SOUTH AFRICAN POULTRY ASSOCIATION
2014 INDUSTRY PROFILE
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INTRODUCTION

Our theme this year is “Better together as partners”, highlighting the importance of continued transformation in the poultry industry and the need for all stakeholders in the industry to speak with one voice.

The poultry industry remains the largest single contributor to the agricultural sector in South Africa. Some 20% of the total agricultural gross value in 2014 stemmed from poultry production and over 42% of animal product gross value. The industry provides direct employment for over 59 000 people; indirect employment to a further 61 000 people and gives work to over 18 000 people in the related field crop industry. The poultry industry is the second largest consumer of maize; and supports many peripheral businesses as well as those downstream in the value chain. The poultry industry’s influence on the success of the South African feed industry is considerable.

In the broiler industry, lower input costs, especially of maize, allowed a significant recovery towards profitability in the past year. The length of this favourable cycle will be determined by the extent of feed price increases (resulting from a drought-stricken maize harvest); the rand/dollar exchange rate; electricity price hikes and supply; and the impact of increasing levels of imported frozen bone-in portions from the EU, Brazil and Argentina. Import levels of bone-in portions, predominantly from Europe, remain high as a result of the Trade Development and Co-operation Agreement between the EU and South Africa. A successful anti-dumping application against Germany, the United Kingdom and the Netherlands was only marginally effective during the provisional measures phase. However, a reduction in local individually quick frozen (IQF) production resulted in a favourable supply-and-demand balance.

A number of notifiable avian influenza outbreaks in Europe and North America will continue to affect exports to South Africa for meat and eggs as well as for breeding stock.

In the egg industry, there continues to be less reason for optimism as challenging economic conditions, both in terms of input costs and consumer spending patterns, erode the producer’s share of the egg price. The egg industry has considerable scope to improve domestic consumption of a quality protein source and to increase export volumes and needs to achieve both these goals to avoid further shrinkage of the industry.
1. THE SOUTH AFRICAN POULTRY ASSOCIATION

1.1 History

One of South Africa’s oldest agricultural organisations, the South African Poultry Association (SAPA) started off in Kimberley in 1904 primarily as a body of poultry hobbyists, catering to the needs of the various poultry clubs by regulating the rules and appointing judges for the popular poultry shows and egg laying tests staged at the time.

Over the years, the poultry industry evolved from what was essentially a backyard industry, with thousands of people keeping small flocks and only a few large producers, to the mature, efficient and highly productive commercial operations we see today.

As the industry changed, so too has SAPA adapted to meet the industry’s changing needs. The Association is involved in a continuous process of identifying issues affecting the industry and taking positive steps to deal with these, including the often contentious matters of area representation, management decentralisation and dispute resolution amongst producers.

Responding to the needs of its members, SAPA served as the industry’s collective voice to the public and to government. Strengthening its authority, credibility and legitimacy, a South African Poultry Breeders Register was established in 1926, and ten years later, government gave the assurance that it recognised SAPA as the official representative organisation of the country’s poultry industry.

1.2 Milestones

Since 1904, as the fortunes of the poultry industry changed and a trend emerged of more formal enterprises with modern production processes underpinned by sound commercial practices, SAPA had to dynamically respond to meet the challenges of this increasingly influential agricultural sector.

This necessitated the need for improved controls and comprehensive record keeping, as well as greater co-operation among members to arrive at common objectives, especially in engagements with government and state agencies.

The pivotal role played by SAPA in the development of the commercial poultry industry is reflected in the Association’s key initiatives which charted the course for modern poultry production. These included the establishment of a Record of Production Register, which was considered to be of great value at the time. At SAPA’s request, the Egg Control Board was established in 1951, and the Association was also instrumental in making modern poultry equipment available when hen batteries were still a new concept.
Trade-wise, SAPA was instrumental in getting import tariffs approved; in passing the Livestock Improvement Act; influencing bilateral Trade Agreements; and in having GST on livestock removed, followed later by VAT on eggs.

To advance the industry’s knowledge base, the association facilitated the introduction of SAPA, YTA and KZNPI courses; supported advanced veterinary training at the University of Pretoria’s Onderstepoort facility; set up a central reference laboratory; and facilitated the reduction of surcharges on imported breeding material and equipment.

In 2009, SAPA introduced the industry statutory levy, a bold move that created a new primary funding mechanism for the Association’s work. This initiative empowered SAPA to, amongst other things, make serious progress with the implementation of industry transformation for smallholder farmers; establish improved industry training and development activities; adequately fund disease and production research and development; implement the SAPA Poultry Disease Management Agency (PDMA; a vital function in association with DAFF); engage in professional marketing activities; interact with government on issues affecting the industry; deal with meat import threats; and deal with a number of legal challenges through the courts for the betterment of the industry as a whole.

The statutory industry levy came to an end in the third quarter of 2013, with predictable consequences on project funding. Its loss will be debated as part of the changes happening within SAPA structures in 2014. A strategic review of SAPA and the work we do is under way (see Chapter 10). Some significant changes are likely, but for an organisation as old as SAPA, such periods of renewal are essential if we are to remain relevant to the needs of all producers.

1.3 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.

1.4 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.
The South African Poultry Association is controlled by a Management Committee (MC) that coordinates its activities and objectives, oversees administration, and looks after the collective interests of its members. Through 2014, SAPA represented small scale, emerging and larger commercial poultry farmers in the following sectors: the broiler and egg industries, the breeding / day-old chick supply industry, and smallholder and developing farmers. The SAPA Management Committee thus operates with four subsidiary committees: the Broiler, the Egg, the Chick Producers and the Developing Poultry Farmers Organisations. In addition, technical committees (consisting of two work groups and two sub-committees) address issues of poultry health and welfare, food compliance, training, and research. The work groups and committees involve key stakeholders such as producer personnel, the Departments of Health and Agriculture, Forestry and Fisheries (DAFF), the Consumer Goods Council of South Africa, the South African Veterinary Association, academics and consultants.

1.5 Representation of the industry

The membership of SAPA’s four direct industry organisations in 2014 was as follows:

<table>
<thead>
<tr>
<th>Industry</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broilers</td>
<td>28</td>
</tr>
<tr>
<td>Chick Producers</td>
<td>27</td>
</tr>
<tr>
<td>DPFO</td>
<td>79</td>
</tr>
<tr>
<td>Eggs</td>
<td>48 (or 100 if individual members of co-operatives are counted)</td>
</tr>
</tbody>
</table>

With an average weekly slaughter of 18.38 m broilers in South Africa in 2014, SAPA’s Broiler Organisation represented 55 % of the industry, based on the number of birds slaughtered per week by members. The Organisation continues to speak for the industry as a whole in trade negotiations and interactions with government on a wide range of issues. Pricing reports, distributed by SAPA’s statistics team every month, were generated from data submitted by 54 % of the industry, on the basis of kilogrammes of edible broiler meat and products sold (695 950 tonnes recorded from total annual production of 1 574 740 tonnes).

In the broiler chick producers’ industry, four companies, all SAPA members, account for 97 % of production of day-old parent females in South Africa. There are five known parent hatcheries in the country.

SAPA represents 16 businesses, which together make up 86 % of the country’s hatchery capacity for day-old broilers. There are another 23 hatcheries, not members, known to SAPA.

Six layer hatcheries, accounting for 94 % of the sector, are represented by SAPA.

In the egg industry, SAPA represented 41 producers in 2014. Two members of the Egg Organisation are co-operatives and, if these members are counted individually, SAPA represents 100 egg producers.
1.6 The Broiler Organisation

The SAPA Broiler Organisation represents commercial broiler producers with the intention to serve the interests of the broiler industry on a national basis.

The objectives of the Broiler Organisation 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 the South African Poultry Association.

The purpose of the organisation is to promote and advance all matters tending toward 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 products, 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 communication 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 statistical consultant appointed by the SAPA office for establishing a suitable statistical system to further the aims of the SAPA.

1.7 The Chick Producers’ Organisation

As an independent division of the South African Poultry Association, the Chick Producers’ Organisation maintains a national organisation in South Africa for the promotion and development of the poultry-breeding and chick-production section of the poultry industry. The purpose of the organisation is to foster, promote and improve the general welfare of those engaged in this section of the poultry industry, by providing a vehicle through which group action may be taken on matters of common concern.
It promotes and advances all matters pertaining to the improvement of the poultry-breeding and chicken-producing industry in South Africa by:

- Securing profitable poultry breeding and providing adequate supplies of poultry products;
- Promoting the breeding of poultry and commercial chicken production;
- Encouraging and assisting in the production of chickens of high quality, bred from parents selected for type, stamina and health qualities and for high egg production and/or meat qualities;
- Protecting the poultry-breeding and chicken-producing industry from adverse legislation and any other aggression by initiating, fostering and assisting in obtaining legislation and regulations beneficial to the poultry breeding and allied industries;
- Encouraging poultry education and training;
- Dealing with any matter that may be in the interest of the poultry-breeding and chicken-production industries, the organisation and its members;
- Submitting individual data to the SAPA office for establishing a suitable statistical system to further the aims of SAPA.

1.8 The Egg Organisation

The role of the Egg Organisation in South Africa is to promote, develop and guide the commercial egg industry as an independent subsidiary branch of the South African Poultry Association, equal in status to that accorded other subsidiary branches of the poultry industry.

The Egg Organisation and its Committee strive to improve the egg industry and to promote it on a national level. This entails, amongst other things:

- A critical evaluation of the methodology of control structures
- Achieving a higher level of operational input
- Liaising with government and consumer bodies on matters of importance
- Striving to build a stronger image for the egg industry on an on-going basis.
- Supporting an industry Code of Practice.

Improvements in the industry can be measured by an increase in egg consumption per capita in South Africa.

1.9 The Developing Poultry Farmers’ Organisation (DPFO)

Small, medium and micro enterprises represent an important vehicle to address the challenges of job creation, economic growth and equity in our country. With this in mind, the Developing Poultry Farmers Organisation has, since 2003, catered for the needs of smallholder and emerging farmers by addressing issues affecting this growing sector of the poultry industry. The organisation also fulfils
a dynamic capacity building and advocacy role, empowering provincial structures and developing partnerships with the state over time.

With some guaranteed funding available through the statutory levy, the role of the DPFO in facilitating the participation of small scale farmers, individuals and collectives in the South African poultry sector was greatly enhanced and industry transformation looked to be more assured. The termination of the statutory levy is likely to reduce the amount of money available for DPFO-specific projects and general organisational work.

1.10 Engagement with stakeholders

SAPA’s engagements with government and key stakeholders improved dramatically in 2014. For example, since the Minister of Agriculture, Forestry and Fisheries, Mr Senzeni Zokwana, came into office in June 2014, SAPA has met with him twice formally and once informally. There has also been a positive formal session with his Deputy, General Bheki Cele, and countless informal sessions. The Minister of Trade and Industry, Dr Rob Davies, has engaged with SAPA regularly since he was reappointed in June 2014.

It should be emphasised that SAPA has found a very sensible and reasonable ally in Minister Davies. He is very supportive of the industry and has promised to intervene in most of the challenges facing the poultry industry. Minister Davies is extremely mindful of the effects of EU imports, inconsistent phytosanitary measures and porous ports of entry to South Africa, and, like Minister Zokwana, has promised that the South African government will tackle these challenges.

The broiler producers have forged strategic coalitions with the Proudly South African campaign and the South African Revenue Services and hope to continue working closely with, amongst others, DAFF, the Economic Development Department, the Department of Rural Development and Land Reform, the Department of Health, the media and the provincial and local governments. It is through these partnerships that producers can solidify their stand in the local marketplace in preparation for the future challenges of imports and expanding export markets. The DTI has been instrumental in improving export access, with one Middle Eastern country opened up for exports in 2014 and more expected in 2015.

1.11 Supply of information to the industry

As part of its service to the industry, the South African Poultry Association regularly distributes statistical information to its members and makes this information available to non-members through its website.
The reports circulated include the following:

**Monthly**
- Broiler pricing report
- Broiler production report
- Broiler trade report (tariff lines and country)
- Egg pricing report
- Egg production report
- Egg packaging report

**Quarterly**
- DPFO report
- Key market signals report for eggs and broilers (trade and pricing)
- Source data spreadsheets for eggs and broilers

In addition, the SAPA team produce bi-annual reports on the result of the Notifiable Avian Influenza Surveillance work conducted by the Department of Agriculture, Forestry and Fisheries, and an annual Industry Profile.

Members and non-members are encouraged to submit monthly production figures to SAPA. The data collected includes the total volume and value of fresh and frozen broiler products and of individual broiler “portions” sold, such as whole birds, bone-in portions, offal, etc. The number of day-old broiler parents placed and the number of broiler chicks hatched are also recorded. On the egg producers’ side, information is collected on the number of day old pullets placed, egg production volumes and average prices for eggs, feed and cull hens. The confidentiality of this process is ensured through the involvement of a team of auditors who deal with the raw data. Thus, any or all information, data, know-how, documentation, materials and other communications, written or oral, which are disclosed or provided to SAPA or its designees by a producer are regarded as confidential information belonging to that producer and cannot be disclosed to any other producer, individual or organisation.

Many local and international businesses and organisations, banks, researchers and government departments request the poultry statistics contained in this, and other, SAPA reports. The data are used in decision-making processes, in prioritising investments, in research projects, annual reports and trade applications, etc. Accurate statistical information is of benefit to all role players, so an appeal is made to producers (whether SAPA members or not) to help increase the sampling pool. Please email cynthia@silverpath.co.za to find out more.
2. THE POULTRY INDUSTRY IN SOUTH AFRICA

Approximately 76 % of the birds in the South African poultry industry are used for meat production, while the remaining 24 % are used in the egg industry. The South African broiler industry went through a period of substantial growth, averaging 6 % per annum, between 2004 and 2008. From 2009 to 2014, growth in the industry slowed down markedly to below 1 % per annum (based on kilogrammes of meat produced). The earlier growth period was associated with increased demand for product and well-contained input costs. During the past seven years, production costs have increased, disposable income of consumers has declined and the importation of poultry meat products at low prices has eroded the demand for locally produced broiler products. Similarly, in the egg industry, growth (in terms of both number of day old pullets placed per annum and egg production) has averaged approximately 1.7 % and 2.7 %, respectively, since 2006. To put these numbers in perspective, annual population growth between 2004 and 2008 was 1.4 % and between 2008 and 2014 was around 1.5 % per annum.

2.1 Gross value

The gross value of primary agricultural production from poultry meat for 2014, as recorded by DAFF, was R33.8 billion (+10.2 % on 2013 levels). The gross value of egg production was recorded at R9.195 billion. Combined, the gross poultry farm income for 2014 was R43 billion, showing a yearly increase of 9.4 %. According to DAFF estimates for 2014, total production of poultry meat, including spent hens from the broiler and layer sectors, was 1.697 million tonnes. The total production of shell eggs and eggs products was 0.436 million tonnes.

Broiler and egg producers are, in rand value, the largest sector of South African agriculture at 19.7 % of all agricultural production and 42.2 % of all animal products. The gross value of ostrich feathers and products was R410.6 million in 2014; this is 0.19 % of agricultural production and 0.40 % of total animal products.

The total gross value of animal products was R101.97 billion and the total gross value of agricultural products was R218.045 billion in 2014. Total animal products contributed 46.8 % to the gross value of total agricultural products, with poultry meat contributing 15.5 % and eggs 4.2 %.

2.2 Feeding the nation

The poultry industry continues to pride itself on the fact that it feeds the nation, as more poultry products are consumed every year than all other animal protein sources combined. The South African poultry industry continues to dominate the animal products sector, providing 64.9 % of locally produced animal protein (excluding milk) consumed in the country.

The per capita consumption of poultry meat and eggs in 2014 was 37.96 kg and 8.72 kg, respectively, with a combined per capita consumption of 46.68 kg (including backyard consumption). Per capita consumption of beef, pork, and mutton and goat were 18.14 kg, 4.57 kg, and 3.49 kg respectively (source: DAFF).
The gap is widening between the total consumption of poultry meat and eggs and the total consumption of other types of meat (Figure 1). During 2014, the total consumption of poultry meat and eggs was 2.543 million tonnes; 84% more than the combined 1.377 million tonnes of beef, pork, mutton and goat consumed over the same period. Of this, 2.049 million tonnes was poultry meat products (including imports) and 0.494 million tonnes was eggs and egg product.

### 2.3 Price comparison of protein sources

On a rand per kilogramme basis, broiler meat and eggs remain the most affordable of animal protein sources, with the exception of milk. The average beef producer price at the abattoir (carcass price, excluding the fifth quarter) for class A2 / A3 was R33.04 per kg in 2014, while the abattoir selling price for Class C2 / C3 beef was R25.15 per kg. The average price for pork (all classes) was R21.41 per kg. The total realisation producer price for broilers (less all discounts, rebates and secondary distribution) was R17.10 per kg in 2014. It should be noted that the broiler price is for finished product, whilst the other meat prices are ex-abattoir. Eggs are an even more affordable protein source than broiler meat, at an annual average producer price of R16.31 per kg. The average 2014 prices of animal proteins are given in Figure 2 and monthly prices since 2009 are shown in Figure 3.
Figure 2. *Average annual producer prices for different protein sources in 2014*

Figure 3. *Monthly beef, pork, broiler and egg producer prices (source: AMT, SAPA)*
Changing views on cholesterol and the increasing popularity of high protein/high fat diets have fuelled a resurgence in the consumption of eggs in the developed world. The cost effectiveness of egg as a protein source needs to be communicated fully to the South African public. For decades, doctors, scientists and government agencies have warned against diets high in cholesterol. Now, in the 2015 recommendations of the US Dietary Guidelines Advisory Committee (DGAC), cholesterol is no longer considered “a nutrient of concern for over-consumption”. For most people, dietary cholesterol has a much smaller effect on blood levels of total cholesterol and harmful LDL cholesterol than the mix of fats in the food eaten. Research shows that an egg a day does not increase heart disease in healthy individuals. In fact, the high quality protein, selenium (an antioxidant) and the vitamins in eggs (A, B₁₂, D, riboflavin and folate) may lower the risk of heart problems.

