



**SOUTH AFRICAN POULTRY ASSOCIATION**

Founded 1904



# **BROILER ORGANISATION CHAIRPERSON'S REPORT 2022**

**PRESENTED BY  
GARY ARNOLD**

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# INTRODUCTION

Year started on a positive note

Progressive implementation of  
masterplan

Imports declined  
(partly due to HPAI)

Investment yielded results

Jobs created, black farmers part  
of value chain

# Anti-dumping duties against Brazil, 4 EU countries

- 6 months of provisional anti-dumping duties
- ITAC confirmed dumping taking place
- But definitive duties suspended by Minister Patel for 12 months
- Minister concerned about soaring food cost for poor consumers

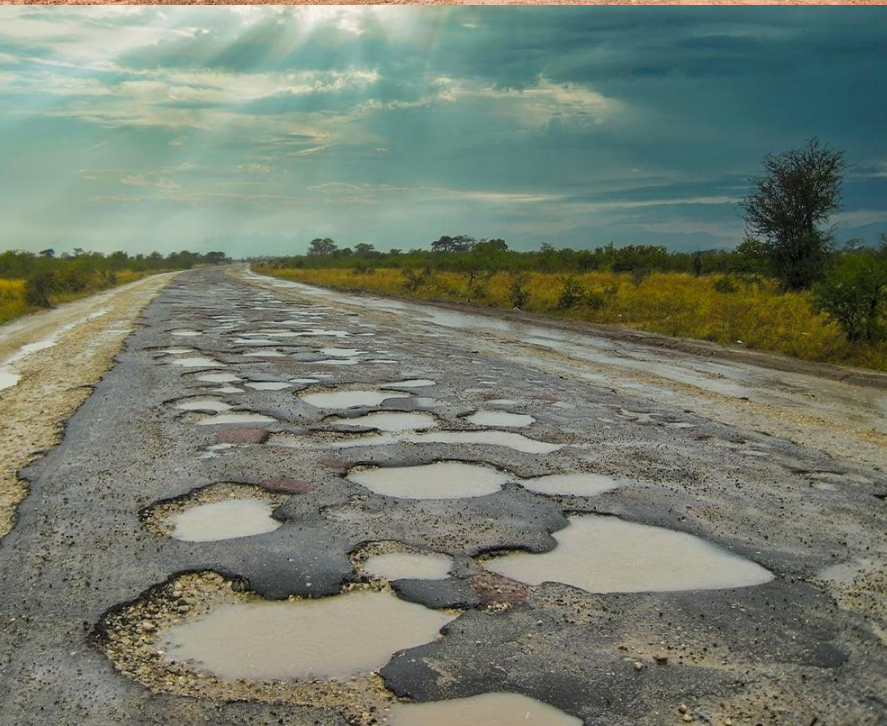


# Flies against spirit of masterplan

- Industry sensitive to plight of cash-strapped consumers
- But tariff measures an important pillar to stop dumping
- Decision calls into question trust invested in masterplan
- Will not help transformation, investment, job creation, rural economy

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# Failure of government

- Infrastructure not maintained
- Lack of basic service delivery
- Ongoing load shedding
- Disastrous impact on industry
- Small-scale farmers without cash reserves disproportionately affected



# Broiler industry in crisis

- Eskom unable to fix issues
- Farms and processing plants burdened with huge cost of fuel
- Production cutbacks to minimise losses
  - Less throughput at abattoirs
  - Broilers kept on farms for longer, feed cost increased
  - Margins wiped out

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# Adding to difficulties

- Feed prices escalated, reaching record highs
- Underpinned by inflated global maize and soya bean prices
  - Caused by droughts, Russia-Ukraine conflict, weak rand
- Dashed hopes of recovery post Covid-19

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# HPAI H5N1

- Sporadic cases, 57 500 birds culled in 2022
- 801 000 in 2021
- 0.8% of broiler industry birds affected by virus
- Total loss (with egg industry): 3.8 m birds
- Remain vigilant
  - Virus still circulating in wild birds
  - Spreading rapidly across globe

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**BFAP**

DATA  
DRIVEN  
INSIGHT



**WAGENINGEN**  
UNIVERSITY & RESEARCH

# Industry competitiveness

- Study done by BFAP and Wageningen University
- SA is globally competitive on technical production efficiency basis
- Ranking improved since 2019
- But we lag USA and Brazil on cost efficiency basis owing to:
  - Higher feed prices
  - Spiralling local cost inflation

# BROILER ORGANISATION MEMBERSHIP

123 current members  
(128 in 2021)

Represents about 80% of  
broilers processed

Includes small-scale, medium  
and large producers



# INDUSTRY OVERVIEW

## Poultry sector master plan

- **Pillar 1: Investment**

- R1.8 b spent on production facilities
  - 1 888 jobs created
- Further R570 m pledged, 712 more jobs by 2024
  - Shelved due to load shedding, rising costs
- Gross value of industry increased to R59 b
  - 2024 target: R61 b

# Black contract growers

13 established, 15 in pipeline

Farming with 17.2 m broilers

Target of 50 growers not realistic –  
local demand and exports not growing

# Training 2022

- Biosecurity training and audits wrapped up
- 304 black farmers trained in different aspects
- 3-year skills plan submitted to AgriSETA

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# Pillar 4

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## Pillar 5

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ITAC to review entire tariff framework

Aim: to address illegal trade



## EU TRADE

- Safeguard duty expired March 2022
- EU had registered a dispute in 2019
- Sept 2022: arbitration panel ruled in favour of SACU, dismissed EU claims
- Landmark victory for SACU







# Exports to EU

- A priority to obtain access
- Work done, progress slow
- DALRRD submitted VPN and residue monitoring programme to EU
- Rejected - EU had revised its protocols

# Anti-dumping duties against Brazil, Denmark, Ireland, Poland, Spain

- Provisional duties implemented Dec 2021, lapsed June 2022
- Aug: Minister Patel delayed permanent duties by 12 months
  - Concerned about impact of duties on retail prices
- Flies against spirit of masterplan

## Anti-dumping duties against Germany, UK, Netherlands

- Sunset review in 2021
- Aug 2021: Renewed for 5 years
- ITAC found that dumping still taking place
- 2022: AMIE launched legal action against SAPA, DTIC
- Process continuing in 2023

## Anti-dumping duties against USA

- Expired Nov 2022
- SAPA applied to ITAC to renew
- Minister Patel has 18 months to decide
- Until then current duty (R9.40/kg) remains in place



# AGOA

Quota: 71 290 t bone-in portions duty-free

Apr 2021 – Mar 2022: USA sent 59 798 t

Apr – Dec 2022: 27 544 t exported (curtailed by HPAI)

AGOA agreement lapses in 2025

# SADC trade

- Taking place despite HPAI outbreaks
- AfCFTA operational from Jan 2021
- Ongoing negotiations
- Complex process

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Creating One African Market

**African Continental  
Free Trade Area (AfCFTA)**



# Proposal for VAT-free chicken

- Issue raised by numerous organisations
- To provide more affordable chicken for low-income households
- Formal application submitted to Treasury in 2023
- Bone-in portions and offal only

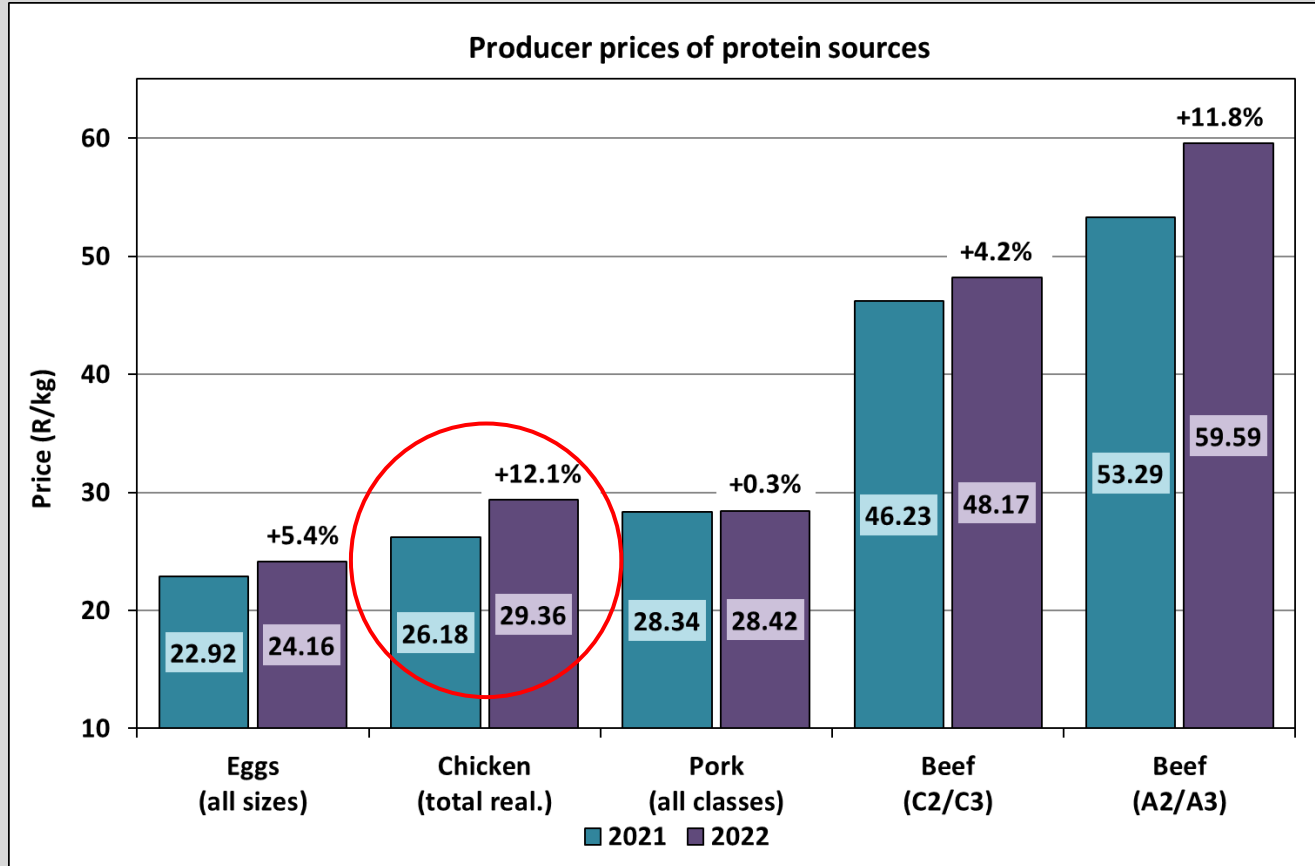
# Food safety



- FSA appointed by DALRRD in 2017 to enforce quality regulations
- Inspections of premises required by law
- Stamp of approval finalised in 2022
- Companies in good standing with FSA can use stamp
  - Proof of compliance with food safety audits

