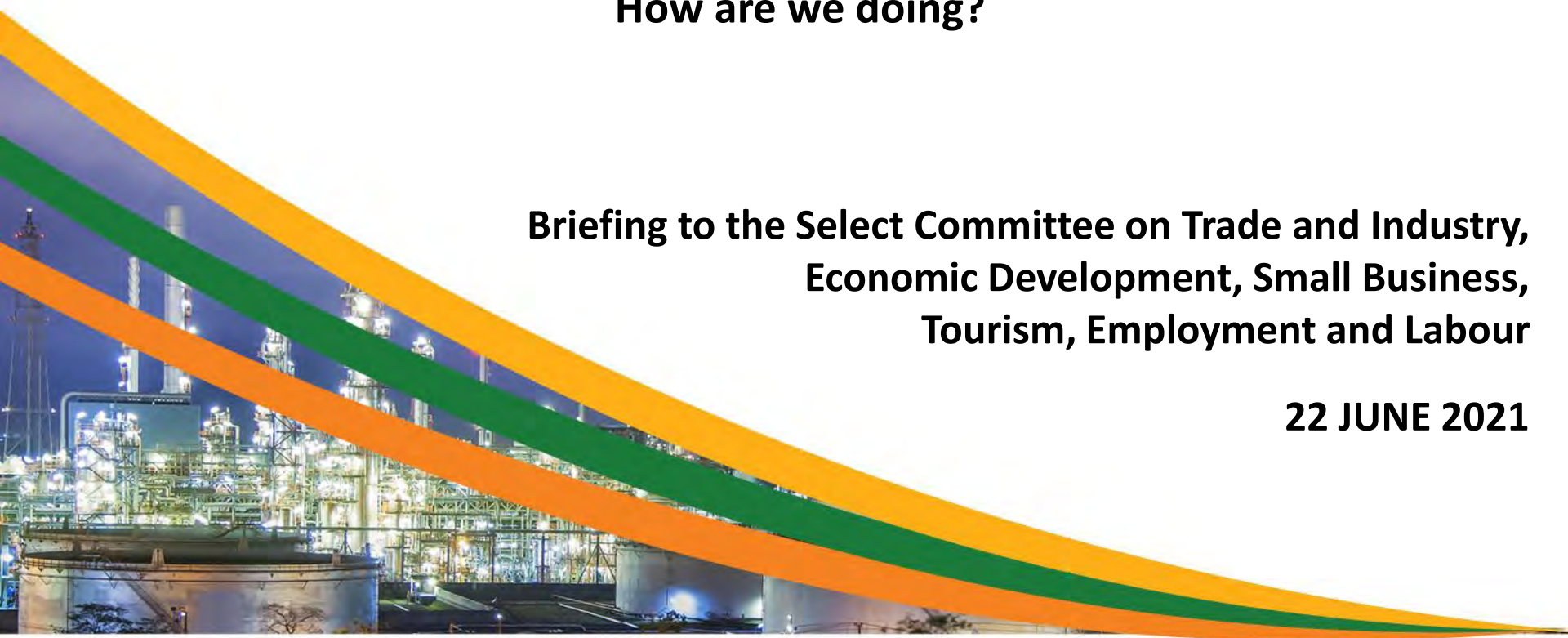


Poultry Industry Master Plan:

How are we doing?

Briefing to the Select Committee on Trade and Industry,
Economic Development, Small Business,
Tourism, Employment and Labour

22 JUNE 2021



the dtic

Department
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

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Executive Summary

- The Poultry Sector Master Plan was developed in close partnership between government and a number of stakeholders in the industry, including poultry producers, processors, exporters, importers and organized labour
- The process culminated in the official sign-off by all social partners during the 2nd South African Investment Conference held on 8th November 2019
- South Africa's chicken industry has been beset by numerous challenges in recent years, including the cost of feed, barriers to exports as well as rising imports, mainly of bone-in chicken portions, from Brazil, the European Union and the United States.
- There is broad agreement that the SA poultry industry must adapt and be developed to weather the challenges brought upon by imports
- The Poultry Master Plan has five pillars in Phase 1, with commitments from stakeholders to achieve necessary reforms:
 1. Expanding and improving local production
 2. Driving domestic demand
 3. Driving exports
 4. Enhancing regulatory framework and to ensure compliance
 5. Trade measures to support the local industry

1. Our 2030 Vision

“ A dynamic and competitive poultry industry that is growing and contributing to investment, growth and transformation”

2. Strategic Objectives & Pillars

Strategic Objectives

- Ensure that locally produced product makes up an increasingly larger proportion of consumption over time.
- Export cooked and raw product to SADC and other ACFTA countries, the EU, and the middle east. We aim to export at least 3-5% of production by 2023, 7-10% by 2028 and a growing proportion thereafter.
- Expand the industry by increasing capacity at all stages of the value chain - farming of feed, farming of chickens and processing of poultry product - thereby increasing fixed investment, employment and the value of output. The output of poultry products should increase by around 10% within 3 years.
- Increase the level of black participation and particularly ownership across the value chain and increase employment and worker share-ownership in the sector.