2.4 Employment

An employment survey was conducted in 2012 and estimates were made for 2013. No survey was conducted in 2014.

**Table 1:** The estimated direct employment in the broiler industry (2013)

<table>
<thead>
<tr>
<th>Number of employees (including contract workers)</th>
<th>Junior staff (Paterson A and B grades)</th>
<th>Supervisory and senior staff (Paterson C grades and above)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment in the broiler, hatchery and rearing industries (including GPs)</td>
<td>12 880</td>
<td>1 591</td>
<td>14 471</td>
</tr>
<tr>
<td>Employment in the broiler processing industries</td>
<td>25 515</td>
<td>2 029</td>
<td>27 544</td>
</tr>
<tr>
<td>Employment in the broiler distribution industries</td>
<td>4 465</td>
<td>1 604</td>
<td>6 069</td>
</tr>
<tr>
<td>Grand total for direct employees</td>
<td>42 860</td>
<td>5 224</td>
<td>48 084</td>
</tr>
</tbody>
</table>

| | | | |
|---------------------------------|--------------------------|
| Total employees in support industries – indirect employees | 59 696 |
| Total direct and indirect employees | 107 780 |
| Total of related field crops i.e. white and yellow maize and soya | 48 474 |
| Poultry share of related field crops | 18 137 |

With an estimated 7 887 workers nationwide, the egg industry is an important player in rural employment. An estimated 6 742 workers, 731 supervisors and 414 managers were employed in the industry during 2013, covering support staff, processing, packing, laying, rearing-pullet hatching, parents, parent-rearing and hatching, GP laying and rearing.
2.5 Poultry feed: maize consumption

The total maize crop for 2013/14 was 14.25 million tonnes. The estimated crop for the 2014/15 season is 9.67 million tonnes, a 32 % year-on-year decrease (source: Grain SA). About 48 % of the production is expected to be white maize and 52 % yellow maize.

The total South African consumption of white and yellow maize for 2013/14 was 9.298 million tonnes, of which 4.715 million tonnes (50.7 %) were used for animal feed (source: SAGIS). This comprised 0.652 million tonnes of white maize (13.8%) and 4.063 million tonnes yellow maize (86.2 %).

The South African poultry industry remains the biggest non-human consumer of locally produced maize (AFMA) and, in 2014, maize contributed R27.2 billion to the gross value of agricultural products (source: DAFF).

2.6 Poultry feed: sales of complete feed

According to AFMA estimates, a total of 6.431 million tonnes of animal feed were manufactured by its members in the period from April 2013 to March 2014. The poultry industry consumed 4.202 million tonnes, of which 2.77 million t was broiler feed, 0.926 million t was layer feed, 0.494 million t was breeder feed and 0.011 million t was ostrich feed. In total, a massive 65.3 % of AFMA’s animal feed sales went to the poultry industry (Figure 4). National feed production during 2013/14 was 11.381 million tonnes, a 2.1 % year-on-year increase in feed sales. AFMA sales represent 56.5 % of the national feed produced (source: AFMA).

![AFMA animal feed sales 2014](image)

**Figure 4.** Animal feed sales from April 2013 to March 2014
2.7 International price competitiveness

Although chicken consumption has increased dramatically since the turn of the millennium, only 35% of this increased consumption was produced domestically. Imports, mostly from the Americas and the EU, accounted for 65% of the increased consumption in broiler meat. This raises the question: how competitive is the South African broiler industry internationally?

There is little doubt that South African producers compare favourably with global competitors in terms of production efficiencies. It is production costs, particularly feed costs, which reduce our competitiveness. Feed costs account for between 65 and 73% of total live broiler production costs in most countries. Brazil, Argentina and the US, amongst the most highly competitive poultry producing nations, are, in addition, all net exporters of both maize and soya beans. In a study on the competitiveness of the EU poultry sector (LEI Wageningen UR, 2013), EU feed-related production costs were 23, 28 and 35% higher than feed-related production costs in the US, Brazil and Argentina, respectively. Whilst, in a year of good harvests, South African poultry producers may also enjoy export parity prices for maize, soya prices tend towards import parity because less than 60% of requirements are produced locally. As is the case with the EU, transport, storage and other costs push up the price of protein-rich raw materials in South Africa. In addition, higher feed costs result in higher day-old chick prices. South African poultry farmers are therefore not in themselves technically inefficient producers; there is simply insufficient supply of locally grown, affordable feed inputs.

Figures from the Bureau for Food and Agricultural Policy’s “Baseline (2015)” suggest that, in 2014, feed costs in South Africa were approximately 30% higher than in Brazil on a €/tonne basis; and that the € cost per kilogramme live weight was approximately 13% higher in South Africa. It is safe to label differences in feed costs as the major contributor to higher broiler production costs in this country. However, feed costs in South Africa, when the maize harvest is good, are lower than in Europe (BFAP).

Because of the country’s relatively high levels of protein imports and a free market for maize exports, any increases in global maize and soya prices impact South African feed costs. Increases in feed prices are not matched with increased prices for local broiler products. Indeed, BFAP reported that broiler feed prices increased by 51% between 2010 and 2012 and yet the producer price increased by only 20%. High feed costs keep the domestic broiler price above import parity price even for non-dumped tariff lines and render South African producers vulnerable to imports. When global feed prices are high or the local maize crop fails, even a depreciating rand cannot protect the local market from cheap poultry imports.

Compounding the effect of feed price on the local cost of broiler production and our vulnerability to imports are the global differences in consumer preferences for chicken meat. Whilst the local market prefers “brown meat” (bone-in portions, such as leg quarters, drumsticks, wings, thighs, etc.), the EU and US consumer has a strong preference for “white meat” (largely breast meat) and
boneless portions. Chickens, of course, grow as a single bird, with a leg and a wing to match each portion of breast meat. This means that if the premium earned for white meat is sufficiently high in an exporting nation, the remainder of the carcass can be disposed of into receptive export markets, at reduced prices. The premium earned on the breast meat helps to cover the costs of production so that the “waste” cuts can be sold below the production cost per kilogramme of a whole bird. Imports of “below cost” or “at cost” portions in to a country put downward pressure on local prices, effectively removing any premiums which might be available for preferred cuts in that country. South African producers should be able to realise higher prices for dark meat cuts but are unable to do so in the face of large volumes of imported cuts from the EU and, before anti-dumping duties were imposed, from the US.

Figure 5 below illustrates how the amount of bone-in chicken imports, as a proportion of total poultry imports, has increased over the past 7 years. It can be seen that broiler imports into South Africa comprise mostly bone-in portions and mechanically deboned meat (MDM). The proportion of whole frozen birds or boneless chicken portions in the imports has decreased in recent years; whereas the proportion of bone-in portions is steadily increasing and has exceed 40 % of total imports for the past three years. With anti-dumping legislation in place against the US on tariff line 0207.1490 (frozen bone-in chicken imports), most of these bone-in imports originate from the EU. The EU currently enjoys duty-free access to the South African poultry market, under the Trade, Development and Co-operation Agreement (TDCA). With the African Growth and Opportunities Act (AGOA), a unilateral trade concession between the US and Africa, up for renewal in 2015, there is concern that the anti-dumping legislation that prevents the US importing bone-in portions into South Africa may have to be sacrificed (South Africa applies a tariff of 37 % to imports of frozen bone-in portions, affecting all exporters except the EU, EFTA and SADC nations. In addition, the US pays an anti-dumping tariff on this line of R9.40/kg).

The International Trade Administration Commission (ITAC) has recently accepted that imports of frozen bone-in portions from the UK, Germany and the Netherlands are causing downward pressure on domestic prices and that these imports are essentially being dumped. The Commission determined that the local industry has been unable to pass-on increases in input costs (feed and electricity) to consumers because of competition from dumped imports. Anti-dumping measures against these three countries have been legislated.

Given that the South African industry struggles to remain globally competitive at the whole bird level because of feed ingredient imports, it is clear that it is not possible to compete against imports of what are, in fact, by-products from the US and EU.
The chicken to maize price ratio is an important indicator of profitability in the poultry industry. This ratio reached record lows in South Africa in 2012 when the US drought pushed feed prices up, but increased towards the end of 2013 and stabilised through 2014. Consumption of broiler products in South Africa is outstripping growth in the local industry which, as stated above, shows that the shortfall is being met through importation. A favourable chicken to maize price ratio and more effective measures to counter dumping would support expansion in the local industry but, under drought conditions and a weakening rand predicted going into 2015, this scenario is unlikely.

While cheap imports may benefit consumers if the cheap import prices are passed onto consumers, something which does not always seem to be the case, they also adversely affect the ability of domestic producers to earn profits commensurate with acceptable rates of return and thus these producers cannot sustain the investment required to grow their operations. Lack of growth in a sector which is a large employer in the country contributes to high unemployment levels. If returns on investment are inadequate over a number of years, this will result in either the closure of the business or an under-usage of existing capacity. Where the poultry industry has the capacity to significantly increase employment opportunities in South Africa, import companies do not employ many staff.

Import protection aside, the obvious approach to improving the price competitiveness of the South African broiler industry is to develop the country’s capacity for growing and processing soya beans.
and maintaining a strategic stock of maize to limit price progression towards import parity levels. Both the Bureau for Food and Agricultural Policy and the Department of Agriculture, Food and Fisheries have alluded to the soya bean development strategy in their Baseline reports and Agricultural Policy Action Plan (Chapter 9), respectively, and this capacity is steadily being increased.
3. SOUTHERN AFRICAN DEVELOPMENT COMMUNITY (SADC) OVERVIEW

The SADC member states are Angola, Botswana, Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe (Figure 6). The SADC Secretariat has its headquarters in Gaborone, Botswana.

Figure 6. The Southern African Development Community countries

The SADC Vision charts the direction for the development of the region. A declaration, "Towards the Southern African Development Community", adopted in Windhoek, Namibia on 17 August 1992 by Heads of State or Government, calls upon all countries and people of Southern Africa to develop a vision of a shared future, a future within a regional community.

The SADC Vision is to build a region in which there will be a high degree of harmony and rationalisation, to enable the pooling of resources to achieve collective self-reliance and improve the living standards of the people of the region. The main objectives of the Southern African...
Development Community (SADC) are to achieve economic development, growth, peace and security; to alleviate poverty; enhance the standard and quality of life of the peoples of Southern Africa, and to support the socially disadvantaged. These objectives are to be achieved through increased regional integration, built on democratic principles, and equitable and sustainable development.

3.1 SADC and poultry production

Reliable access to adequate food is a fundamental human right and essential for well-being. SADC member states face challenges ranging from scarce or unpredictable food supply to situations of over-supply. Factors such as weather and climate, labour intensive or dated agricultural methods and health issues which affect agricultural productivity all impact on the region’s ability to be self-sustaining in terms of food production. SADC member states address these serious obstacles to food security through the Livestock Unit of the Food, Agriculture and Natural Resources Directorate (FANRD). The FANRD is one of five directorates grouped together under Regional Integration, along with Trade, Industry and Finance; Infrastructure and Services; Social and Human Development and Policy Planning and Resource Mobilisation.

The Food, Agriculture and Natural Resources Priority Areas include food availability, access to food, promotion of improved safety and nutritional value of food, and institutional framework strengthening and capacity building.

The Food, Agriculture and Natural Resources Directorate’s key functions include:

- Development, promotion and facilitation of agricultural policy harmonisation; including collection of data to monitor progress
- Ensuring sustainable food security policies and programmes;
- Development, promotion and harmonisation of phytosanitary, sanitary, and animal husbandry methods and policies;
- Promotion of trade in agricultural products.

The Livestock Technical Committee, made up of the Directors of National Livestock and Veterinary Services, meets annually to discuss issues of regional co-operation and integration. Its policies and directives are co-ordinated by the Livestock Unit, which also works on addressing sanitary and phytosanitary (SPS) issues in relation to trade.

One of the most important SADC projects from a poultry production perspective is the Trans-boundary Animal Diseases (TADs) project. This project, which is still under implementation in five SADC Member States, is designed to strengthen regional institutions in order to identify, diagnose and control the serious socio-economic impacts of trans-boundary animal diseases and to make
livestock a tradable commodity. The project is also addressing management of trans-boundary animal diseases, including Newcastle Disease and Avian Influenza. Concerted regional efforts are required to control and manage animal diseases in the SADC region as SADC subscribes to the OIE principles of zoning and compartmentalisation in order to enhance regional and international trade in livestock and livestock products. SADC aims to make significant progress towards the goal of managing, controlling and where possible, of eradicating trans-boundary animal diseases, through improved capacity for detection, identification, monitoring and surveillance of the diseases.

SAPA is the secretariat for the SADC Poultry Liaison Forum which meets at least twice per annum in a member country to share issues relevant to the region. The purposes of the Liaison Forum are:

- to allow SADC countries to get to know each other so that difficult issues can be discussed and a middle ground found on technical and trade related matters.
- to share common issues relating to the poultry industry, so that members may benefit from information shared.
- to develop a combined view that will allow all members, via the Forum, to work with the SADC Secretariat in Botswana when necessary - and especially the Joint Technical Committee.

Issues regularly discussed at these Forums include the effect of imports on local industries; illegal movement of poultry products across SADC borders; raw material prices and infrastructure issues (e.g. erratic electricity supplies); government regulation of poultry and subsidiary industries; and disease control.

### 3.2 The SA poultry industry’s contribution to regional poultry production

**Commodity: chicken meat (FAO)**

According to the Food and Agriculture Organisation (FAO), the total production of chicken meat in the SADC countries during 2013 was 1 857 743 tonnes (Table 2). FAO production figures for 2014 are not available until the end of 2015. While the accuracy of these figures may be questionable, they do offer an insight into regional production trends over the last decade. There has been substantial growth in broiler production levels in Angola and Malawi over the past 10 years, and good growth in Mauritius, Namibia, Zimbabwe, Tanzania and South Africa. However, with the exception of South Africa, this growth has stemmed from a very low base, coupled with low per capita consumption. There thus remains huge scope for increasing both regional production of broiler meat and per capita consumption of the product.

South Africa continues to dominate regional production of chicken meat, accounting for 80.6 % of total production in the SADC bloc (FAOstats). Tanzania and Zimbabwe are the next biggest
producers, but each account for less than 5% of the total regional production of broiler meat. Contraction of the industry occurred in Lesotho, the Seychelles and Swaziland over the past decade.

**Table 2:** The production of chicken meat in the SADC member countries in 2013 (FAOstats).

<table>
<thead>
<tr>
<th>SADC Country</th>
<th>Production in 2003 Unit</th>
<th>% Growth (10 y)</th>
<th>% of Total production 2003</th>
<th>% of Total production 2013</th>
<th>Population m</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tonnes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Angola</td>
<td>8 100</td>
<td>+ 269</td>
<td>0.70</td>
<td>1.61</td>
<td>22.82</td>
</tr>
<tr>
<td>Botswana</td>
<td>5760</td>
<td>+ 25.0</td>
<td>0.50</td>
<td>0.39</td>
<td>2.04</td>
</tr>
<tr>
<td>Dem. Republic Congo</td>
<td>10 572</td>
<td>+ 10.7</td>
<td>0.92</td>
<td>0.63</td>
<td>71.25</td>
</tr>
<tr>
<td>Lesotho</td>
<td>1 960</td>
<td>- 18.4</td>
<td>0.17</td>
<td>0.09</td>
<td>2.12</td>
</tr>
<tr>
<td>Malawi</td>
<td>11 240</td>
<td>+ 103</td>
<td>0.98</td>
<td>1.23</td>
<td>17.31</td>
</tr>
<tr>
<td>Mauritius</td>
<td>30 000</td>
<td>+ 56.7</td>
<td>2.61</td>
<td>2.53</td>
<td>1.29</td>
</tr>
<tr>
<td>Mozambique</td>
<td>22 950</td>
<td>+ 5.9</td>
<td>2.00</td>
<td>1.31</td>
<td>27.12</td>
</tr>
<tr>
<td>Namibia</td>
<td>8 160</td>
<td>+ 52.9</td>
<td>0.71</td>
<td>0.67</td>
<td>2.39</td>
</tr>
<tr>
<td>Seychelles</td>
<td>1020</td>
<td>- 31.4</td>
<td>0.09</td>
<td>0.04</td>
<td>0.10</td>
</tr>
<tr>
<td>South Africa</td>
<td>899 599</td>
<td>+ 66.4</td>
<td>78.2</td>
<td>80.6</td>
<td>53.49</td>
</tr>
<tr>
<td></td>
<td>1 497 000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Swaziland</td>
<td>10 500</td>
<td>- 44.3</td>
<td>0.91</td>
<td>0.31</td>
<td>1.11</td>
</tr>
<tr>
<td>United Rep. of Tanzania</td>
<td>61 500</td>
<td>+ 42.1</td>
<td>5.35</td>
<td>4.70</td>
<td>52.29</td>
</tr>
<tr>
<td>Zambia</td>
<td>38 500</td>
<td>+ 19.5</td>
<td>3.35</td>
<td>2.48</td>
<td>15.52</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>40 250</td>
<td>+ 58.6</td>
<td>3.50</td>
<td>3.44</td>
<td>15.05</td>
</tr>
<tr>
<td><strong>Total for SADC</strong></td>
<td><strong>1 150 111</strong></td>
<td></td>
<td><strong>80.6</strong></td>
<td><strong>80.6</strong></td>
<td><strong>283.9</strong></td>
</tr>
</tbody>
</table>

It is not easy to calculate per capita chicken meat consumption in the SADC region because of limited statistics on production and trade. However, based on FAO trade and production statistics for 2012 (the most recent trade estimates), total production of “chicken meat” in the region was 2 621 737 tonnes, total imports amounted to 793 598 tonnes and exports to 10 357 tonnes. Using a 2012 population estimate of 264.42 million people, per capita consumption of chicken meat is approximately 9.9 kg (2012). However, it is likely that some of the imports moved internally within the region, for example ex-South Africa. Based on local production figures alone, as collated by the FAO, per capita consumption would be approximately 6.95 kg (2012) and 6.54 kg (2013).