# INDUSTRY STATISTICS 2022:

## Price comparison of protein sources

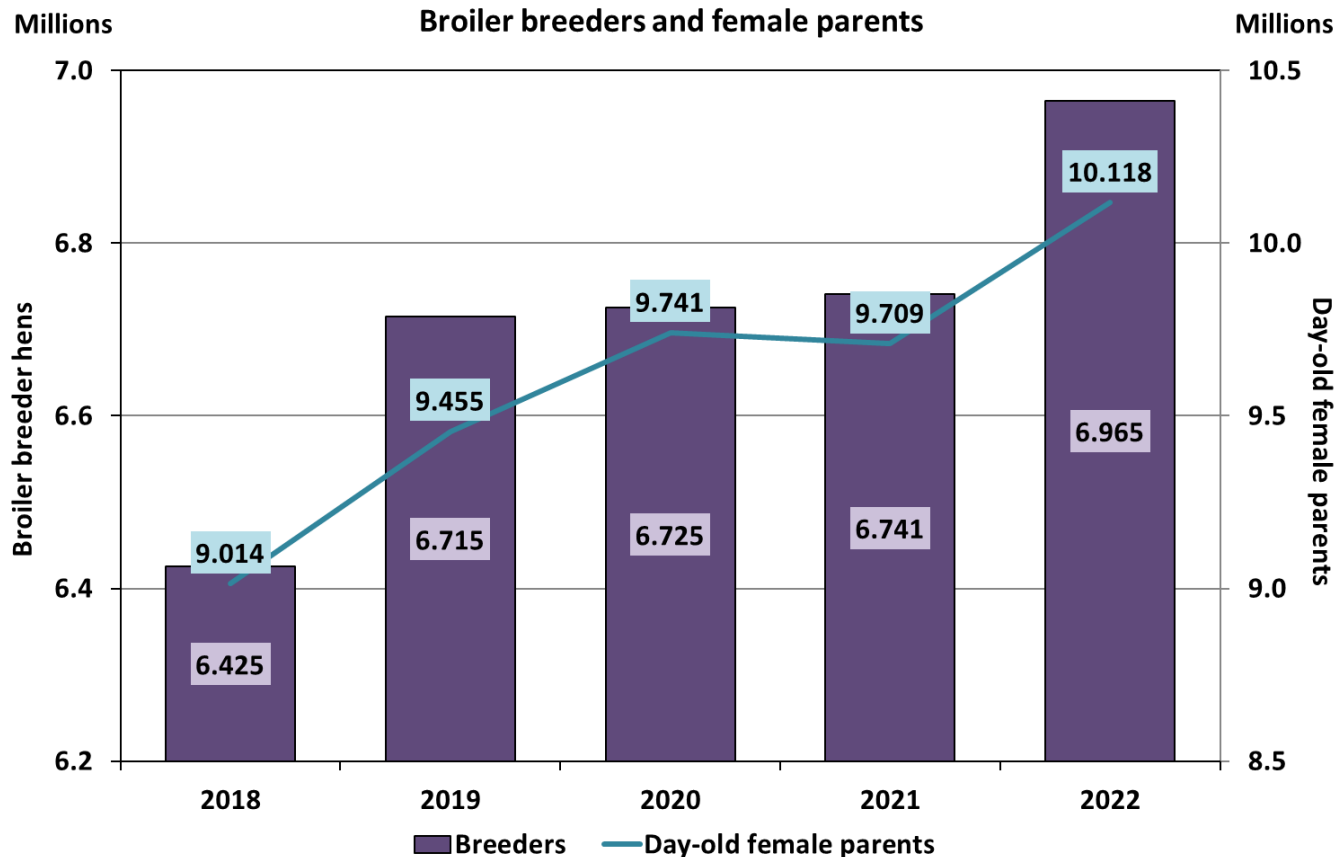


Avg.  
producer  
price:  
R29.36/kg  
(+12.1% y/y)

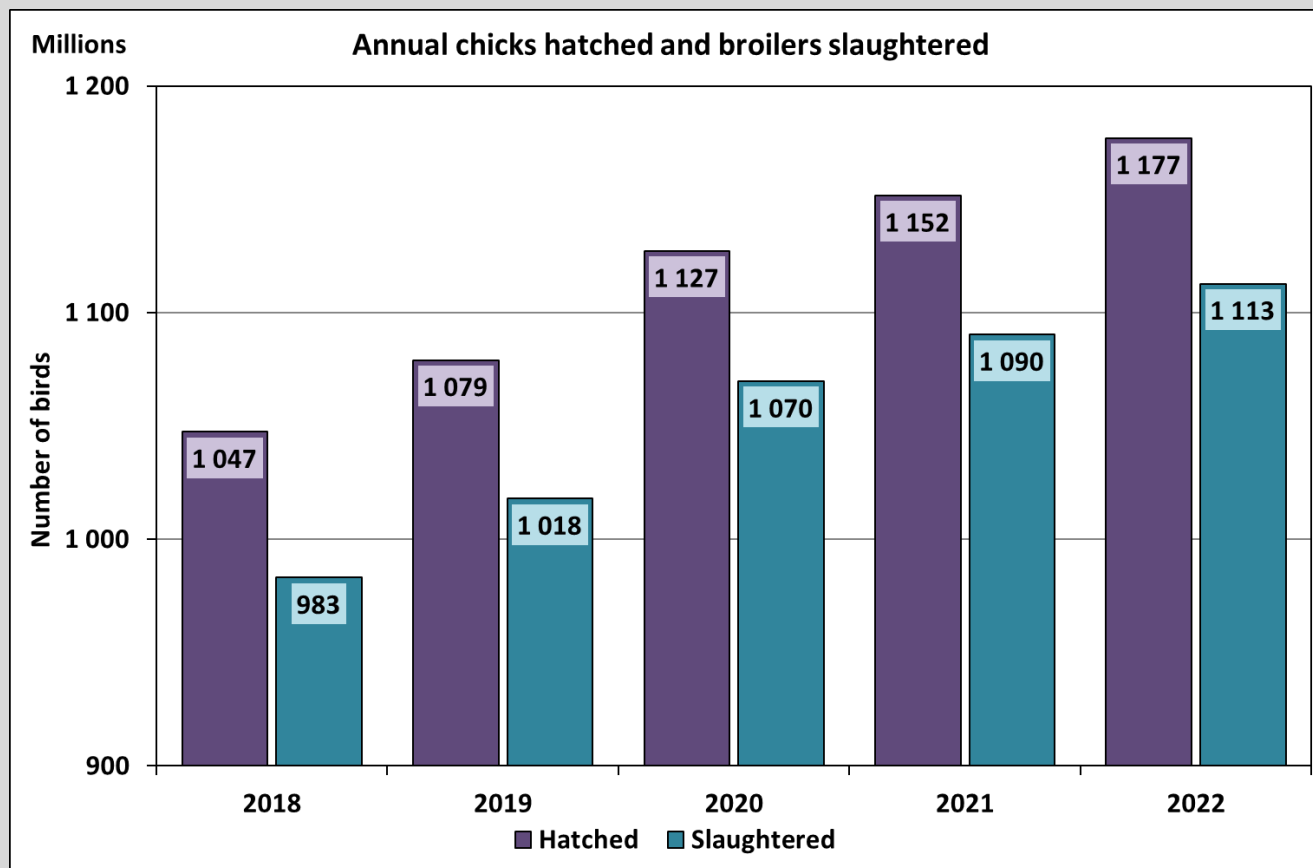


# Broiler breeder flock

- 10.118 m female parents placed (+4.2%)
- 6.965 m breeder hens (+3.3%)