Pillars

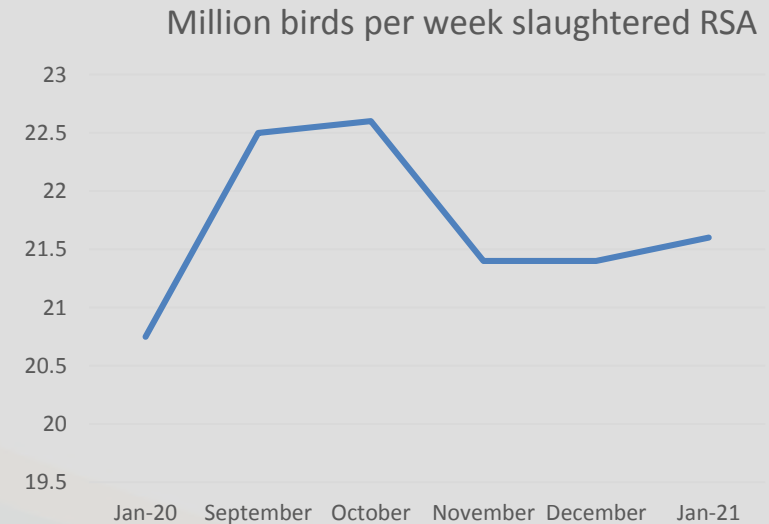
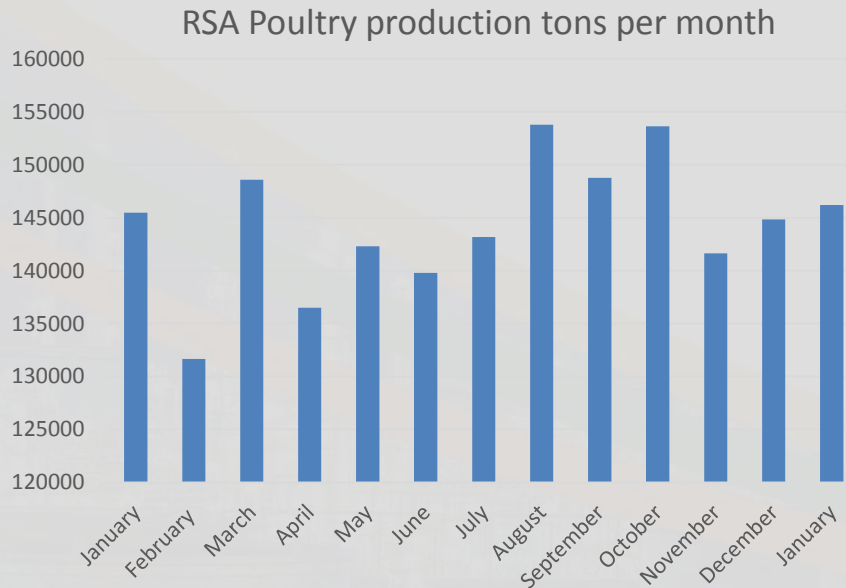
- Expanding and improving production
- Driving domestic demand and promoting affordability
- Driving exports
- Enhancing regulatory framework and ensure compliance
- Trade measures to support the local industry

