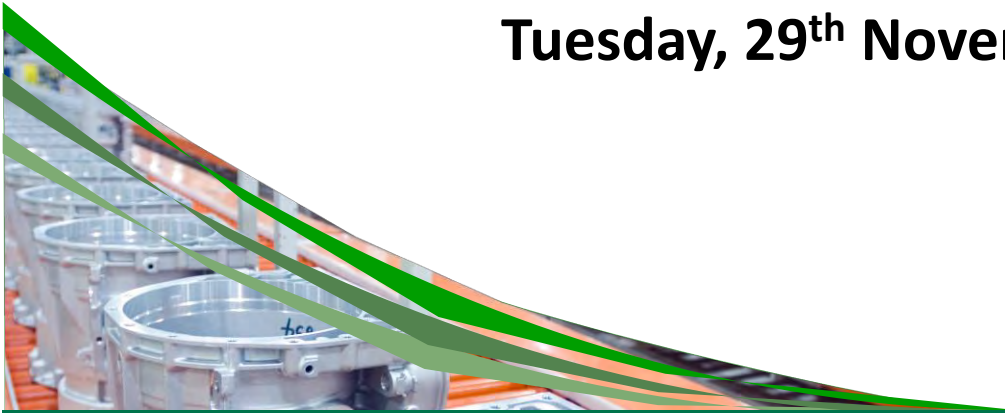


Portfolio Committee on Trade and Industry

Engagement with stakeholders Implementation of the South African Poultry Master Plan

Tuesday, 29th November 2022



the dtic

Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

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INTRODUCTION

- Pre-2019, the poultry industry reported significant loss of market share and economic hardship; and sought tariff protection for the domestic market
- Government (DALRRD and DTIC) convened a meeting with poultry producers, farmers of feedstock, importers and labour to consider the underlying causes of the challenges faced by the industry
- Following a number of months of facilitated discussion, the different parties agreed to a sector-plan to address the identified challenges
- This became the Poultry Master Plan, signed by private and public sector representatives at the 2nd South African Investment Conference on 8th November 2019.
- From 2020, implementation of the Master Plan commitments commenced.
- During the implementation period, the industry had to contend with the Covid-19 pandemic, increasing feed costs, impediments to exports due to the outbreak of avian influenza and significant imports (mainly of bone-in chicken portions).

INTRODUCTION

- Responsibility for policies and implementation of measures are spread across a number of public entities, including
- DALRRD: black farmer support, feed-costs, health standards and compliance with foreign market standards
- DALRRD/IDC: funding
- DTIC and ITAC: trade policy (tariffs, anti-dumping duties and export access)
- Department of Health: Administer food safety legislation
- SARS: action at ports of entry on illegal trade
- Provinces: promotion of local poultry production

INTRODUCTION

- Through the implementation of the Masterplan, the industry has from 2020-2022:
 - Began to recover from the reported decline faced in the pre-2019 period
 - New investments were made, with increases in local poultry-slaughter capacity per week.
 - Since the Masterplan inception R479m has been spent through the IDC/DALRRD Agri-Industrial Fund to build poultry infrastructure to support emerging farmers.
 - 21 emerging contract growers have been supported as at September 2022, against the target of 50 farmers over three years.
- Implementation of the Masterplan has involved balancing the interests of all stakeholders, including between producers and consumers.