# Day-old chicks and broiler production

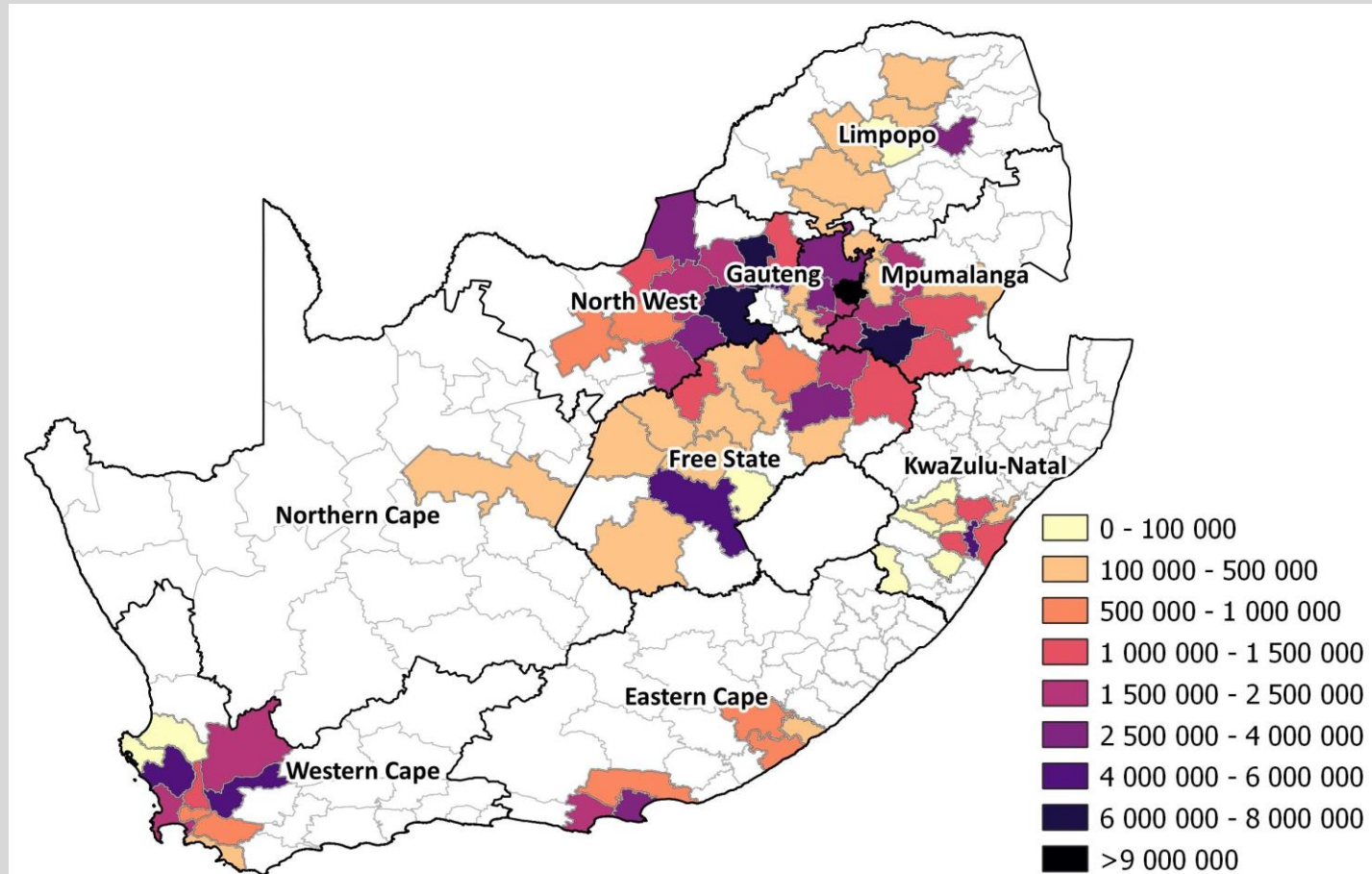


Chicks hatched: 1 177 m (+2.2%)

Broilers slaughtered: 1 113 m (+2.1%)

# Distribution of birds per local municipality

Highest density: Victor Khanye and Lekwa, Mpumalanga



Source: SAPA

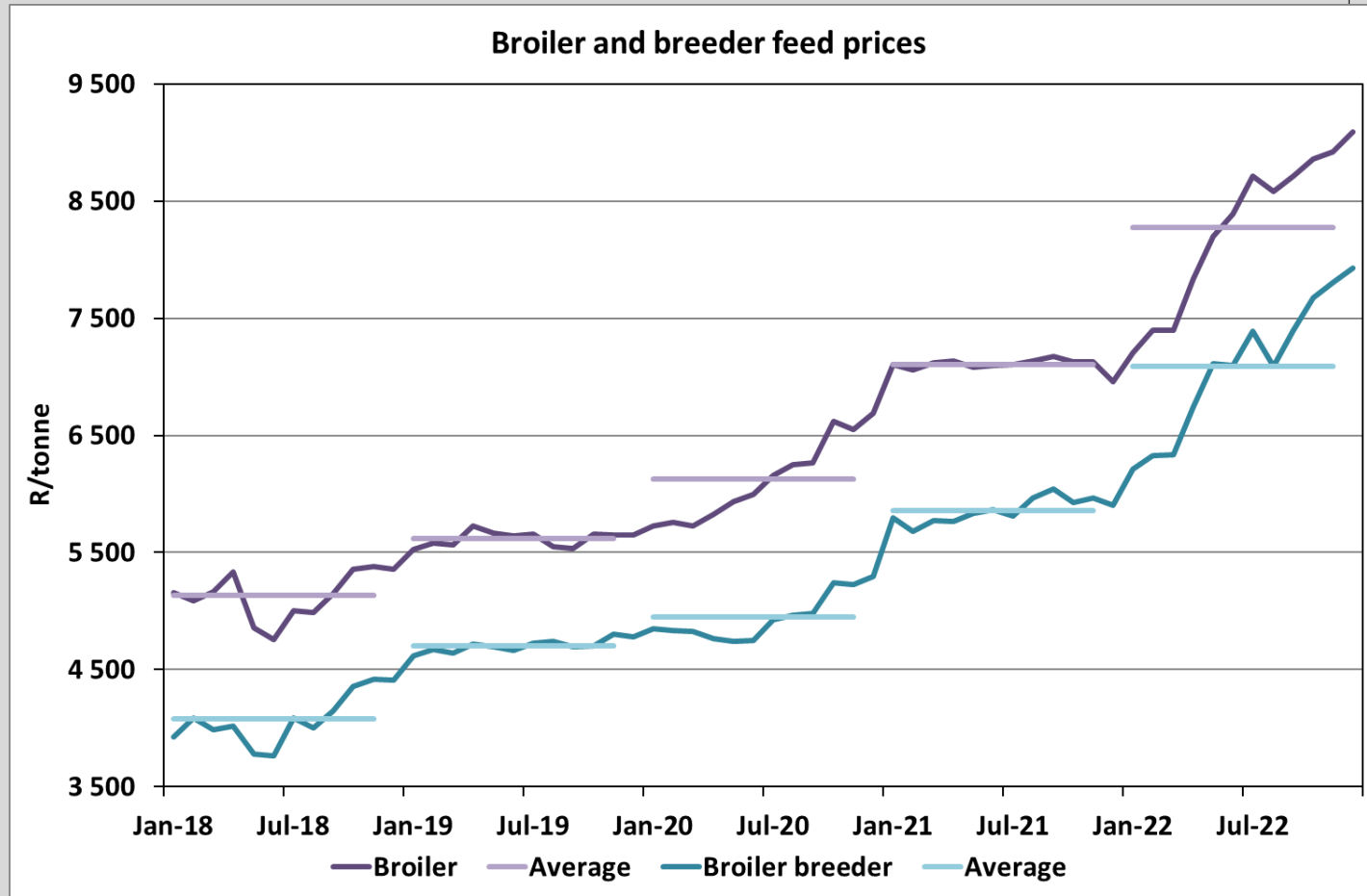
Created by: Leading Edge Poultry Software

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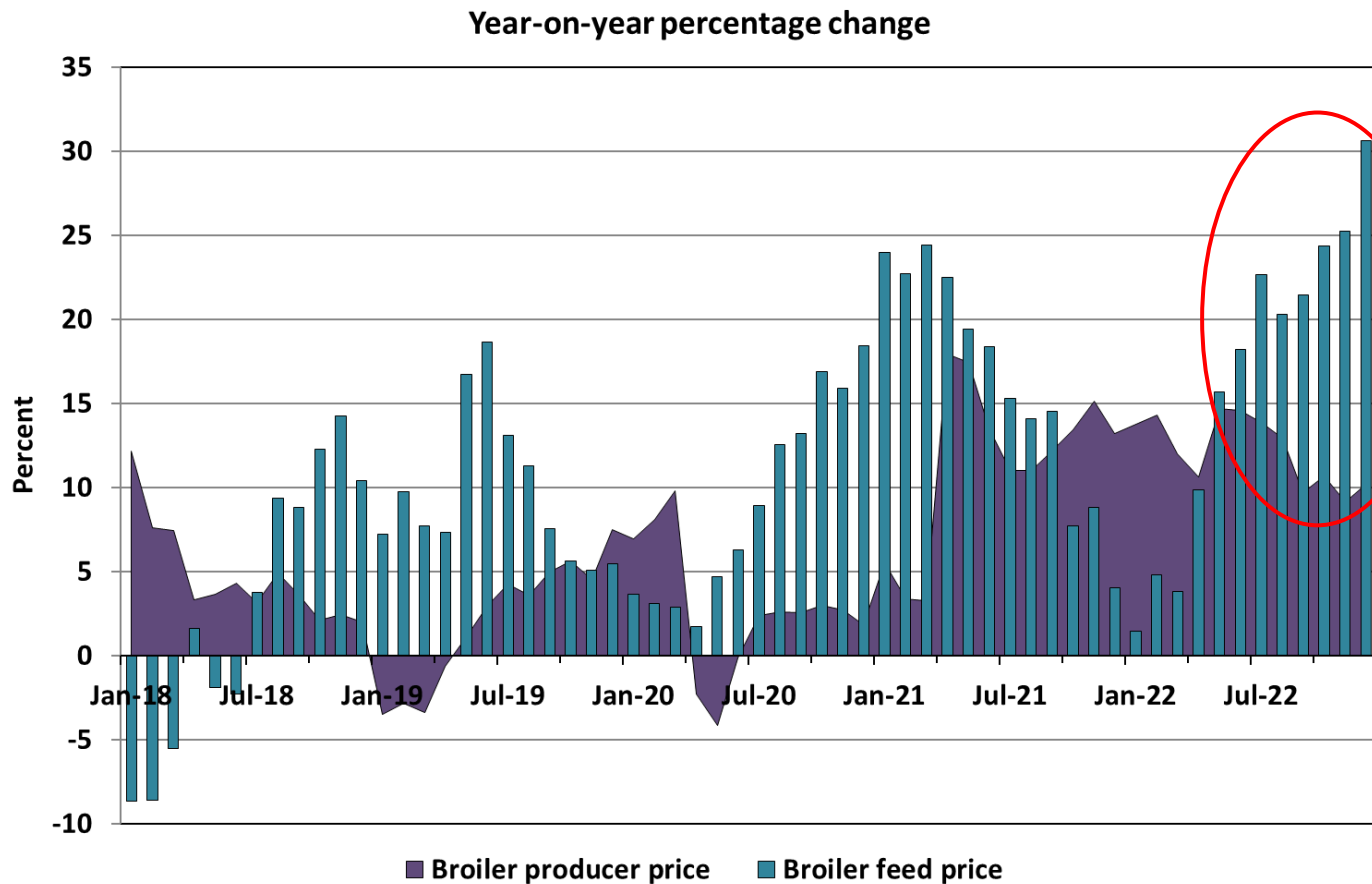
# Feed price