**Commodity: hen eggs (FAO)**

The total production of hen eggs in the SADC region was 764 370 tonnes during 2013 (Table 3). Based on these figures, ignoring any imports and given an average egg size of 58 g, the average
per capita consumption of hen eggs in shell was 45.6 eggs in 2013. This is up from 44.8 eggs per capita in 2012. Per capita consumption ranges from approximately 2 eggs per person per annum in the Democratic Republic of the Congo to approximately 290 eggs per year in the Seychelles, if production figures are accepted. With per capita consumption in countries such as the US, Russia, Mexico, Japan and China exceeding 220 eggs per annum and, in some cases, approaching an egg a day, there remains considerable scope in the SADC region to increase local per capita consumption. The egg continues to be a cheap source of high quality protein source when compared to other animal proteins.

As with broiler production, South Africa dominates the egg industry in the SADC region, accounting for 70.6 % of total production in 2013 (FAOstats). With the exception of Mozambique (which has increased its capacity by over 500 % in the past decade) and South Africa, all the SADC nations have lost percentage points in the market compared to 2003 figures, despite some growth in many of these countries.

Table 3: The production of chicken eggs in the SADC member countries in 2013 (FAOstats).

<table>
<thead>
<tr>
<th>SADC Country</th>
<th>Production in 2003</th>
<th>% Growth</th>
<th>% of Total production</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2003</td>
<td>2013</td>
<td>(10 yr)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tonnes</td>
<td>tonnes</td>
<td>%</td>
<td>M</td>
</tr>
<tr>
<td>Angola</td>
<td>4 900</td>
<td>5 080</td>
<td>+ 3.7</td>
<td>0.98</td>
</tr>
<tr>
<td>Botswana</td>
<td>3850</td>
<td>4 700</td>
<td>+22.1</td>
<td>0.76</td>
</tr>
<tr>
<td>Dem. Republic Congo</td>
<td>6 700</td>
<td>9 000</td>
<td>+34.3</td>
<td>1.33</td>
</tr>
<tr>
<td>Lesotho</td>
<td>1 603</td>
<td>1 700</td>
<td>+6.1</td>
<td>0.32</td>
</tr>
<tr>
<td>Malawi</td>
<td>20 000</td>
<td>23 000</td>
<td>+15.0</td>
<td>3.97</td>
</tr>
<tr>
<td>Mauritius</td>
<td>13 750</td>
<td>11 800</td>
<td>-14.2</td>
<td>2.73</td>
</tr>
<tr>
<td>Mozambique</td>
<td>7 221</td>
<td>45 000</td>
<td>+523</td>
<td>1.43</td>
</tr>
<tr>
<td>Namibia</td>
<td>2 624</td>
<td>3 500</td>
<td>+33.4</td>
<td>0.52</td>
</tr>
<tr>
<td>Seychelles</td>
<td>1 680</td>
<td>1 350</td>
<td>-19.6</td>
<td>0.33</td>
</tr>
<tr>
<td>South Africa</td>
<td>340 000</td>
<td>540 000</td>
<td>+58.8</td>
<td>67.5</td>
</tr>
<tr>
<td>Swaziland</td>
<td>1 210</td>
<td>1 200</td>
<td>-0.8</td>
<td>0.24</td>
</tr>
<tr>
<td>United Rep. of Tanzania</td>
<td>35 100</td>
<td>33 280</td>
<td>-5.2</td>
<td>6.97</td>
</tr>
<tr>
<td>Zambia</td>
<td>41 400</td>
<td>55 000</td>
<td>+32.9</td>
<td>8.22</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>23 550</td>
<td>29 760</td>
<td>+26.4</td>
<td>4.68</td>
</tr>
<tr>
<td><strong>Total for SADC</strong></td>
<td><strong>503 588</strong></td>
<td><strong>764 370</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4. DAY-OLD CHICK SUPPLY INDUSTRY

4.1 Overview

The day-old chick supply industry supplies inputs to both the egg and broiler industries. Pure lines are imported at great-grandparent or grandparent level. Most imports are at grandparent level with some parent level imports. No commercial level day old chicks or fertile eggs may be imported.

The broiler industry in South Africa makes use of predominantly three breeds: the Cobb 500, Ross 308 and the Arbor Acres breed. The breed societies for each of these breeds have granted the distribution rights to the parent stock to only three companies. The breed societies supply parent stock to integrated and non-integrated broiler hatcheries, where the parent stock are reared until they are ready to start producing fertilised eggs. These fertile eggs are then transferred to hatcheries where the eggs are hatched to produce day-old broiler chicks, which are sold to independent broiler growers or are used in-house by fully integrated companies.

Since it requires a significant capital investment and specialised knowledge to start up and run a day-old chick business, the industry consists predominantly of large producers. Only a few of the broiler day-old chick producers are not integrated businesses. The day-old broiler chick industry can be profitable, but is exposed to the same risks as the rest of the poultry industry. High feed costs, market-related risks and disease outbreaks put pressure on margins.

A small percentage of the day-old chicks produced are exported to neighbouring African countries. There is a reasonably large export market for hatching eggs and most of the exports are done via a local company that is well connected to export markets.

The industry is spread over the whole of South Africa with higher concentrations of producers in Gauteng, the Cape, KwaZulu-Natal and North West regions.

The commercial layer industry makes use of the following breeds: Dekalb (Amberlink), Hyline (Silver and Brown) and Lohmann (Lite). For white shelled eggs, producers use the Hyline W36, a Leghorn-type bird.

There are three major suppliers of day-old pullets in the commercial egg business. Some of these suppliers form part of an integrated business, but the majority are independent suppliers of day-old chicks to large and small producers of commercial eggs. Day-old layers and fertilised eggs are also exported to other parts of Africa. The majority of the day-old layer chick suppliers are currently situated in Gauteng, North West and the Western Cape. As with the broiler day-old chick suppliers, entry-level costs of this sector of the poultry industry are high, requiring substantial inputs of capital and skill to start such a business. This industry can be profitable, but is also very vulnerable and profitability is highly dependent on feed price levels and the absence of disease challenges.
The following factors influence the day-old chick industry:

- It is a time consuming process, due to the lag time in expansion of commercial chick numbers: at least 18 months are required from pure lines and six months from parent stock.
- The Livestock Improvement Act stipulates pure line imports.
- A quarantine period of eight weeks from day-old applies to all imported live chicks.
- During the whole rearing period, it is critical to control the mass of parent females, especially between 18 and 24 weeks of age. If birds are not fed according to breed standards, the number of fertile eggs and overall profitability will be lower.

Figure 7 illustrates the poultry meat process from breeding stock being imported to the first commercial product produced:

**Figure 7.** *The broiler production process, from importation of breeding stock to slaughter*

Figure 8 illustrates the egg production process until the first descendant starts laying eggs. The egg industry does not import and rear pedigree layers. Grandparents are imported.
Figure 8. The egg production process, from rearing of grandparent stock until point of lay

4.2 Genetic progress

Table 4: Genetic progress in a) laying hens:

<table>
<thead>
<tr>
<th>Trait</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eggs per hen per annum</td>
<td>303.3</td>
<td>309.8</td>
<td>309.6</td>
<td>308.2</td>
</tr>
<tr>
<td>Kilogrammes feed per kg eggs</td>
<td>2.37</td>
<td>2.32</td>
<td>2.31</td>
<td>2.32</td>
</tr>
<tr>
<td>% mortality per annum</td>
<td>7.02</td>
<td>7.02</td>
<td>7.27</td>
<td>7.27</td>
</tr>
<tr>
<td>% hen-day production</td>
<td>83.1</td>
<td>84.6</td>
<td>84.8</td>
<td>84.4</td>
</tr>
<tr>
<td>Age at depopulation (weeks)</td>
<td>72</td>
<td>72</td>
<td>72/74</td>
<td>74</td>
</tr>
</tbody>
</table>

b) broilers:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Slaughter age (d)</td>
<td>62</td>
<td>42</td>
<td>38</td>
<td>34</td>
</tr>
<tr>
<td>Live mass (kg)</td>
<td>1.18</td>
<td>1.79</td>
<td>1.82</td>
<td>1.80</td>
</tr>
</tbody>
</table>
4.3  Turnover

The estimated egg industry chick production turnover on a day-old pullet basis increased from R167 million in 2013 to R177 million in 2014, an increase of 6.4 %. During the same period, the broiler industry day-old chick supply (not including day-old parent pullet supply) increased from a turnover of R3.87 billion to R4.17 billion, an increase of 7.7 %.

4.4  Production: Chick placement numbers per annum

**Layer breeders**

In 2014, there was an estimated 20 000 layer breeding birds in grandparent operations producing layer parents and a further estimated 300 000 layer breeding birds in parent operations producing layers. From the breeding stock, 24.43 million day old pullets were produced, an increase of 2.4 % compared to 2013 (Figure 9).

![Figure 9. The total day old pullets produced per annum in South Africa](image)

**Broiler breeders**

The average number of parent males and females in rearing during 2014 was 3.71 million per week, from an estimated grandparent and great-grandparent stock of 400 000. This is a decrease of 3 633 birds (-0.10 %) compared to 2013.
A total of 9.05 million day-old parent pullets were placed in 2014; 35,380 (-0.4 %) less than in 2013. Based on the number of parent pullets placed, an average broiler breeder flock of 6.60 million hens was estimated for 2014 (Figure 10). This showed a decrease of 169,000 hens (-2.5 %) compared to 2013. An average flock size of 6.63 million breeder hens was forecast for the first four months of 2015. Note in the figure below, the national flock size (blue line) is the average number of birds at any point in time; whereas the blue and pink lines represent the annual placement of parent pullets and production of 20 week old parents. In total 1,022 million broiler chicks were hatched during 2014; 24.6 million (+3.5 %) more than in 2013 (Figure 11).

![Figure 10. Number of day old and 20 week parents placed per annum and average size of the national broiler breeder flock](image)

Table 5: The broiler flock in South Africa (2014)

<table>
<thead>
<tr>
<th>Year</th>
<th>Av. broiler parents (m)</th>
<th>Breeding stock (m)</th>
<th>Day-old broiler chicks produced (m)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>in rear</td>
<td>in lay</td>
<td>av. / week</td>
</tr>
<tr>
<td>2013</td>
<td>3.72</td>
<td>7.31</td>
<td>11.03</td>
</tr>
<tr>
<td>2014</td>
<td>3.71</td>
<td>7.13</td>
<td>10.84</td>
</tr>
<tr>
<td>% change</td>
<td>-0.1</td>
<td>-2.5</td>
<td>-1.7</td>
</tr>
</tbody>
</table>

Note: The number of breeding birds in Table 5 includes males and females.
4.5 Feed usage (broiler breeders)

In terms of feed usage, broiler breeding stock consumed 519 338 tonnes during 2014 (Table 6).

<table>
<thead>
<tr>
<th>Year</th>
<th>Parent rearing t/yr</th>
<th>Parent laying t/yr</th>
<th>Total broiler breeding stock t/yr</th>
<th>t/week</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>95 340</td>
<td>434 905</td>
<td>530 245</td>
<td>10 169</td>
</tr>
<tr>
<td>2014</td>
<td>95 289</td>
<td>424 049</td>
<td>519 338</td>
<td>9 960</td>
</tr>
<tr>
<td>Change</td>
<td>-52</td>
<td>-10 856</td>
<td>-10.908</td>
<td>-209</td>
</tr>
<tr>
<td>% Change</td>
<td>-0.05</td>
<td>-2.50</td>
<td>-2.06</td>
<td>-2.06</td>
</tr>
</tbody>
</table>
5. EGG INDUSTRY IN SOUTH AFRICA

5.1 Overview

2014 was yet another year of challenges for egg producers. Pressure continued to be exerted on margins with producers receiving an ever-reducing share of the consumer price. The decline in the national laying flock, witnessed in 2013, continued in 2014, but with less severity. The signs of stress shown by the South African consumer provided a compounding source of challenge to demand, and hence prices at the farm gate.

A recent survey representing 45% of the industry indicated that the weighted average age at depopulation was 74 weeks. The production forecasting model has been adjusted from December 2013 to take this lengthening of the laying cycle into account. The survey will be repeated annually in October, and producers are urged to participate in order to obtain meaningful results.

5.2 Turnover

With a gross turnover of R9.2 billion at producer level, eggs remain the fourth largest animal product sector in agriculture in South Africa, after poultry meat, beef and milk (source: DAFF). The total value at retail level was R13.0 billion for 2014. About 606 million dozen eggs were sold in 2014 through various channels.

5.3 Production

Laying flock

The size of the national layer flock decreased during 2014 (Figure 12). An average flock of 23.53 million hens was projected; a decrease of 0.90 million hens (-3.7%) compared to 2013.

Egg production

Egg production was on a continuous downward trend during 2014 (Figure 13). The average number of cases produced per week was 387 200, a decrease of 15 720 (-3.9 %) cases per week. Total egg production in 2014 amounted to 20.2 million cases, or 606 million dozen eggs.

Of the marketable graded eggs (Grade 1) that were sold in 2014, 10.5% were size medium, 46.1% were size large, 39.7% were size extra-large and 3.8% were size jumbo.
**Figure 12.** The national layer flock since 2010 (millions)

**Figure 13.** Cases of eggs produced annually in South Africa
Table 7, below, summarises bird numbers and egg production and shows the changes for 2014 compared to the previous year.

**Table 7: Bird numbers and egg production for 2013 and 2014**

<table>
<thead>
<tr>
<th>Year</th>
<th>DOPs Placed</th>
<th>LRPs Placed</th>
<th>Laying hens Av. no.</th>
<th>Depopulated</th>
<th>Cases of eggs Av./week</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>23 867 221</td>
<td>23 057 371</td>
<td>24 429 741</td>
<td>23 158 618</td>
<td>402 911</td>
<td>21 008 924</td>
</tr>
<tr>
<td>2014</td>
<td>24 432 190</td>
<td>23 421 446</td>
<td>23 530 482</td>
<td>20 910 374</td>
<td>387 194</td>
<td>20 189 422</td>
</tr>
<tr>
<td>Change</td>
<td>564 969</td>
<td>364 074</td>
<td>-899 259</td>
<td>-2 248 245</td>
<td>-15 716</td>
<td>-819 503</td>
</tr>
<tr>
<td>% Change</td>
<td>+2.37</td>
<td>+1.58</td>
<td>-3.68</td>
<td>-9.71</td>
<td>-3.90</td>
<td>-3.90</td>
</tr>
</tbody>
</table>

DOP = Day-old pullets  
LRP = Layer replacement pullets

Figure 14 depicts the relationship between egg volume and producer price. From January 2010 to February 2013, positive growth in egg production was projected and the producer price for eggs decreased relative to the overall Producer Price Index (PPI). The high year-on-year increases in producer prices of 2013/14 were associated with a decreasing supply of eggs, or negative growth in egg production. Please note: The percentage changes in egg prices presented in the graph are moving averages based on actual producer prices to November 2014.

**Figure 14.** Percentage change in egg volume and producer price of eggs vs previous year

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Small footprint. Big impact.
The downward trend in day-old pullet placements during 2012 and 2013 turned the corner in January 2014 and has since shown a steady increase.

Prospects for 2015. The number of point-of-lay pullets placed is expected to increase by 0.2% during the first four months of 2015, compared to the same period in 2014.

An average flock of 24.7 million layers is projected for the first four months of 2015. This will be an increase of approximately 1.4 million layers (+5.8 %) compared to the same period in 2014. Consequently, egg production is expected to increase by 6.5 % (an average of 25 000 cases per week) to approximately 409 000 cases per week in 2015. Part of the increase in predicted flock size is due to the adjustment in depopulation age made to the forecasting model, which is in line with the current trend of keeping laying hens longer than 72 weeks of age.

5.4 Feed usage and cost

Layers, in all stages of the production cycle consumed 1.15 million tonnes of feed in 2014 (SAPA). Of this total, layers in rearing consumed approximately 0.14 million tonnes and hens in lay consumed approximately 1.01 million tonnes.

The feed usage for layers and pullets in 2014 is summarised in Table 8 below.

<table>
<thead>
<tr>
<th>Feed usage (tonnes)</th>
<th>Rearing per annum</th>
<th>Laying per annum</th>
<th>Total per annum</th>
<th>Total per week</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>157 425</td>
<td>1 016 566</td>
<td>1 173 991</td>
<td>22 577</td>
</tr>
<tr>
<td>2014</td>
<td>139 033</td>
<td>1 012 431</td>
<td>1 151 464</td>
<td>22 144</td>
</tr>
<tr>
<td>Change</td>
<td>18 392</td>
<td>- 4 135</td>
<td>-22 527</td>
<td>- 433</td>
</tr>
<tr>
<td>% change</td>
<td>- 11.7</td>
<td>- 0.41</td>
<td>- 1.92</td>
<td>- 1.92</td>
</tr>
</tbody>
</table>

According to the Animal Feed Manufacturers Association (AFMA), national sales of layer feeds to their members amounted to 946 826 tonnes from 1 January to 31 December 2014, a 3.8 % increase over 2013 levels.

The average layer feed price indicator for 2014 increased by 4.8 % compared to 2013, to R3 405 per tonne. This followed massive year-on-year increases of 23.7 % and 12.0 % in the previous two years. The layer feed price indicator includes distribution, but excludes medication, additives and VAT. The movement in the feed price is shown in Figure 15.
Figure 15. The layer feed price indicator since January 2010

Year-on-year percentage changes in the feed price index and the egg producer price are presented in Figure 16. For almost two years, from the February 2010 until September 2012, egg producers were forced to accept monthly egg prices lower than achieved in the same month of the
previous year, although lower feed prices through 2010 would have eased the situation somewhat. Then, from October 2012 to December 2014, both feed and egg prices escalated year-on-year but only from April 2013 have increases in egg prices show any increases in excess of feed price increases.

5.5 Consumption

The per capita consumption for 2014 was 139 eggs per annum; 8 eggs per person (- 5.4%) less than in 2013 (Figure 17).

![Figure 17. Per capita egg consumption in South Africa from 2010](image)

While the population increased by a mid-year estimate of 1.9%, the demand for eggs dropped. Peak egg consumption in South Africa occurred in 2012 at 153 eggs per person per annum.

