



SOUTH AFRICAN POULTRY ASSOCIATION

Founded 1904



EGG ORGANISATION CHAIRPERSON'S REPORT 2022

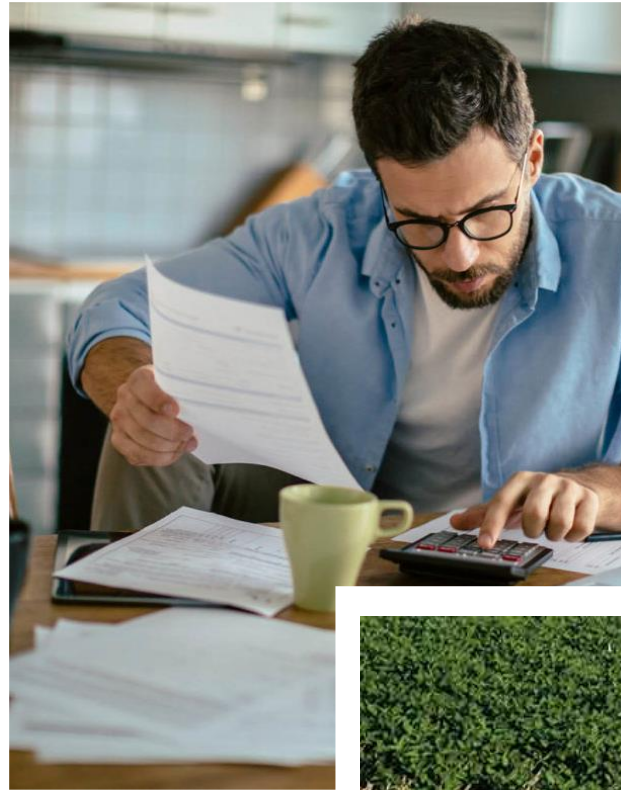
**PRESENTED BY
WILLIE BOSOGA**

SAPA



INTRODUCTION

- 2021 was an *annus horribilis*
- 2022 brought even more hardships for egg industry
- Input costs, especially feed, soared
- Cash flows severely impacted
- Many producers scaled down or closed their operations





Egg prices need to increase further

- To compensate for astronomical feed bills
- Will be resistance from struggling consumers
- Many people go hungry every day
- Large retail markup still a bone of contention

HPAI

- Sporadic outbreaks in 2022
- Remains a threat
- Catastrophic outbreaks in USA, Europe
- Since April 2021, 2.94 million egg industry birds culled



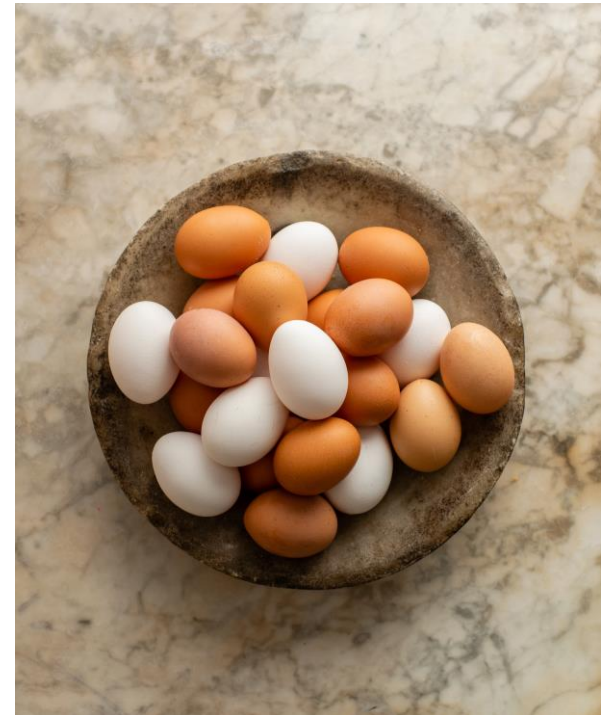


Agriculture and agro-processing master plan

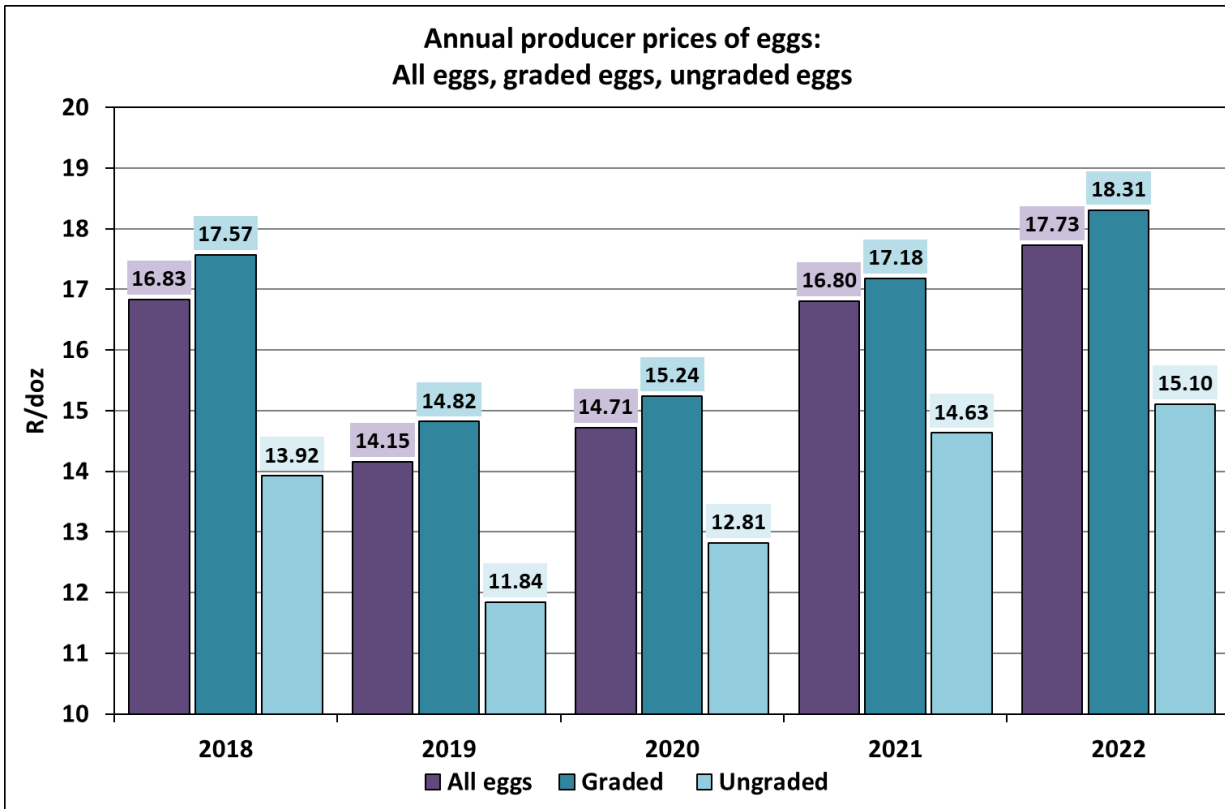
- Signed in parliament by Minister Didiza
- Major step forward
- Egg sector plan falls within AAMP
- Blueprint for progress and change

EGG ORGANISATION MEMBERSHIP

- 102 individual producers
- 53 co-op members
- Total: 155 members (143 in 2021)



INDUSTRY STATISTICS 2022



Sample size only 26.4% of national volume

Egg producer
prices
(R/doz)

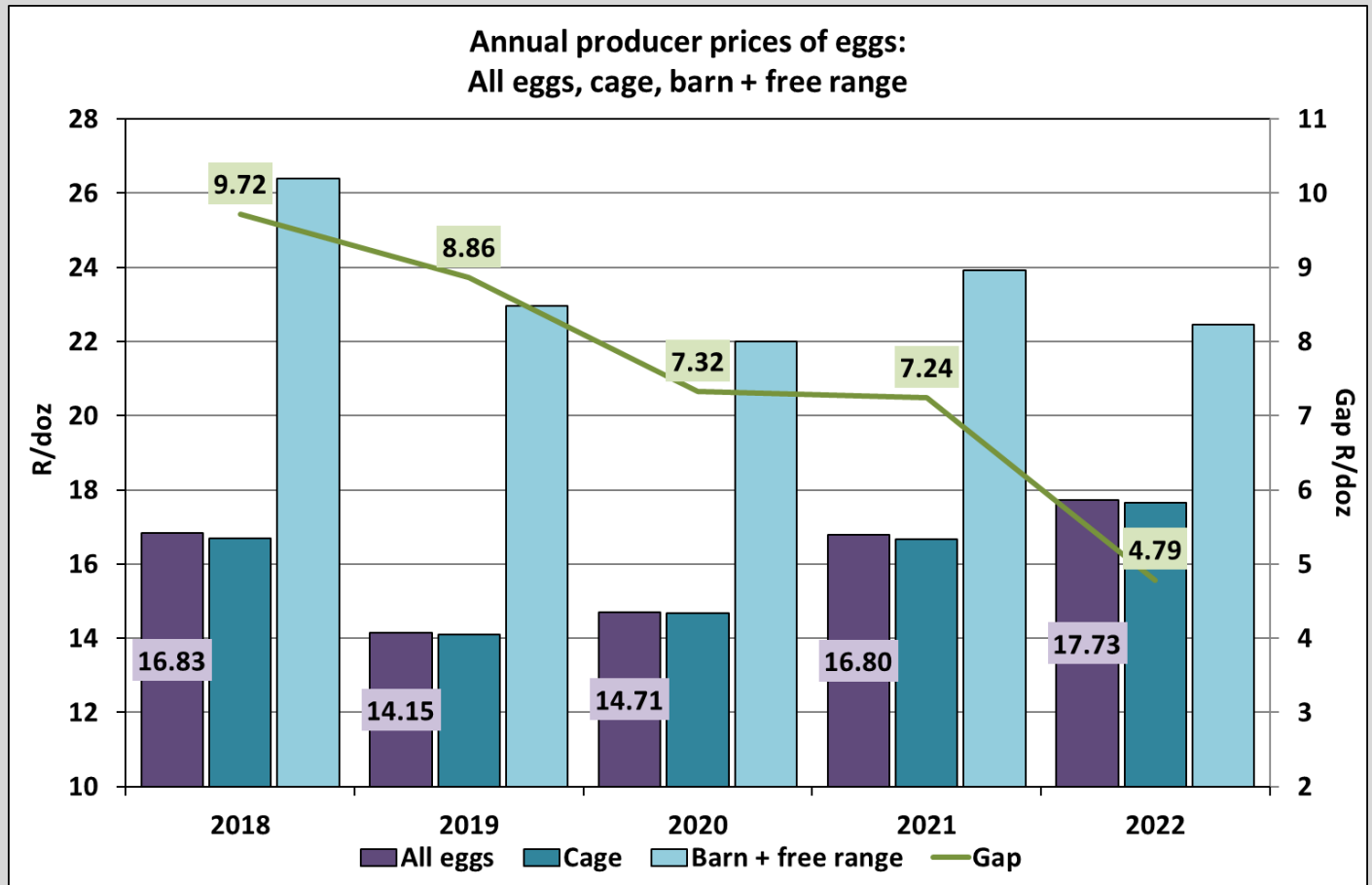
All eggs:
R17.73 (+5.5%)