Broiler:  
R8 275/t  
(+16.5%)

Breeder:  
R7 093/t  
(+21.0%)



# 2H2022: Producers unable to recover feed cost in broiler price increases



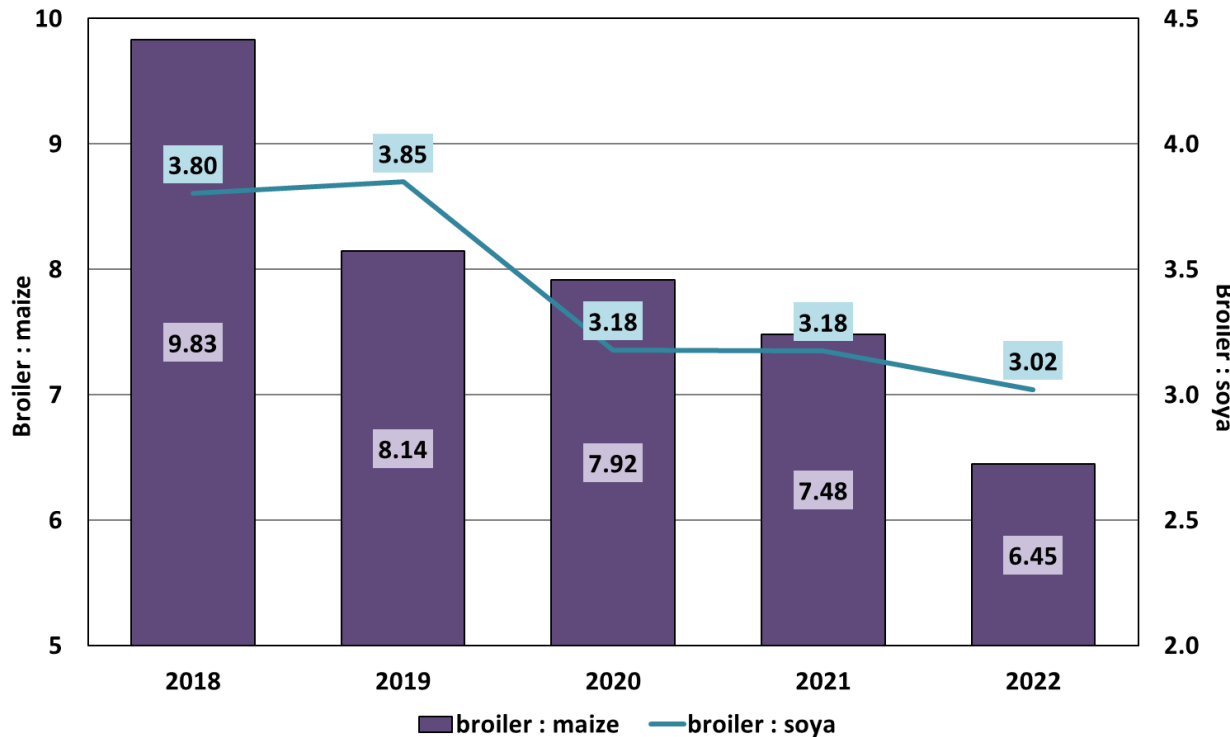
Dec 2022:  
broiler feed  
cost 30.6%  
more than  
Dec 2021 –  
a record  
high %  
change



# Ratio between chicken price and maize, soya prices

Situation deteriorating, producers worse off

Broiler price to ingredient price ratios





## Feed usage (Jan-Dec 2022)

Breeders:

5.44 m tonnes

Broilers:

2.90 m tonnes

Total:

3.44 m t (+2.7%)

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## Feed sales per region (source: AFMA)

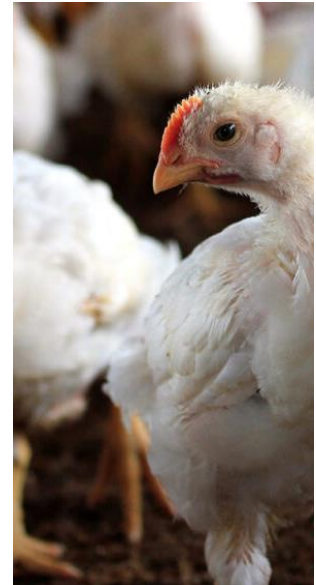
**April 2021 – March 2022**

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
<b>Total</b>	<b>2 903 007</b>	<b>100</b>	<b>528 289</b>	<b>100</b>

# Meat production

- Total poultry meat:  
1.95 m tonnes (+2.0%)
- Commercial:
  - 1.87 m tonnes
  - 96.1% of total
- Subsistence: 75 520 t
- Ducks: 760 t

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# Consumption

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Total poultry meat:  
2.27 m tonnes

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Per capita: 37.48 kg  
(-1.7%)

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Chicken meat:  
2.26 m tonnes

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Per capita: 37.29 kg  
(-1.1%)

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# Gross value of agriculture

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Poultry meat:  
R59.02 billion (+16.6%)

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33.2% of animal products

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14.1% of all agricultural  
production



# Subsistence and small commercial farmers

7 hatcheries; value of chick sales R4.39 m

274 farmers, 248 000 chicks placed per cycle

99% of feed purchases in bags

Value of bagged feed: R49.95 m

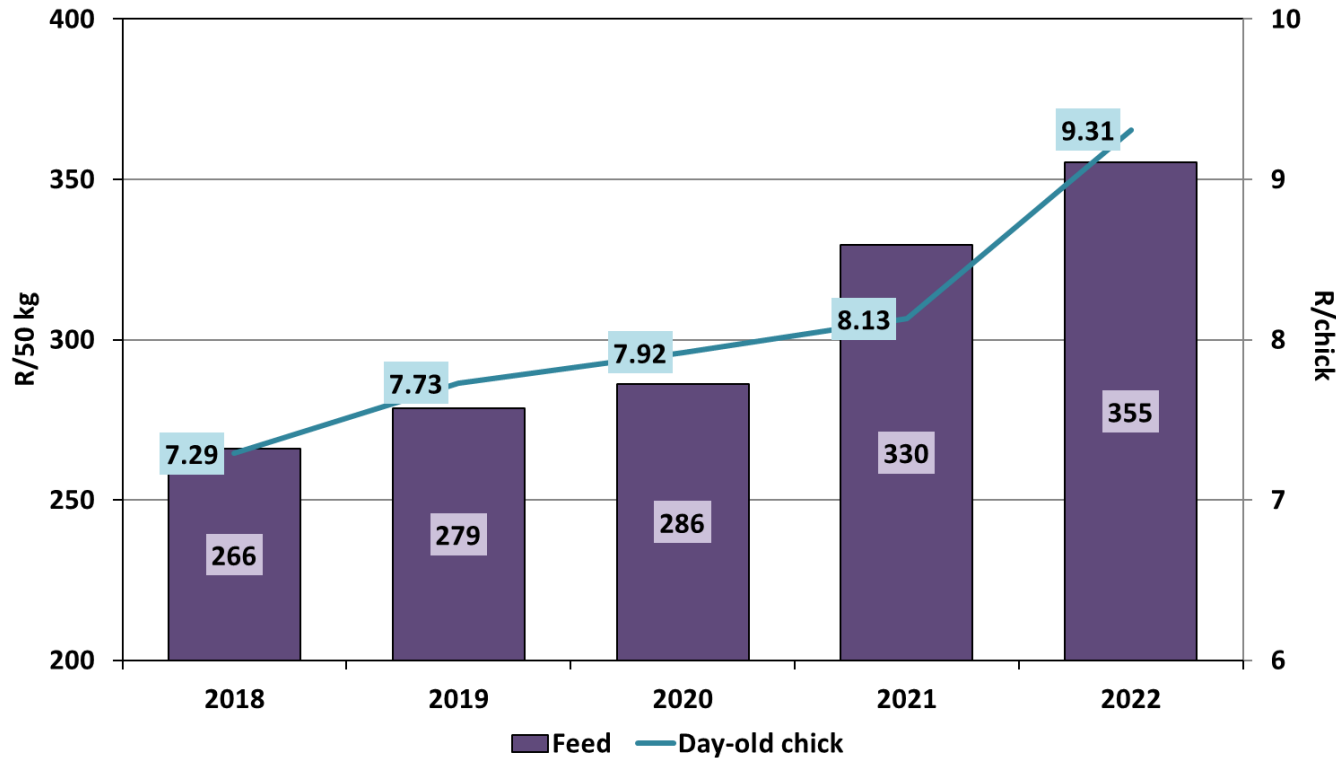
Broiler sales: 80.3% live, 19.7% to abattoirs