The annual per capita consumption of eggs for some of the top egg-eating nations is shown in Figure 18. Considerable scope still exists for increasing the per capita consumption of eggs in South Africa, particularly when taking into account the price competitiveness as a protein source compared with other animal proteins.
5.6 Trade

Egg exports

Egg exports for 2014 totalled 15 526 tonnes, an increase of 28.6 % compared to 2013. The total value of all egg exports was R407.6 million.

Of the 15 526 tonnes exported, fertilised eggs accounted for 7 339 tonnes (47.6 %: 6 935 t chicken; 12.5 t ostrich and 391 t other species) at an FOB value of R201.5 million (fertilised chicken eggs: R187.9 million; fertilised ostrich eggs: R538 846; fertilised eggs of other species: R13.09 million).

Shell eggs and egg product exports totalled 8 187 tonnes, at a FOB value of R206.1 million, as detailed below.
Fresh shell eggs contributed 1 992 tonnes to exports (12.8 %: 1 548 t chicken; 0.15 t ostrich and 444 t other species) at an FOB value of R66.9 million (chicken shell eggs: R58.9 m; ostrich shell eggs: R 1 514; shell eggs of other species: R8 m).

Cooked or preserved shell eggs accounted for 4 914 tonnes of egg exports (31.7 %: 2704 t chicken, 20.9 t ostrich and 2 189 other species) at an FOB value of R79.4 million (chicken: R35.9 million; ostrich: R552 542; other species: R43 million).
South Africa exported 1 281 t of egg “products” in 2014 (8.3 % of total exports). Dried products accounted for 615.4 t of the exported egg products (19 t dried yolks, 595 t dried egg (not yolks) and 1.5 t dried egg albumins). Liquid egg products totalled 666 t of the exported egg products (574 t liquid yolks, 9.6 t raw egg pulp, 77.8 t other liquid egg and 4 t of liquid egg albumins). The FOB value of dried egg products was R17.9 million and the FOB value of liquid egg products was R41.9 million.

Hen egg exports (Gallus gallus domesticus; fresh and preserved/cooked and egg products) continue to operate from a low base, being only 1.3 % (5 533 t) of total egg production (436 453 t) in South Africa in 2014.

The main destinations for South African egg exports in 2014 were Mozambique (56.1 %), Angola (11.2 %), Zimbabwe (10.8 %), and Namibia (7.3 %).

**Egg imports**

Total imports of eggs, including shell eggs and egg products (liquid and dried), amounted to 462.6 tonnes in 2014; 147 tonnes more (+ 46.4 %) than in 2013. The egg product component totalled 404 tonnes, of which 403 tonnes was dried egg product. The main countries of origin of egg imports were India (31.3 %), Italy (27.7%), France (20.2 %), Lesotho (12.5 %) and Germany (4.0 %). Imports of eggs and egg products represented only 0.11 % of consumption in 2014.

### 5.7 Provincial distribution of layers on layer/layer breeder farms

In a recent Notifiable Avian Influenza (NAI) surveillance survey, the location of layer farms was recorded. The survey covers layer breeders, day-old pullets, layers in rearing and layers in lay.

Table 9 gives the provincial distribution of layer farms (breeder, rearing and in-lay).

A total of 247 farms reported in the NAI survey, of which 17 were layer breeder farms, 34 were layer rearing farms and 196 were commercial laying hen farms. It is estimated that the survey represents about 73 % of total hen numbers in South Africa. We continue to try to improve the representation of producers in this survey for disease control and management purposes.
Table 9: *Provincial distribution of layers in South Africa*

<table>
<thead>
<tr>
<th>Layer birds</th>
<th>% of total layer birds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Cape</td>
<td>888 564</td>
</tr>
<tr>
<td>Free State</td>
<td>3 699 777</td>
</tr>
<tr>
<td>Gauteng</td>
<td>5 892 511</td>
</tr>
<tr>
<td>KwaZulu-Natal</td>
<td>3 194 908</td>
</tr>
<tr>
<td>Limpopo</td>
<td>1 713 603</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>1 160 932</td>
</tr>
<tr>
<td>North West</td>
<td>2 461 222</td>
</tr>
<tr>
<td>Western Cape</td>
<td>4 830 665</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>53 274</td>
</tr>
<tr>
<td><strong>GRAND TOTAL</strong></td>
<td><strong>23 865 456</strong></td>
</tr>
</tbody>
</table>

5.8 Challenges for the South African egg industry

The South African egg industry faced continuing challenges through 2014 and producers did not benefit from lower feed prices and the short disinflationary cycle late in the year in the same way broiler producers did. The pressures on the industry will test existing business models, and there is a likelihood that consolidations of operations will take place as producers seek economies of scale.

Challenges for the local egg industry going into 2015 include:

- Rising feed costs, due to the worst drought since 1992
- Increasing input costs, including electricity, fuel and labour
- A weak South African rand

The downward trend in food prices seen in 2014 may be reversed in the face of the most severe drought since 1992. Early maize forecasts point to a 35% decrease in yields of white maize from 2014 levels. An aggregate maize crop just under 10 million tonnes is predicted for 2015 (GIEWS Country Brief, FAO). Despite the drought, South Africa will remain a net exporter of maize in 2015: the country is expected to import some 500 000 t of maize due to drought conditions in the Free State and North West, but out-going shipments should still exceed these figures (600 000 t). Net exports are typically much higher at around 2 – 2.5 m tonnes (USDA Pretoria Bureau).

The World Bank forecasts a price of $ 53 a barrel for 2015. Locally, electricity costs continue to soar, with Eskom applying to raise tariffs by 25.3% from July 1 2015. The likelihood of an interest rate hike in 2015 will further weaken consumer demand for eggs.
The rand traded at its worst levels since 2002 in the middle of March 2015, hitting a low of 12.38 to the US dollar. Emerging market currencies have been weighed down by concerns over Europe and Asia, especially the Greek crisis and deflationary pressure in China. The rand remains vulnerable to the timing and pace of US interest rate hikes (SARB). Local factors weighing down the rand include an increased current account deficit, insufficient local savings, weak GDP growth and the on-going power crisis.
6. BROILER INDUSTRY

6.1 Overview

This has been a busy and exciting year for the broiler industry. Raw material prices, most notably of maize, reduced significantly and producers started to generate profitable returns. However, many of the issues that plagued the industry in 2013 have not wholly resolved, and other matters have come to the fore. The industry still has to deal with tariff issues; European Union (EU) imports; brining levels for individually quick frozen (IQF) portions; industry transformation; stakeholder relations and engagement and a weak consumer economy.

South Africans, across all income and race groups, love chicken - and in particular, chicken on the bone in the form of drumsticks, thighs or leg quarters. This is in contrast to Europe and the US, where breast meat is preferred and the dark-meat portions are not readily consumed. Producers in these markets recover most of the cost of growing and slaughtering chickens through sales of the breast meat. The ‘spare parts’ are dumped in offshore markets such as South Africa. As a consequence, local producers find the price of the parts of the chicken preferred by South African consumers determined by the oversupply of cheap imports.

A restoration of normal trading conditions is required for the poultry industry in South Africa to survive. In this regard, the industry’s relationship with various government departments holds the key to the recovery room. SAPA has engaged extensively with government and the International Trade and Administration Commission of South Africa to find an acceptable solution that will protect local industry and employment, while also promoting fair trade. The organisation also continues to fight for access to key export markets.

In April 2013, SAPA applied to the International Trade Administration Commission of South Africa (ITAC) for the imposition of an anti-dumping duty on frozen bone-in portions of fowls originating or imported from Germany, the Netherlands and the United Kingdom. The ITAC initiated an investigation into the application and, in a notice published on 25 October 2013, stated that there was prima facie proof of dumping, material injury, threat of material injury and causation. Final tariffs were gazetted during February 2015, which disappointingly reduced the interim tariffs in place through 2014.

The effectiveness of even the interim anti-dumping tariffs is questioned, with imports of bone-in portions from the EU remaining at alarming levels. Nevertheless, the final implementation of the EU anti-dumping duty is considered a major success; simply for the key message that the three countries had been found to dumping surplus chicken parts into our market.

The end of 2014 saw US Senators Chris Coons and Johnny Isakson supporting the USA Poultry and Egg Export Council in trying to push South Africa into scrapping the anti-dumping duties on frozen bone-in leg portions which were imposed over a decade ago. Although the South African poultry industry does not export to the US, the continued participation of South Africa in the African
Growth and Opportunity Act (AGOA) became coupled to the issue of dark meat broiler imports. The renewal of this preferential trade agreement, scheduled for September 2015, has the potential to cause great harm to the poultry industry because a compromise quota had to be settled on to benefit the country as a whole. The terms of the agreement are amongst the biggest threats to the sustainability of the South African poultry industry.

A further vexing challenge to the broiler industry, which has been the focus of SAPA’s Food Compliance Work Group, is the rewriting of Regulation R946/988 of the Agricultural Product Standards Act, Act 119 of 1990 (APS Act). The publication in December 2013 of a proposed brining cap on portions could have far-reaching economic consequences for both consumer and industry. These draft regulations set the maximum amount of flavoured water, salts and/or colourants that may be injected into individual poultry portions at 15%. Most major producers, who currently add brine to IQF portions at a ratio of 70% chicken:30% brine, feel that introduction of a 15% level by DAFF would severely impact sales, their return on investment and negatively affect the national diet.

6.2 Turnover

The gross value of primary agricultural production from poultry meat (inclusive of all types of poultry) for the period 2014 was R33.8 billion, reflecting an annual increase of 10.2% (source: DAFF).

Poultry meat production is the largest product sector in agriculture in South Africa, ahead of all other animal sectors (beef production (R24.9 billion), milk (R13.9 billion) and eggs (R9.2 billion) and ahead of all field crop and horticultural sectors. The maize sector, for example, had a gross value of R27.2 billion and deciduous and citrus fruit were valued at R14.7 and R12.6 billion, respectively. Poultry meat’s share of the gross value of all agricultural production was 15.5%, and of all animal products 33.2%.

6.3 Production

A total of 958.4 million broilers were produced for slaughter in 2014; 18.0 million (+1.9%) more than in 2013 (Figure 19 and Table 10).

Based on the number of day-old parent pullets placed to December 2014, the size of the breeder flock is expected to increase by 0.5% to 6.63 million during the first four months of 2015. The forecasting model predicts a potential production of broilers to July 2015 of 19.16 million per week.
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Small footprint. Big impact.

**Figure 19.** The total number of broilers slaughtered per annum

### Table 10: Summary of key results: broiler production

<table>
<thead>
<tr>
<th>Forecast period</th>
<th>Day-old parent pullets placed /year</th>
<th>Breeder hens average</th>
<th>Broiler chicks placed /year</th>
<th>Broilers slaughtered (based on actual chicks) /year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>9 085 444</td>
<td>6 770 001</td>
<td>991 562 844</td>
<td>940 446 859</td>
</tr>
<tr>
<td>2014</td>
<td>9 050 063</td>
<td>6 601 010</td>
<td>1 016 200 295</td>
<td>958 430 417</td>
</tr>
<tr>
<td>Change</td>
<td>- 35 382</td>
<td>-168 991</td>
<td>24 637 451</td>
<td>17 983 558</td>
</tr>
<tr>
<td>% change</td>
<td>- 0.39 %</td>
<td>- 2.50 %</td>
<td>2.48 %</td>
<td>1.91 %</td>
</tr>
</tbody>
</table>

### 6.4 Feed usage and cost

In 2014, approximately 3.389 m tonnes of feed were used by the broiler industry. Approximately 2.870 m tonnes of feed were used to grow broilers while the remaining 519 338 tonnes were used in the broiler breeder industry.

The feed usage for broiler breeders and broilers is summarised in Table 11 below.
Table 11: Feed usage for broiler breeders and broilers in 2014 (tonnes)

<table>
<thead>
<tr>
<th></th>
<th>Broiler parents</th>
<th>Total broiler breeding stock</th>
<th>Broiler production</th>
<th>Broiler industry</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>rearing per annum</td>
<td>laying per annum</td>
<td>per annum</td>
<td>per week</td>
</tr>
<tr>
<td>2013</td>
<td>95 340</td>
<td>434 905</td>
<td>530 245</td>
<td>10 169</td>
</tr>
<tr>
<td>2014</td>
<td>95 289</td>
<td>424 049</td>
<td>519 338</td>
<td>9 960</td>
</tr>
<tr>
<td>Change %</td>
<td>-52</td>
<td>-10 856</td>
<td>-10 908</td>
<td>-209</td>
</tr>
</tbody>
</table>

According to the Animal Feed Manufacturers Association (AFMA), national feed sales for broilers from 1 January to 31 December 2014 amounted to 2 822 608 tonnes and, for breeders, 524 027 tonnes.

The average broiler feed price for 2014 was R4 819 per tonne; an increase of 5.2 % in comparison with 2013. Contributing factors were steep increases in the prices of yellow maize, soya and sunflower oil cake. This followed massive year-on-year increases of 11.2 % and 30.5 % in 2011 and 2012, respectively. The broiler feed price includes distribution, but excludes medication, additives and VAT. The movement in the index feed price is shown in Figure 20.

The year-on-year percentage changes in broiler feed price and chicken price are shown in Figure 21. The graph clearly indicates why margins were under enormous pressure during 2012. From January 2011 to July 2013, feed prices escalated year-on-year, with particularly high increases during most of 2012. The graph shows clearly that percentage year-on-year increases in broiler producer prices during this period were not as high as the year-on-year feed price increases, which would have impacted negatively on profit levels in the industry.

Only from January 2013 have producers been able to maintain some level of year-on-year increase in the broiler producer price, even when feed prices are rising (e.g. March to August 2014). The rapid increase in maize prices as a result of the current drought will cause feed prices to increase again in 2015. Poultry producers have in addition been faced by above inflation cost increases in electricity, gas and diesel, with some respite in fuel prices towards the end of 2014.
Figure 20. *Broiler feed price indicator (average across feed phases) from 2009*

Figure 21. *Year-on-year percentage change in broiler feed price and producer price*
6.5 Consumption

Poultry consumption

According to DAFF estimates for 2014, total production of poultry meat (including turkey, ducks, geese and guinea fowl) was 1.697 million tonnes whereas consumption (including backyard consumption) amounted to 2.049 million tonnes. The per capita consumption of poultry meat for 2014 was 37.96 kg per annum (Figure 22). This includes the sale of spent hens from the broiler breeder and commercial layer industries, the sale of all the edible offal, as well as other poultry species.

![Per capita consumption of poultry meat in South Africa from 2000](image)

Figure 22. Per capita consumption of poultry meat in South Africa from 2000

Chicken consumption

Chicken production, including subsistence farming and depleted breeders in the broiler and egg industries, was 1.711 million tonnes. Consumption of chicken meat amounted to 2.023 million tonnes in 2014. The per capita consumption of chicken meat for 2014 was 37.47 kg per annum. The annual per capita consumption of chicken around the world is shown in Figure 23.

Chicken production, including injection marinating, exceeded broiler production by roughly 10% in 2014 to total 2.21 million tonnes. Estimated brining percentages were used on IQF, frozen portions, whole frozen chicken and frozen value added products. Taking marinating into account, the per capita chicken consumption in 2014 was 38.02 kg, an increase of 1.8% in comparison with consumption excluding marinating.
6.6 Trade

South Africa is among the most unprotected markets in the world, resulting in countries such as Brazil, and the EU, taking advantage of this to dump substantial quantities of cheap chicken here. In contrast, Nigeria, Kenya and Swaziland do not allow imports at all; Botswana and Mozambique issue very few import permits and Namibia restricts chicken imports through a quota system. Worldwide, countries impose very large tariffs to protect their industries while others use sanitary conditions to stop imports into their home markets. For example, the EU, a massive exporter of chicken to South Africa, imposes a tariff of between R5 and R12 per kg, and Canada applies a 249 % tariff on most imports, Norway 306 % and Mexico 234 %. The tariff increase on leg quarters – the bulk of imports – is only 37 %, with no increase in the tariff on mechanically deboned meat (MDM) which is used in sausages and polonies. Since 93 % of imported leg quarters come from the EU, there is in effect almost no duty on leg quarters at all. Tariffs have no direct effect on the price of local chicken. The price of chicken is lower now, in real terms, than it was two to three years ago.

**Annual broiler imports**

According to the audited figures of SARS (verified), the annual broiler imports for 2014 totalled 368 805 tonnes; a 3.92 % increase over 2013 levels (Figure 24).
This figure represents 93.8% of the total poultry products imported (393 303 t; includes turkey, ducks, geese and guinea fowl). Turkey imports in 2014 amounted to 24 299 t (6.2% of total poultry imports). The broiler imports for 2014 had a free on board (FOB) value of R3.66 billion.

The local industry has, for years, been placed under severe financial stress because of the effect of imports on local pricing. A number of smaller producers closed their doors in the period under review, leading to further concentration of the industry, job losses and less competition in the marketplace. Poultry imports contributed 19.2% to poultry consumption in South Africa.

![Figure 24. Total annual chicken imports since 2007 (tonnes)](source: SARS verified 12/2014)

**Frozen broiler meat imports**

Of the total broiler meat imported through 2014, 99.8% was frozen (368 202 t). Frozen broiler meat imports increased by 3.9% in 2014 over levels imported during 2013 (354 265 t). Broiler imports contributed 18.2% of broiler consumption in South Africa in 2014. If frozen mechanically deboned meat (MDM) imports are excluded, then broiler imports contributed 11% of broiler consumption.

Mechanically deboned meat (MDM) contributed 40% to frozen broiler meat imports (146 983 t), while bone-in broiler portion imports contributed 43% (161 177 t); whole broilers 0.7%; carcasses 5%; boneless portions 3%; and offal 9%.

Annual imports of frozen mechanically deboned meat (MDM), frozen whole chickens and frozen bone-in portions are given in Figures 25 (a) to 22 (c); illustrating the increase in importation of MDM and frozen bone-in portions and the decrease in importation of whole frozen chickens.
Figure 25. Annual imports of mechanically deboned meat (MDM), whole frozen chickens and frozen bone-in portions
Origin of imports

The origin of imports has changed over the past few years, with a significant increase in tonnage from the European Union, which enjoys a free trade agreement with South Africa. Brazil remained the main country of origin in 2014, largely because it is the main source of MDM imports into South Africa. Brazil accounted for 43 %, or 168 666 t, of total poultry imports into the country in 2014; down 10 % over 2013 levels. The EU is by far the major supplier of bone-in portion imports (Figure 26), with the Netherlands being the second largest individual importer, with 19 % or 73 987 t; an 11.2 % increase over 2013 levels. The UK accounts for 11 % or 43 009 t of imports; followed by Germany (21 821 t) and Argentina (21 586 t), both at 5.5 % of total imports.