3. Poultry indicators in the year since the PMP

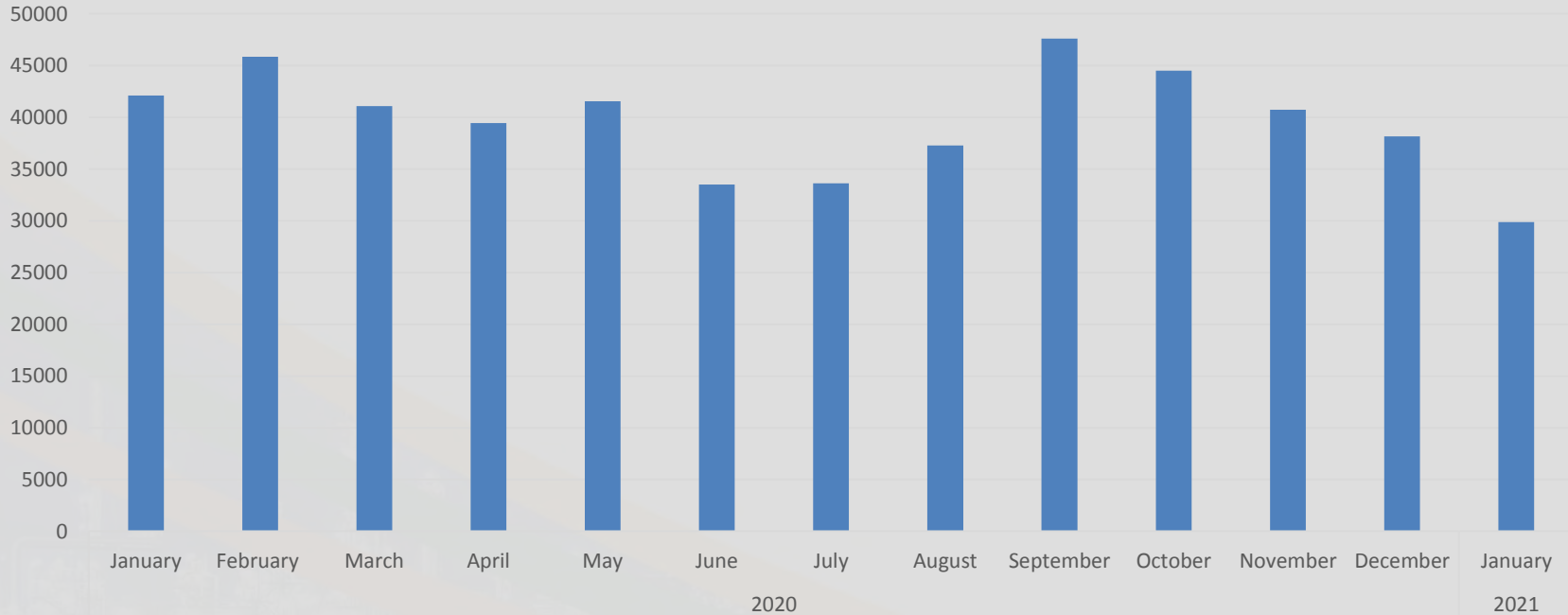
- A new tariff was put on imported poultry which provides greater protection for local producers.
- Increased production capacity was realized at one million additional chickens produced locally every week since the new duty structure.
- In all, 145 300 tons of poultry is now produced by local firms per month.
- Investment in expanding the capacity of the sector was stepped up, with R1.15 billion invested in upgrading and improving the efficiency of facilities.
- 980 new jobs were created in the sector as a result of the increased investment.
- Cooking capacity for poultry meat exports has increased by 65 tons per week.
- Transformation is being facilitated through support programmes for black farmers, with 13 new contract growers assisted with feed and chicks from the producers.
- Imports have declined since September 2020 peak.

4. Investment & Production (January 2019 – January 2021)

- Production peaked in October 2020 and has since dropped significantly



5. RSA Poultry Imports Jan 2020 – Jan 2021



- Jan 2021 imports down 30% compared to Jan 2020 and 15% down from January 2017
- Imports have declined since September 2020 peak

6. SAPA - Investment report

Location	Type of Investment	New Jobs
Limpopo- Louis Trichardt	<p><u>Expansion of Hatchery</u></p> <ul style="list-style-type: none"> • Current capacity of 28 000-day-old chicks per week • The new operation will deliver 52 000 chicks per week • Expansion to weekly capacity of 150 000 by end 2021 • Total hatchery capacity planning for 2022/3 is 450,000/wk 	Initially 50 jobs increasing to 100
Limpopo- Lebowakgomo	<p><u>Start-up of processing facility</u></p> <ul style="list-style-type: none"> • Plant start-up • Broiler Farms upgrades and startup • Initial 100k per week processing • By 2022 200k per week processing and integrated 	250
Mpumalanga - Delmas	<p><u>Expansion</u></p> <ul style="list-style-type: none"> • Expansion of slaughter number by 100 000 per week and further processing 5t of cook meat per week. • To build 10 broiler farms 	600
Olifantsfontein, Gauteng	<p><u>Expansion</u></p> <ul style="list-style-type: none"> • Hatchery and Poultry Processing Expansion 	428
North West - Lichtenburg	<p><u>Expansion</u></p> <ul style="list-style-type: none"> • Expansion of slaughter number by 100 000 per week and further processing 5 tons of cook meat per week (total increase in slaughter numbers by end of 2022, will be 200 000 birds per week) • To build 13 broiler farms • Increase milling capacity/efficiency 	500
Free State - Qwaqwa	<p><u>New project</u></p> <ul style="list-style-type: none"> • 16 Broiler houses and abattoir, each house caring 15 000 chickens and the plan is to slaughter 7000 chickens per day 	320

