laboratory research equipment	1	-	-	1
	145 831	**(3)**	**(155 938)**	**29 890**

Contractual commitments

No current contractual commitments exist to purchase items of plant and equipment.

Notes to the Annual Financial Statements (continued)

3. Intangible assets

	2022			2021		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	4 668	(4 666)	2	4 668	(4 666)	2

4. Investments in controlled entities

Name of subsidiary	% holding 2022	% holding 2021	Carrying amount 2022	Carrying amount 2021
Poultry Bulletin Publications Proprietary Limited	100%	100%	-	-
The Levy Administrator of the SAPA (SPE)	100%	100%	-	-
The Table Egg Levy Administrator of the SAPA (SPE)	100%	100%	-	-

Consolidated financial statements

The annual financial statements presented are not consolidated annual financial statements as the entity prepares separate consolidated financial statements in addition to these separate financial statements.

The consolidated annual financial statements can be obtained from the entity's registered address.

Notes to the Annual Financial Statements (continued)

	2022	2021
5. Loans to group entity		
Related entity		
Poultry Bulletin Publications Proprietary Limited	475 000	500 000

The loan is unsecured, bears no interest and is payable within 9 months or on demand.

	2022	2021
6. Trade and other receivables		
Trade receivables	3 542 555	2 366 790
Gauteng Department: Agriculture and Rural Development	8 160 000	-
Prepayments	346 609	135 740
Deposits	87 300	87 300
VAT	-	16 718
	12 136 464	**2 606 548**

Gauteng Department: Agriculture and Rural Development

This amount relates to the agricultural project entered into with Gauteng Department: Agriculture and Rural Development.

7. Cash and cash equivalents

Cash and cash equivalents consist of:

	2022	2021
Cash on hand	1 367	644
Bank balances	2 264 995	1 726 103
Short-term deposits	4 865 735	3 366 575
	7 132 097	**5 093 322**

Bank balances bear interest at rates linked to the prime lending rate. There are no other external restrictions on the entity's cash and cash equivalents.

Notes to the Annual Financial Statements (continued)

8. Special reserves - projects

2022 Reconciliation of reserves	Opening balance	Additional Payment	Transfer in	Transfer out	Closing balance
AgriSETA - Poultry meat examiners training	147 924	-		-	147 924
Broiler organisation	490 761	-	25 512 076	(25 761 497)	241 340
Egg organisation	361 164	-	3 771 559	(3 222 792)	909 931
AgriSETA interns	13 763	-	-	-	13 763
New small member funding reserve	14 002	-	-	-	14 002
Reserve - Egg aggregation packstation	-	-	8 160 000	(7 245)	8 152 755
	1 027 614	**-**	**37 443 635**	**(28 991 534)**	**9 479 715**

2021 Reconciliation of reserves	Opening balance	Additional Payment	Transfer in	Transfer out	Closing balance
AgriSETA - Poultry meat examiners training	197 325	-	(49 401)	-	147 924
Broiler organisation	(998 644)	371 288	27 800 746	(26 682 629)	490 761
Egg organisation	(617 263)	417 578	3 035 355	(2 474 506)	361 164
AgriSETA interns	13 763	-	-	-	13 763
New small member funding reserve	14 002	-	-	-	14 002
Fairplay Program	346 344	(371 288)	24 944	-	-
	(1 044 473)	**417 578**	**30 811 644**	**(29 157 135)**	**1 027 614**

Notes to the Annual Financial Statements (continued)

Figures in Rand	2022	2021

9. Trade and other payables

Trade payables	313 114	324 158
VAT	223 324	-
Accrued leave pay	443 359	306 358
Accrued expenses	409 411	1 199 205
Other payables	7 724	2 337
	1 396 932	**1 832 058**

Trade payables are generally interest free and settled within 14 to 30 days.

10. Income received in advance

Income received in advance	3 291 378	-

Income received in advance relates to the funds received relating to the congress which will be held in 2023.

11. Revenue

Broiler organisation		
Egg organisation	25 512 076	27 800 746
	3 771 559	3 035 355
	29 283 635	**30 836 101**

12. Project related costs

Congress expenses	171 856	30 687

Notes to the Annual Financial Statements (continued)

Figures in Rand	2022	2021
13. Other income		
Congress	-	(1 984)
Income Dept of Rural Dev and Land Reform	139 235	139 235
Profit on disposal of assets	7 494	520
Sundry income - VAT write off	-	98 707
	146 729	**236 478**

Government grants received

Government grants received relate to the funds received from the various institutes for training or research projects expenses, and the income are separately disclosed in special reserve - projects note 7. The special reserves - projects disclose the funds still available for utilisation per project.

