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Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

THE NATIONAL COUNCIL OF PROVINCES

QUESTION FOR WRITTEN REPLY

QUESTIONS NO. 784

Poultry Sector Master Plan

Mr M K Montwedi (North West: EFF) to ask the Minister of Trade, Industry and Competition:

Whether his department has noted that large poultry integrators have significantly reduced and/or stopped issuing new offtake agreements to black contract growers in the past two years, thereby slowing transformation commitments under the Poultry Sector Master Plan; if not, why not; if so, what are the relevant details? CW930E

REPLY:

The Department has noted that progress on transformation under the Poultry Sector Master Plan has been slower than anticipated, primarily because large poultry integrators have reduced or withheld new offtake agreements for Black contract growers. Producers have explained that limited slaughtering capacity has constrained their ability to take on additional growers. To support expansion, the IDC/DALRRD Agri-Industrial Fund has approved R1.29 billion for infrastructure development across the broiler value chain. This funding has assisted 11 Black commercial contract farmers, 1 hatchery company, 1 breeder, and 1 integrated abattoir producer, resulting in 859 new jobs. In parallel, the Land Bank, working with DALRRD, launched a R3.2 billion blended finance scheme, of which two applications worth R31.84 million have been approved, creating 37 jobs.

According to the South African Poultry Association (SAPA), sector capacity increased from 19.7 million birds per week in 2019 to 22.5 million in 2022, an increase of 2.8 million birds per week. However, the outbreak of Avian Influenza (AI) in 2023 reduced production



to 20.3 million birds per week, reversing some of these gains. Combined with high feed costs, this has made integrators more cautious about expanding offtake commitments, slowing transformation despite government-backed funding and infrastructure expansion.

Furthermore, the National Empowerment Fund (NEF) is aware of the challenges facing Black contract growers within the poultry industry, including constraints relating to market access and offtake opportunities. In response, the NEF has adopted an Aggregation Strategy as part of its value-chain funding approach to accelerate transformation in the poultry sector and complement the objectives of the Poultry Sector Master Plan. The strategy seeks to reduce the dependency of Black poultry farmers on individual large integrators by strengthening alternative markets, improving competitiveness, and supporting sustainable participation across the poultry value chain.

The key interventions implemented by the NEF include the following:

1. **Concessionary Blended Finance:** The NEF, in partnership with Provincial Departments of Agriculture, provides blended finance comprising concessionary loans (including reduced interest rates, repayment grace periods, and flexible own-contribution requirements, where own contributions are not limited to cash but may also include recognised sweat capital), together with grant funding. This blended funding model assists in de-risking Black poultry enterprises and improving their commercial viability and long-term sustainability.
2. **Development of Alternative Markets:** The NEF works with Provincial Departments of Agriculture to facilitate base offtake agreements through Provincial School Nutrition Programmes while supporting Black poultry farmers to diversify their customer base by accessing hotels, lodges, restaurants, retailers, state-owned entities, and Black-owned retail outlets. This reduces reliance on traditional poultry integrators and enhances market resilience.
3. **Promotion of Aggregation Infrastructure:** As part of its Aggregation Strategy, the NEF finances strategic infrastructure such as poultry abattoirs and egg packhouses that aggregate production from small-scale Black poultry farmers. These facilities enable producers to consolidate volumes, improve quality



assurance, access formal markets, and create more sustainable market opportunities, particularly in rural and township economies.

4. Support for Black-Owned Feed Mills: Recognising that feed accounts for approximately 65% to 75% of poultry production costs, the NEF supports the establishment and expansion of Black-owned poultry feed mills. This intervention aims to improve access to quality feed at competitive and more stable prices, thereby enhancing the competitiveness and profitability of Black poultry enterprises.
5. Support for Feed Input Production: The NEF also finances Black grain and sunflower producers who supply key raw materials to Black-owned feed mills. This strengthens local value chains, reduces input costs, and contributes to improved margins for Black poultry farmers.
6. Funding for Compliance Requirements: Compliance remains a significant barrier to entry into formal poultry markets. As part of its concessionary funding package, the NEF provides funding for compliance-related requirements, enabling Black poultry farmers to meet regulatory standards and unlock access to larger and more sustainable commercial markets.

Through these interventions, the NEF continues to support the transformation objectives of the Poultry Sector Master Plan by strengthening Black participation across the poultry value chain, promoting sustainable market access, reducing dependency on single offtake channels, and improving the long-term competitiveness and resilience of Black poultry enterprises.

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