INTRODUCTION

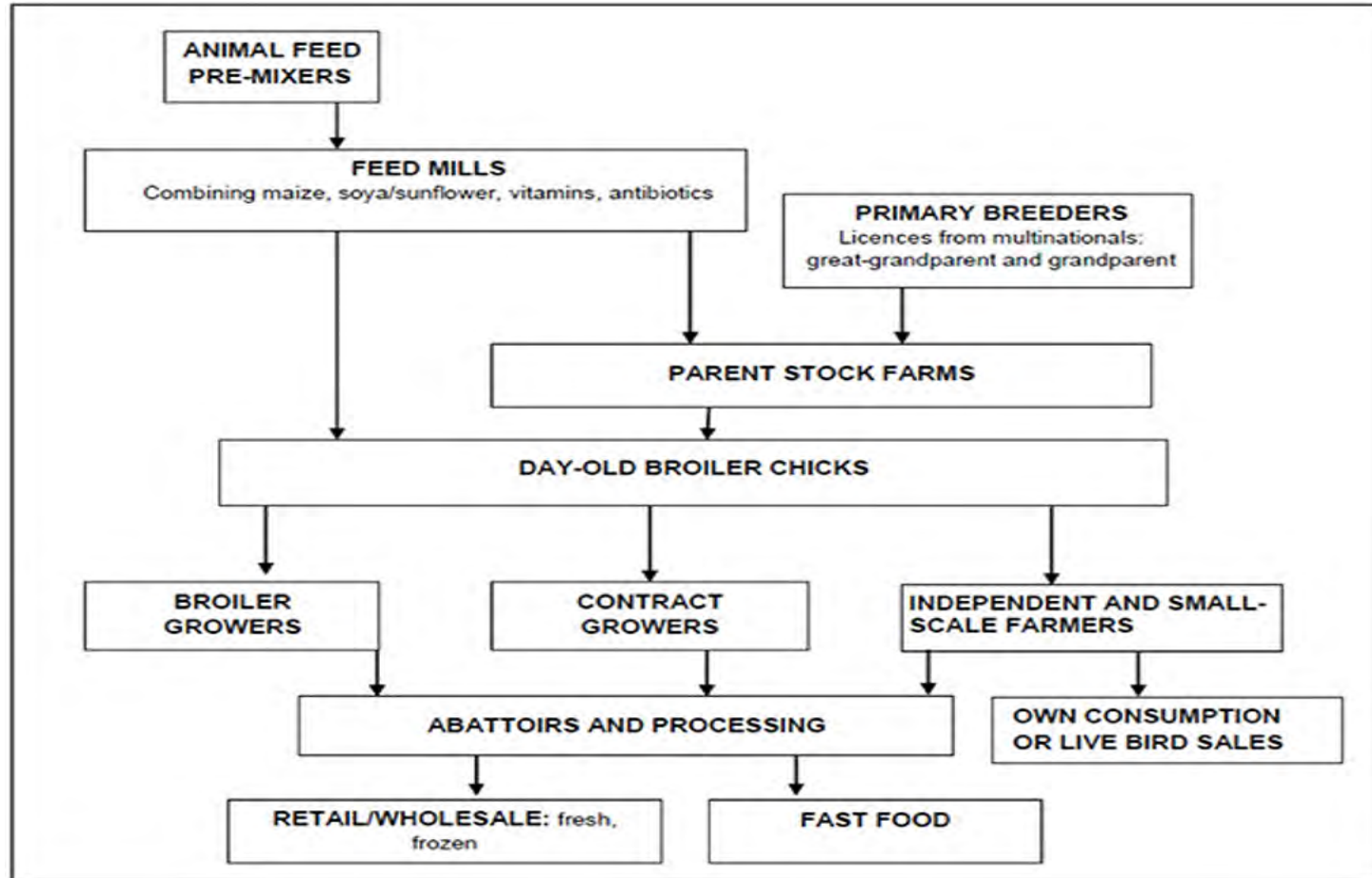
The Poultry Master Plan has five pillars in Phase 1, with commitments from stakeholders to achieve necessary reforms:

1. Expanding and improving local production
2. Driving domestic demand
3. Increasing the focus on exports
4. Enhancing regulatory framework and ensuring compliance
5. Trade measures to support the local industry

Outcomes

1. Tariff increases were implemented in 2020, providing a level of additional protection for local industry
2. Industry committed to new investment. Total reported investments to date are R1.8 billion, creating 1 888 additional jobs. 21 contract growers have been supported. The industry has pledged an additional R570 million investment by 2024.
3. A new fund has been established for agro-processing firms. DALRRD/IDC established an R1bn Agri-Industrial Fund to support emerging agricultural producers, including poultry farmers. As of September 2022, the fund supported 8 poultry projects valued at R479m creating 215 jobs.
4. The Animal Feed Manufacturers Association (AFMA) has reported an additional 2,000 jobs being created in the extended value chain.
5. To date the slaughtering capacity increased from 19,7m birds per week to 22,5m birds per week.