14. Operating profit

Operating profit for the year is stated after accounting for the following:

	2022	2021
Auditor's remuneration - external		
Audit fees	162 452	150 508
Operating lease charges		
Premises		
• Contractual amounts	395 158	373 276
Depreciation on property, plant and equipment	34 842	115 938
Employee costs	7 751 306	6 654 721
Broiler organisation expenses (refer to page 121)	16 240 045	17 695 125
PDMA expenses	1 042 035	1 150 983
Statistics	1 668 617	1 593 434
Travel and subsistence	148 763	50 711

Notes to the Annual Financial Statements (continued)

Figures in Rand	2022	2021
15. Interest income		
Interest income		
Bank and other cash	16 426	227
Fixed term deposits	149 160	59 571
	165 586	**59 798**

16. Tax

The entity is exempt from tax in terms of Section 10(1)(d)(iv)(bb) of the Income Tax Act and has been approved by the South African Revenue Services.

It is required that the entity should be re accredited as a tax exempt body by the South African Revenue Services on an annual basis upon receipt of the annual income tax return, and certain conditions being met.

17. Cash used in operations

	2022	2021
Profit before taxation	576 816	1 944 555
Adjustments for:		
Depreciation	34 842	115 938
Profit on sale of assets	(7 494)	-
Interest received	(165 586)	(59 798)
Changes in working capital:		
Trade and other receivables	(9 529 916)	1 362 699
Trade and other payables	(435 126)	(2 498 6680
Income received in advance	3 291 38	-
	(6 235 086)	**864 726**

Notes to the Annual Financial Statements (continued)

Figures in Rand	2022	2021

18. Contingencies

The AMIE SA matter

During the financial year, The Association of Meat Importers and Exporters (AMIE) entered into a legal dispute with the South African Poultry Association (SAPA) regarding anti dumping duties implemented on chicken imported from Brazil and four other European Union countries, namely Denmark, Ireland, Poland and Spain.

The anti dumping duty was deemed necessary by SAPA, as dumped imports are causing material injury to the domestic industry, due to the abovementioned countries selling frozen chicken portions to the South African market at prices lower than the local production costs, or lower than the selling prices in the South African local markets.

The Association of Meat Importers & Exporters (AMIE) are opposing the anti dumping duties. The AMIE believes that SAPA's application was flawed and that there was no clear evidence of material injury to the local industry due to dumping. Furthermore, the AMIE is of the opinion that these tariffs are aimed at discontinuing imports completely and creating a monopoly in the local industry. The objective of the legal case dispute imposed by the AIME, is to have the anti dumping duties reduced or eliminated completely.

After closely considering the alleged claim, the management of SAPA is unable to reliably determine what the final outcome of this claim will be. The anti dumping duty is payable to the South African Revenue Services (SARS) upon import of poultry from the aforementioned countries, and as a result no revenue will be generated or lost by SAPA. It is however expected that legal costs will be incurred. The extent of these legal costs are not quantifiable at this point in time. No provision has been raised, however this contingent liability is disclosed. It is expected that the this issue will be resolved within the next 12 months.

Tax

The entity has an exemption from tax in terms of Section 10(1)(d)(iv)(bb) of the Income Tax Act and has been approved by the South African Revenue Services. It is required that these entities should be re accredited as tax exempt bodies by the South African Revenue Services on an annual basis upon receipt of the annual income tax returns, and certain conditions being met.

There are no other known material contingent assets or contingent liabilities at year end.

Notes to the Annual Financial Statements (continued)

Figures in Rand	2022	2021

20. Related parties

Relationships

Subsidiaries	Poultry Bulletin Publications Proprietary Limited
Special purpose entity	The Levy Administrator of the South African Poultry Association The Table Egg Levy Administrator of the South African Poultry Association
Members of key management	I Breitenbach Dr A Balarane

Related party balances and transactions with entities over which the entity has control or significant influence

(a) Related party balances

	2022	2021
Amounts owing by related parties		
Poultry Bulletin Publications Proprietary Limited	475 000	500 000
Amounts included in trade and other receivables regarding related parties		
The Table Egg Levy Administrator of the South African Poultry Association	543 422	343 908

(b) Related party transactions

	2022	2021
Revenue recieved from related parties		
The Table Egg Levy Administrator of the South African Poultry Association	(3 091 692)	(1 640 563)
Administration and consulting fees received from related parties		
The Table Egg Levy Administrator of the South African Poultry Association		
- 10% charge on admin fee	(456 149)	(455 812)
- General project share	-	(770 040)
- Travel	(52 146)	(19 883)
- Galliova	(1 898)	-
	(510 193)	**(1 245 735)**

Notes to the Annual Financial Statements (continued)

Figures in Rand	2022	2021
Compensation to members of key management		
Short-term employee benefits	5 361 224	3 471 000

20. Going concern

The board believe that the entity has adequate financial resources to continue in operation for the foreseeable future.