Total value: R67.44 m

# 2022

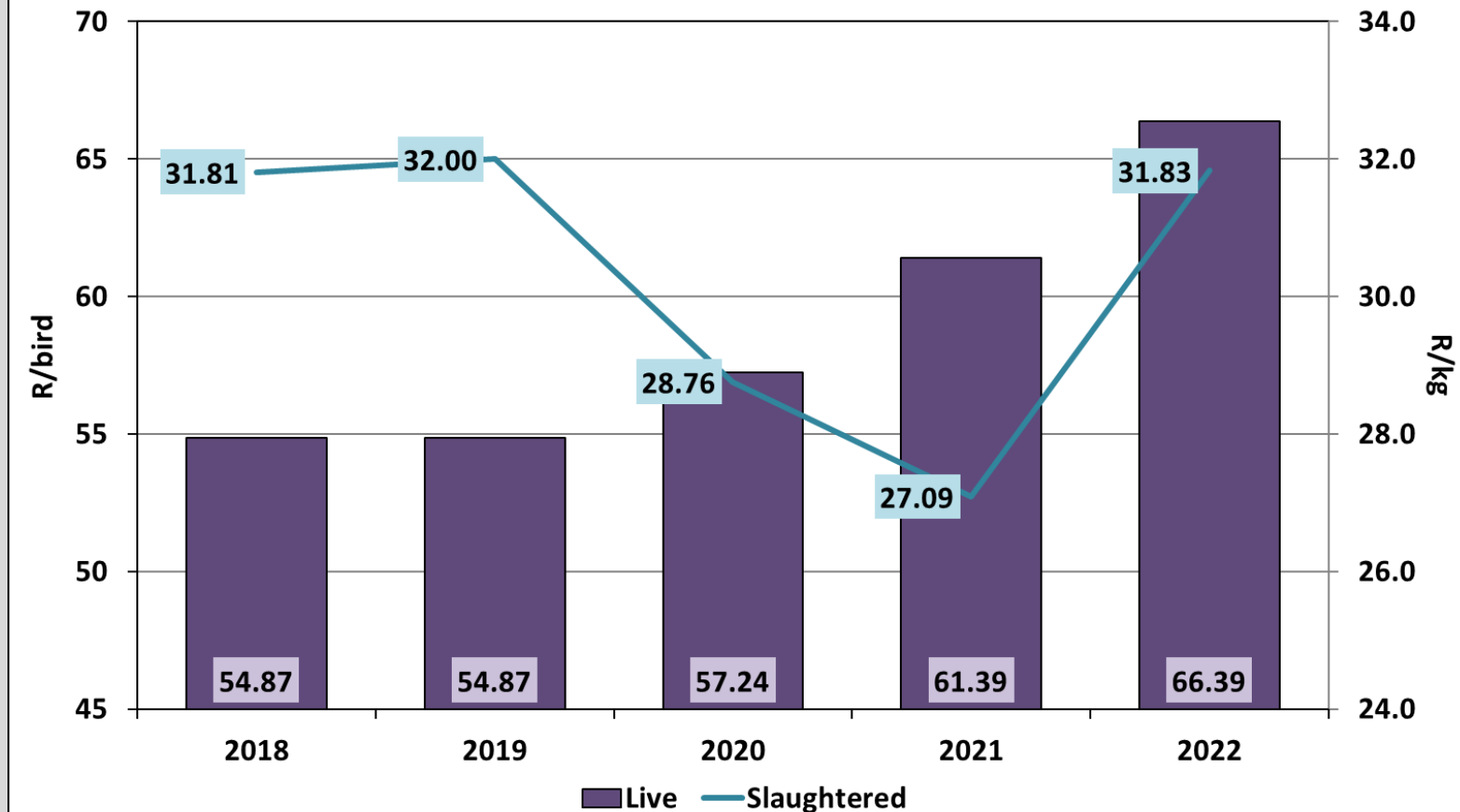
- Average chick price R9.31 (+14.6%)
- Feed cost as % of income: 81%

Subsistence and small commercial farmers:  
Average feed cost and day-old chick price



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**Subsistence and small commercial farmers:  
Average selling prices of live and slaughtered birds**



5-year trend in the selling price of live and slaughtered birds

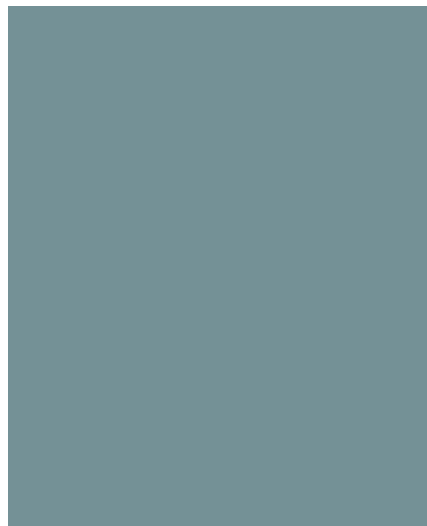


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## Small contract growers

- 7 farmers
- Located in Limpopo and Mpumalanga
- 54% owned by men
- 260 000 chicks placed per cycle
- 94.1% capacity utilisation





# Small abattoirs

- 7 low-throughput abattoirs located in 6 provinces
- 4 owned by women
- Avg. 863 birds slaughtered per day
- 1.09 m birds processed in 2022



# Challenges facing small producers

No money to  
upgrade  
facilities

Remote  
location

Theft,  
mortalities,  
disease

Lack of  
working  
capital

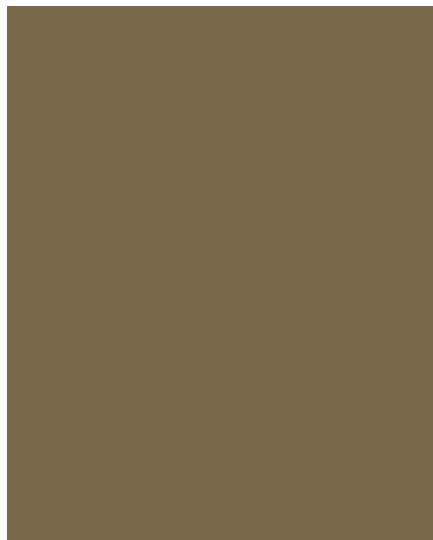
Water and  
electricity  
supply

High input  
costs (esp.  
feed)

Poor market  
conditions

Service  
delivery  
issues

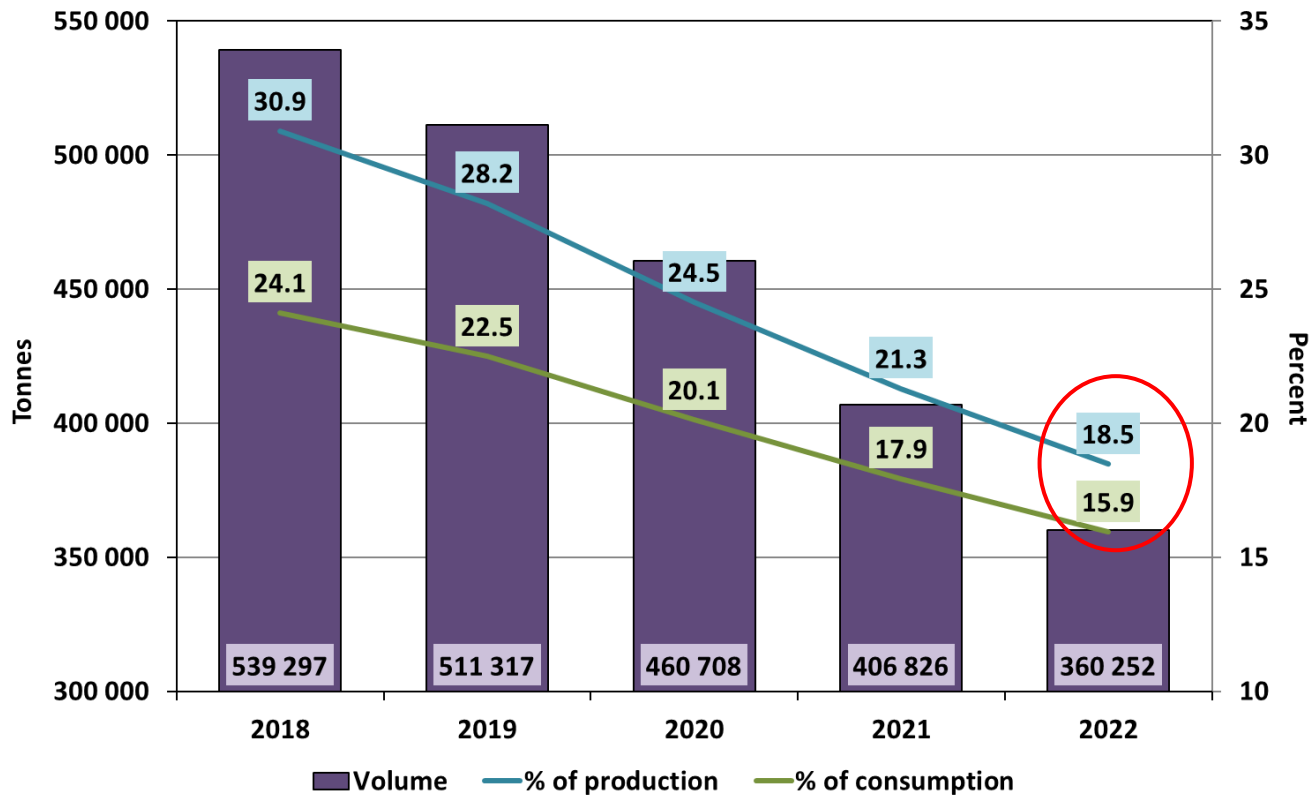
Poor cash  
flow, low  
profits



# Annual poultry imports

- 373 049 tonnes (-13.7%)
- 96.6% chicken, but some turkey, duck, geese, guinea fowl
- FOB value R4.57 b
- 75.6% from Brazil, 12.8% from USA