Graded:
R18.31 (+6.6%)

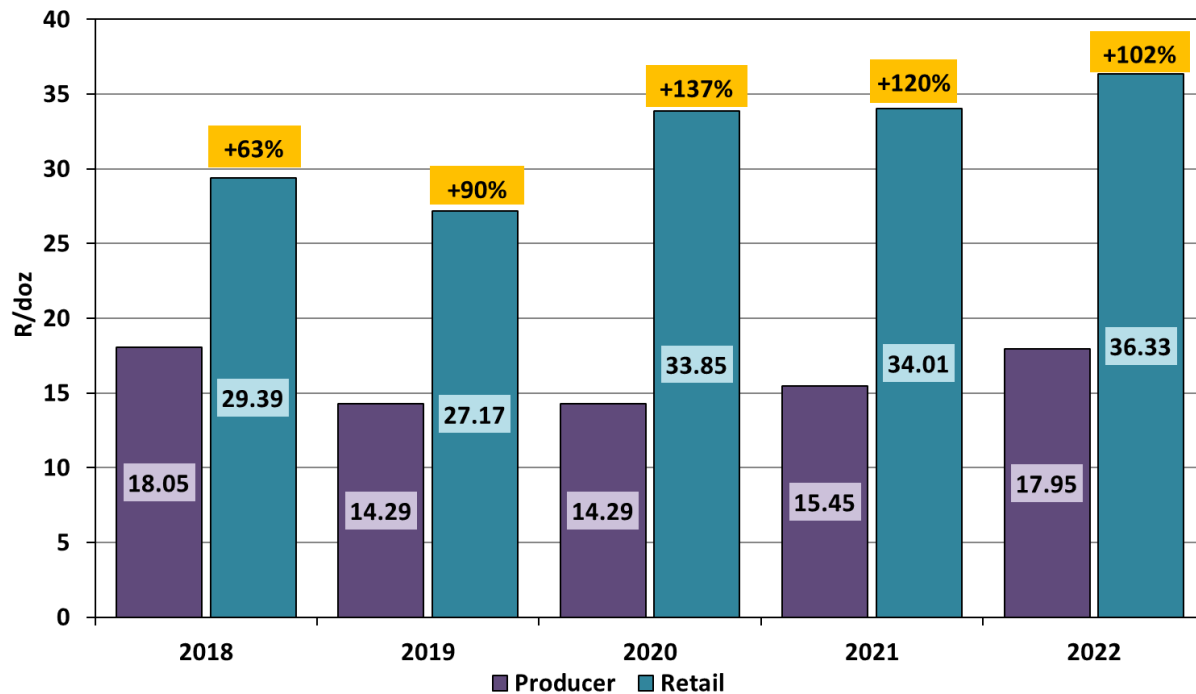
Ungraded:
R15.10 (+3.2%)

Price gap between cage and barn/free range eggs declined to R4.79/dozen in 2022

Consumers becoming more price sensitive



Producer and retail prices for large eggs
showing the retail mark-up



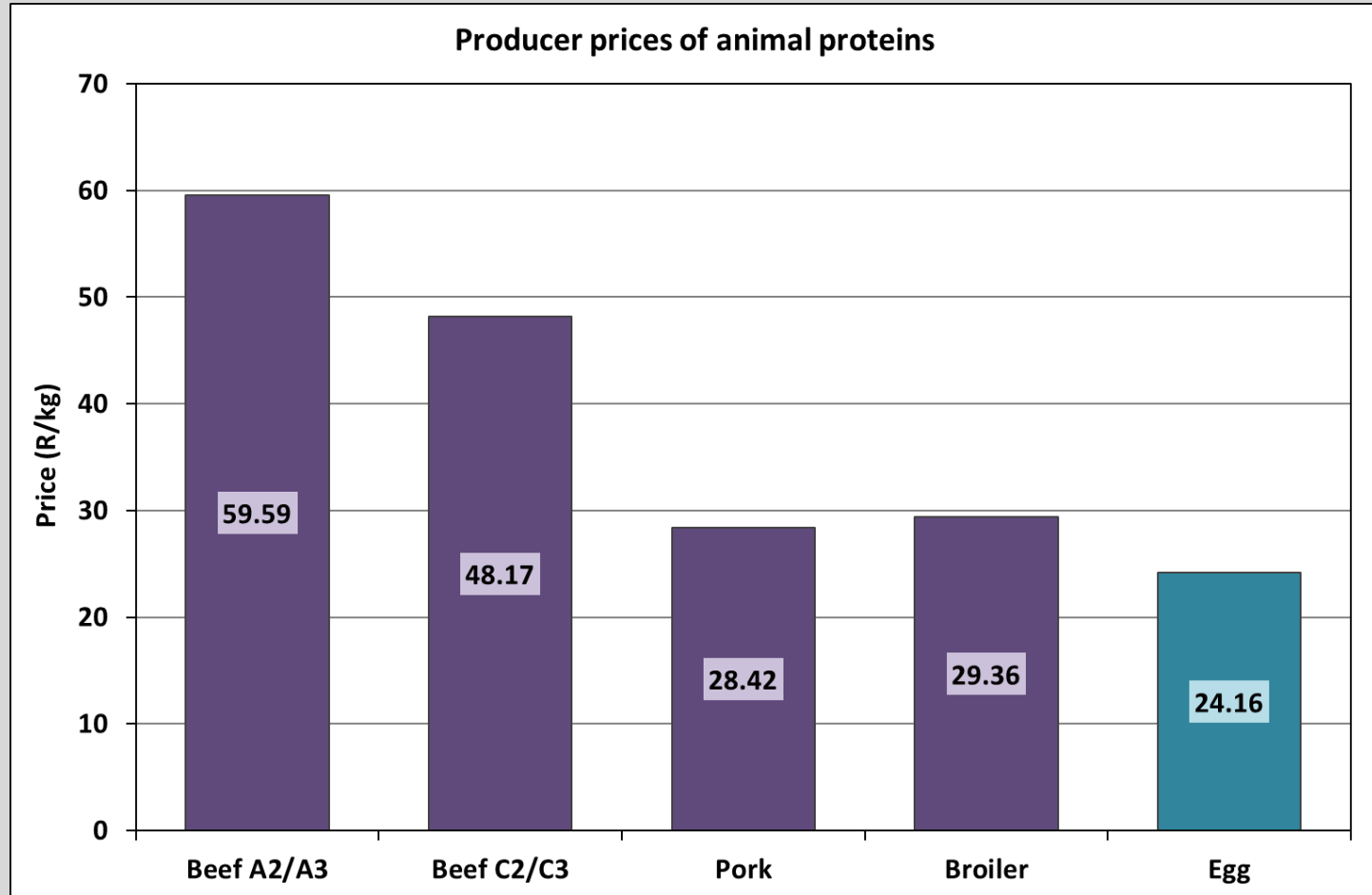
Retail price
2022
(large eggs)

R36.33/dozen
(+6.8%)

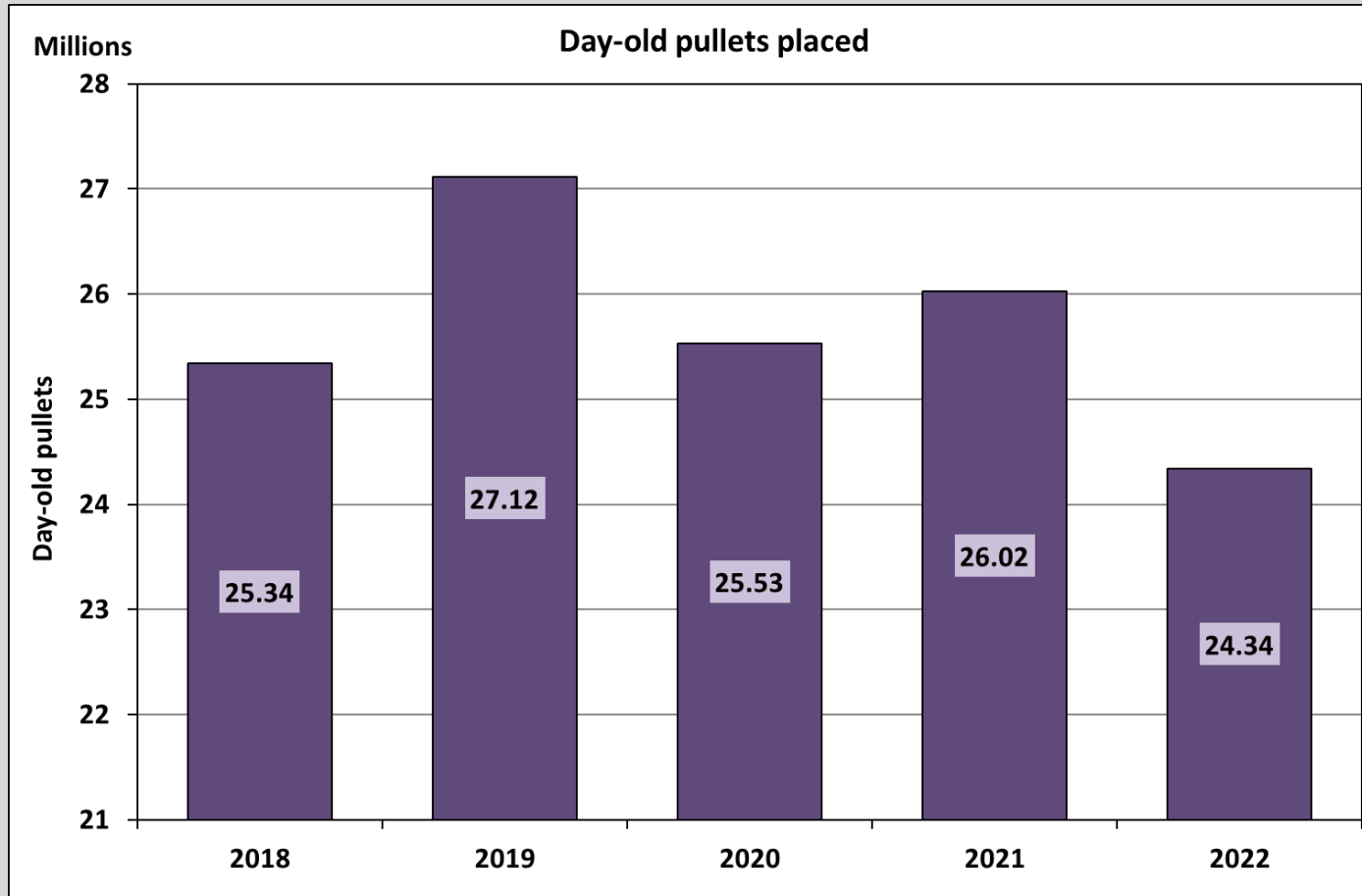
Retail markup:
102%

Eggs still the cheapest animal protein

R24.16/kg (+5.4% y/y)