Accordingly, the board have satisfied themselves that the entity is in a sound financial position and that it has access to sufficient borrowing facilities and support from its holding entity to meet its foreseeable cash requirements. The board is also not aware of any material non compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the entity.

The annual financial statements have accordingly been prepared on the basis of accounting policies applicable to a going concern.

21. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

Detailed Income Statement

Figures in Rand	Notes	2022	2021
Revenue			
Broiler organisation		25 512 076	27 800 746
Egg organisation		3 771 559	3 035 355
	11	**29 283 635**	**30 836 101**
Project related costs	12	**(171 856)**	**(30 687)**
Gross profit		**29 111 779**	**30 805 414**
Other income			
Congress		-	(1 984)
Income Dept of Rural Dev and Land Reform	13	139 235	139 235
Interest received	15	165 586	59 798
Profit on disposal of assets		7 494	520
Sundry income VAT write off		-	98 707
		312 315	**296 276**
Expenses (Refer to page 119)		**(28 847 278)**	**(29 157 135)**
Profit for the year		**576 816**	**1 944 555**

The supplementary information presented does not form part of the annual financial statements and is unaudited.

Detailed Income Statement

Figures in Rand	Notes	2022	2021
Operating expenses			
Accounting and consulting fees		(14 109)	(7 596)
Auditors remuneration		(162 452)	(150 508)
Bank charges		(26 248)	(29 874)
Broiler organisation expenses		(16 240 045)	(17 695 125)
Cleaning		(3 042)	(5 003)
Communications		(61 640)	(58 833)
Data base maintenance		(375 575)	(345 840)
Depreciation		(34 842)	(115 938)
Egg organisation expenses		(22)	-
Employee costs		(7 751 306)	(6 654 721)
Leasing charges		(1 937)	-
IT expenses		(136 137)	(154 496)
IT licence fees (Accounting package)		(12 633)	(16 725)
Insurance		(66 822)	(58 660)
Lease rentals on operating lease		(395 158)	(373 276)
Legal expenses		(64 019)	(205 271)
Maintenance copiers		(41 076)	(14 910)
Municipal expenses		(63 719)	(51 023)
PDMA expenses		(1 042 035)	(1 150 983)
Postage		(7 599)	(943)
Printing and stationery		(32 249)	(13 471)
Repairs and maintenance		(4 774)	(7 518)
Security		(7 409)	(5 083)
Small office equipment		(4 414)	(2 315)
Staff recruitment		(144 418)	-
Staff welfare		(21 518)	(10 116)
Statistics		(1 668 617)	(1 593 434)
Subscriptions		(13 608)	(12 230)
Telephone		(91 635)	(98 668)
Transformation		(25 407)	(27 184)
Travel and subsistence		(148 763)	(50 711)
Web page management		(184 050)	(246 680)
		(28 847 278)	**(29 157 135)**

Summary of cost per broiler organisation

Figures in Rand	2022	2021
1. Broiler organisation		
Own expenses		
AMIE	2 099 170	-
Amie statutory levy application	254 373	-
Brazil / Argentina threat	3 126 841	2 942 535
Committee expenses	65 487	39 506
Fairplay program	5 004 000	4 817 000
Galliova	398 816	189 372
IPC	77 873	63 008
MFN applications	-	69 471
Namibian infant industries	-	405 042
Wageningen Univ.Global Comp	183 309	-
Masterplan	121 958	-
Other assistance	73 609	217 813
Public relations	804 857	825 481
Trade research	282 751	660 938
EU, USA AD sunset review	3 287 050	2 456 699
Rebate Apps Finlar BRM Matad	300 195	-
Safeguard	146 781	2 060 571
Tariff Structure Investigation	12 975	2 947 689
Total	**16 240 045**	**17 695 125**
General projects		
Communications	49 312	47 066
Data base maintenance	300 460	276 672
PDMA expenses	833 628	798 895
Transformation	20 325	21 747
Statistics	1 334 893	1 274 747
Web page maintenance	147 240	197 344
Total	**2 685 858**	**2 616 471**
Salaries and administration share	6 835 596	6 371 033
Grand total	**25 761 499**	**26 682 629**

The supplementary information presented does not form part of the annual financial statements and is unaudited.