Figure 26. Imports of frozen bone-in portions from the EU (presented as a single entity) in comparison with the rest of the countries combined

Belgian imports into South Africa increased by over 550 % in 2014, from 1 797 to 11 994 t, and now represent 3 % of total poultry imports over the year. All other importing countries contributed less than 3% each to total poultry imports.

Imports of frozen broiler meat from the EU as a whole continue to rise with a 27 % increase in volumes over 2013 levels, so that 51 % of frozen chicken imports came from the EU in 2014.
In tonnage terms, a total of 188 023 t of frozen broiler meat was imported from the EU in 2014, compared to only 4 139 t in 2009.

If the EU countries are considered as a single entity, 48.5 % of total poultry imports (frozen/fresh, including turkey, geese, ducks, guinea fowl) entered SA through the EU in 2014 (Figure 27). South Africa is now the single largest export destination for EU poultry meat exports.

![Poultry imports into South Africa: 2014](image)

**Figure 27. Poultry imports into South Africa in 2014: EU countries combined**

The main product imported from the EU in 2014 was frozen bone-in portions, accounting for 77 % of total broiler imports from the Union and more than 92 % of the bone-in portions imported into South Africa this year. This was followed by MDM and offal at 9 % and 8 %, respectively. The main product imported from Brazil was mechanically deboned meat (82 % of Brazilian broiler imports); with boneless chicken portions at 6 % and offal at 6 %.

**Value of imports**

The value of broiler imports into South Africa amounted to R3.658 billion at the free on board (FOB) level in 2014; a 6.2 % increase over 2013. Frozen bone-in portions were imported at an FOB value of R2.283 billion (62.4 %) and frozen MDM at R728 million (19.9 %). The value of total poultry imports into South Africa, including broilers, turkeys, geese, ducks and guinea fowl totalled R4.086 billion, a 4.4 % increase in comparison with the value of total poultry imports for 2013.
**Poultry exports**

A total of 66 355 tonnes of poultry products (chicken, turkey, ducks, geese and guinea fowl) were exported at an FOB value of R 1.12 billion during 2014. This is an increase of 162 % over 2013 levels. Chicken exports accounted for 93 % of total poultry exports in 2014, and 90 % of the rand value (FOB) of total poultry exports. Turkey exports totalled 2 253 t in 2014; geese exports 841 t; duck exports 508 t; guinea fowl 1.2 t and mixed product (ducks, geese or guinea fowl; not specified) 929 t.

Of the total 66 355 t of poultry exports, 59 601 t were frozen products (e.g. 33 141 t of frozen bone-in portions and 10 337 t of whole frozen chicken) and 4 509 t were fresh poultry products (e.g. 2 921 t of fresh chicken cuts and offal). There were also 2 244 t of products which might either be fresh or frozen (e.g. pâtés, sausages and value-added products).

The main destination countries for poultry exports were Lesotho at 22 650 t, Mozambique at 17 069 t, Namibia at 12 887 t, Zimbabwe at 3 988 t, Botswana at 3 205 t, Swaziland at 2 134 t and Zambia at 1 501 t of the 66 355 total tonnes exported.

### 6.7 Provincial distribution of broiler farms

In a recent Notifiable Avian Influenza (NAI) surveillance survey, the location of broiler farms was recorded. The survey covers broilers, broiler breeders and breeders in rearing.

Table 12 gives the provincial distribution of broiler farms (breeder and rearing).

**Table 12: Provincial distribution of broiler chickens in South Africa**

<table>
<thead>
<tr>
<th>Broiler birds</th>
<th>% of total broiler birds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Cape</td>
<td>7 041 453</td>
</tr>
<tr>
<td>Free State</td>
<td>6 067 200</td>
</tr>
<tr>
<td>Gauteng</td>
<td>8 744 332</td>
</tr>
<tr>
<td>KwaZulu-Natal</td>
<td>16 505 240</td>
</tr>
<tr>
<td>Limpopo</td>
<td>4 543 300</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>21 429 738</td>
</tr>
<tr>
<td>North West</td>
<td>27 858 969</td>
</tr>
<tr>
<td>Western Cape</td>
<td>26 474 884</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>157 000</td>
</tr>
<tr>
<td><strong>GRAND TOTAL</strong></td>
<td><strong>118 822 116</strong></td>
</tr>
</tbody>
</table>

A total of 614 farms reported in the NAI survey, of which 101 were broiler breeder farms and 573 were broiler rearing farms.
6.8 Performance efficiency

Feed conversion ratio (FCR) and performance efficiency factor (PEF) values will depend on the management of each enterprise. However, top South African broiler farms are achieving FCR figures of around 1.64 and PEF figures of around 311. Average slaughter age is now 33.9 days at a weight of 1.8 kg.

6.9 Challenges and prospects

Outbreaks of highly pathogenic avian influenza around the world continued to weigh heavily on the state of the world broiler market in 2014, and affect the outlook for the poultry industry in 2015. Despite the pressures of weak trade conditions and disease issues, the global poultry industry remains upbeat going into 2015, with profits driven by high beef prices, lower feed costs and relatively strong demand (except in China). Poultry markets are particularly bullish in the United States, Russia and Japan.

South Africa’s broiler producers welcomed a year of somewhat lower input costs which have allowed a significant recovery in many operations. A number of the country’s major producers have posted strong sets of results at the end of the 2014 financial year. These results are attributed to a better supply and demand balance; lower input costs; a move from IQF towards fresh chicken and products with higher margins; and measures taken against dumping of frozen leg quarters on the South African market by some European producers.

This favourable cycle is likely to be short-lived. Input prices are expected to rise through 2015 on the back of a weakening rand, a drought-stricken maize harvest, insufficient local production of soya beans and local inflationary pressures (including, but not limited to, increased labour and electricity costs). The high rate of unemployment which further curtails consumer spending will also impact local demand for quality broiler products. The Crops Estimate Committee’s first 2015 maize forecast suggests a 39 % decrease in the expected white maize harvest and a 24 % drop in the yellow maize crop; a total reduction of almost 4.5 million tonnes. This will be the smallest maize crop in eight years. White maize prices are 38 % higher than a year ago and yellow maize prices are 15 % higher (ABSA). It has to be hoped that higher grain and oilseed plantings and normal precipitation levels will occur and contribute to a reduction in feed input costs during the second half of 2015.

Raw material price volatility will always be a challenge for the broiler industry. Maize prices, which have dropped through 2014, look set to rise again in 2015 as a result of the drought. Under DAFF’s Agricultural Policy Action Plan (October 2014), both poultry and soya beans have been flagged as high growth potential industries. As part of the Plan’s Poultry Integrated Value Chain, attempts will be made to reduce the reliance on imports and promote localisation where there is
potential for growth. A key aim will be to increase local production of soya beans and to improve processing infrastructure to help reduce feed costs.

Although the South African poultry industry derives no direct benefit from the African Growth and Opportunity Act (AGOA), it will be forced to concede on the issue of bone-in imports for the “greater good of the country” and there are likely to be substantial job losses within the industry as a result. The US had threatened to block South Africa’s inclusion in the preferential trade deal, set for renewal in 3Q 2015, if the anti-dumping tariffs imposed on US leg quarters were not lifted. Given that the 2014 volume of bone-in imports reached 157 086 t, any quota granted to the US will raise total imported volumes to around 20 % of local production of bone-in portions.

South Africa has benefitted from a temporary ban on imports from the Netherlands, Germany and the UK following the AI outbreaks in November and December 2014. Imports of frozen bone-in portions are likely to threaten the market again in mid-2015 if cheap US imports commence and bans on imports from European countries with avian influenza outbreaks are lifted. In these regions, dark meat, bone-in portions are surplus to requirements in a market that prefers white meat. Americans consume perhaps five times more white meat than dark meat but obviously have to produce the two in fixed proportion in a whole chicken. The oversupply of dark meat in Brazil, the EU and the US drives prices down to levels which may, in a market such as South Africa which favours dark meat, be below-cost and impossible to compete with.

Existing broiler producers well know the difficulties that were experienced when the Americans last dumped chicken into the South African market and the import quota of 65 000 t of frozen leg portions per annum, recently agreed upon as part of the AGOA renewal process, is likely to impact negatively on local producers and workers. Nigeria, Kenya and Swaziland do not allow imports at all; Botswana and Mozambique issue very few import permits; while Namibia restricts chicken imports through a quota system. Worldwide, countries impose very large tariffs (e.g. Canada 249 %; Norway 366 %; Mexico 234 %) to protect their industries while others use sanitary conditions to stop imports into their home markets. The broiler industry will have to continue its engagement with importers and government to protect itself from unfair trade practices, including circumvention of anti-dumping tariffs by some importers.

While some countries have been able to take advantage of their HPAI-negative status to exploit new export markets through the first half of 2015, the outbreaks on the other side of the world are likely to adversely affect the South African poultry industry as imports of breeding stock are constrained. The inability of the West African countries to manage outbreaks of avian influenza puts additional pressure on the South African industry to protect its farms from a catastrophic outbreak.

Despite a promising 162 % increase in exports in 2014, the industry’s inability to export any significant quantities of product continues to be a challenge. Achieving a level playing field in international trade remains difficult: South Africa is a first world country in World Trade
Organisation terms and therefore has open borders. Export to African neighbours is limited since, as developing economies, these countries protect their local producers. Europe and the USA block South African imports on the basis of non-tariff barriers, such as the presence of Newcastle Disease and AI in ostriches. In the EU, local producers receive subsidies in various forms, making it harder for South Africa to compete.

Export-led growth is the surest way for consistent industry expansion in excess of population growth levels and the opening up of new export markets for South African meat and egg products should be an industry and government priority over the next few years. In this regard, the issues of bird welfare, meat inspection, medication residue monitoring, environmental protection, food safety and animal health will need to be understood by the industry and responded to, in collaboration with DAFF, in order to allow competition in international markets. The comprehensive plan being developed with Government should help grow the industry, both locally and as an exporter. At the AVI Africa Congress in 2014, the Director of Industrial Development at the Department of Trade and Industry (DTI), Imameleng Mothebe, spoke of the Department’s plans to help the South African poultry industry break into new export markets. A five-year plan has focused initially on markets in the Middle East and Angola. Angola has traditionally been a very important market for Brazilian poultry products but its buying power has declined recently, with lower revenues from oil.

There will continue to be pressure from both government and black farmers to implement meaningful transformation in the poultry sector. Pragmatic, committed and robust contributions from industry, SAPA’s Management Committee and secretariat, SAPA’s Transformation Committee and government are required to contribute to successful transformation of the industry.

The issue of brining levels in frozen broiler products is yet to be fully resolved and gazetted. In December 2013, DAFF published new brining regulations by way of an amendment notice to the Agricultural Product Standards Act, Act 119 of 1990. These draft regulations set the maximum amount of flavoured water, salts and/or colourants that may be injected into individual poultry portions at 15 %. According to the Agricultural Research Council, which conducted research on this for DAFF, in some IQF portions the levels of brine can be 30 % or higher. The Department is of the opinion that these levels go beyond what is necessary to retain succulence and flavour and suggest that some producers are deliberately manipulating the weight of their chicken portions. SAPA has argued that although the proposed 15 % level is significantly higher than the 4 to 8 % of mass originally mooted by DAFF, it falls far short of the current frozen portion brining levels and will have consequences that will negatively affect consumers and producers alike. The Minister of Agriculture, Forestry and Fisheries, Mr Senzeni Zokwana is has sought to engage further with all the role players including the poultry industry, the Department of Trade and Industry (dti) and the Department of Health before making a final decision on the matter. Poultry producers invested substantial amounts of money in their brining equipment more than 10 years ago when IQF portions became dominant products in the market; with the reduction of allowable brine levels, machines would operate below optimum levels. SAPA-commissioned research is currently
underway into brining-related issues, including customer purchase behaviour, perceptions of brining, and how the proposed brining regulations will affect consumers.

Poultry producers have a lot of work to do to counter negative public perceptions about brining practices and “industry greed”. Brining is a common international practice in the meat industry, used for many products including bacon, ham and chicken. When frozen chicken defrosts, it loses moisture which needs replacing. Brining also tenderises, flavours and preserves the meat, as well as making products more affordable. Frozen chicken accounts for about 90% of the local market, making brining a more important process in South Africa than in some other countries.

Negative media and consumer sentiment towards the poultry industry remains a challenge, although there has been some encouraging support in more recent media reports, in reaction to the bullying tactics of US representatives in the talks leading up to the renewal of the AGOA trade agreement. While importers may have won some battles for the heart of the South African consumer, the public relations war is not lost: importers do not invest in factories and mills, they do not provide an income to more than 120,000 South African families, they do not consume a third of the total maize crop, and they do not transform their industry in line with the expectations of the South African government.
7. THE DEVELOPING POULTRY FARMERS ORGANISATION (DPFO)

7.1 Overview

Emerging and contract broiler farmers contribute about 2% of the South African production of chicken meat. Emerging egg producers constitute less than 0.5% of the industry total, so there is still a long way to go and much work to be done in opening up the poultry market to new farmers.

An independently operating subsidiary of SAPA, the Developing Poultry Farmers Organisation (DPFO) was formed in 2003 to address the specific needs of emerging and small-scale producers of eggs, dressed broilers and live birds. The DPFO is concerned with promoting and advancing the developing sector of the South African poultry industry so that these farmers will be able to move into the mainstream agricultural economy. Strategically, the DPFO aims to maintain the organisation as an independent body whilst enjoying the same rights as the other subsidiaries of SAPA.

The DPFO is a membership-based organisation with a Committee which focuses on transformation, capacity building and advocacy. The DPFO Committee provides strategic direction to the SAPA DPFO co-ordinator and Committee members bring their practical knowledge of poultry affairs in their provinces to committee meetings and collectively formulate the direction of the DPFO across the country. The DPFO had 89 members in 2014, with approximately 300 farmers on the DPFO database. The mission of the organisation is to lobby the government and donor community on behalf of developing/smallholder farmers and to facilitate access to resources for these farmers, enabling them to manage successful poultry farming enterprises.

The Committee is tasked with promoting and advancing all matters relating to the improvement of the broiler, egg and allied poultry industries in South Africa, including production, grading, packing, transportation, storage and marketing, so as to ensure a healthy, financially feasible developing/smallholder farmer sector. This includes defining common problems and collective needs and promoting actions which could address these.

From its inception, it was envisaged that the DPFO would get involved in the following types of activities in order to support its transformation agenda:

- Facilitating, lobbying and communicating with national and provincial government agencies to ensure efficient and suitable state delivery of support and services in each area;
- Protecting the developing poultry and egg producers and/or industry from adverse legislation and any other aggression, and initiating, fostering and assisting in obtaining legislation and regulations beneficial to developing farmers and allied industries;
- Improving small-scale production, testing, grading, packing, transportation, storage, marketing and export of egg and broiler products;
- Encouraging the establishment of resource centres in each region to ensure sustainable broiler and egg production in each area;
• Promoting access to finance for DPFO members;
• Collating information and market intelligence and making it available to DPFO members to assist them to successfully market their products with an understanding of the overall supply chain.
• Ensuring suitable training programmes for DPFO members, either centrally or locally. This training would also include state officials who would be in a position to guide and advise smallholder farmers;
• Encouraging poultry education, conducting and/or assisting in investigations of a practical and scientific nature, and organising seminars or courses to establish and enhance a learning culture amongst DPFO members;
• Publishing literature, journals, pamphlets and circulars dealing with all matters pertaining to the developing poultry sector and conducting communications on behalf of this industry;
• Submitting individual data to the SAPA office to establish a suitable statistical system to further the aims of the DPFO and SAPA.

7.2  Developing poultry farmers: statistics

Figure 28 shows the distribution of survey respondents in South Africa for the period October to December 2014.
SAPA continues to play the major role in the collection of statistics by conducting quarterly surveys amongst new-entrant farmers, including DPFO members. The aim is to better understand the unique conditions facing the smallholder poultry producer, so that appropriate support can be provided. All DPFO members are encouraged to participate in these statistical surveys.

The survey respondents cited a number of challenges confronting them. These challenges included a lack of knowledge of all aspects of poultry farming; lack of access to markets; poor farm infrastructure; outbreaks of disease; lack of funding; and problems sourcing reasonably priced quality inputs. DPFO members felt that continual support and mentoring is needed to make small businesses sustainable.

**Statistical survey: the broiler industry**

The statistical survey comprises different types of producers from the broiler industry, including broiler hatcheries, independent broiler growers, contract growers and abattoirs. A broiler smallholder farmer is defined as a broiler farmer producing less than, or equal to, 120 000 birds per cycle. Figure 29 depicts the distribution of DPFO broiler producers in South Africa. The survey results are summarised in the tables below.

![Distribution of DPFO broiler producers: 2014](image)

**Figure 29.** Distribution of DPFO broiler producers: 2014

Contract growers for broiler companies represented 64 % of broilers being reared by DPFO members during the fourth quarter of 2014.
A large number of broiler producers exited the market in the first quarter of 2014, possibly owing to a reduction in demand for live birds at that time of year (Table 13).

Table 13: **DPFO survey respondents and business activity in 2014: broilers**

<table>
<thead>
<tr>
<th>Period</th>
<th>DPFO members 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1 2014</td>
</tr>
<tr>
<td>Number of respondents</td>
<td>410</td>
</tr>
<tr>
<td>Completed questionnaires</td>
<td>344</td>
</tr>
<tr>
<td>Number that stopped farming</td>
<td>67</td>
</tr>
<tr>
<td>Number that resumed farming</td>
<td>14</td>
</tr>
</tbody>
</table>

The average costs of inputs paid by DPFO members, for the four quarters of 2014, are shown in Table 14 below. Prices exclude VAT and delivery. Where possible, prices paid by commercial farmers are shown in italics. Feed is mainly purchased in small quantities in 40 kg or 50 kg bags but for comparative purposes the prices are shown in rand per tonne.