Day-old pullets



24.34
million
placed in
2022
(-6.5%)

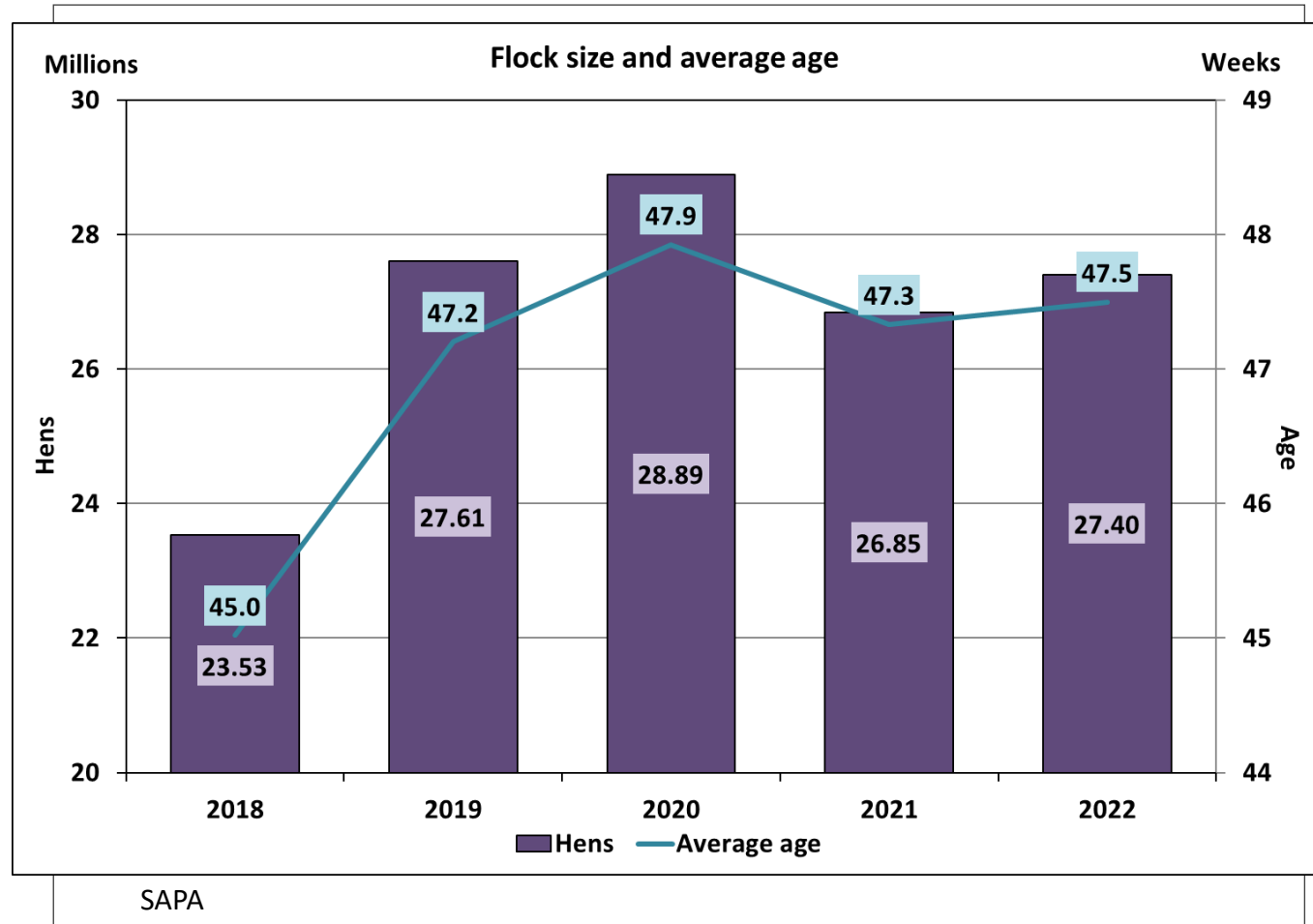


Genetics

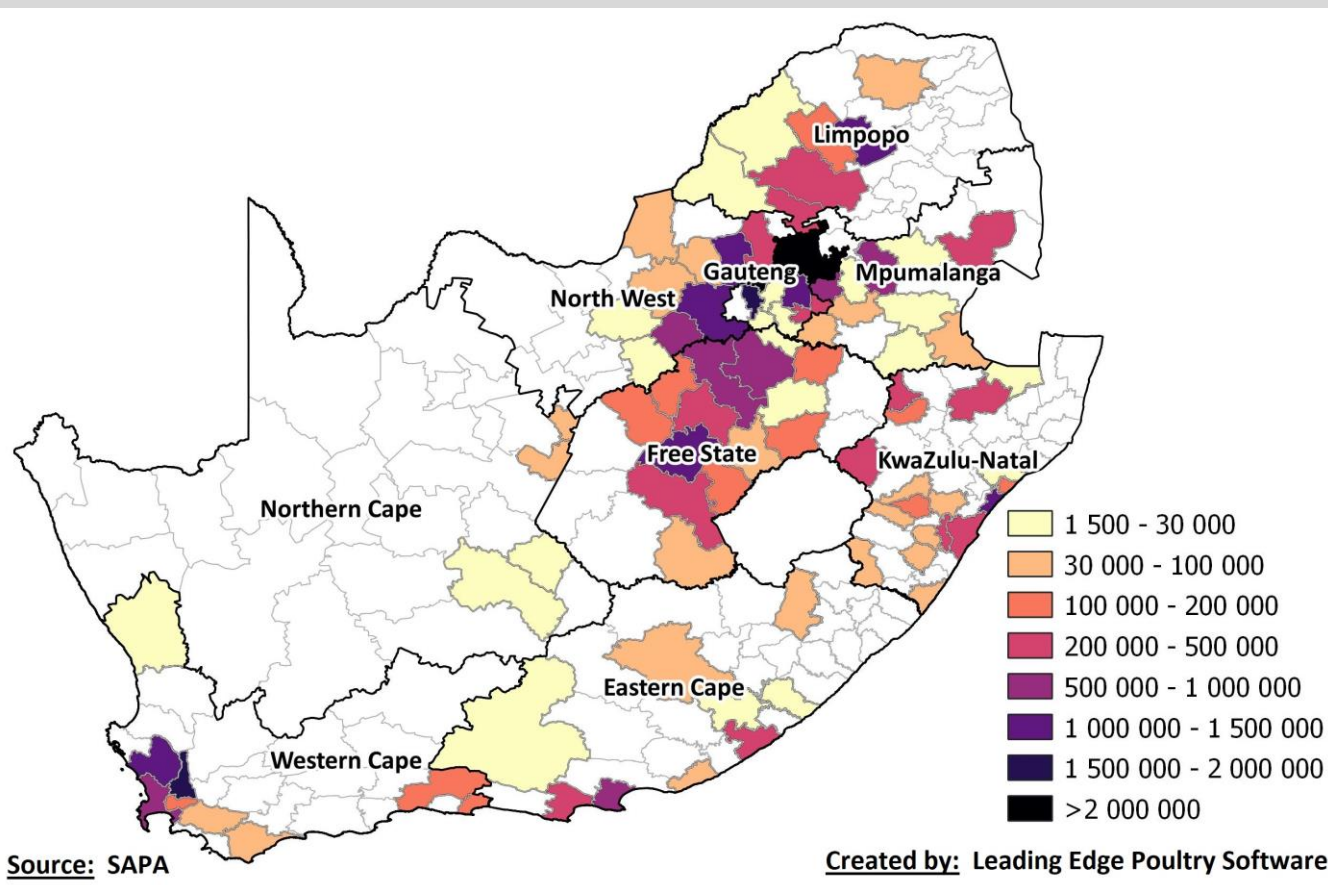
- 69.1% silver strains
 - Amberlink
 - Hy-Line Silver Brown
 - H&N Silver Nick
- 30.9% brown strains
 - Lohmann Brown Lite
 - Hy-Line Brown
 - Dekalb Brown

National layer flock

27.40
million
hens
(+2.1%)



Density of birds per local municipality



- Highest density of birds in City of Tshwane and Mogale City, both in Gauteng



Egg production

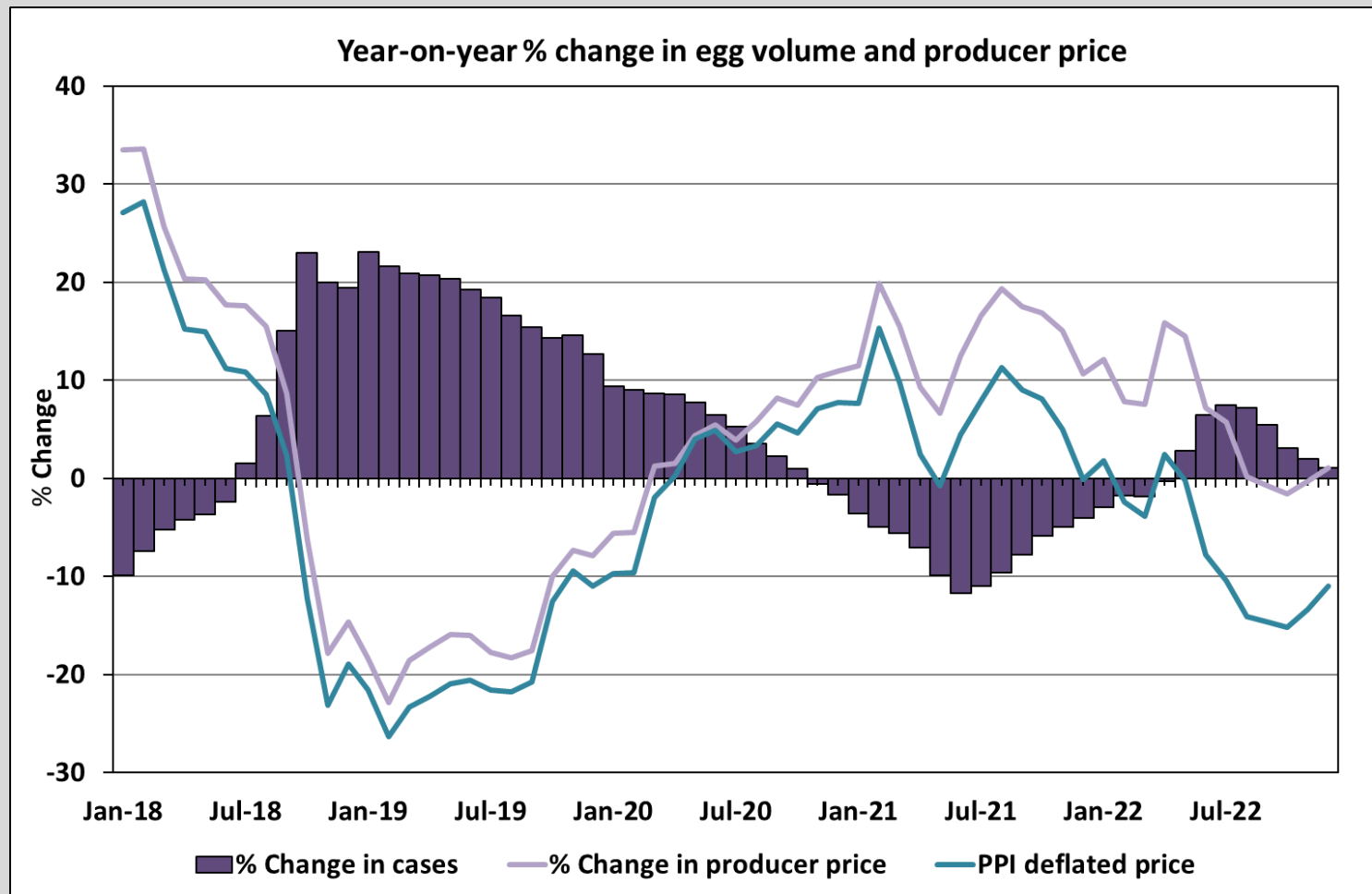
Average cases per
week:

462 200 (+2.3%)

Total cases:

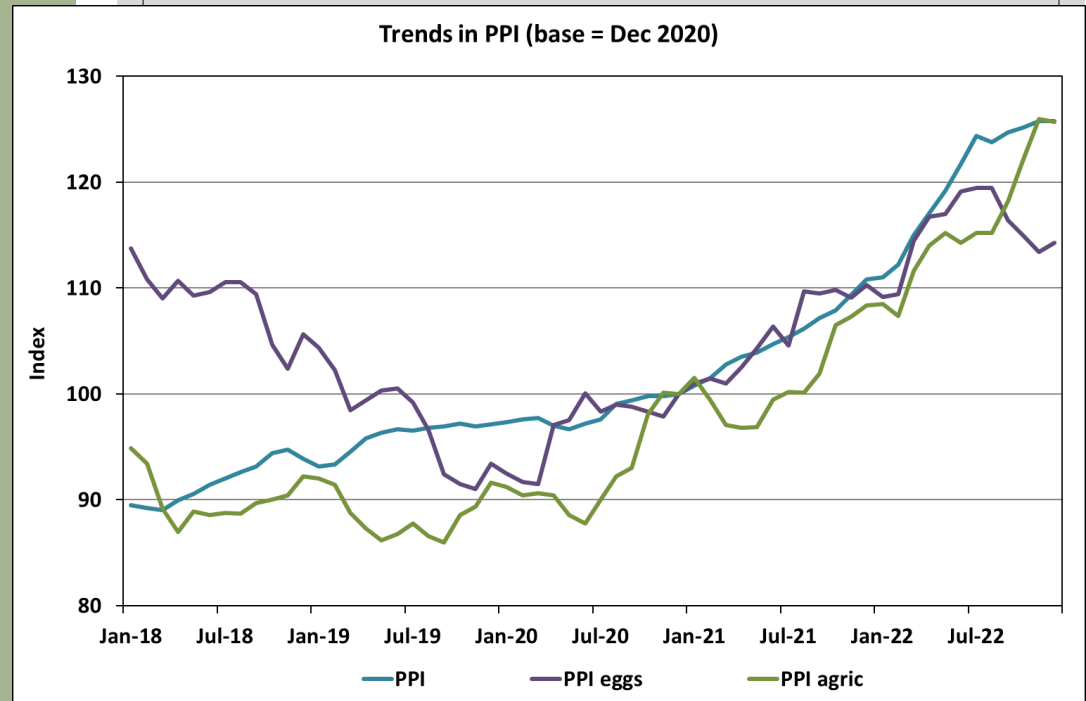
24.10 million
(723.1 million dozen)

Price plunged from June 2022 due to egg surplus. Disciplined supply important.



PPI for eggs back to normal after spike caused by 2017 HPAI outbreak

2H 2022:
Eggs PPI dropped below total PPI



Prospects to April 2023

(Compared to
Jan-Apr 2022)



Point-of-lay pullets: -8.9%

Laying hens: -2.0%

Egg production: -2.0%



Gross value of agriculture

Eggs:

R12.60 billion

(+18.7%)

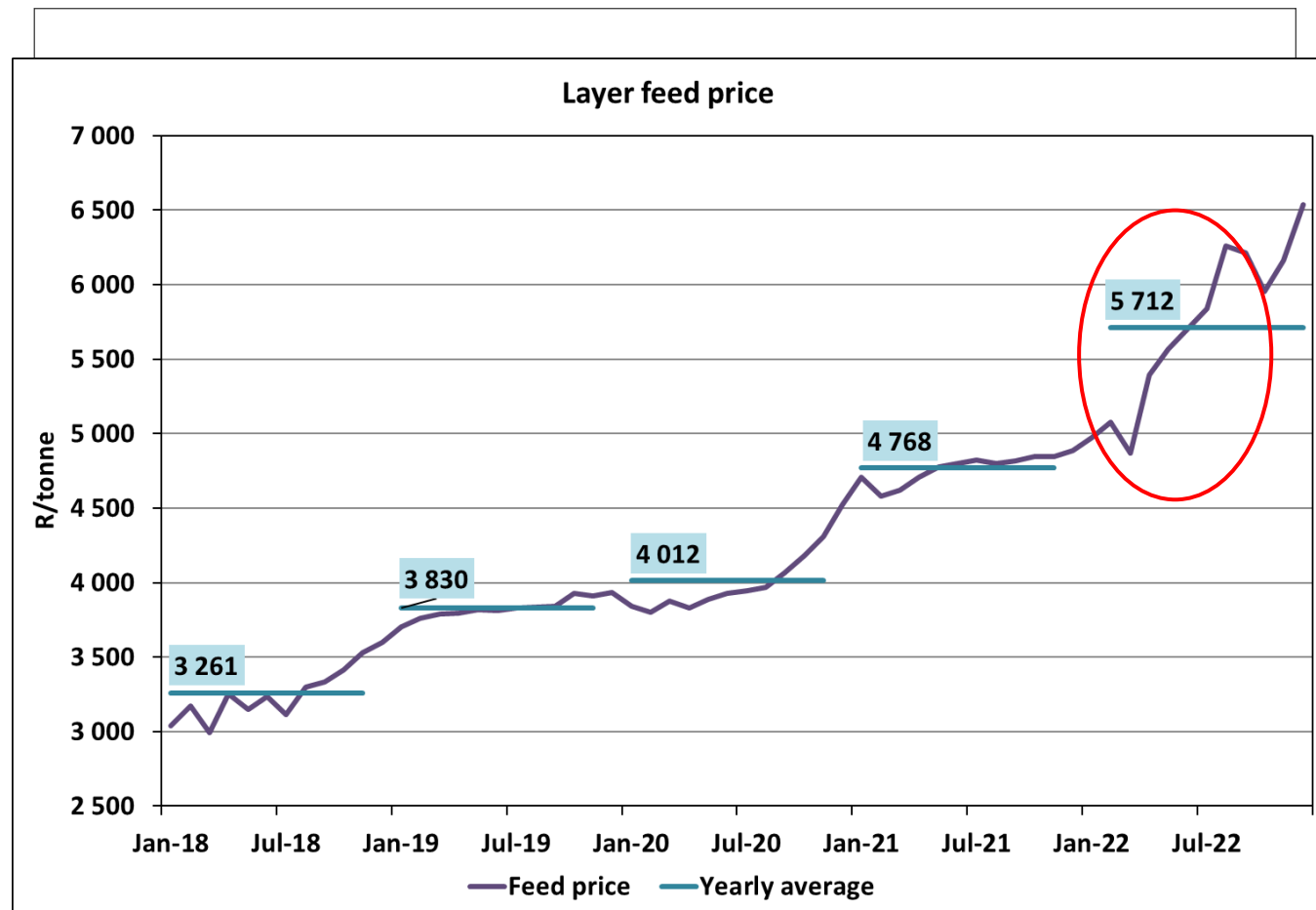
Eggs' share of animal products: 7.1%

Share of all agricultural production: 3.0%

Average layer feed price

R5 712/t
(+19.8%)

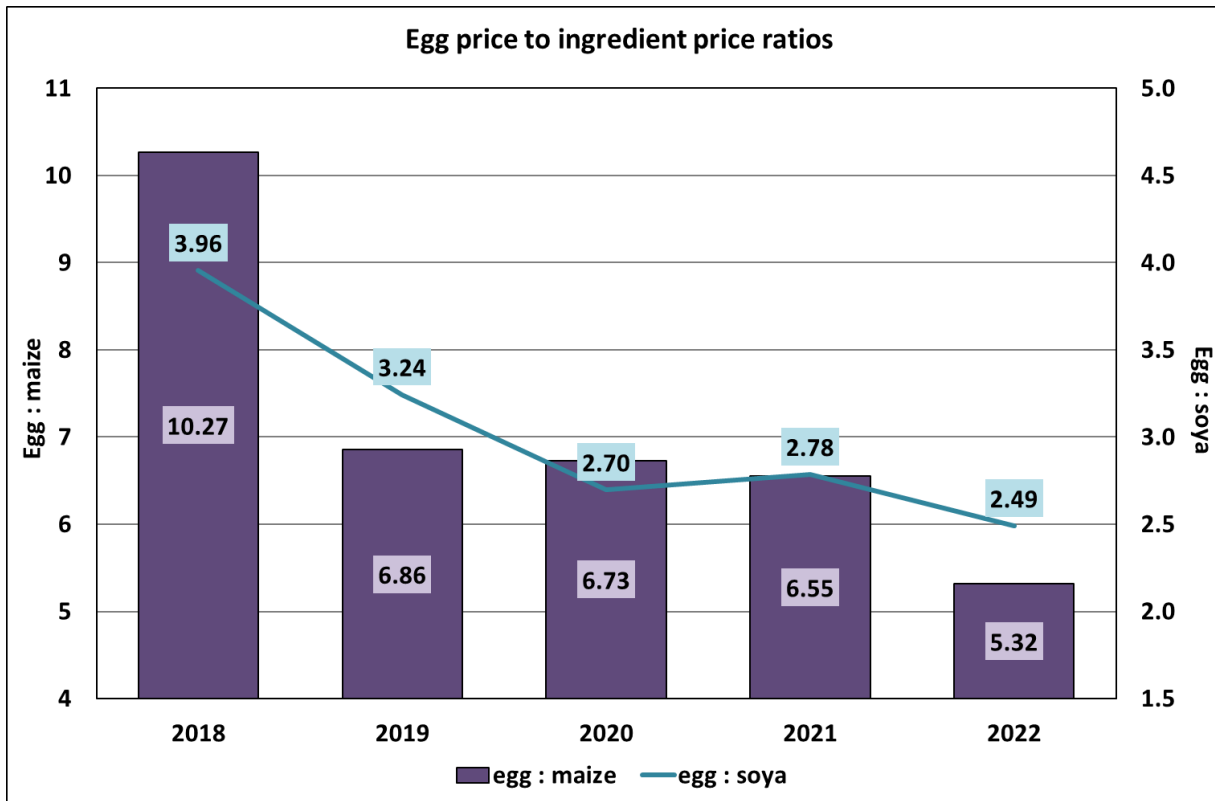
Followed
an 18.8%
increase in
2021



Escalation from April 2022 caused severe
distress to producers

Ratio egg price to maize, soya price

- Higher ratio values more favourable for egg producers
- Situation has deteriorated since 2018