Annual chicken imports

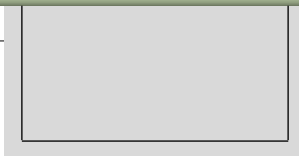


Chicken imports equalled 18.5% of production,  
15.9% of consumption

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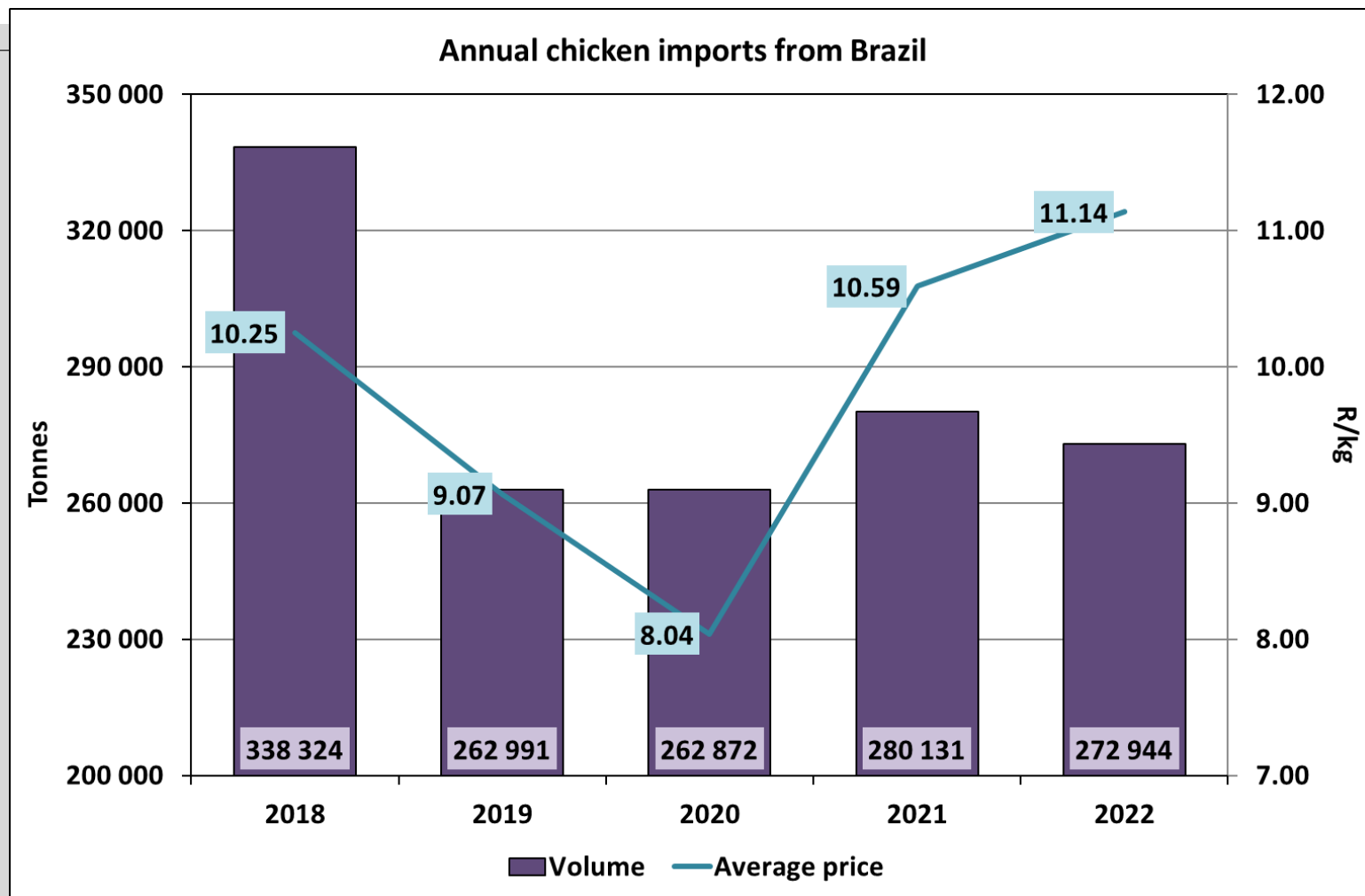
## Chicken imports

- 360 252 t (-11.4%)
- Value R4.18 b
- Mostly MDM, bone-in portions



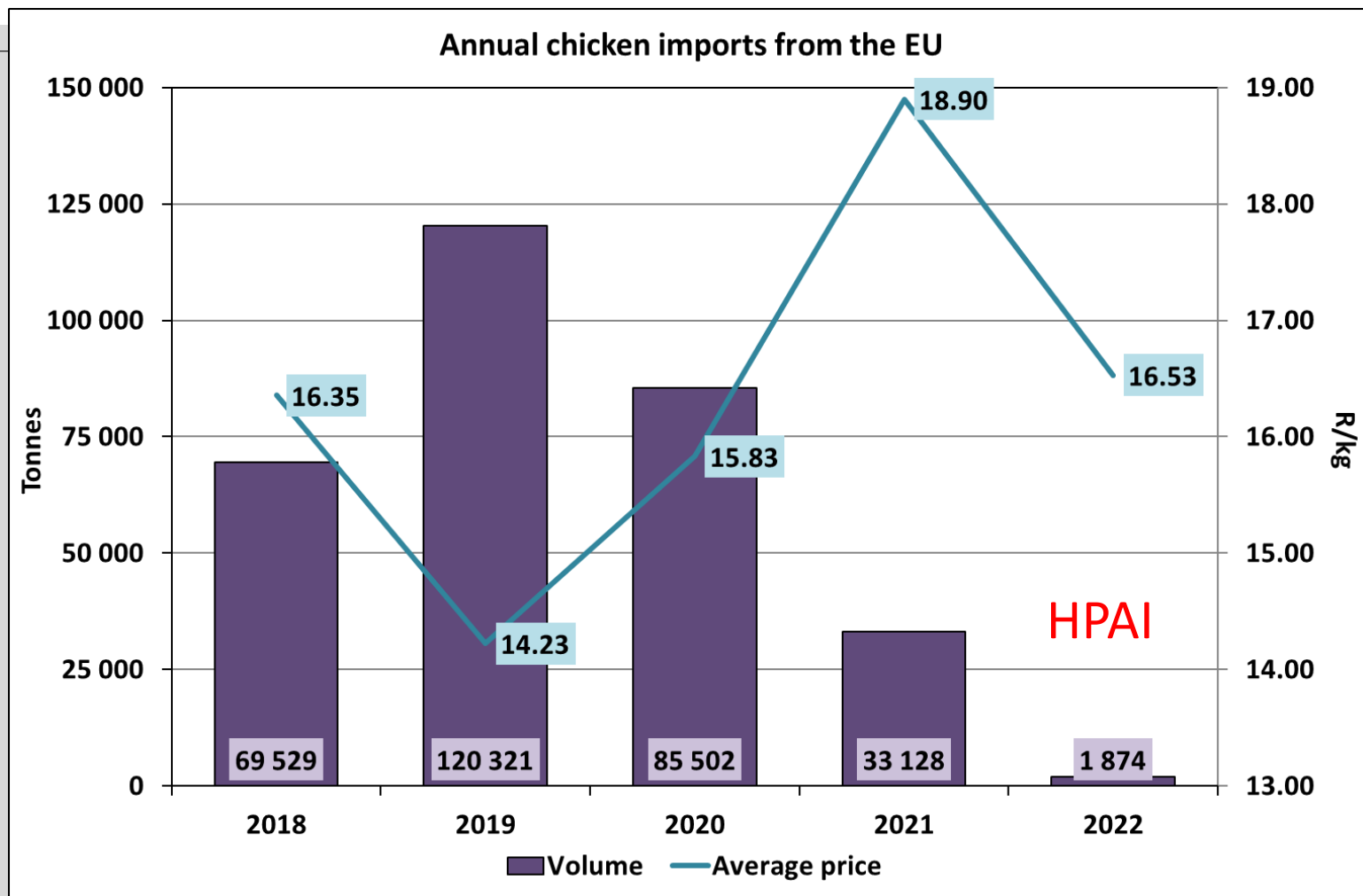
### Frozen chicken imports (source: SARS)

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	
<b>Total</b>	<b>359 683</b>	<b>-11.4</b>	<b>4 162.0</b>	<b>-11.1</b>	



## Chicken imports from Brazil

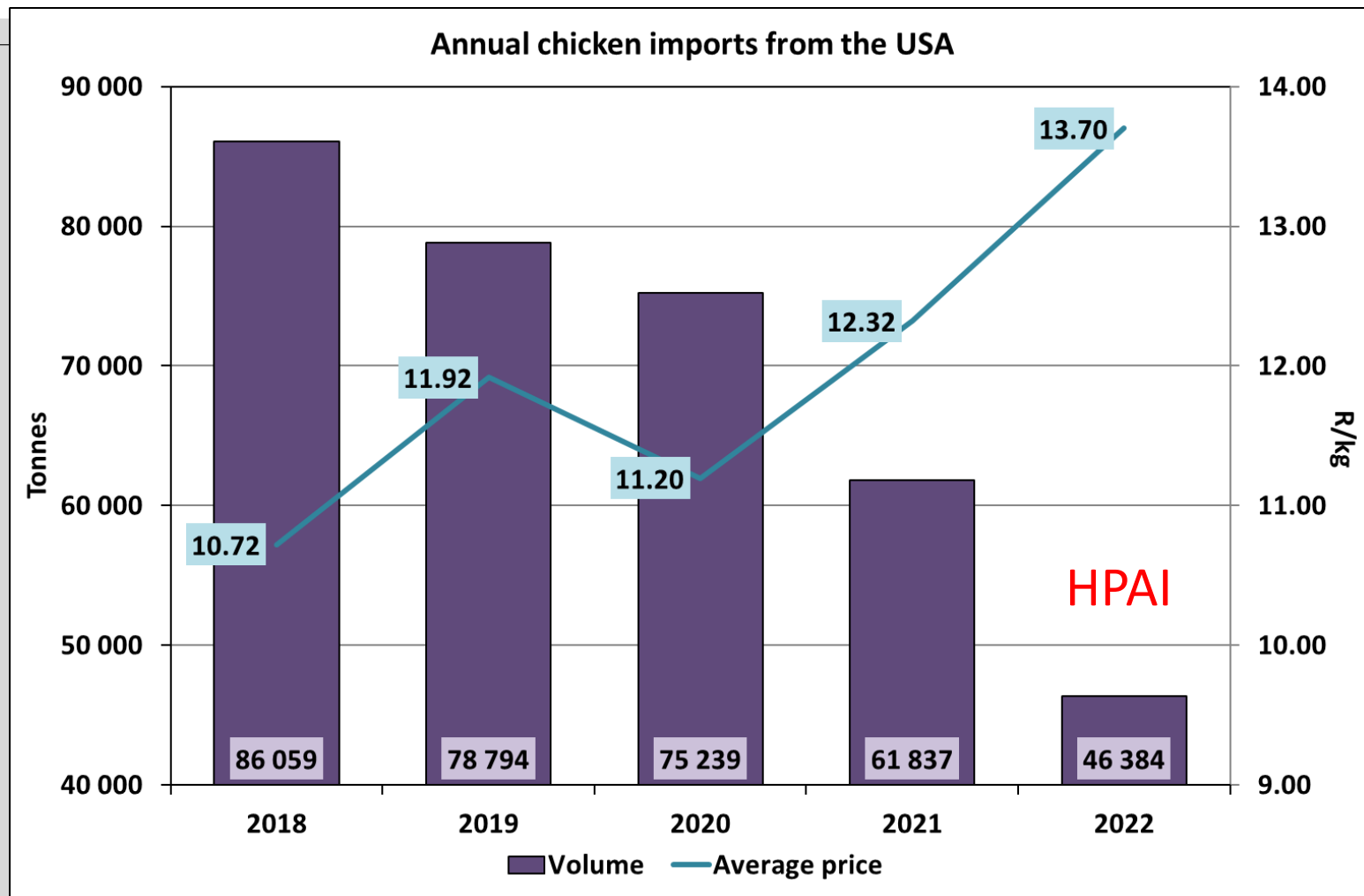
- 272 944 tonnes (-2.6%)
- Mostly MDM
- 75.8% of total imports