Poultry Industry Structure(Broiler Value Chain)



Outcomes

Jobs and producers (Period January 2020 – September 2022) reported to Poultry Master Plan.

1 888 additional jobs in the poultry producers sector

2 000 additional jobs in the animal feed sector

21 contract growers have been supported.

Progress

Driving Domestic Demand And Improving Affordability

- Shoprite / Checkers has committed to procure 100% locally produced chicken and labelling of their house brands with a Proudly South Africa logo.
- OBC retail have committed to buy locally produced chicken for their 50 stores across the country.
- Cheap Meat Packs are now being sold in all local retailers.
- Proudly SA promotes the local poultry sector through platforms including SABC 1, 2 & 3, Multichoice, e-TV, Facebook, Instagram, Twitter and YouTube.

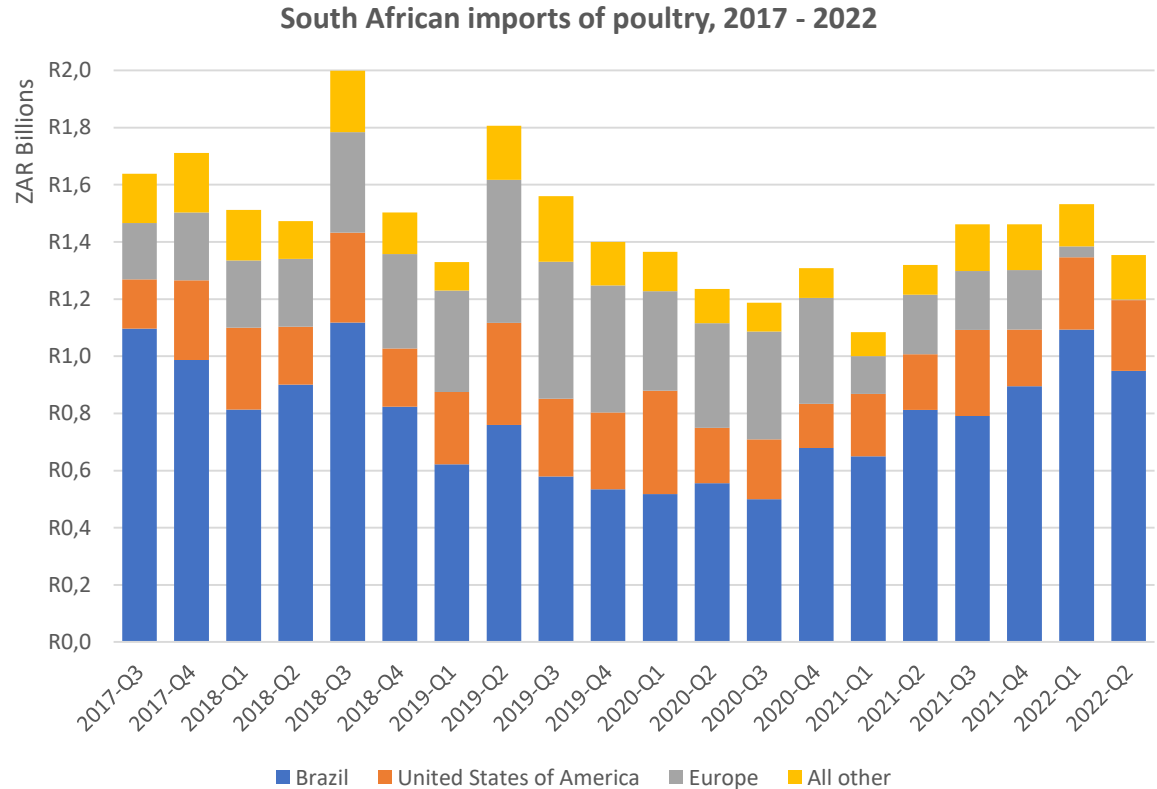
Progress

Driving Exports

- SA is currently exporting cooked poultry meat to Lesotho, Namibia, Botswana, eSwatini, UAE, Ghana, Zambia and Zimbabwe.
- However, challenges are still being experienced with respect to several countries including the EU, UK and Saudi Arabia due to avian influenza outbreaks.
- Industry preparing information required on a Residue Monitoring System for cooked poultry meat to be exported to EU and UK. SAPA indicated that this information should be ready to be submitted before the end of 2022 and DALLRD would then submit to the EU and UK.
- SA exported 50,099 tons of cooked meat in 2020. However exports decreased by 2.2% (48,997 tons) in 2021 due to outbreaks of avian influenza.
- DALRRD has declared two of nine provinces free of Avian influenza: Mpumalanga and Eastern Cape.
- Rules of Origin for poultry products under AfCFTA concluded. It requires 100% African originating content, ie Africans chickens.

IMPORT TRENDS

- South Africa is still a large **net importer of poultry**, helping maintain competition that keeps local prices low
- South Africa imported **ZAR 1,3 billion** in poultry in Q2 2022



IMPORT THREATS

- The global poultry market remains **highly distorted**
- Many markets export chicken to South Africa at much **lower prices** than they do to the rest of the world
- The **local industry is essential to cushion consumers from price inflation** in the rest of the world
- Import competition plays a role in the market - but local producers can only compete against **fairly priced imports**

Market	Price difference, average 2017 - 2021
Brazil	Export prices to SA are 60% lower than their average export prices to the world
Poland	Export prices to SA are 39% lower than their average export prices to the world
Spain	Export prices to SA are 36% lower than their average export prices to the world