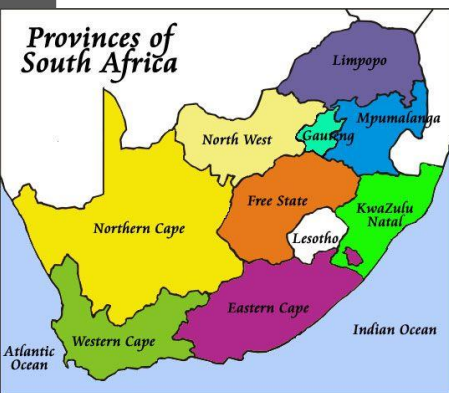
Feed usage (tonnes)

- Pullets:
143 300 (-6.8%)
- Layers:
1 107 800 (+2.2%)
- Total:
1 251 000 (+1.1%)

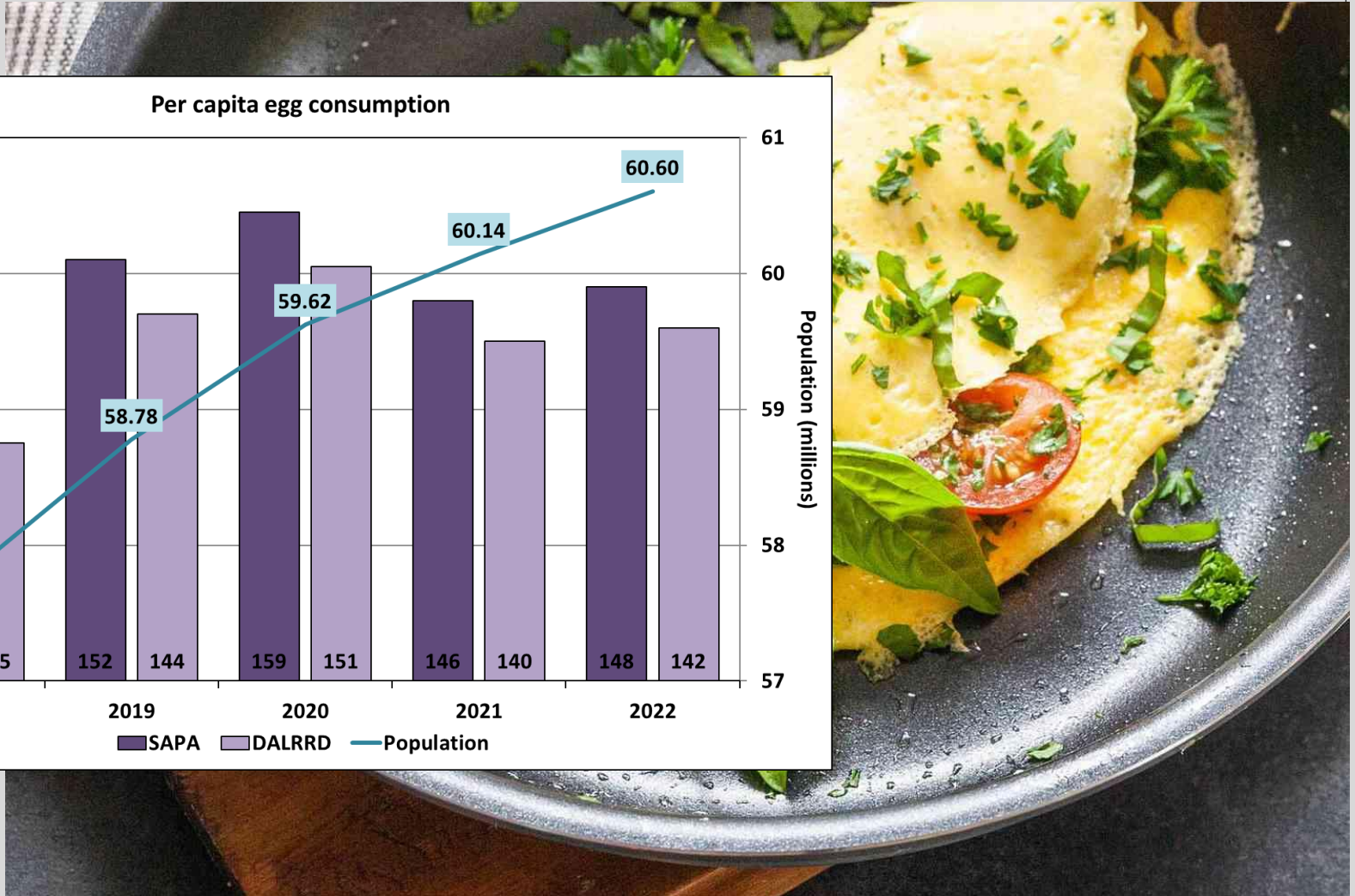


TABLE 6: Feed sales per region (source: AFMA)

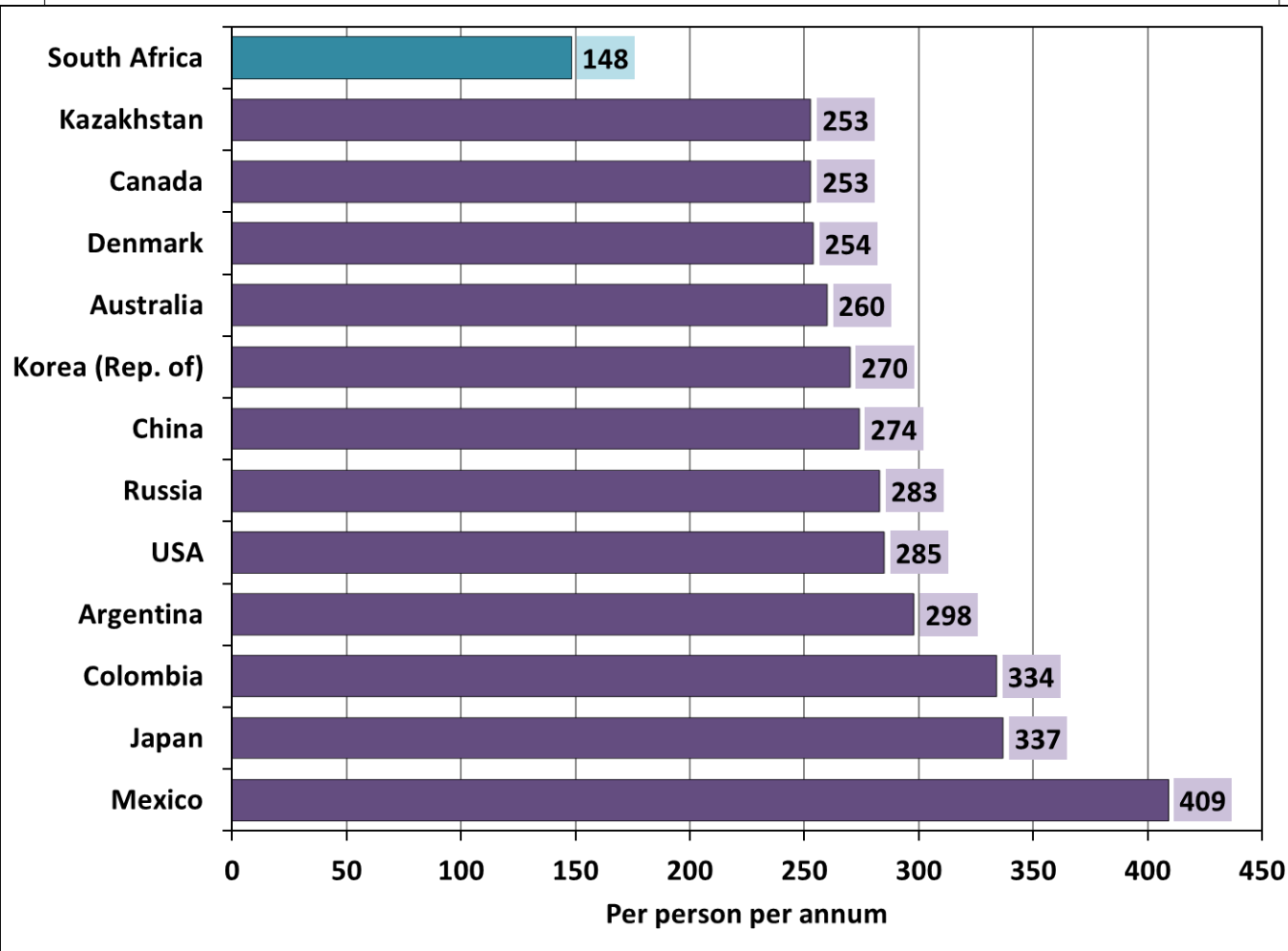
| Province/region | Tonnes | % |
|----------------------|----------------|--------------|
| Eastern Cape | 38 875 | 4.0 |
| Free State | 210 228 | 21.4 |
| Gauteng | 322 311 | 32.9 |
| KwaZulu-Natal | 64 627 | 6.6 |
| Limpopo | 4 705 | 0.5 |
| Mpumalanga | 106 288 | 10.8 |
| North West | 82 097 | 8.4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



Per capita consumption: 148 eggs (+1.4%)
DALRRD: 142 eggs (allowing 5% loss)



Global per capita consumption (2021)



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Mexico:
409 eggs

SA ranked
32nd
out of 35
countries

(source: IEC)