Summary of cost per egg organisation

Figures in Rand	2022	2021
2. Egg organisation		
General projects		
Communications	12 328	11 767
Data base maintenance	75 115	69 168
PDMA expenses	208 407	352 088
Transformation	5 081	5 437
Statistics	333 723	318 686
Web page maintenance	36 810	49 336
Total	**671 464**	**806 482**
Salaries and administration share	2 551 327	1 668 023
Grand total	**3 222 791**	**2 474 505**

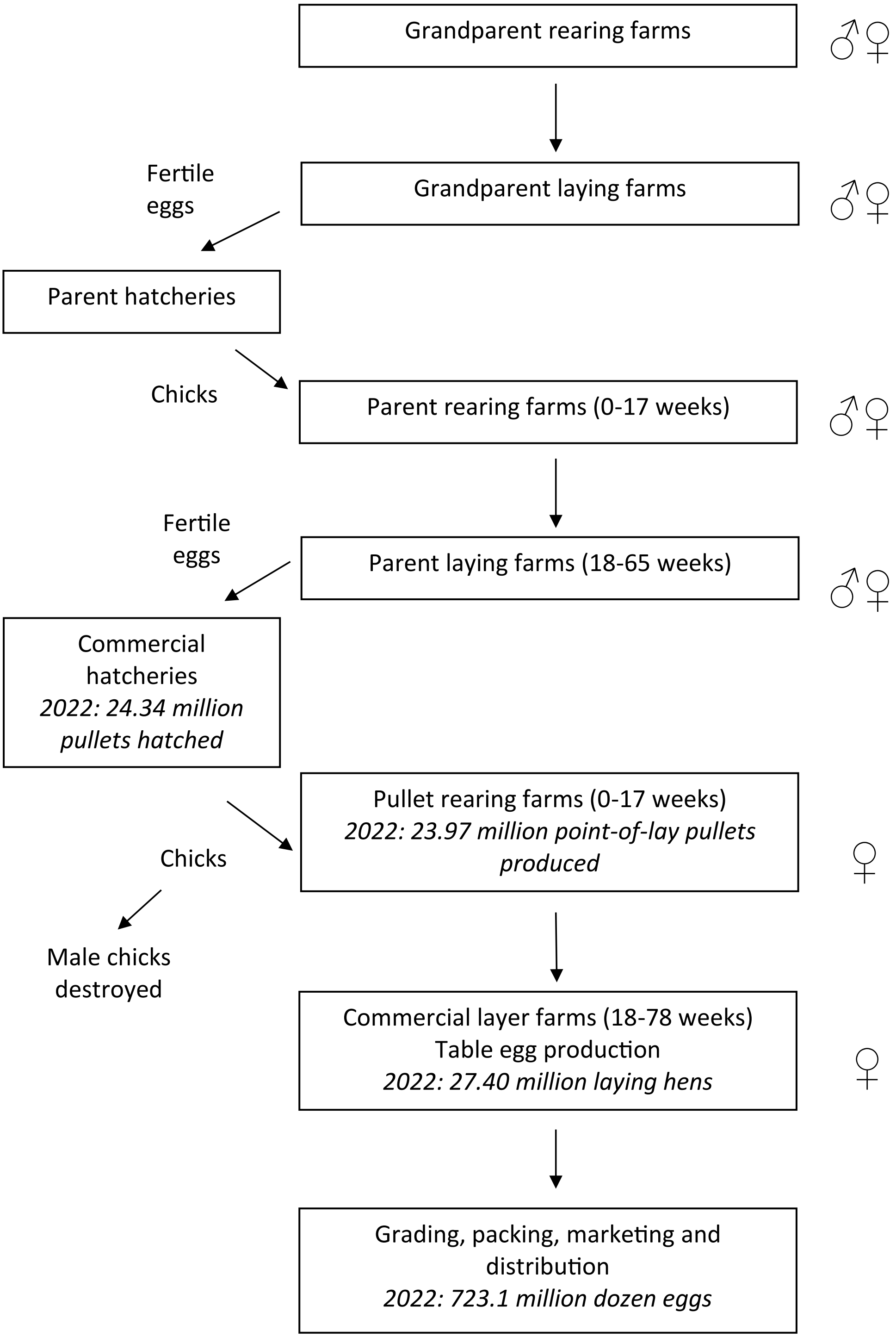
The supplementary information presented does not form part of the annual financial statements and is unaudited.