Netherlands	Export prices to SA are 35% lower than their average export prices to the world
Denmark	Export prices to SA are 30% lower than their average export prices to the world
USA	Export prices to SA are 15% lower than their average export prices to the world
United Kingdom	Export prices to SA are 12% lower than their average export prices to the world

Progress

Enhancing The Regulatory Framework And Ensuring Compliance

- Enhancing safety: DALRRD implemented a new regulation that came into effect on the 1st of September 2021, specifying that packets of chicken may only be made up of 1 country of origin, to improve the traceability of chicken.
- Enhancing safety: the Industry was advised by the Department of Health to report any thawing practice performed under unhygienic conditions.
- Combating illegal activities: SARS Inter-Agency Working Group meetings investigates illegal and illicit activity with two cases of misclassification and one of round-tripping under investigation.
- The Inter-Agency Working Group between the dtic, SARS and ITAC meets regularly and monthly reports are prepared on the progress in regard to investigations and actions to curb illegal and illicit activity in the different priority sectors including poultry.
- Currently two cases are being dealt with in regard to misclassification of poultry that was imported; and a diverted consignment of poultry (not cleared for import in SA) and the bribery of police officials.
- In both cases SARS have send schedules for payments of duties and fines. Suspects arrested in second case and released on bail. Criminal investigation ongoing.

Progress

Trade Measures To Support The Local Industry Or Local Consumers

- March 2020, customs duties were increased on a number of poultry products
- 2019-2022: trade dispute with the EU on safeguard measures to protect local industry
- January 2022: Provisional anti-dumping duties for bone-in chicken meat for five countries were implemented in January and expired in June 2022.
- July 2022: the Minister approved anti-dumping duties on poultry from Brazil, Denmark, Ireland, Poland, and Spain. However, due to the current spike in international food prices, implementation was postponed for a 12 month period.

Health and Safety measures

- Current (October 2022): avian-flu in EU countries have resulted in import restrictions from all European countries. No European country can currently export unprocessed poultry meat to RSA.

ISONDO FARMERS CO-OP



Ellen Mokau's chicken story started during the dark days of lockdown. Stuck at home, the chemical engineer by training learnt the basics of broiler raising online and started a small business. Through her social-media following, she realised that many small farmers' dreams were limited because they don't have land.