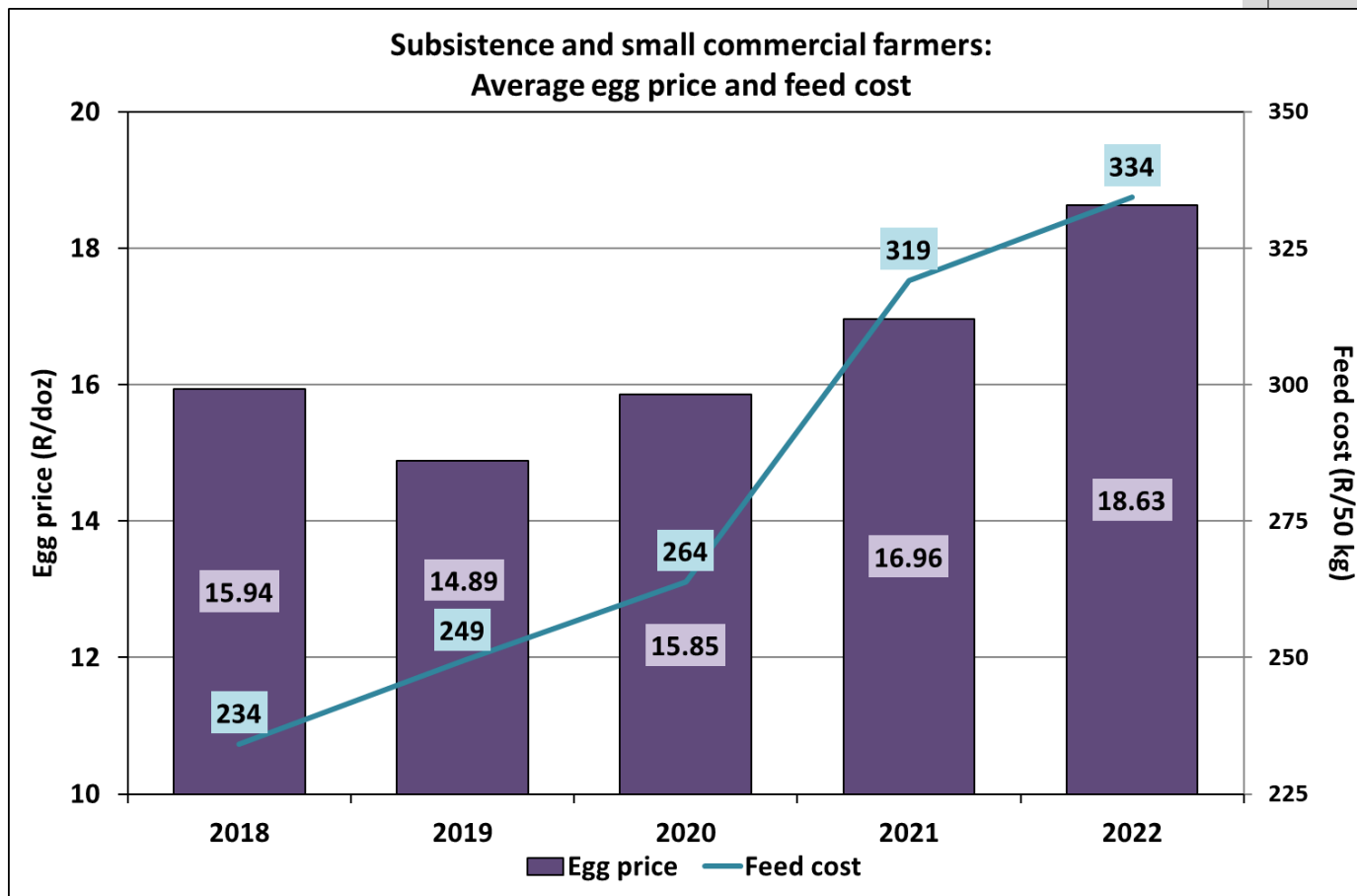
Small commercial farmers

28 pullet rearers, 65 800 pullets (+35%)
(8 stopped farming)

Value of feed: R8.4 m

88 egg producers, 79 800 hens (-31%)
(33 stopped farming)

Value of feed: R23.6 m



Feed cost
as a
percentage
of egg
income:
71%

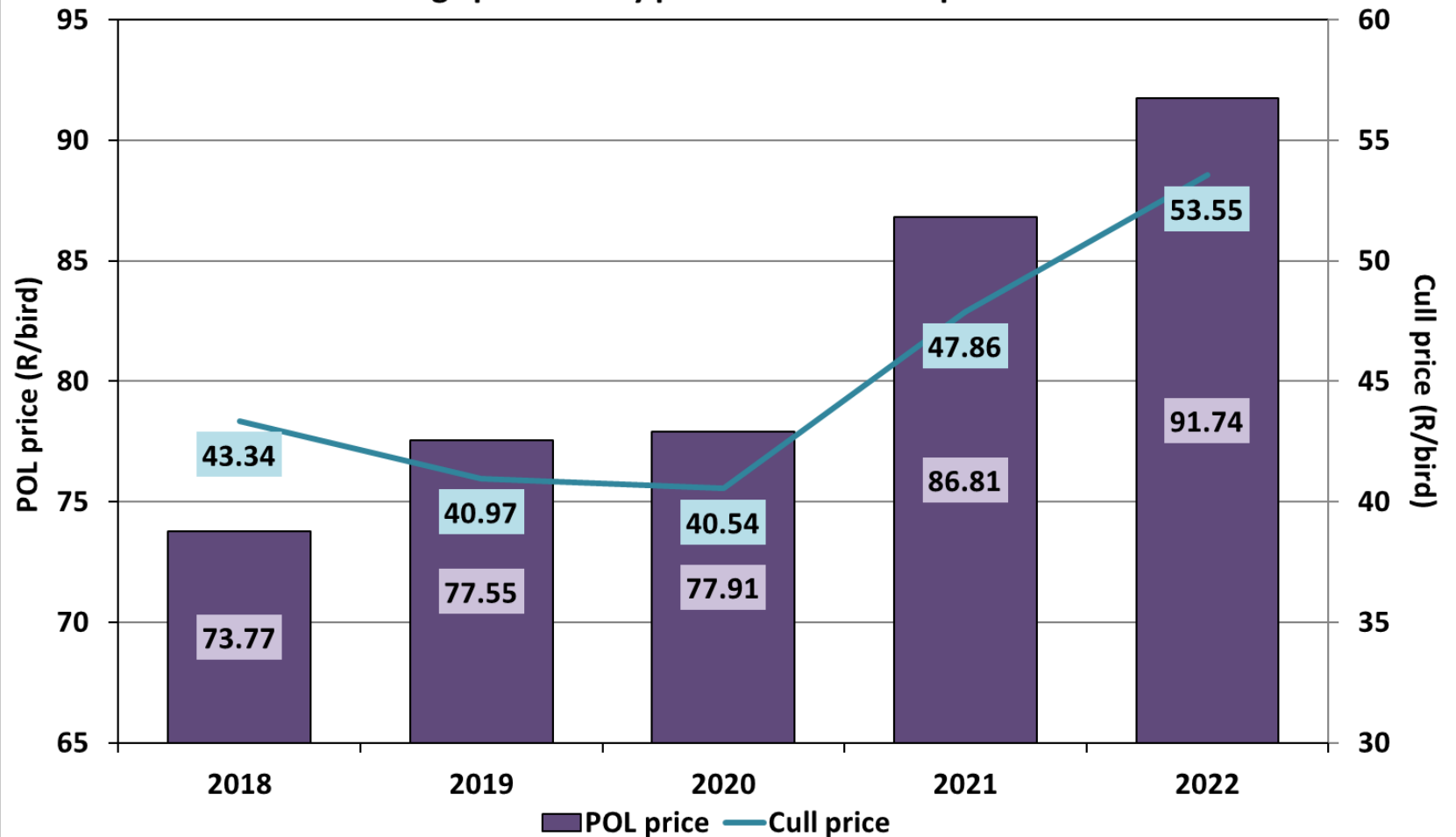
Egg sales

- Quantity:
1.77 m dozen
- Value:
R33.4 m
- Egg price:
R18.63/doz (+10%)
- Cull price:
R53.55/hen (+12%)