7. Progress Report – Poultry Master Plan - Pillar 1

Expand production	Status	Progress
Increase soya and maize supply by 300 000 T per year and explore mechanism to reduce price to poultry sector	Prices have risen significantly (especially maize) due to international conditions	BFAP study has been commissioned and draft completed. Awaiting soya and maize industry comment. SAPA has requested release of report. Report to guide further action.
Increase production by 1.7m birds per week or 10%	1 million additional birds capacity per week already created.	Investment and capacity largely achieved (R1.14 billion spent)
50 new contract farmers and support for independent farmers – Fund to be created	13 new contract farmers completed using commercial funding	Minister of Agriculture launched major fund to support agro processing (6 new contract farmers identified and supplied to the IDC for funding)
Skills plan	Draft Skill Plan Developed	Consolidating inputs/comments from stakeholders
Black ownership	Sapa commenced with survey on black shareholding in the industry	DALRRD (AgriBEE fund), IDC and SAPA discussions including provincial projects, IDC allocation of capital to value chain

SAPA – Farmer Support Programme

Thirteen (13) new contract growers established with assistance as follows:

- Production inputs such as animal feed and chicks;
- Business plans developed;
- EIA and off take agreements; and
- The Department has commenced the farm audits regarding support provided by SAPA to contract growers across the nine Provinces.

7. Progress Report – Poultry Master Plan – Pillar 2

Drive demand	Status	Progress
State procurement	awaiting ministerial/treasury approval (the dtic)	Designation investigation completed
Monitor chicken prices	the dtic to work with Stats SA, NAMC and other agencies	Poultry quarterly report to monitor price developed by NAMC
Promote SA poultry products by working with retailers and Proudly SA	<ul style="list-style-type: none"> Roadmap and strategy to develop Cheap Meat Packs – nutrition’s meals for value segment market developed Proudly SA campaign –Two Poultry buy local Campaigns we rolled out since quarter 3 last year (December 2020 and March 2021) 	Appropriate structure needs to be set up

7. Progress Report – Poultry Master Plan – Pillar 3

Drive Exports	Status	Progress
Export Cooked meat	An export certificate is required for each jurisdiction	UAE completed and working well Saudi Arabia – contracts ready to be signed but no export certificate
Raw meat exports	Detailed requirements per country to be negotiated and signed	EU – plan submitted in November 2020 but no further progress Other jurisdictions no progress - sight Inspection needed
ACFTA include SADC	Avian flu outbreak has an impact on current exports	SADC exports being blocked Health parameters need to be negotiated with specific countries
SPS Plan	SPS Plan Developed	Meeting with DALRRD to discuss capacity and funding to implement and monitor the plan

7. Progress Report – Poultry Master Plan – Pillar 4

Appropriate regulation of imports	Status	Progress
Packaging and traceability of imports	'Dispensation' to mix origins in testing process withdrawn with 12 month lag	September 2021
Thawing of frozen product	SAPA requested thawing practices to stop – report supplied	Department of health regulations must be changed – they are not participating in meetings
Act effectively against incorrect classification and under-declaration	SARS Inter-Agency working Group	SARS investigation under way to prosecute illegal and illicit activity – report will be provided to the minister only due to highly confidentiality
Act against Round tripping	SARS Inter-Agency working Group	SARS audits on round tripping from Lesotho and Lebombo borders ongoing - report will be provided to the minister only due to highly confidentiality
Check use of quotas	ITAC tighten rules/guidelines.	Completed - No transgression reported

7. Progress Report – Poultry Master Plan – Pillar 5

Trade measures	Status	Notes
Ad Valorem Tariffs	Gazetted March 2020	
Comprehensive review	Initiated	<ul style="list-style-type: none"> - Better understanding of the impact of measures - Reduce number of import lines – 6 digit - Consider import licences or third party certificates to support compliance - Possible rebates in recognition of exports - Consider comprehensive approach and possible reduction in tariffs over time
Other	Various anti dumping applications in place	

8. Conclusion

- Good progress on expanding capacity.
- Unlock industry potential to grow domestic and export markets (industry has strategically prioritised Saudi Arabia, United Arabs Emirates and Qatar for export of poultry products (chicken meat)).
- Facilitate industry skills strategic plan.
- More traction needed on transformation.
- IDC,DTIC and DALRRD discussions including provincial projects and allocation of capital to value chain.

“Action without vision is only passing time, vision without action is merely day dreaming, but vision with action can change the world.”



Nelson Mandela
1918-2013