Taking her inspiration from the African tradition of stokvels, she devised a model that is simple and sustainable: a group of farmers pool their resources to rent land, set up infrastructure, and get the necessary working capital together. In this cooperative structure, they all contribute equally and share equally in the profits.

Mokau's first co-op had 20 members and each contributed R10 000 to establish the broiler business near Hammanskraal. The second co-op followed a slightly different model with 31 members who each contributed R4 500 over a period of three months. In November 2020 a local chief granted the second co-op a 10-year lease on trust land in the Stinkwater area north of Pretoria and the co-op built a R70 000 chicken house with its pooled capital.

Moatswi Trust



Moatswi Trust started producing for Supreme Poultry on their Zeerust farm.

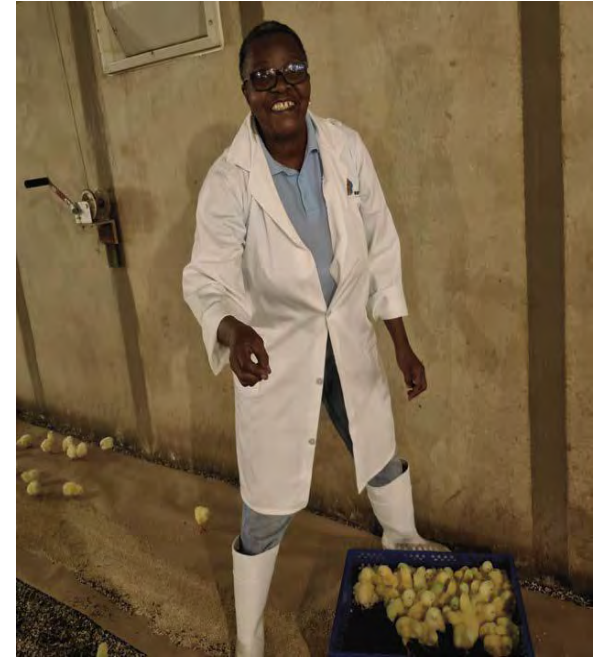
Supreme Poultry (CBH) has a partnership that covers:

- Financial elements
- Technical support
- mentoring

Moatswi Trust has doubled their production, with a further 50% expansion in the pipeline.



Expansions that benefit the masterplan



Grace Kgomongwe has doubled her production in the nine years as a grower for Supreme

Poultry Input Costs



Katlego Gaoraelwe started Primetrade Feed to provide quality feed to underserved small farmers in the Northwest. At his factory (right and bottom) he packages feed in smaller bags for ease of transport

Gaoraelwe's Primetrade Feed plant in Makwassiesupplies feed to many small farmers in the Northwest Province. He started the plant, which can produce 30 tons of feed per day, eight years ago when he saw the market opportunity left by large feed companies that were not delivering feed to remote rural areas.

Small farmers sometimes had to drive 150km to buy just one bag of feed. Gaoraelwe's answer was to establish depots in remote locations where customers can buy and collect feed. His feed is also packaged in 10kg bags that are easier to carry or transport in taxis. If farmers order more than one ton of feed, he delivers it to them for free. His customers are farmers who keep anything from ten to 6 000 hens and produce on average 2 000 broilers per cycle.



Driving Exports prioritized



Rainbow has invested R220 million to reinstate a second shift at the Hammarsdale plant



Driving export prioritized, as the masterplan delivers on its export facilitation objectives, such as government-to-government protocols, food-safety labs, and independent rescue and food-safety monitoring.

Northroost Hatchery



Clive Tigere inspects the first batch of chicks to hatch at Northroost Hatchery

The new poultry production project in Makhado, Limpopo. A joint venture between Tigere's company KC Hatchery, Country Bird Holdings and Bushvalley Chicken.

The new facility was funded with R56m investment as part of the industry's masterplan commitment to grow poultry production.



Phetogo Farming Enterprise



The Phetogo Farming Enterprise cc is new poultry contract grower project based in Grootspuit, City of Tshwane, Gauteng and is a black owned company. The new facility was funded with R65m investment estimated to create 25 new jobs as part of the industry's masterplan commitment to grow poultry production.