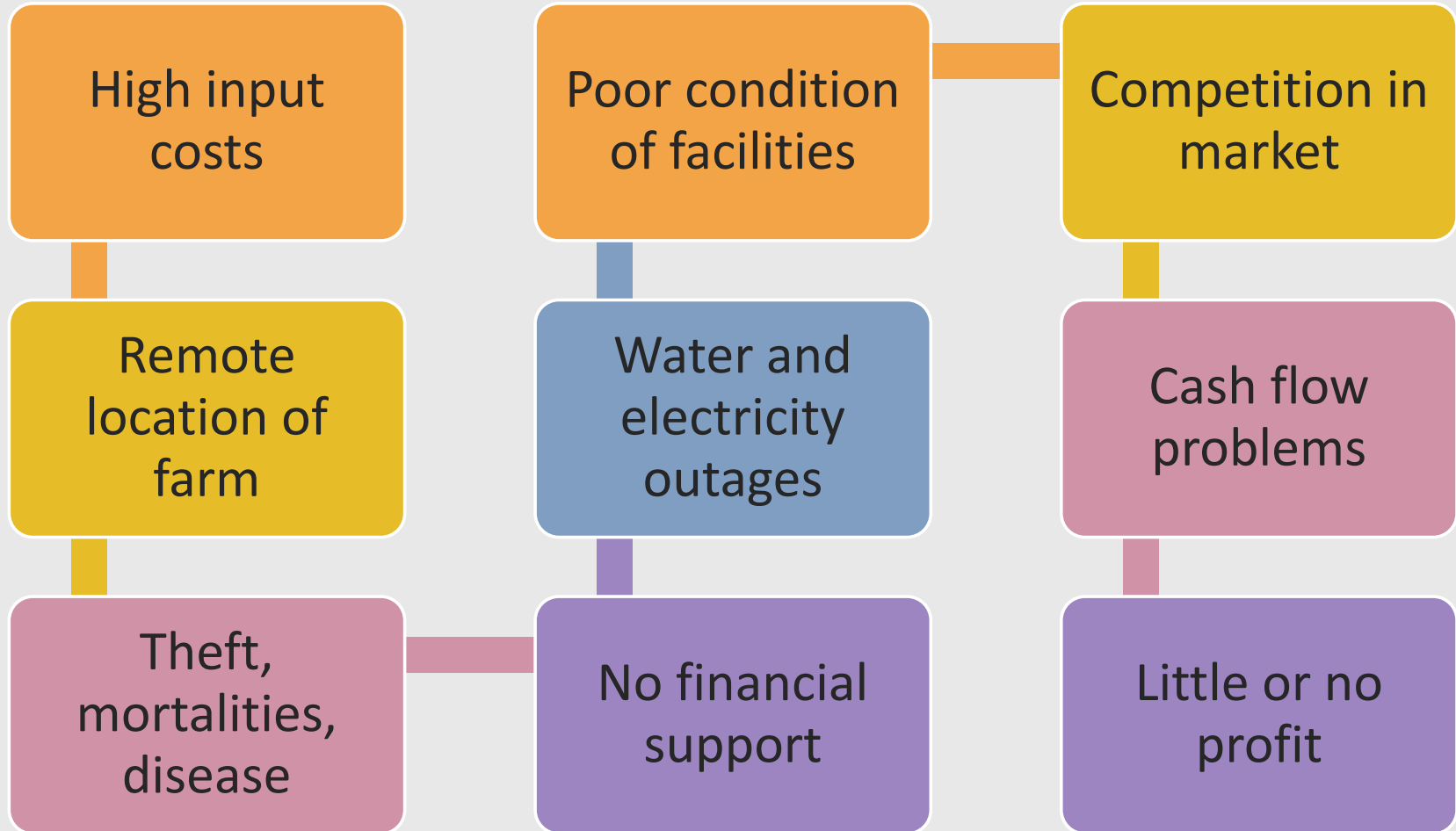
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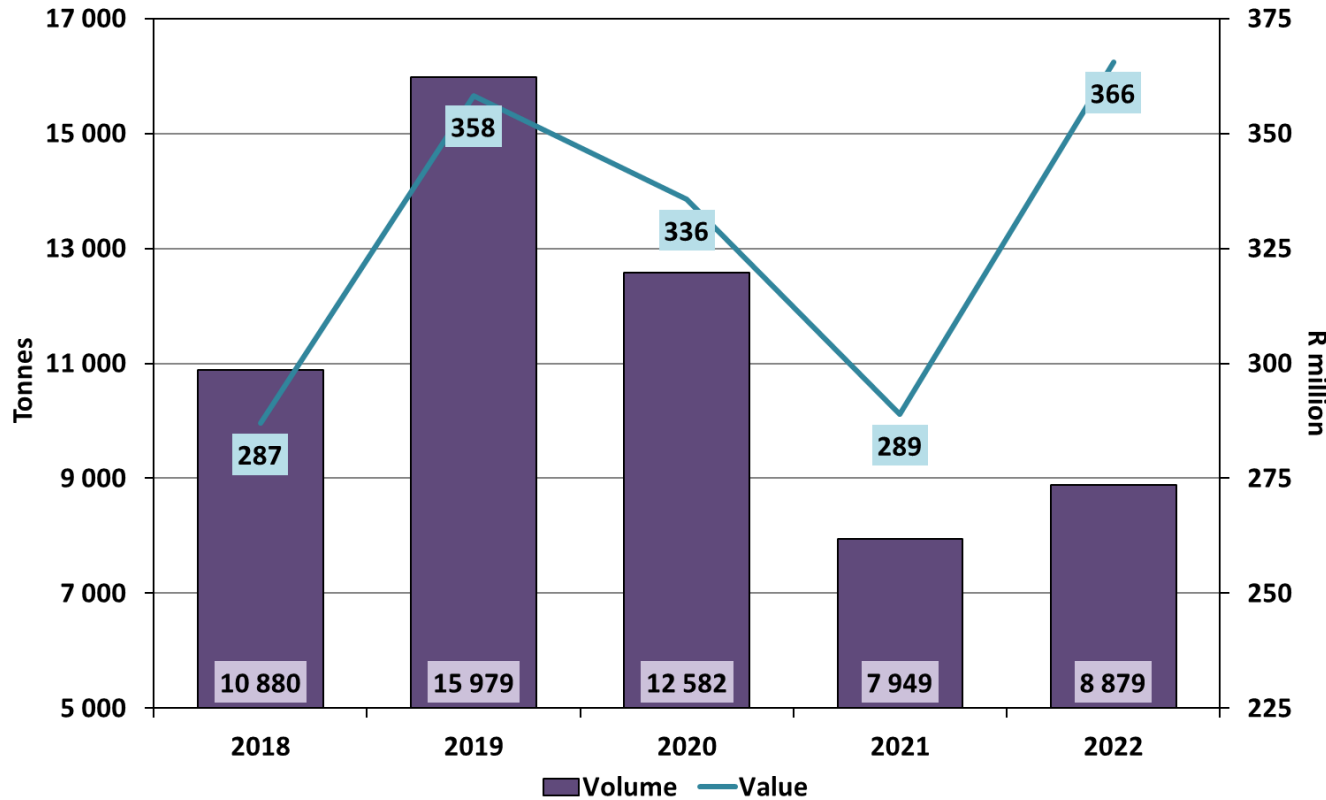
**Subsistence and small commercial farmers:
Average point-of-lay pullet and cull hen prices**



Challenges facing small producers



Annual chicken egg exports



Value increase due to large global increase in price of fertilised eggs

TRADE: Exports

8 879 tonnes

(+11.7%)

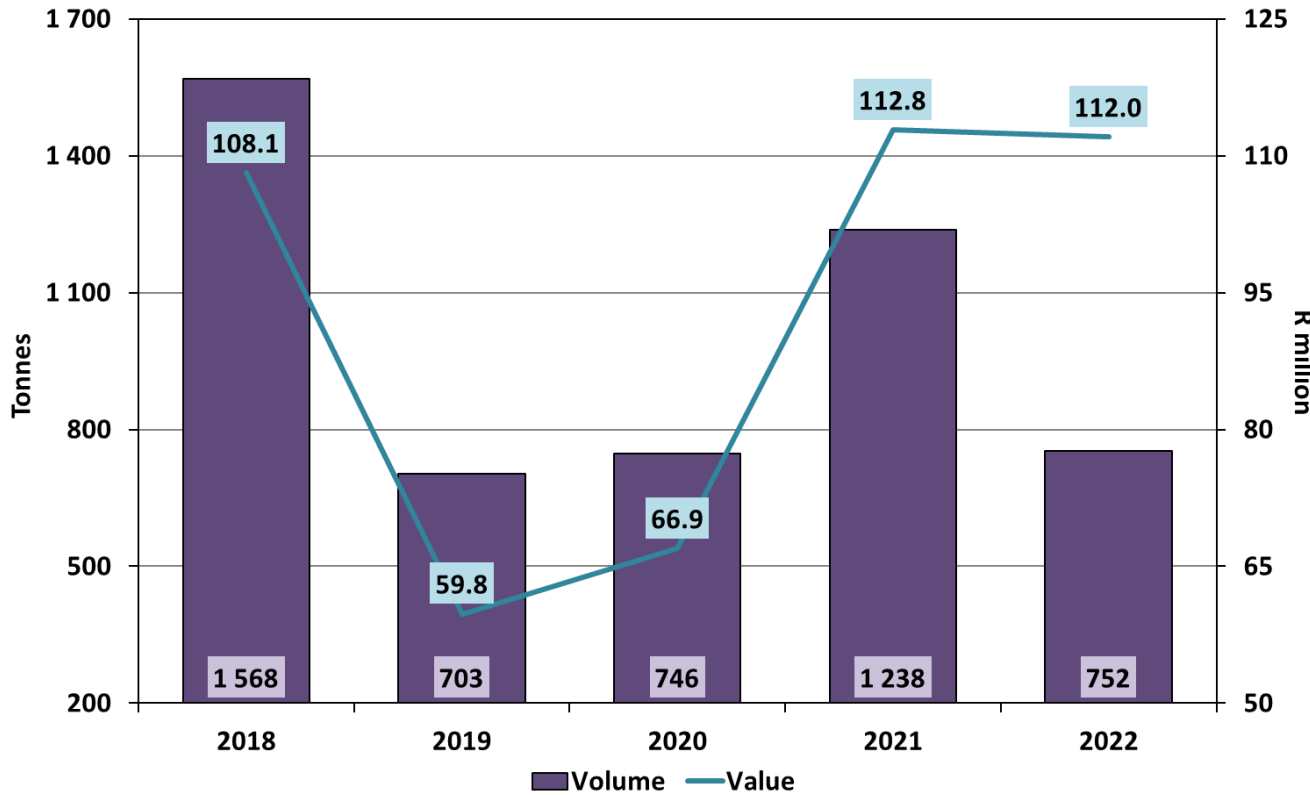
Value:

R366 m

(+26%)

73% to
Mozambique

Annual chicken egg imports



Inflated price of dried egg product kept
value of imports up

TRADE: Imports

752 tonnes
(-39%)

Value:
R112 m
(-0.7%)

Mainly from
Netherlands,
Italy, France

GLOBAL EGG INDUSTRY: RABOBANK

- Key themes in 2023:
feed costs, energy
prices and availability,
supply challenges,
labour, geopolitical
changes, economic
downturns



Rabobank's predictions for 2023

- War in Ukraine will continue to have an impact
- Feed price will remain relatively high
- HPAI will continue to disrupt supply chains and trade
- Egg market will grow especially in emerging economies
- Consumers will shift towards cheaper options
- **Winners in times of change** have market power, international footprint, value chain efficiency, flexible supply chains, access to capital



Rabobank



International Egg Commission



Vision 365

IEC: Vision 365

- Launched in 2022; aims to double global egg consumption in 10 years
- Target: world average of 365 eggs per capita/year
- Campaign will build reputation of the egg based on scientific facts

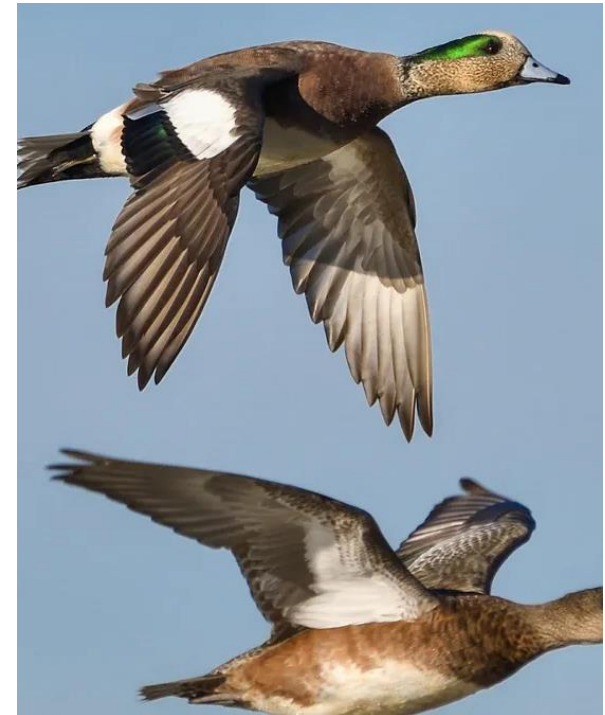
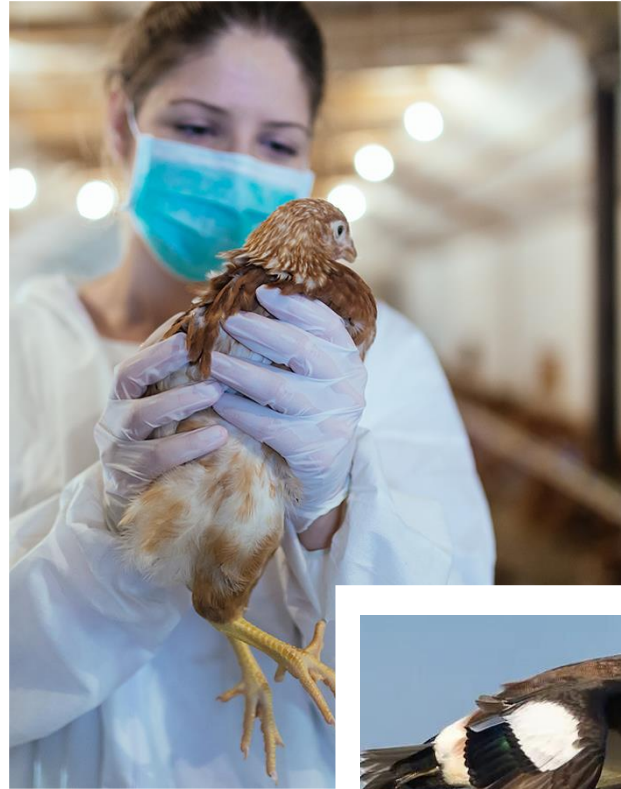
Northern hemisphere plagued by HPAI H5N1