## Chicken imports from EU

- 1 874 tonnes (-94%)
- Mostly bone-in portions
- 0.5% of total imports

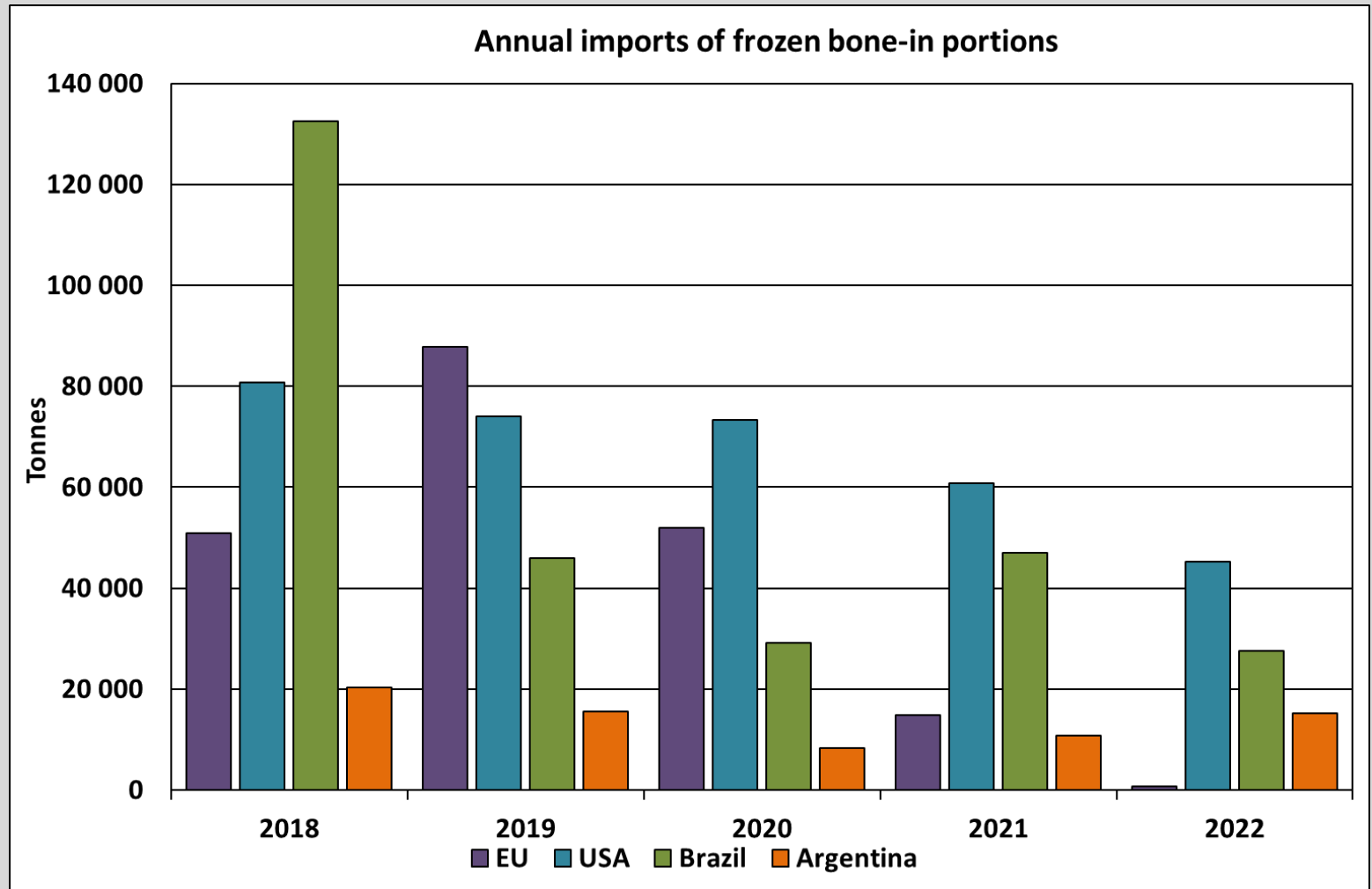




## Chicken imports from USA

- 46 384 tonnes (-25%)
- Mostly bone-in portions
- 12.9% of total imports

# Main contributors to bone-in portion imports: USA (50%), Brazil (30%), Argentina (17%)



# EXPORTS

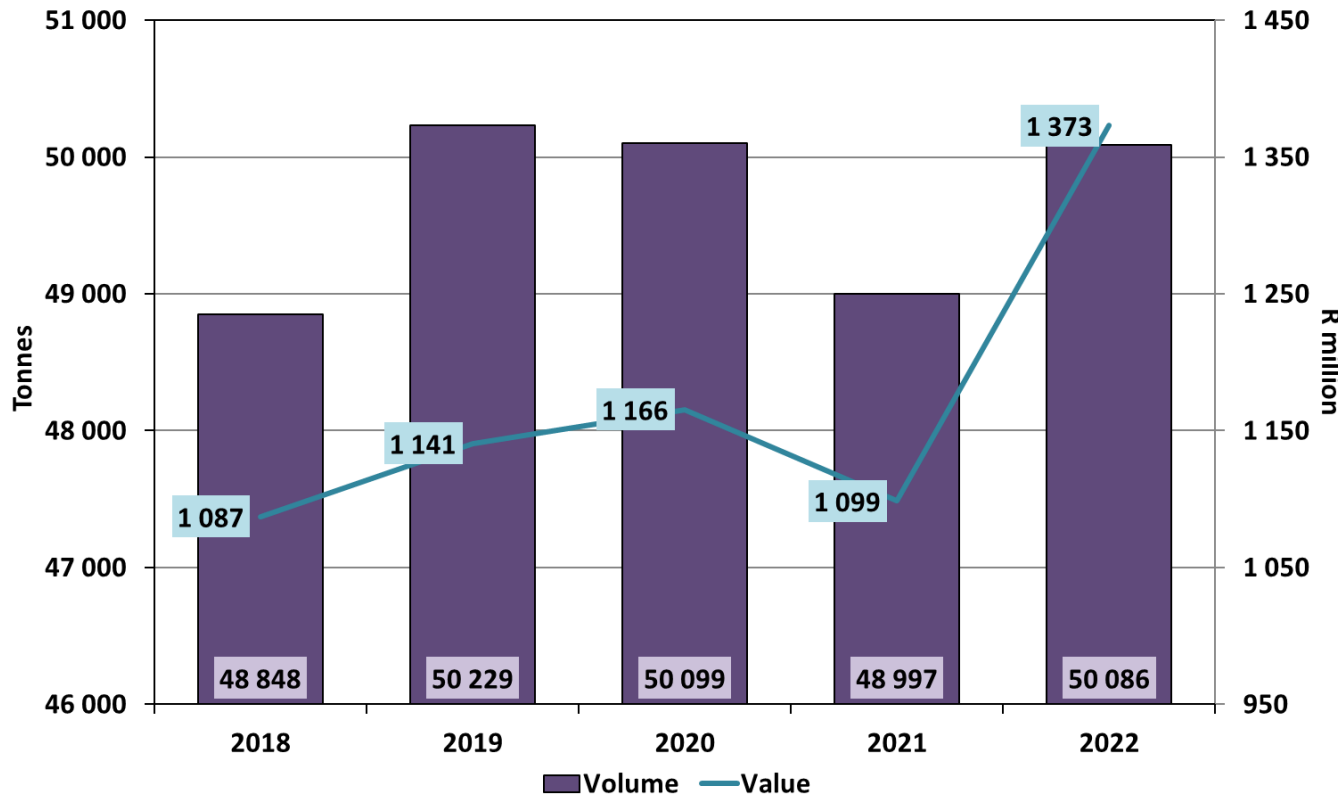
## Poultry

- 51 641 t (+2.0%)
- Value R1.44 b

## Chicken

- 50 086 t (+2.2%)
- Value R1.37 b
- 97% of total exports
- 50% to Lesotho

Annual chicken meat exports



Chicken exports equal to 2.6% of production



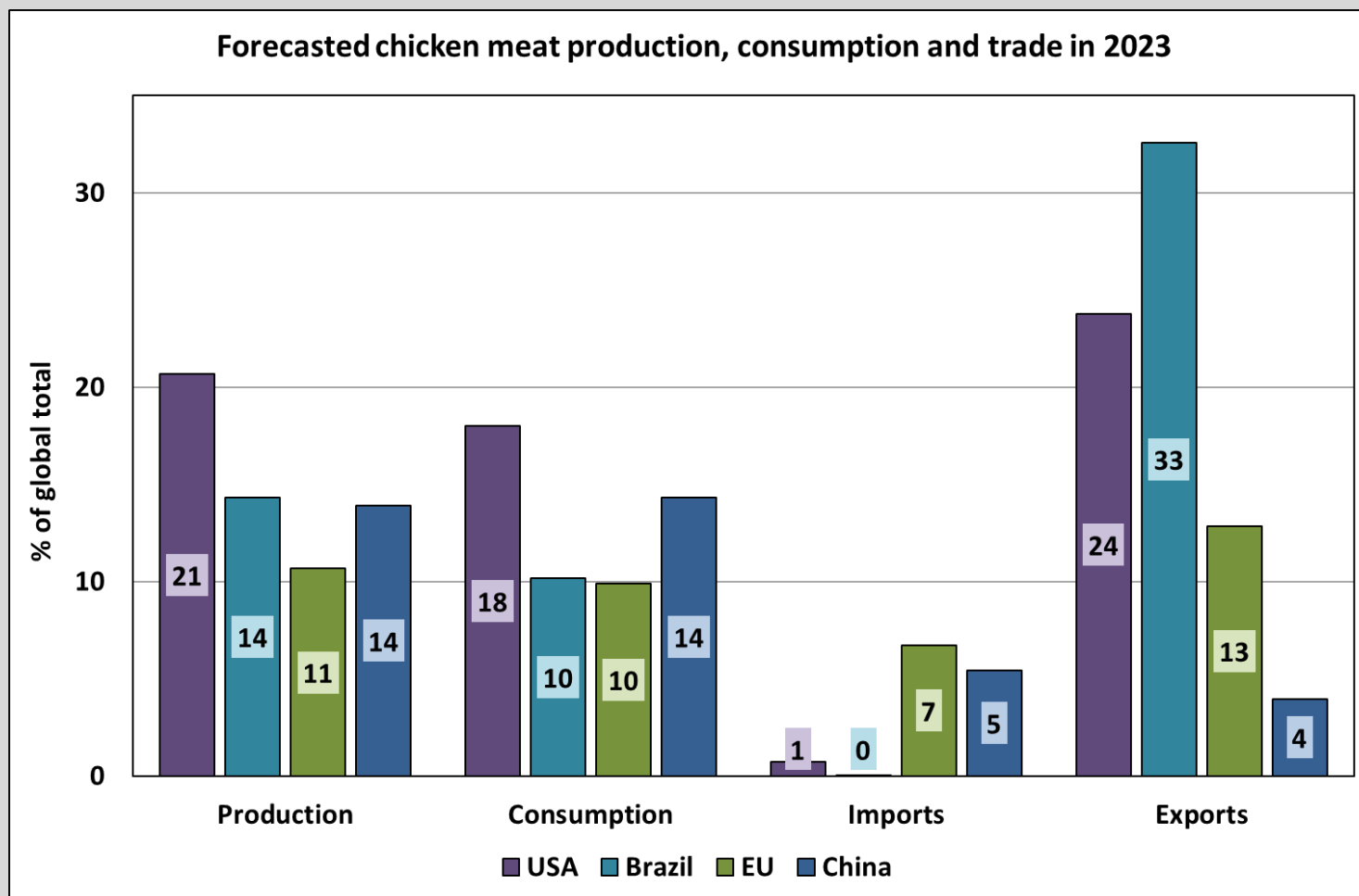
# GLOBAL BROILER INDUSTRY 2022

- Global production increased by 0.6% to 138.8 m tonnes
- Global trade increased by 2.8% to 16.2 m tonnes
- By 2031: 47% of all meat consumed will be poultry
  - Healthier, more affordable

## Poultry meat statistics for 2022 (x1000 tonnes) (source: FAO)

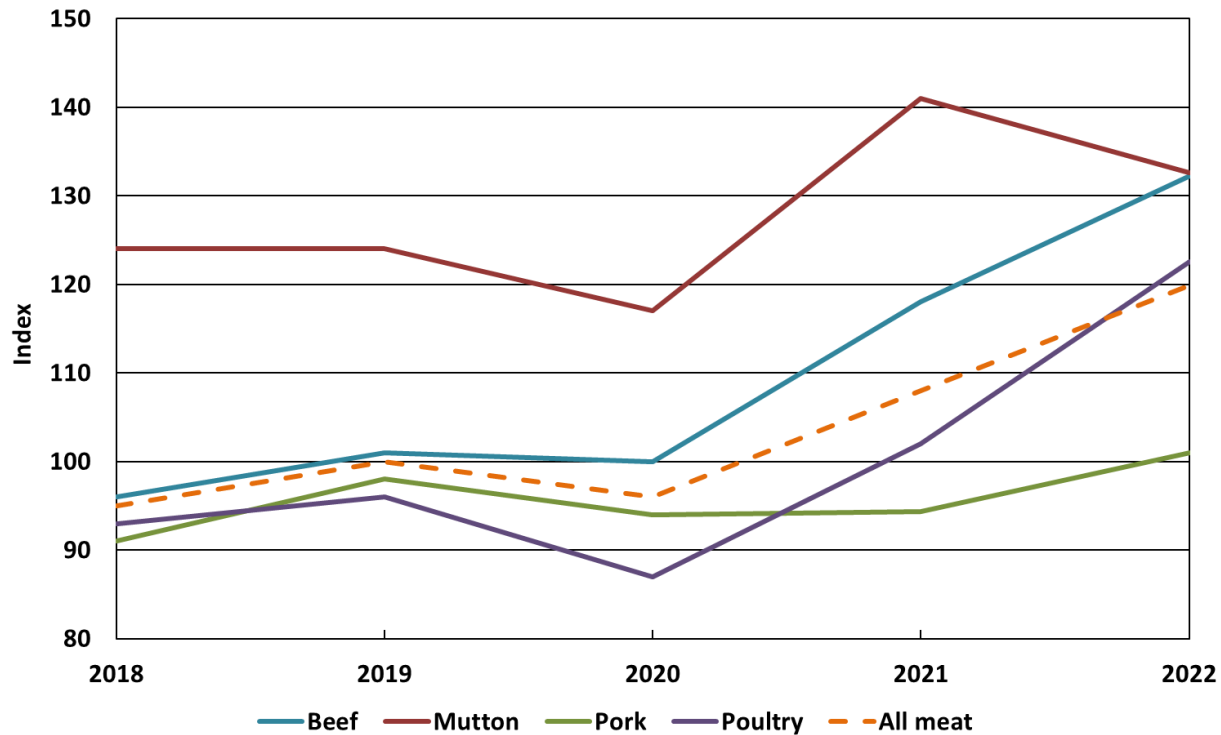
Region	Production	%	Imports	%	Exports	%	Utilisation	%
Africa	6 845	4.9	2 321	15.5	124	0.8	9 042	6.6
Asia	53 927	38.9	7 434	49.8	3 358	20.7	57 996	42.2
Central America	5 573	4.0	1 974	13.2	50	0.3	7 498	5.5
Europe	22 153	16.0	2 232	14.9	3 417	21.0	20 962	15.3
North America	25 226	18.2	405	2.7	3 967	24.4	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
<b>World</b>	<b>138 787</b>	<b>100.0</b>	<b>14 935</b>	<b>100.0</b>	<b>16 233</b>	<b>100.0</b>	<b>137 424</b>	<b>100.0</b>

Brazil produces 14% of world's chicken meat, exports 33% of global total. China's production and consumption balanced.





Global meat price indexes (2014 - 2016 = 100)



Trend in  
global meat  
prices

Steep rise in  
poultry meat  
price since  
2020

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# PROMOTIONAL ACTIVITIES AND MEDIA EXPOSURE

- Ongoing focus on public relations campaign
- Regular exposure in media
- Shoprite committed to buy local, use Proudly South African emblem
- Perception that industry looks for tariff protection to hide inefficiencies will be addressed