Ashely Farm



The Ashely Farm is new poultry contract grower project based in Bapsfontein, Victor Khanye local municipality, Mpumalanga and is a black owned company. The new facility was funded with R52m investment estimated to create 21 new jobs as part of the industry's masterplan commitment to grow poultry production.



Country Bird Holdings



Above:
Supreme
GM Francois
Jacobsz &
Lily Coetzee,
National
SHERQ
manager

Right: CEO
Brendon
de Boer



CBH and their growers have invested over R1 billion since the inception of the master plan in 2019 and they are on track to deliver 2.3 million birds per week to the South African market, creating 122 new jobs in the process.



A processing line in Plant 2,
where value-added frozen co-
fryer products are produced



The flash-fry line can
produce a ton of formed,
crumbed product in an hour

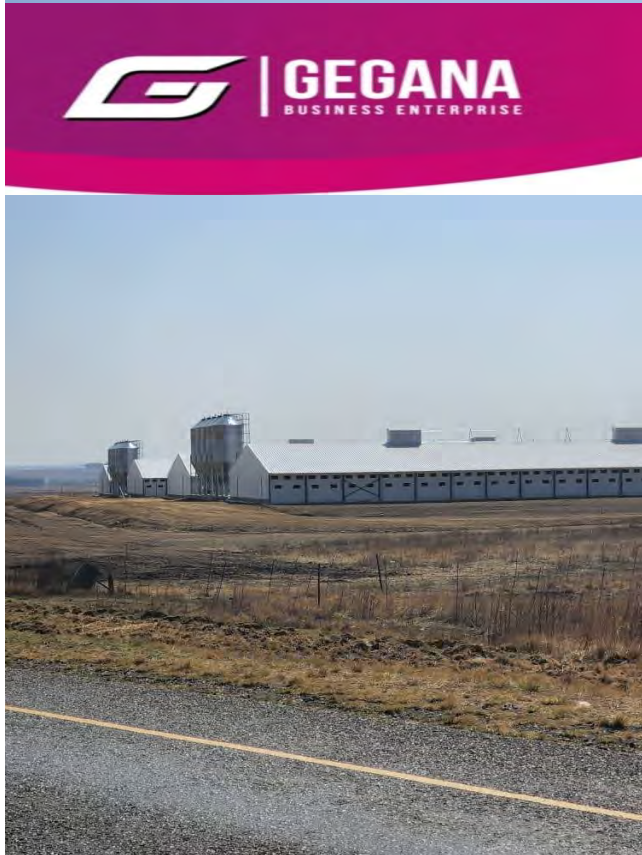


Workers prepare packaging
boxes at the end of a
production line



All necessary steps were
taken to obtain halal
certification for the plant

Gegana Business Enterprise



Gegana Business enterprise is new poultry contract grower project to Astral Foods based in Leandra, Govan Mbeki local municipality, Mpumalanga and is a 100% black owned company.

The new facility was funded with R66m investment estimated to create 24 new jobs and 360 000 birds per cycle as part of the industry's masterplan commitment to grow poultry production.



KEY CHALLENGES

1. Local procurement: there is scope to secure support from more retailers to buy local chicken.
2. Poultry exports have been constrained, notably by the outbreaks of avian influenza and SPS related issues.
3. Transformation - although progress has been made with contract poultry producers, more can be done to increase the entry of black South Africans in the sector, including in the wider eco-system, such as feed-production, hatcheries and slaughter-houses
4. Increasing cost of feed, which constitutes 70% of production costs.
5. High cost and unreliability of electricity supply, rising fuel prices and challenges in some areas with water supply.