Table 14: **The average input costs of DPFO survey respondents in 2014: broilers**

<table>
<thead>
<tr>
<th>Period</th>
<th>Input costs</th>
<th>Q1 2014</th>
<th>Q2 2014</th>
<th>Q3 2014</th>
<th>Q4 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Day-old chicks (R/bird)</td>
<td>5.74</td>
<td>5.80</td>
<td>5.23</td>
<td>5.32</td>
<td></td>
</tr>
<tr>
<td>Broiler starter (R/t)</td>
<td>5 216</td>
<td>5 724</td>
<td>5 713</td>
<td>5 837</td>
<td></td>
</tr>
<tr>
<td>Broiler grower (R/t)</td>
<td>4 753</td>
<td>5 210</td>
<td>5 176</td>
<td>5 319</td>
<td></td>
</tr>
<tr>
<td>Broiler finisher (R/t)</td>
<td>4 721</td>
<td>4 957</td>
<td>4 794</td>
<td>4 866</td>
<td></td>
</tr>
<tr>
<td>Av. commercial broiler feed (R/t)</td>
<td>4 824</td>
<td>5 049</td>
<td>4 689</td>
<td>4 713</td>
<td></td>
</tr>
</tbody>
</table>

Figure 30 shows the average broiler feed prices per quarter for DPFO members and commercial producers. For the comparison, bag prices have been divided by 40 kg or 50 kg to change them to a R/kg price. The R/tonne bulk prices were divided by 1 000 to convert them to R/kg. Apart from the first quarter, there is a noticeable difference between DPFO and commercial feed prices. Expressed as percentages, these differences are + 1.0 %, + 5.0 %, + 11.5 % and + 12.2 % for the four consecutive quarters. Large broiler producers generally qualify for volume discounts which give them a substantial advantage.

Production volumes and selling prices are summarised in Table 15 below. There is a large difference in the selling prices of slaughtered birds (R/kg) between DPFO members and commercial producers. Smallholder broiler farmers tend to slaughter the birds themselves, or pay an independent abattoir approximately R4.50 per bird to do the processing. These dressed birds are often sold directly to the end user at inflated prices. Commercial broiler producers sell dressed
birds to the wholesale or retail sector in bulk quantities at relatively low prices, after discounts and rebates have been deducted by the supermarket chains.

![Broiler feed price indicator 2014](image)

**Figure 30.** *Average broiler feed price indicator per quarter, for DPFO and commercial farmers*

### Table 15: Production volume and selling prices of DPFO survey respondents in 2014: broilers

<table>
<thead>
<tr>
<th>Period</th>
<th>Production volumes and selling prices</th>
<th>Q1 2014</th>
<th>Q2 2014</th>
<th>Q3 2014</th>
<th>Q4 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Live sales volume</td>
<td></td>
<td>870 799</td>
<td>811 113</td>
<td>608 780</td>
<td>431 782</td>
</tr>
<tr>
<td>Average price (R/bird)</td>
<td></td>
<td>49.14</td>
<td>52.26</td>
<td>53.44</td>
<td>52.68</td>
</tr>
<tr>
<td>Live sales as a % of total sales</td>
<td></td>
<td>81.5</td>
<td>71.8</td>
<td>71.0</td>
<td>78.7</td>
</tr>
<tr>
<td>Slaughtered volume</td>
<td></td>
<td>414 832</td>
<td>596 444</td>
<td>249 220</td>
<td>116 620</td>
</tr>
<tr>
<td>Average price (R/kg)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DPFO</td>
<td></td>
<td>44.57</td>
<td>48.65</td>
<td>47.37</td>
<td>30.71</td>
</tr>
<tr>
<td>Commercial</td>
<td></td>
<td>16.54</td>
<td>17.11</td>
<td>16.55</td>
<td>18.20</td>
</tr>
</tbody>
</table>

The estimated margin over feed cost, for DPFO and commercial producers, is shown in Figure 31. In doing these calculations, it was assumed that the feed conversion ratio is 1.7 (that is, a broiler eats 1.7 kg of feed to put on 1 kg of body weight or meat), and the dressing percentage is 72% (that is, 72% of the carcass is edible meat and the other 28% is bone, feathers and inedible offal). As seen in Figure 31, the DPFO broiler farmers enjoy a substantially larger margin than commercial farmers, despite their higher feed prices, because of their inflated selling price.
**Figure 31.** Estimated margin over feed cost per quarter (broilers) for DPFO and commercial farmers

In the broiler industry, the feed cost is approximately 70% of total production cost. Other expenses that need to be taken into account before calculating the profit are gas, shavings, vaccines, cleaning materials, salaries, water and electricity, protective clothing, and the cost of day-old chicks.

**Statistical survey: the egg industry**

The statistical survey includes both pullet rearers and commercial egg farmers. A smallholder egg farmer is defined as a person producing less than, or equal to, 20 000 eggs per day, that is, 1 667 dozen per day.

Figure 32 depicts the distribution of DPFO egg producers in South Africa. The survey results are summarised in the tables below. All prices are exclusive of VAT and delivery costs. Where possible, comparisons are drawn between the input and output prices for DPFO members and commercial producers, as estimated by SAPA.

The majority of participants in the fourth quarter survey were resident in the Northern Cape and Limpopo, followed by the Free State, Gauteng and Kwazulu-Natal. The Western Cape and Eastern Cape had the least number of participants (Table 16).
Figure 32. Distribution of DPFO egg producers 2014

Table 16: DPFO survey respondents and business activity in 2014: eggs

<table>
<thead>
<tr>
<th>Period</th>
<th>DPFO members 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1 2014</td>
</tr>
<tr>
<td>Number of respondents</td>
<td>98</td>
</tr>
<tr>
<td>Completed questionnaires</td>
<td>71</td>
</tr>
<tr>
<td>Number that stopped farming</td>
<td>27</td>
</tr>
<tr>
<td>Number that resumed farming</td>
<td>6</td>
</tr>
</tbody>
</table>

The cost of inputs is summarised in Table 17 below. The average feed price paid by commercial egg producers is shown in italics (source: SAPA survey, published in *Monthly Egg Price Report*). Large commercial farmers generally have an advantage because they buy in bulk and therefore qualify for volume discounts. DPFO members buying small quantities are paying a bagging cost and a mark-up if they are located far from the feed manufacturer and are purchasing from a depot or co-op.
Table 17: The average input costs of DPFO survey respondents in 2014: eggs

<table>
<thead>
<tr>
<th>Period</th>
<th>Input costs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1 2014</td>
</tr>
<tr>
<td>Day-old pullet (R/bird)</td>
<td>12.48</td>
</tr>
<tr>
<td>Point-of-lay pullet (R/bird)</td>
<td>54.03</td>
</tr>
<tr>
<td>Laying mash (R/tonne)</td>
<td></td>
</tr>
<tr>
<td>DPFO</td>
<td>4 605</td>
</tr>
<tr>
<td>Commercial</td>
<td>3 492</td>
</tr>
</tbody>
</table>

The feed price in R/kg for the four quarters of 2014 is shown in Figure 33. The bag price is divided by 40 kg or 50 kg to give a R/kg price. For farmers buying in bulk, the R/tonne price is divided by 1 000. This allows us to compare feed prices for small and large egg producers. There are substantial differences in the prices paid by DPFO members and commercial producers. Expressed as percentages, these differences are +31.9 %, +34.1%, +20.8 % and +30.0 % for the four consecutive quarters.

![Layer feed price indicator 2014](image)

Figure 33. Average layer feed price per quarter, for DPFO and commercial farmers

Bird numbers and egg production are shown below (Table 18). It is interesting to note that the laying farms are not stocked to capacity. The cost of purchasing layer replacements may be a factor because many smaller producers do not have adequate cash flow for a large purchase in one month. DPFO members may also find it hard to source point-of-lay pullets.
Table 18: *Pullet and hen numbers: DPFO layer farmers 2014*

<table>
<thead>
<tr>
<th>Period</th>
<th>Q1 2014</th>
<th>Q2 2014</th>
<th>Q3 2014</th>
<th>Q4 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of pullets being reared</td>
<td>17 779</td>
<td>2 605</td>
<td>15 146</td>
<td>3 343</td>
</tr>
<tr>
<td>Number of laying hens</td>
<td>227 433</td>
<td>218 125</td>
<td>268 263</td>
<td>158 254</td>
</tr>
<tr>
<td>Farm capacity</td>
<td>430 159</td>
<td>424 010</td>
<td>468 835</td>
<td>278 144</td>
</tr>
<tr>
<td>%</td>
<td>52.9</td>
<td>51.4</td>
<td>57.2</td>
<td>56.9</td>
</tr>
</tbody>
</table>

Average selling prices and the estimated margin over feed cost are given below (Table 19). The average prices obtained by commercial egg producers are shown in italics (source: SAPA survey, published in *Monthly Egg Price Report*).

Table 19: *Average selling prices and margin over feed cost: DPFO layer farmers 2014*

<table>
<thead>
<tr>
<th>Period</th>
<th>Average selling prices and margin over feed cost</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1 2014</td>
</tr>
<tr>
<td>Egg price (R/doz)</td>
<td></td>
</tr>
<tr>
<td>DPFO</td>
<td>12.76</td>
</tr>
<tr>
<td>Commercial</td>
<td>10.56</td>
</tr>
<tr>
<td>Cull price (R/hen)</td>
<td></td>
</tr>
<tr>
<td>DPFO</td>
<td>37.46</td>
</tr>
<tr>
<td>Commercial</td>
<td>22.84</td>
</tr>
<tr>
<td>Feed cost (R/doz)</td>
<td></td>
</tr>
<tr>
<td>DPFO</td>
<td>7.48</td>
</tr>
<tr>
<td>Commercial</td>
<td>5.67</td>
</tr>
<tr>
<td>Margin over feed cost (R/doz)</td>
<td></td>
</tr>
<tr>
<td>DPFO</td>
<td>5.28</td>
</tr>
<tr>
<td>Commercial</td>
<td>4.89</td>
</tr>
</tbody>
</table>

Figure 34 shows the average price for eggs for the four quarters of 2014. DPFO members sell their eggs at a much higher price than commercial producers. Expressed as percentages, these price differences are + 20.8%, +26.3 %, +23.8 % and +40.4 % for the four consecutive quarters. Because the small producer generally sells ungraded eggs in 30-egg trays, there is no grading cost and the packaging material cost is lower.
The excellent cull hen price obtained at the end of the laying cycle puts the DPFO members in a strong position to purchase new point-of-lays. In 2014 the average cull price of R38.72/hen was 69% of the average point-of-lay price (R55.69).

In the above table, the estimated feed cost in rand per dozen is a calculation based on the feed price (R/kg) and on the assumption that the hens are eating 115 grammes per day and are laying at a rate of 85%. In the fourth quarter, for every one dozen eggs produced it cost the DPFO farmer R6.81 in feed.

The estimated margin over feed cost is calculated by subtracting the feed cost from the egg price. For DPFO farmers in the fourth quarter:

$$\text{R14.98/doz} - \text{R6.81/doz} = \text{R8.17/doz}$$

Figure 35 shows some very interesting results. Despite paying a higher price for feed, DPFO egg producers have a much better margin over feed cost than commercial farmers. This is because they are often selling their eggs directly to the end user or to the informal market. Large commercial producers selling to the formal market pay substantial rebates to the retailers.

Other monthly expenses, such as salaries, packaging material, electricity, water, vaccinations, cleaning materials and the cost of new point-of-lay pullets still need to be taken into account before working out the profit per dozen.
Summary of statistical findings

There is a real opportunity for both smallholder broiler and egg farmers to make profits and develop sustainable businesses. It may not be possible to reduce the cost of inputs, but by focusing on improving farm efficiencies (reducing wastage and mortalities, and increasing production and growth rates), as well as securing reliable markets, the outcome could be very positive.

These results emphasise the importance of reliable statistics for the industry and the DPFO in particular. Agricultural statistics are key to measuring the performance in a sector. Data are used for decision making, planning, research, etc. The data presented in this report are obtained from the analysis of the DPFO survey results. Some areas need to be improved upon and work will be done during the coming year to improve the accuracy of collected data. Grateful thanks go to Silverpath Consulting for the excellent job they do and to all the DPFO members who patiently contribute to the telephonic surveys.

The DPFO statistics are the best available in South Africa but can get better with stakeholder involvement. We encourage all emerging farmers, whether DPFO members or not, to participate in these statistical surveys, so that we can present a better picture of the issues that confront this sector to the rest of the industry and other stakeholders. We need your assistance in this matter.
Note that all of the statistical reports produced by SAPA are available on the SAPA website. If the way in which information presented does not meet the needs of DPFO members, contact our data collection team at Silverpath Consulting (cynthia@silverpath.co.za) and we will make the necessary changes to reports.

### 7.3 Industry transformation

A transformation committee was established during the year to facilitate transformation activities within SAPA and amongst the SAPA members, and to monitor progress and provide reports to the key stakeholders in transformation.

It remains of critical importance to integrate smallholder farmers and larger new-entrant commercial producers into the poultry value chains. They have a vital role to play in poverty alleviation, ensuring food supply and creating jobs in South Africa.

With some guaranteed funding available through the statutory levy, the role of the DPFO in facilitating the participation of small scale farmers, individuals and collectives in the South African poultry sector was greatly enhanced and industry transformation looked to be more assured. The termination of the statutory levy at the end of 2013 is likely to reduce the amount of money available for DPFO-specific projects and general organisational work. The DPFO continues to express concern on behalf of its members about the lack of effective transformation in the South African poultry industry.

### 7.4 Challenges

The following issues are seen as challenges by the DPFO:

- The general ‘snail’s pace’ of the poultry industry when it comes to transformation of the industry and support of emerging farmers.
- The non-support of the very inclusive Transformation Committee by large agri-businesses.
- A lack of funding for the DPFO, compounded by the impact of the termination of the statutory levy.
- The economic exclusion from value chains and marginalisation of emerging farmers by established producers.
- In some cases, lack of support from government and very slow, tedious processes that frustrate poultry projects, for example, water licences, EIAs, GAP certifications, amongst others.
- Prevailing market conditions, which have pushed many emerging producers out of business.
7.5 Key successes

- The establishment of an inclusive Transformation Committee to facilitate transformation activities, monitor progress and provide reports to key stakeholders.
- The identification of opportunities within AGOA (African Growth and Opportunity Act) in order to allow meaningful participation of previously marginalised importers in the mainstream economy.
- The organisation of integrated poultry farming breeding units. In total, 27 farmers have been trained in breeding management practices; 3 from each province. This will allow farmers, individually or as a cluster, to source and breed parent stock and to establish hatcheries, and so stop dependency on unreliable day-old chick suppliers.
- The sourcing of a new breed of chicken. Members of the DPFO are at the final stage of procuring an alternative parent stock that will allow our farmers to offer a different product to the market.
- The establishment of an abattoir, in partnership with the Gauteng Department of Agriculture, which will support the small farmers in the area around the Tshwane Metropolitan Municipality.
- The resurrection of the Lebowakgomo Integrated Poultry Project as a result of the intervention, support and advice given by the DPFO.
- The strengthening of a number of the DPFO provincial bodies.

7.6 Prospects going forward

It is not easy to enter mainstream markets. A definite minimum size exists, below which a broiler farm will struggle to sustain its profitability. In addition, the farm must be close to a feed mill, veterinary services, and abattoir and cold-chain facilities. Egg producers face slightly fewer constraints and it is a little easier for emerging farmers to enter this market. However, egg producers, even at the commercial level, are consistently under strain in South Africa because demand for the product remains weak and does not increase at the same rate as broiler meat demand when consumers’ disposable income increases. The DPFO will continue to push for meaningful transformation within the industry to allow for much improved market access and to support its members with advice, training and mentoring.
8. POULTRY HEALTH / DISEASE AND WELFARE

8.1 Introduction

Outbreaks of poultry disease in recent years, such as Newcastle disease in chickens and highly pathogenic avian influenza (HPAI) in ostriches, have demonstrated the vulnerable position the industry is in terms of disease control. An outbreak of HPAI in chickens would have disastrous consequences for both the poultry industry and consumer (in terms of the nation’s protein supply, food security and food pricing). In the event of a catastrophic disease outbreak, the cost of restocking and disinfection programmes could be expected to run into billions of rands. To mitigate this risk, a number of programmes have been developed to protect the industry and to ‘Protect the Flock’.

Since the first outbreak of Newcastle Disease (NCD) in the late 1960s, veterinary authorities have delegated implementation of control measures for this disease to the poultry industry. The Poultry Disease Management Agency (PDMA) was established as a means to protect the national poultry flock through disease surveillance, monitoring, control and management of diseases which threaten the health of the flock and food security.

Funded, until recently, by the industry statutory levy paid by poultry producers and managed by SAPA, the PDMA is located at the University of Pretoria Onderstepoort campus (OP) in the Department of Production Animal Studies.

The PDMA’s strategic goals are to have direct involvement in poultry disease control measures through:

- Influencing policy for controlled diseases;
- Disease surveillance of commercial and non-commercial sectors of the poultry sector;
- Reduction of disease levels nationally, which includes a microbial use reduction programme;
- Rapid response mechanisms to local and exotic disease threats;
- Improving veterinary and animal health training within South Africa;
- Establishment of a formal Public Private Partnership, where the state delegates certain regulatory functions to the PDMA;
- Reducing the levels of residues in poultry meat through the residue monitoring programme;
- Collaboration with the ostrich industry for mutual benefit deriving from improved disease control;
- Achieving and maintaining export status for the benefit of both industries.