Structures

"A new tomorrow"

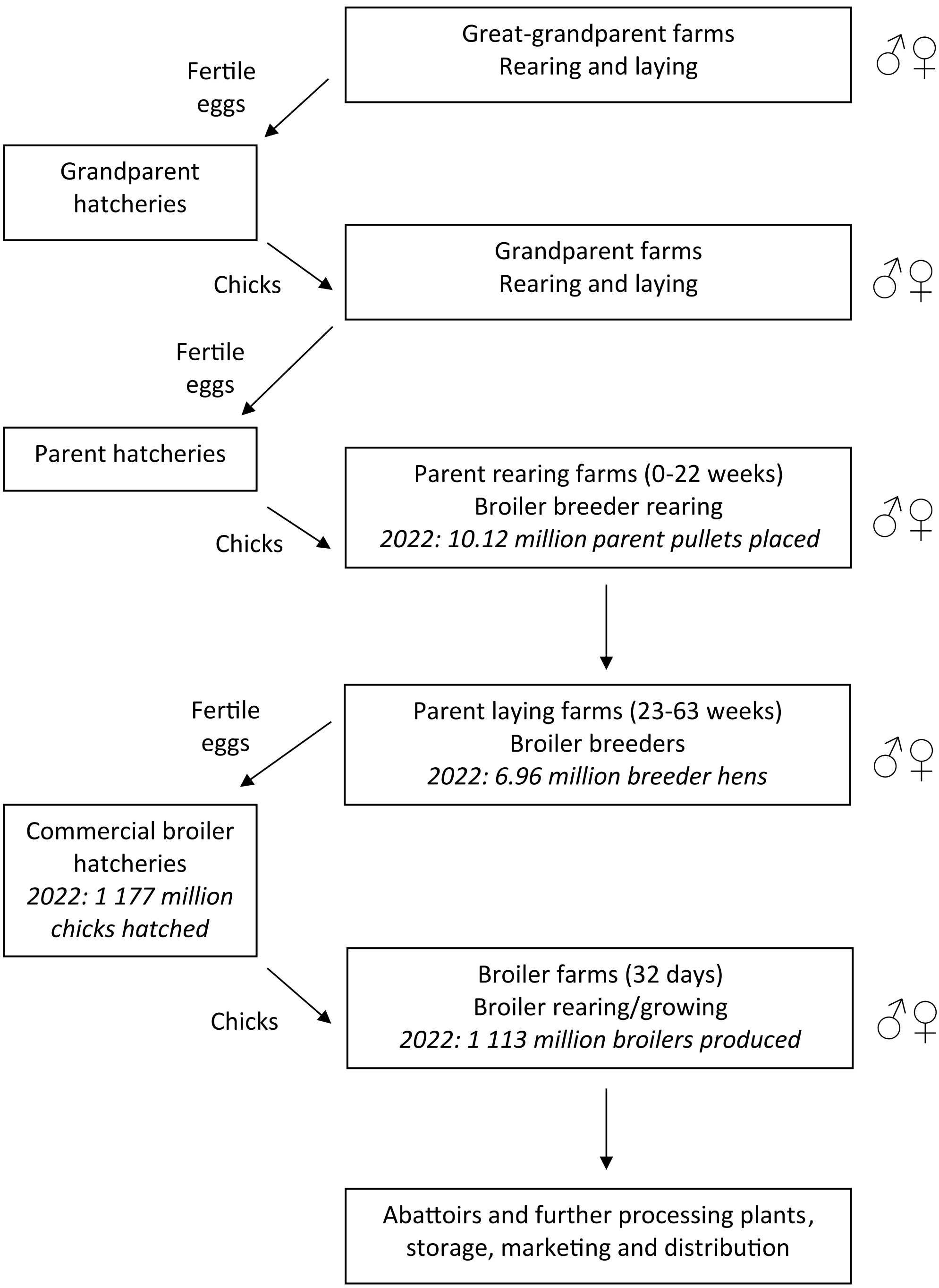
Small footprint. ***Big impact.***

Structure of the Egg Industry



Genetics: Dekalb, Hy-Line, Lohmann, indigenous

Structure of the Broiler Industry



Genetics: Abilene, Arbor Acres, Cobb, Indian River, Ross

“A new tomorrow”

Small footprint. ***Big impact.***

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