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67 minutes or more cooking soup for vulnerable people all over the country. "We want to help Chefs with Compassion reach their target of 67 000 litres of soup, but with added protein," said Izaak Breitenbach of the South African Poultry Association. "Food security is top of the poultry industry's agenda, and between chicken and eggs we pride ourselves on producing the most affordable animal protein. It is estimated that one in 10 South Africans suffers hunger and food insecurity, so it is a real privilege





**SOUTH AFRICAN POULTRY ASSOCIATION**

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Founded 1904

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## FUNDING

- Voluntary funding model
- Insufficient to cover all BO costs
- Large legal expenses to fight dumping
- Canvassing for new members
- 38 allied members (23 in 2021)

# SUCCESSES 2022

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Industry is globally competitive

Investment in production facilities

Progress of black contract growers

Targeted support for black farmers

Increase in industry employment

# Successes....

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SARS dealing with illegal trade

Decrease in imports

Rise in contribution to GDP

Positive exposure in media

FSA stamp of approval



# CHALLENGES OF 2022

Failure of Eskom and municipalities

Illegal trade practices

Suspension of anti-dumping duties (Min. Patel)

Reversal of masterplan gains

Limited state veterinary resources

# Challenges...

Increasing BO's revenue stream

Culling flocks with HPAI

Soaring feed and input costs

Drop in per capita consumption

Exports to EU delayed

# FUTURE PROSPECTS

- Stable feed and input costs
- Permanent anti-dumping duties
  - (Brazil, 4 EU countries)
- Renewal of USA anti-dumping duties
  - Revision of all trade measures
- Treasury's ruling on VAT exemption
  - Vaccinating for HPAI

# Future projects...

- Expanding production to capacity
  - Increased black participation
  - Increasing local demand
- Capitalising on export opportunities
  - Complying with FSA inspections
- Changing view that tariffs drive retail prices



# CONCLUSION

- To survive, be sustainable:
  - An active poultry association is needed
  - All broiler producers should contribute
- Vital for country's food security, employment
- With thanks to Izaak Breitenbach and SAPA team for sterling work