These goals translate into the PDMA strategic priorities of:

- Engaging national and local government on issues of disease control in the SA poultry industry;
- Making use of the database of poultry farms in South Africa to assist DAFF with monitoring
notifiable diseases such as avian influenza, salmonella and Newcastle disease, while simultaneously using it to develop monitoring programmes for critical diseases such as infectious bronchitis;

- Appointing or designating veterinarians with expertise in poultry diseases in each province who are available to assist state veterinarians in the event of disease outbreaks in commercial, smallholder and subsistence poultry;
- Investigating the role of the PDMA in training state veterinarians and/or animal health technicians to improve services delivered by the state in the event of disease outbreaks on poultry farms;
- Considering developing a residue monitoring programme for poultry products nationally, or at least a database of residue monitoring data that is available;
- Delivering improved technical and veterinary support to smallholder poultry farmers so they can achieve greater production success in collaboration with state veterinary services or through the PDMA’s own initiatives;
- Collaborating with the ostrich industry.

The PDMA and SAPA work in close conjunction with the following branches of the Department of Agriculture, Forestry and Fisheries: Agricultural Production, Health and Food Safety; Food Security and Agrarian Reform; and Economic Development, Trade and Marketing.

The establishment of the PDMA and its successful implementation during 2012 was a major step forward in ensuring that the industry’s flocks of commercial chicks, layers, broilers; indigenous and smallholder birds are protected.

8.2 The Poultry Disease Management Agency (PDMA) in 2014

**Government engagement**

The relationship between the Poultry Disease Management Agency (PDMA) and DAFF has grown significantly since the inception of the PDMA in 2012. DAFF now consults the PDMA on poultry-related disease control, epidemiology, imports and exports, and veterinary public health matters.

Work with DAFF will continue to establish the national disease status of poultry. On-going disease risk assessment, to establish where diseases are most likely to originate, will enable effective protection of the national flock from disease outbreaks.
To effect good disease control, it is important that solutions to the movement of live and cull birds are found. This will assist in limiting disease risks posed by uncontrolled and unmonitored movement of poultry, across provincial boundaries. Additionally, the importance of disease prevention actions that protect the industry (not only the commercial sector but also backyard poultry) from the spread of diseases and resultant damage cannot be overstated.

**Poultry veterinarians placement programme**

This project was conceived in appreciation of the low levels of exposure of veterinary science students to poultry science and production. The programme aims to create a group of poultry experts who can be absorbed by the industry without the need for extensive further training. The trainees are exposed to operations on broiler and layer farms and at a hatchery. Attention is paid to problem identification, post-mortem analysis and defining solutions. The veterinarians will also be linked to private poultry practitioners to hone their skills. In 2014, a total of 21 state veterinarians were trained through the PDMA programme. Another 21 will go through the programme in 2015. The training is supplemented by seminars, where both private and state veterinarians are invited to discuss specific important topics.

**Development of the National Residue Monitoring and Microbial Reduction Programmes**

Historically, DAFF only tested for chemical residues in meat at a few abattoirs. Large poultry producers and retail companies conducted their own monitoring of residues in their products. Following a request from DAFF to co-operate with the implementation of a National Residue Monitoring Programme, government released a draft paper on residue monitoring in poultry. The paper proposes that all available records of residue analyses conducted on behalf of retailers be made available to the programme. These data would enable the country to comply with international requirements for exports, and allow the establishment of maximum residue levels (MRL) in imported products.

Whether exporting their products or supplying major retailers, poultry producers appreciate the need for a strong National Residual Monitoring Programme (NRMP). Local consumers have a right to high quality and safe poultry products. The NRMP and the Microbial Reduction programmes are essential tools that the industry can use to standardise the quality of the product that South African consumers buy. These projects are a collaboration between SAPA and the DAFF Veterinary Public Health Directorate (VPH). The Epidemiology Section of the University of Pretoria is also involved in these projects.

A broiler sampling protocol has been designed and tested at three large processing facilities. The protocol will be adjusted as necessary to fit various types of operations and it is envisaged that the VPH will make use of this sampling protocol when conducting their national microbial survey in 2015.
The egg sampling protocol is currently the subject of two MSc projects. The outcomes of these two projects, which will start in early 2015, will be used to set the minimum testing requirements for egg producers in the formal and informal sectors. The testing protocols will also be used for export purposes, where national programmes are required by importing countries. Most importantly, the protocols will provide the egg industry with benchmark levels from which improvements can be made and measured. The programme will allow for continuous monitoring, evaluation and improvement of disease and residue procedures.

In light of the outcomes of the Antimicrobial Resistance Summit held in October 2014, the poultry industry has to commit to being part of the solutions team and make sure that it plays its role in addressing the issues. The Department of Health (DoH) is very clear with regards to the actions they wish to see, and producers, veterinarians and the pharmaceutical industry need to join hands with DAFF to start looking at solutions for the meat producing industries. Proactive actions are needed to avoid being required to implement actions that may not be practical in the field. The process will begin with a three-year review of the use of antimicrobials in animal feeds and additives.

**Meat Safety Scheme**

As part of the Meat Safety Act, Act 40 of 2000, the issue of independent meat inspection (IMI) is being dealt with by government, in conjunction with the industry, on a consultative basis. The absence of such a scheme for poultry is negatively impacting retailer audit scores and certain export opportunities. The poultry industry meat inspection scheme will be separate from red meat inspection and will be implemented in phases taking into account the size and location of different abattoirs.

The scheme involves enhancing meat safety practices; conducting surveys; offering training; investigating food-borne diseases; promoting good hygiene practices; determining the origin of meat and animal products; monitoring residues in meat and animal products; creating assessment services; creating standard microbiological testing protocols, etc. All national production should be produced to a common minimum standard. All imported products can be then be tested against the scheme standard and all further processing by importers can also be tested against local standards. Import barriers, relating to the minimum standard, can be put in place to protect consumers where necessary.

The Meat Safety Act and Independent Meat Inspection have been topical during the National Animal Health Forum (NAHF) meetings and the slow pace of progress with both has been cause for concern. The NAHF continues to engage government to find workable solutions for all industries and to ensure that consumers are protected during the process.
**Developing a searchable registered products database**

A database of registered veterinary products went live in the first quarter of 2014 and is accessible through a link on the PDMA website (www.poultrydiseases.co.za). The database will be an effective tool to assist producers with farm management.

**Research Chair in Sanitary and Phytosanitary Risk Analysis**

Funding has been secured from the Department of Science and Technology and DAFF to establish a Research Chair in Sanitary and Phytosanitary Risk Analysis. The joint funding will be for five years at a cost of R3 million a year; renewable for a maximum of three five-year terms. The National Research Foundation (NRF) will include this position in the next call for research chairs. The animal health industries, through the National Animal Health Forum, will suggest projects and provide project funding. The chair will be responsible for building the country’s risk analysis capabilities by training postgraduate students.

**Disease surveillance and mapping**

In light of the highly pathogenic avian influenza (HPAI) outbreaks occurring worldwide since 4Q 2014, the need to be able to detect and respond to disease emergencies cannot be overstated. The lack of reporting of even controlled diseases in South Africa is of particular concern because this will affect the country’s ability to react quickly to an outbreak and minimise losses. The HPAI surveillance system run by DAFF with support from the PDMA is one of the rare exceptions to this problem. It is possible to state, with conviction, that no South African chicken flocks were infected with notifiable avian influenza through 2014. The outbreaks in ostriches should, however, be a warning to chicken producers that the risk of HPAI is real and high biosecurity standards should continue to be enforced.

In 2013 and 2014, the poultry industry suffered losses from Newcastle disease which spread from the North West to the rest of the country. The outbreak continued through 2014 with sporadic incidents reported from all provinces. The reporting of cases has been very poor and this has contributed to the failure to stop the outbreak. Quarantine zones should be effective in bringing the outbreak under control. In 2015, the PDMA will be looking at sourcing disease data from laboratories and mapping these data using GIS (Geographic Information System). This process was started in 2014, looking at four diseases and three laboratories. The plan is to broaden the data source base and include more laboratories. The diseases that will be mapped include Newcastle disease, infectious bronchitis, avian influenza H6, salmonella and mycoplasma.
**National Animal Health Forum**

The PDMA represents SAPA at the National Animal Health Forum (NAHF). Some key discussions that involved and affected the poultry industry are:

*Implementation of the Provision of Veterinary Services Report recommendations*

The World Organisation for Animal Health (OIE) performed a gap analysis on the provision of veterinary services in the country as part of the Provision of Veterinary Services Report recommendations. The recommendations will be used by DAFF to acquire more resources.

*Compulsory community service (CCS) for veterinarians*

Newly graduated veterinarians will be deployed in areas where there is a shortage of veterinarians to support farmers. The CCS will be a requirement for practice in South Africa. The programme should commence in 2016.

*The manufacture and use of unregistered products*

The manufacture and use of unregistered products is increasing and is of particular concern where vaccine and antibiotics are concerned. The NAHF is working to find solutions to the issue and to protect the human food chain.

**Good Emergency Management Practice (GEMP)**

DAFF, in collaboration with the USDA and FAO, hosted a Good Emergency Management Practice workshop to discuss how to get the country to respond to animal health emergencies. The PDMA was the only non-governmental entity to be invited to the workshop. A preparedness plan is to be developed, as well as contingency plans for all priority diseases. Attention will be directed, in the first instance, at avian influenza. The objective is to have the country better positioned to respond to emergencies. Emergency response teams will be formed, constituting both government and private sector experts. These teams will be deployed around the country during emergencies. The required infrastructure will be set up and equipment procured and positioned in the provinces ahead of any emergencies.

**8.3 Poultry research Chair: 2014**

The industry sponsored Chair in Poultry Health and Production at the University of Pretoria (UP) was formally established in August 2012. The mandate of the Chair, Professor Celia Abolnik, is to conduct research into poultry diseases with the aim of improved control. Professor Abolnik is to be congratulated on winning the University of Pretoria’s Exceptional Young Researcher Achievement
award for 2014. Six research projects are underway, involving a post-doctoral fellow, six PhD students, one MSc student and one Honours student. A project proposal by the Chair was the winner of a US $10 000 prize (the Sub-Saharan Africa Biorisk Management Enhancement Grant), which will be used to upgrade fencing around the Poultry Research Unit, construct a vehiclespraying bay, as well as minor upgrades to the poultry houses and outbuildings. The Poultry BSL3 facility was commissioned and certified as a DAFF-approved facility, and two clinical trials on infectious bronchitis virus have been completed. Professor Abolnik was the keynote speaker at the South African Society for Animal Science conference in Pretoria. Nine peer-reviewed journal articles have been accepted for publication and she has contributed to a book chapter on avian influenza.

8.4 Technical support for DPFO members

Engagements have started between the PDMA and the Developing Poultry Farmers’ Organisation (DPFO) to organise producers according to provinces. A needs assessment will assist in developing the appropriate amount of interventions for producers. Production implementation plans will be developed based on the results of the needs assessment. Producers are being incorporated into the disease monitoring and management programmes that have been developed for large producers.

8.5 Notifiable Avian Influenza (NAI)

Production of poultry products for local consumption and export under successful disease surveillance and control programmes must be implemented at a level which complies fully with the export requirements of available international markets. The role of the PDMA in achieving the required disease control compliance for controlled diseases such as Newcastle disease (NCD), salmonella infections, and surveillance for HPAI (and any other avian influenza infections) has been discussed above. A routine surveillance programme for Notifiable Avian Influenza (NAI: “bird flu”), using a protocol which follows OIE guidelines, has been in place since September 2005. According to this protocol, all commercial ostriches, chickens, and non-commercial chickens should be sampled and tested six-monthly for both the H5 and H7 avian influenza sub-types. The surveillance protocol undergoes periodic revision to keep it up to date. Bi-annual reports on the NAI status of the South African Poultry flock can be found on the SAPA website.

At present, the surveillance by DAFF in the ostrich industry uses protocols and diagnostic techniques on a par with the best in the world, including a standardised testing protocol developed by Deltamune, OVI and DAFF and advanced diagnostic methods implemented by Professor Abolnik (University of Pretoria) who is sponsored by the poultry industry. It is of the utmost importance that the poultry industry continues its surveillance for avian influenza at such a level and remains supportive of DAFF’s efforts to control this potentially devastating disease.
While the broiler and egg industries in South Africa remain HPAI free, the persistence of the LPAI H6N2 strain in the national flocks cannot be ignored due to its impact on production. The strain may not be killing large numbers of chickens, but its economic impact is concerning; thus it is beneficial to develop a strategy to eradicate it.

Three previous unrelated outbreaks of H5N2 in ostriches in the southern Cape (2004; 2006; 2011) were successfully ended through the use of culling programmes. No further isolations or identification of the highly pathogenic H5N2 virus were made in 2012 but new introductions of LPAI H7N1 occurred in 2012. In 2013, the strain affecting ostriches in the southern Cape was identified as LPAI H7N7 by the University of Pretoria. South Africa’s status as free from Highly Pathogenic Notifiable Avian Influenza (HPNAI) was revoked by the EU until certain conditions were met but was expected to be lifted towards the end of 2014, pending South Africa’s declaration that the country is free from HPAI.

During 2014, there were a number of LPAI events on South African ostrich farms. In January, there was an outbreak of LPAI H7N7 in the Western Cape, followed by a further outbreak in Mossel Bay in April. In August, the H7N1 strain appeared in a flock in Oudtshoorn and, from July through to the end of October, there were renewed outbreaks of the LPAI H5N2 strain in Western Cape ostrich farms, in the regions of Hessequa, Breede Valley and Oudtshoorn.
9. AGRICULTURAL POLICY ACTION PLAN

SAPA has collaborated with the Department of Agriculture, Forestry and Fisheries (DAFF) on a series of strategic programmes and projects and believes an active and meaningful partnership between industry and government is important for all stakeholders.

In July 2013, Cabinet resolved that the Department of Agriculture, Forestry and Fisheries should develop a plan that addresses the vision of the National Development Plan (NDP) and the New Growth Path. Under the Medium Term Strategic Framework of the NDP, agricultural development is seen as a key to realising three important outcomes: Number 4 (decent employment through inclusive growth), Number 7 (comprehensive rural development and food security) and Number 10 (the continual protection and enhancement of environmental assets and natural resources). Agriculture is seen as critical in achieving higher levels of employment and better food security. Agriculture delivers more jobs per rand invested than any other sector and it is hoped that the sector could generate a million new jobs by 2030.

Vision 2030 of the National Development Plan calls for an inclusive rural economy wherein “...rural communities should have greater opportunities to participate fully in the economic, social and political life of the country. People should have access to high-quality basic services that enable them to be well nourished, healthy and increasingly skilled. Rural economies will be supported by agriculture, and where possible by mining, tourism, agro-processing and fisheries...better integration of the country’s rural areas, achieved though successful land reform, job creation and poverty alleviation”

The National Development Plan, Chapter 6, sets out clear targets and actions to realise this vision. It identifies almost 600 000 potential jobs in communal areas and 400 000 jobs in commercial agriculture. Roughly a third of the jobs created would be in secondary and service industries, upstream and downstream of primary agricultural jobs. Besides increasing the amount of land under irrigation and making better use of land in communal areas, the NDP also aims to identify sectors of the agricultural economy which have the highest potential for growth and employment. Industries and regions with the most potential to create jobs will receive the most support. The Department says there is a need to promote agricultural development in a manner that translates into rural development and poverty alleviation. Increased collaboration between successful farmers and the beneficiaries of land reform programmes is seen as important in job creation. The Department also identifies a need to find a better balance between large-scale and small-scale subsectors, thus broadening market participation.

The new draft Agricultural Action Policy Plan (APAP), presented in spring 2014, is a value-chain approach to encouraging rural development. Under this Plan, the Department of Agriculture has identified important agricultural value-chains and will target government investment accordingly. The Department is concerned that South Africa increasingly relies on imports of crops (wheat; soya) and livestock products (poultry), while agriculture itself relies on imports of inputs (e.g.
fertiliser, feed, mechanisation). There is a need to create a more sustainable and productive sector and to strengthen the country’s competitiveness by supporting localization where there is potential.

Whilst poultry production is not as labour intensive as, for example, horticulture or sugarcane farming, the potential for growth in this sector is seen as high. The Poultry Integrated Value chain has been identified one of eight sectoral key action programmes (KAPs) under APAP. These sectors have been chosen based on their contribution to food security, job creation and growth, and their potential contribution to South Africa’s trade balance. The other KAPs are: red meat; fruit and vegetables; wine; forestry; fisheries; wheat and biofuels.

The new APAP programme aims to provide a long term vision and focused interventions in a five-year rolling schedule. The programme is based on Sectoral Key Action Programmes (mentioned above) and Transversal Key Action Programmes (e.g. research and innovation; land reform; Fetsa Tlala (the government’s hunger eradication programme); Climate Smart Agriculture (CSA) and the Strategic Integrated Project on Agro-Logistics and Rural Infrastructure) Institutional arrangements and processes are also being put in place to help achieve the development objectives, especially in integrating planning, monitoring and evaluation between the Department of Rural Development and Land Reform and DAFF across all three spheres of government (local, provincial and national).

Each Key Action Programme in APAP has: a problem statement; aspirations; policy levers; nature of interventions and key outputs (actions). For the Poultry Integrated Value Chain, the problem statement reads as follows:

- Globally, poultry is expected to account for more than half of meat consumption. SA’s consumption of white meat has increased far more rapidly than that of red meat and consumption is expected to increase by 34% by 2023 (to 2.6 million tonnes or 50 kg per capita). Unfortunately, much of this increase has been by way of imports, especially of low-cost frozen portions. Production is only expected to expand by 2 million tonnes to 2023, necessitating the importation of 680 000 tonnes per year.

- Poultry production systems have a high dependency on imported feed grains for animal feed; about 63 % of soya oilcake is imported, pushing up feed prices.

The strategy of the Key Action Programme for poultry focuses on import substitution. There exists hope that the new import tariff structures will stimulate local production, although the renewal of the AGOA agreement may prove problematic. In terms of raw materials, the programme hopes to ensure a reduction in feed costs by increasing domestic production of soya bean (to meet increased capacity in crushing facilities) and infrastructure investment in soya bean and yellow maize production and processing. Soya bean-grading regulations will be amended, and regulation relating to the retention of protected soya bean seeds will be developed and implemented. Smallholder training programmes focused on soya bean and yellow maize production and post-
harvest practices will be refined and expanded. Off-take agreements with feed companies will be sought.