(Numbers within circles = number of cases)



N. hemisphere

- Virus survived summer months, spread faster
- EU: 48 m birds culled (record high)
- UK declared AI prevention zone
 - All poultry kept indoors
 - Shortage of eggs
- USA: 50.5 m birds culled (record high)
 - Egg and turkey prices soared
- First cases in Central and South America



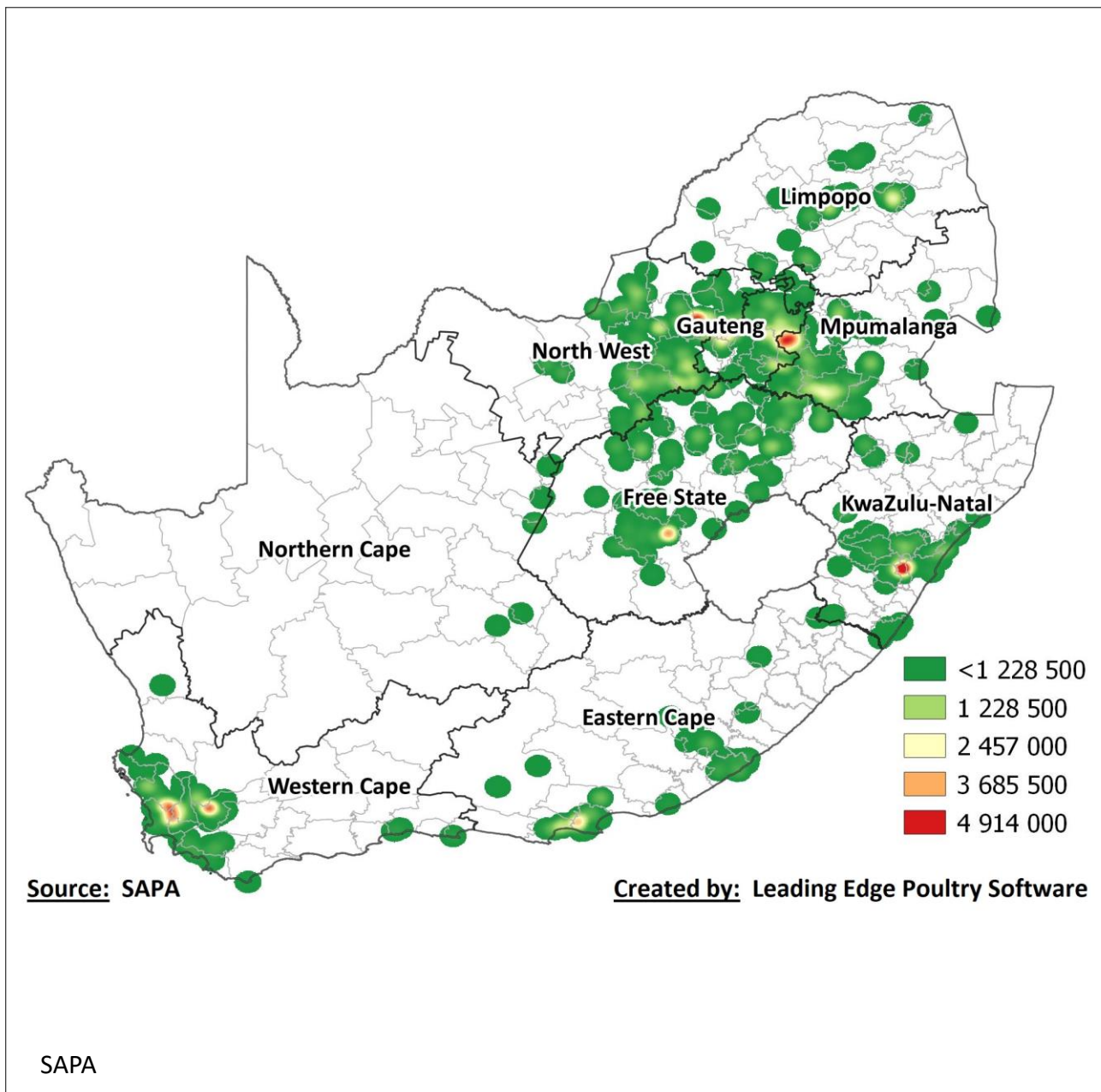


HPAI in SA

- First outbreak of H5N1 on 9 April 2021
- Fewer outbreaks in 2022
- 166 cases by November
- 2.939 m birds culled in egg industry:
 - 0.209 m pullets
 - 2.731 m laying hens (0.553 m in 2022)
- Farmers urged to maintain biosecurity

Egg industry birds culled per province

| Province | Birds | % of provincial flock* |
|-----------------|------------------|------------------------|
| Eastern Cape | 0 | 0.0 |
| Free State | 125 000 | 2.7 |
| Gauteng | 939 374 | 8.7 |
| KwaZulu-Natal | 229 000 | 7.4 |
| Limpopo | 0 | 0.0 |
| Mpumalanga | 0 | 0.0 |
| North West | 175 600 | 5.2 |
| Northern Cape | 0 | 0.0 |
| Western Cape | 1 470 540 | 38.8 |
| National | 2 939 514 | 9.6 |



HPAI heat map

- Uses farm and bird densities
- Indicates risk of transmission
- Red areas are high risk

ANIMAL WELFARE

- Global annual slaughter of 7 billion male chicks an area of concern
 - Banned in France, Germany
- Israeli scientists have produced gene-edited hens
 - Male embryos do not develop under blue light
- Could revolutionise industry





MARKETING: Generic marketing campaign

- Managed by Protactic
- EGGcellent Food followers:
 - Facebook: 1 837 fans
 - Instagram: 448 followers
- Articles published on nutritional and health benefits of eggs, with mouth-watering recipes

27th World Egg Day

- Celebrated on Fri 14 Oct
- Theme: *Eggs for a better life*
- Events in SA:
 - Educational and fun insert on SABC 3 breakfast show *Expresso*
 - Consumer press release
 - Advert in *Heita My Friends*
 - Videos posted by two social media influencers

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REPAIRS TISSUE



MAINTAINS C

EGGS CONTAIN
HIGH-QUALITY
PROTEIN



BUILDS MUSCLE



SUPPORT
IMMUNE S

#WORLDEGGDAY

33rd Galliova Food and Health Writers' Awards

- Awards ceremony held on 21 October in Cape Town
- Sponsored by EO, BO
- New categories introduced
- Judges commented on excellent standard of work



Galliova
champion:
Herman Lensing
(*Sarie Kos*)



REGULATORY MATTERS AND INTERACTION WITH GOVERNMENT

Agriculture and agro-processing master plan

- Signed in May by Minister Didiza and stakeholders
- Egg sector master plan falls under AAMP
- Fund of R1 billion set up by DALRRD and DTIC
- Further R3.2 billion from Land Bank



Transformation: Amakip-kip

Aim: to bring about measurable change; draw black farmers into mainstream economy

Waiting for Minister's approval to use levy surplus funds

Four beneficiaries identified in 2022, to build pack station in West Rand with blended finance

Economic study on layer hen housing

- NAMC findings:
 - R4.93 billion required to convert SA to cage-free systems
 - Consumer would pay R5.70 – R6.00/dozen extra
 - Egg industry may shrink by 26 – 36%
 - About 6 160 jobs could be lost
- Negative effect on transformation
- Not feasible



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SABS



Welfare standards

- WOAH chapter on layer hen housing failed to receive majority vote
- Consensus not reached on SABS standard SANS 1758
- EO stance:
 - All three production systems (cage, barn, free range) must remain

Table egg inspections

- Food Safety Agency appointed by DALRRD to enforce quality regulations
- Inspections are required by law to ensure compliance
- From 1 July 2022: SAPA pays inspection fees from levy money





SOUTH AFRICAN POULTRY ASSOCIATION

Founded 1904

FUNDING MODEL

- Levy R0.018c/doz
- Lapses 31 March 2026
- Option to increase levy in 2024
- 20% must be spent on transformation

SUCCESSSES

Growth in membership of EO

Levy funds to pay for FSA inspections

Signing of AAMP

New transformation project in Gauteng

Slowdown in spread of HPAI H5N1

SUCCESSSES

- Recovery of national flock after HPAI outbreak
- Eggs still the most affordable animal protein
- Active generic marketing campaign
- Increase in per capita consumption
- Positive media exposure on World Egg Day
- Successful hosting of Galliova Awards
- Clear outcome of NAMC study
- Increase in egg exports

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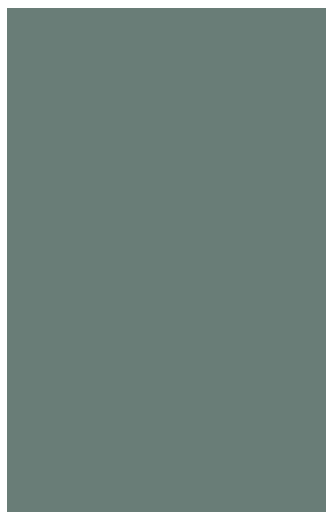


CHALLENGES

- Poor service delivery and crumbling infrastructure
- Cost of running generators during load shedding
- Escalating input costs
- Producers unable to recover costs in selling price
- Neutral or negative farm cash flows

CHALLENGES

- Oversupply of eggs pushed prices down
- 553 000 hens culled due to HPAI
- Virus still circulating in wild birds
- Many businesses insolvent
- Small farmers in distress
- Constrained consumer spending
- Large retail mark-up



FUTURE PROSPECTS

Heightened focus on biosecurity

Working towards egg sector
master plan goals

Targeted support for black
farmers

Ongoing risk to business survival

Slight easing in global feed
ingredient prices

FUTURE PROSPECTS

- Managing costs
- Optimising farm efficiencies
- Producers exiting the industry, creating egg shortage
- Balancing supply and demand to prevent price drops
- Joining forces with IEC to promote Vision 365

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CONCLUSION

- Egg industry in a precarious position
- Many disabling factors beyond producers' control
- 2023 projected to be turbulent
- Consumers face egg shortages and higher retail prices