A national Poultry support programme will be developed and implemented in partnership with SAPA. Research programmes will be initiated, aimed at making broiler production more energy-efficient and at developing higher-yielding soya bean varieties through partnerships with private sector seed companies.
10. SAPA RESTRUCTURING

10.1 Restructuring

In October 2013, the need for a new, more efficient SAPA became clear. Members insisted that the activities of SAPA be made more relevant to all of them. In January 2014, SAPA appointed a new strategy consultant to help the organisation in its restructuring process. This included facilitating the consolidation of the four SAPA subsidiaries - the Broiler Organisation, the Egg Organisation, the Chick Producers Organisation and the Developing Poultry Farmers Organisation – into two product-related organisations. Under this consolidation process, producers from the CPO and the DPFO will be absorbed into their respective product value chains, falling under either the Broiler Organisation or the Egg Organisation.

Through February and March 2014, the strategy consultant met with stakeholders from the four existing subsidiaries of SAPA and conducted interviews with SAPA staff. These meetings resulted in a draft comprehensive strategy and a proposed new structure for the Association. The Annual General Meetings of the four subsidiaries were held in mid-2014 and the resolutions required for SAPA to be able to call a set of Special General Meetings were passed at these AGMs. Once the revised national and provincial structures had been decided upon, a revised Constitution had to be drawn up and will need to be ratified at the Special General Meetings. This process of drawing up the new Constitution began in August 2014 at a strategy indaba which presented a draft constitution and rules to a Management Committee meeting in early September. Thereafter, delays were experienced in the restructuring process as the four subsidiaries debated the changes. The Egg Organisation, in particular, felt that the problems affecting the broiler industry swamped the ability of the SAPA structures to deal with problems in the egg industry, and the need for two separate representative bodies was mooted. A further revised but unified structure appears to be the solution to this issue.

Each of the four subsidiary committees has to approve the changes, before the Management Committee can accept the draft constitution and trigger the Special General Meetings needed. This process will be completed during 2015. There will be a single Constitution covering SAPA as a whole but, going forward, each of the provincial and national structures and the SAPA Board will have increased flexibility in setting their own rules, without the need to propose and accept such changes at an AGM.

Under the new SAPA structure, membership representation of the Association will be by category, as follows:

*Subsistence farmers*

- Broiler: less than 1 500 birds per cycle
- Egg: 1 – 499 hens
Small commercial farmers:

Broiler: more than 1500 birds per cycle; less than 40 000

Egg: 500 – 50 000 hens

Large commercial farmers:

Broiler: more than 40 000 birds per cycle; less than 40 000

Egg: More than 50 000 hens

The provincial structures for both the Broiler and Egg Organisations will nominate representatives to participate in the relevant national structure. The provincial and national structures of both the Organisations will need representation from all sectors of their value-chains; for example, abattoirs will need to be represented within the Broiler Organisation structures, and pullet-rearers within the structures of the Egg Organisation.

Under the new membership structure, the provincial organisations will be expected to conduct a survey of the producers in their province and to recruit producers and build membership of SAPA to increase its relevance. Databases of producers at provincial level will be maintained and shared with the SAPA national structures. Provincial organisations will be expected to lobby the relevant authorities on local issues and to identify empowerment opportunities and development projects.

Along with the changes to the membership structure of SAPA, there has been a parallel restructuring of the SAPA secretariat, which began in June 2014 with five staff members leaving the Association's offices as part of the downscaling process. The restructuring of the secretariat to serve the needs of the new provincial and national structures has already cut staff by a third and will continue into 2015.

10.2 Industry transformation

Stakeholders in the DPFO raised concerns that the transformation process within the poultry industry has been slow and that the proposed new structures would do little to improve this situation. The chairmen of the four subsidiaries met in mid-2014 to discuss how the new structure will integrate, rather than isolate, smaller farmers. In August 2014, a sub-committee on transformation was formally established. Under the new structure, this eight-man sub-committee will automatically transfer to being a sub-committee of the new SAPA Board in 2015. The Chairman of the transformation sub-committee is Justice Zotwa. The sub-committee is tasked with facilitating the transformation process for all SAPA members. The Transformation Committee will need to identify and monitor transformation opportunities; liaise with government on transformation issues and policy; and mobilise funding for enterprise development and fully support such projects.
The Transformation Committee will play its role in assisting all SAPA members to grow together and to narrow the gap between large commercial farmers and small emerging farmers, in order to grow and sustain the entire sector. The Chairman of the Committee believes that the industry should not simply “comply” with the transformation agenda but show a willingness to contribute to the challenges of food security, job creation, and the development of small farmers.

The key tasks of the committee are:

- To align government’s economic empowerment policy with the actions and policies of SAPA and to help close economic gaps between black and white poultry farmers, with the emphasis on facilitating and overseeing transformation for all SAPA members through the identification of business opportunities and enabling processes, as well as recording and reporting on transformation outcomes;
- To ensure that government is fully informed of transformation activities in the poultry sector through a two-way communication process, which will allow government to advise on policy developments, funding criteria and related transformation opportunities;
- To mobilise resources at a strategic level for enterprise development, as per the AgriBEE scorecard, by providing advice and guidance to developing farmers, as well as facilitating the initiation and completion of development projects;
- To deploy specialist resources and project management to support development projects.

SAPA has been working with the DTI and DAFF on the transformation of the industry for the past two years. Recent developments have seen most of the major producers agreeing to support the transformation initiative and work with developing farmers. The Department of Agriculture, Forestry and Fisheries will be the lead agent in this process and the newly launched Agricultural Policy Action Plan (APAP) has transformation as its cornerstone. APAP is an official Cabinet-approved policy with the purpose of prioritising spending within DAFF. Poultry is one of the priority sectors in terms of APAP.

The industry transformation focus is on creating more and better opportunities for previously disadvantaged producers, by improving access to quality inputs, information, finance, veterinary services and abattoir facilities; providing mentorship; assisting in the creation of regional networks for smallholder producers; and expanding market access.

Smallholder farmers are accepted as an integral part of the South African agricultural economic structure. Their integration, as well as that of Historically Disadvantaged Individuals (HDI) commercial producers, into established commercial value chains is of critical importance in order to establish and ensure sustainable, inclusive and equitable value chains. Direct support by existing commercial farmers for smallholder farmers is a necessary part of this equation.
11. TRAINING AND SKILLS DEVELOPMENT

11.1 SAPA management courses: 2014

The year 2014 proved to be an extremely disappointing year in terms of attendance of the annual SAPA management courses with, nationally, a total of 48 attendees, compared to 163 candidates in 2013. The drastic drop in attendance has been attributed to the general economic conditions in the industry, the removal of the course subsidy as a consequence of the statutory levy having been brought to an end and a temporary saturation in terms of the need for the courses. It has been suggested that a two-year hiatus be considered with a view to creating new demand due to natural staff turnover in the sector.

At a meeting of the KwaZulu-Natal Poultry Institute (KZNPI) in January 2014, a proposal was tabled based on feedback from producers who indicated that, while poultry technical training is provided on-farm, a need exists for poultry supervisory training. Therefore, SAPA-approved Poultry Supervisory and Biosecurity and Health management training will be implemented, which will be complimented by SAPA-approved Broiler and Layer Production courses, run on site at the KZNPI.

11.2 DAFF DPFO Training

The first DAFF SAPA new-entrant farmer training initiative drew to a close during 2014. A total of 206 farmers benefitted through the DAFF-funded initiative, adding up to R1 million over a two-year period. The Department expressed its satisfaction with the management of the project and has subsequently signed a further agreement with SAPA amounting to R1.5 million over a two-year period, with the expectation that 250 farmers will benefit. The focus of the new agreement will be to assist existing smallholder farmers with their training requirements and will exclude new entrants.

11.3 AgriSETA funding

AgriSETA reduced its commodity grant allocation to SAPA by 50% in 2014 as a result of budget constraints. SAPA continues to enjoy much needed support from AgriSETA and in 2014, the organisation received grant allocations amounting to R735 000 for two projects, namely R480 000 for the Chick Producers Internship programme and R255 000 for the training of 35 poultry meat examiners. A project application for the development of twenty emerging farmers, which was initially declined, has been resubmitted as part of the AgriSETA Discretionary Grant applications which expired on 31 January 2015. Further to the funding received from AgriSETA, SAPA is now represented on the AgriSETA Poultry Subsector Committee, as well as on the Grant and Funding Allocation Committee.
11.4 **Poultry processing qualifications**

During the year an application was sent to AgriSETA for the development of poultry processing qualifications in terms of the Quality Council for Trades and Occupations (QCTO) Qualifications Framework. The QCTO were obliged to place a moratorium on the development of new qualifications due to the demand; however, AgriSETA ensured that SAPA’s application was not affected by the moratorium. AgriSETA is still awaiting feedback from the QCTO on a way forward for the development of much needed poultry-specific qualifications.

11.5 **IDC Research Grant (Agro-processing Competitiveness Fund)**

A funding proposal was sent to the IDC to fund research projects in 2014, namely:

- ‘Transformation of an industry: Designing a strategic business model for developing farmers’, to be conducted by BFAB, University of Pretoria;
- ‘Research survey to determine the perception of SAPA members and key stakeholders about SAPA’s roles and responsibilities’, to be conducted by BathoPele;

A funding grant of R808 054 was approved by the IDC. The BathoPele survey is nearing finalisation and the transformation project being run by the University of Pretoria is underway.

11.6 **Agricultural extension officers training**

A total of 133 extension officers benefitted from the training which SAPA funded through the statutory levy. With the demise of the levy, all training of extension officers has, unfortunately, come to an end.

11.7 **Poultry Meat Examiners (PME) Training**

There is a constant need for suitably trained Poultry Meat Examiners (PME) in the poultry sector. In 2013, 62 candidates were successfully certified as examiners after SAPA submitted a funding application to AgriSETA for training. A second proposal was made to AgriSETA to fund a further 90 PME in 2014, to the value of R661 500. However, cuts in AgriSETA funding across the board, meant that only R257 250 was secured, to train 35 PME candidates.

11.8 **University relationships**

In 2014, SAPA continued its engagement with a number of universities, including the University of Pretoria (industry transformation research, with a focus on market economics for emerging farmers) and the Tshwane University of Technology (abattoir operation). A relationship exists with the University of Fort Hare and the Fort Cox Agricultural College on matters relating to indigenous poultry production. As a consequence of the SAPA restructuring and the demise of the statutory levy, research orientated work has slowed down but will be reconsidered in the future.
12. SAPA TECHNICAL COMMITTEES

12.1 Introduction

The modern-day poultry industry consists of a series of logistically planned, high-tech production operations, requiring intensive management inputs, which rely strongly on technical support from both South Africa and abroad. The role of the SAPA technical committees and work groups is to assist the industry in successfully continuing with sustainable supplies of high protein food from the modern-day poultry breeds by minimising environmental and disease-orientated stress factors, and by applying production practices which will optimise the potential of the most genetically advanced food animal species. The industry needs to adopt a broad-based self-regulatory policy for situations which need proactive control; for example, disease control, poultry welfare, antibiotic use, product safety. This approach should include research trials under South African conditions; timely development of standards; unconditional participation in disease control programmes and application of all necessary and relevant customer oriented procedures (COPs) in practice to produce products of the required quality under acceptable conditions.

Meetings of the different work groups, that is, the Poultry Health and Welfare Work Group, the Food Compliance Work Group, the Training Committee and the Research Committee, were held regularly through 2014 and Government agencies engaged where necessary.

12.2 The Technical Committees and Work Groups

Research Selection Committee

This Committee’s purpose is to consider and evaluate various research proposals that will utilise available funds for market or scientific research. Research proposals must be of broad-based practical advantage to the industry, addressing issues such as disease management, nutrition, production, abattoir operation, agricultural engineering and economics, etc. At least 20% of the research conducted must benefit the goals of industry transformation, assisting smallholder farmers entering the commercial sector. Committee members represent the main sectors of the industry, and include nutritionists, veterinarians and other relevant scientists.

Training Committee

This Committee’s purpose is to consider proposals and issues relating to training and development within the established commercial and developing poultry farmer sectors. Emphasis is placed on the development of a national training and development strategy for the sectors and the establishment of minimum standards for skills development.
In addition to this, the committee’s role will be the establishment of a national network of SAPA-recognised providers of both poultry specific and non-poultry training.

The Committee works with the broader industry, developing farmers, statutory organisations and interested parties. Work group participants include members from industry (egg and broiler); local government and veterinary supply companies.

The Research Selection and Training Committees work together on matters relating to bursaries and scholarships at local universities, for both undergraduates and post graduates. Through the Research Committee, relationships are built with the Universities for the Training Committee to build on. The Committees strive to ensure growth in poultry science studies and research and in the number of poultry veterinarians and foster the establishment of centres of poultry excellence in South Africa.

SAPA’s Training and Development manager arranges and co-ordinates industry training by service providers that include the KwaZulu-Natal Poultry Institute and works to improve training resources. In this role, his function is informed and supported by the SAPA Training Committee comprising human resource managers from SAPA member companies and invited consultants.

**Poultry Health and Welfare Work Groups**

The Poultry Health Work Group considers issues related to poultry health and poultry disease control; working with Government where appropriate to prevent and manage diseases that threaten the national flock. Topics under discussion include controlled and other diseases (especially those that have the potential to decimate the industry’s commercial well-being), and events that reduce bio-security effectiveness. The group monitors international movements in poultry welfare and reacts accordingly.

Along with the contributions of this work group, poultry health is managed through the PDMA, the Research Chair at Onderstepoort; and the National Animal Health Forum, of which SAPA is a member and vice-chair.

Work Group participants include members from industry [egg and broiler] and industry consultants, central and local government, University of Pretoria (OP), the PDMA, and poultry veterinary supplying companies.

The Poultry Welfare Work Group considers proposals and issues relating to poultry welfare, including international practices and trade movements. Outcomes are recorded in SAPA’s Code of Practice, with which members are obliged to comply as a minimum standard. Standard operating procedures are being discussed concerning poultry welfare in commercial production (including work on layer hen caging, broiler housing and stocking densities, handling and slaughter of birds) which will allow the industry to properly justify and defend production systems to consumers and the media.
Food Compliance Work Group

The Food Compliance Work Group interprets and considers relevant Food Safety Acts (Department of Health and DAFF), regulations and industry standards. It is the role of this work group to inform the industry how it needs to react to ensure continuous compliance when working with Government and consumer bodies.

Matters of food safety and compliance that require input from the poultry industry, DAFF, the Department of Health and product-control persons/food technologists from larger retailers, etc., include:

- The effect of salmonella and avian influenza on poultry production and consumption in South Africa in the event of an outbreak in the country;
- Broiler-processing regulations (Notice No. 153 of 24/02/2006 under the Meat Safety Act (Act 40 of 2000)) and their effect on the availability of safer chicken meat products for the consumer;
- Regulation R146 under the Foodstuffs, Cosmetics and Disinfectants Act (Act 54 of 1972) which deals with regulations on labelling and advertising of foodstuffs. It affects a number of marketing and production practices;
- The Consumer Protection Act; the regulations of which came into effect in April 2011;
- Pathogen-reduction plans and the responsible use of antibiotics in broiler and egg production;
- The ethical responsibility of poultry farmers and veterinary poultry consultants in their use antimicrobial remedies;
- Water pick-up and flavour enhancement, referred to as “brining” (discussed in Chapter 6); measurement and monitoring of brine injection levels during production runs, using NIR meat scanners to maintain accuracy;
- Food safety and quality audits.
13. CONCLUSION

Despite many poultry companies posting strong results in 2014, the industry as a whole goes into 2015 under continued and developing pressure from rising feed and input costs, subdued consumer spending, alarming levels of poultry meat imports and limited export opportunities.

In the broiler industry, concerns that the provisional anti-dumping protection against the UK, the Netherlands and Germany for bone-in portions would expire before the Minister of Trade and Industry had time to consider and implement any recommendations resulting from the ITAC (International Trade Administration Commission) investigation were allayed by outbreaks of avian influenza in all three of these European nations. Temporary trade bans against the affected countries gives the local industry some breathing space whilst corrective actions are put in place to control dumping of bone-in portions. However, any respite is likely to be short-lived and the 2015 AGOA trade negotiations may herald the return of cheap US bone-in imports to the South African market.

The egg industry remains under even more severe pressure than the broiler industry with an ever-diminishing share of the retail egg price and a disappointingly low per capita consumption of eggs. Although lower feed prices have provided some relief to egg farmers towards the end of the year under review, long term weather and crop forecasts predict a strong El Niño effect over the coming season, drought conditions and a drastically reduced maize crop, with a return to high feed prices by the end of 2015.

The organisation tasked with steering the broiler and poultry industries through these troubled waters has undergone a year of introspection and restructuring. As part of the process, SAPA conducted a national survey to gauge the value that the organisation is perceived to contribute to the industry as it executes its roles and functions. Respondents agreed that SAPA showed strength in how it represents the industry with regard to brining, trade, bone-in imports and matters concerning the Competition Commission. Communication was also regarded as an area of strength for SAPA; specifically in terms of dealing with the media on industry matters and through the collection and dissemination of industry statistics and information. SAPA’s service delivery was seen to have been negatively affected by the cancellation of the statutory levies and yet more than 90% of respondents affirmed the need for SAPA to act as a single voice on behalf of the industry. Recommendations that the SAPA structure be streamlined and value for money greatly improved have been acted on through 2014 and the year ahead should see the conclusion of this transformative process.

The International Food and Agricultural Organization, in working to support food security in developing countries, takes a strong viewpoint in support of producer organisations in ensuring value generation for producers in the food value chain. As we move into 2015, SAPA remains the collective voice of the poultry industry and will strive to represent the industry in a manner that will be beneficial to all stakeholders. The industry expects SAPA to lobby, negotiate, collaborate and interact with all regulatory bodies in the interest of the industry, to protect and promote trade and to
create an enabling environment for sustainable and profitable business. The organisation will also provide guidance and support to the industry on matters that will ensure compliance with international best practice standards on poultry health, welfare and food security and will promote transformation of the industry through the development and integration of developing farmers. The industry can be assured that SAPA will continue to gather, process and distribute information and statistics about the industry to stakeholders.

Although 2014 has been a challenging year, SAPA remains committed to our vision, namely 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.
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