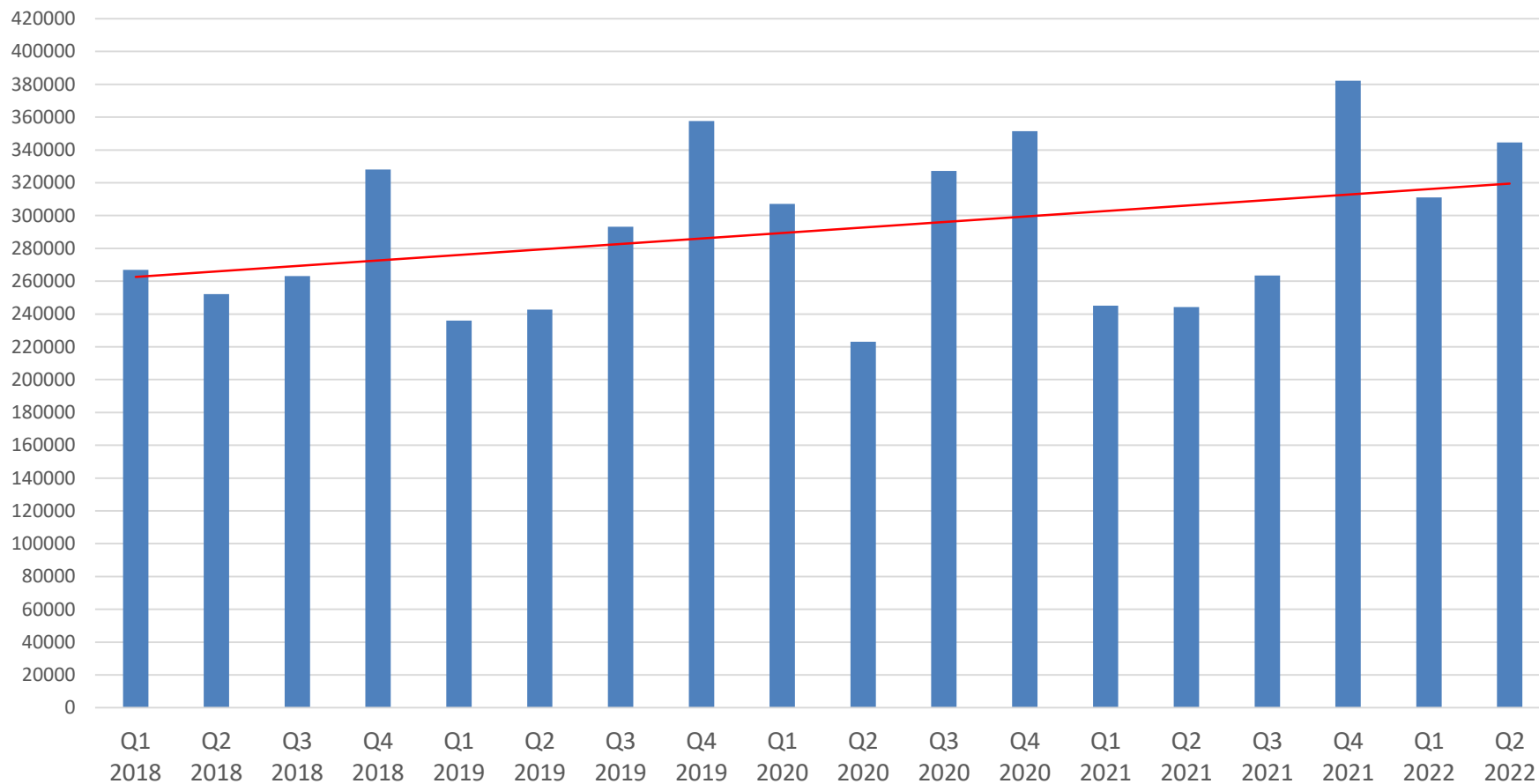
OUTCOMES OF THE EOC MEETING HELD 15 NOV 2022

A work plan for the next year will focus inter alia on the following:

- Energy: Facilitate engagement with Eskom on electricity supply and energy efficiency to the poultry industry
- Procurement: Retailers to secure additional commitments to “buy local” and embrace localization
- Proudly SA will further engage Hospitality Sector and other Private Sector (e.g. Mining) to lobby more buy local market access
- Investment: expedite industry support and investment to reach the target of 50 contract growers by the end of 2023
- Transformation: Greater commitment to industry transformation and focus on ownership throughout the value chain
- Exports: Joint commitment and urgent action are required to eradicate avian influenza and unlock export markets to the Middle East and cooked products to EU
- Finance: the Land Bank will now participate in the blended funding to support the industry investment

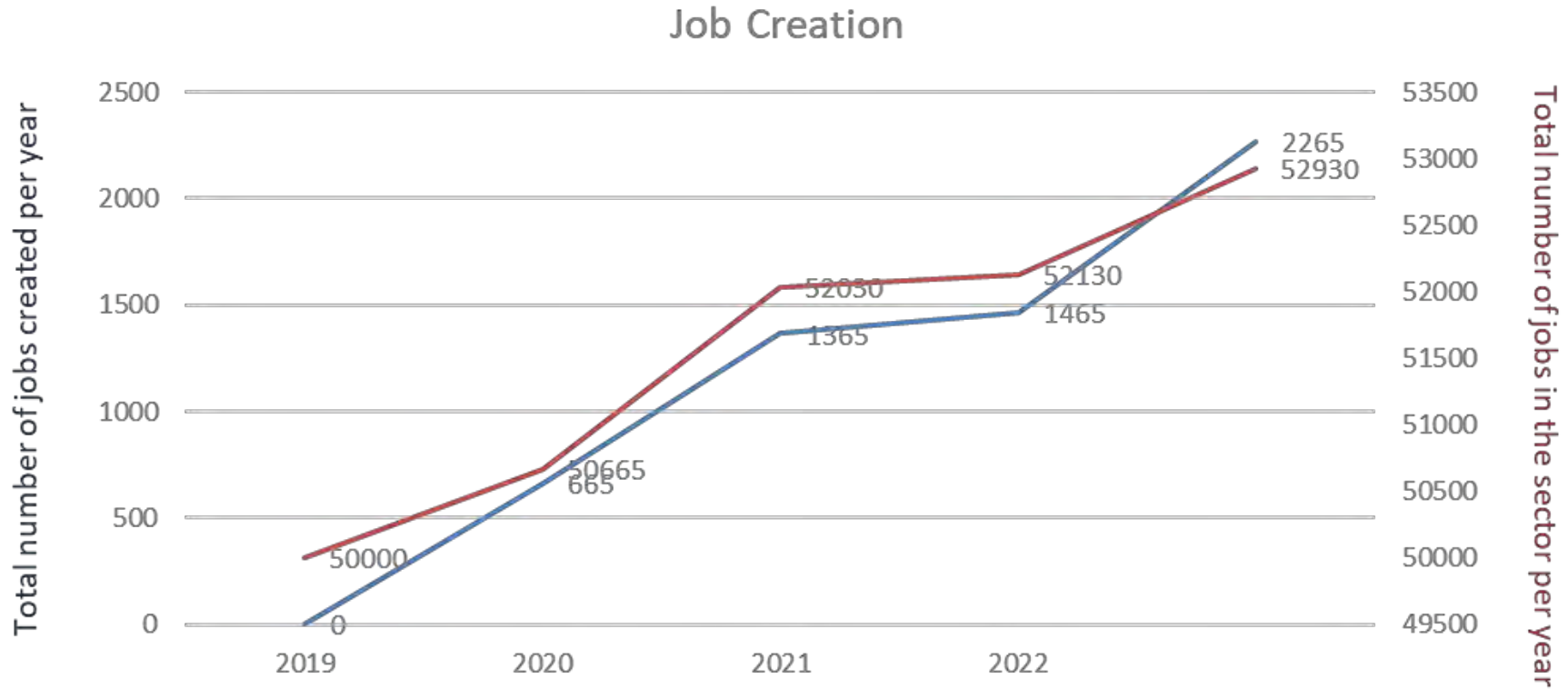
ECONOMIC ANALYSIS: POULTRY EXPORTS & IMPORTS (2022)

Poultry Exports: H0207



Economic Impact

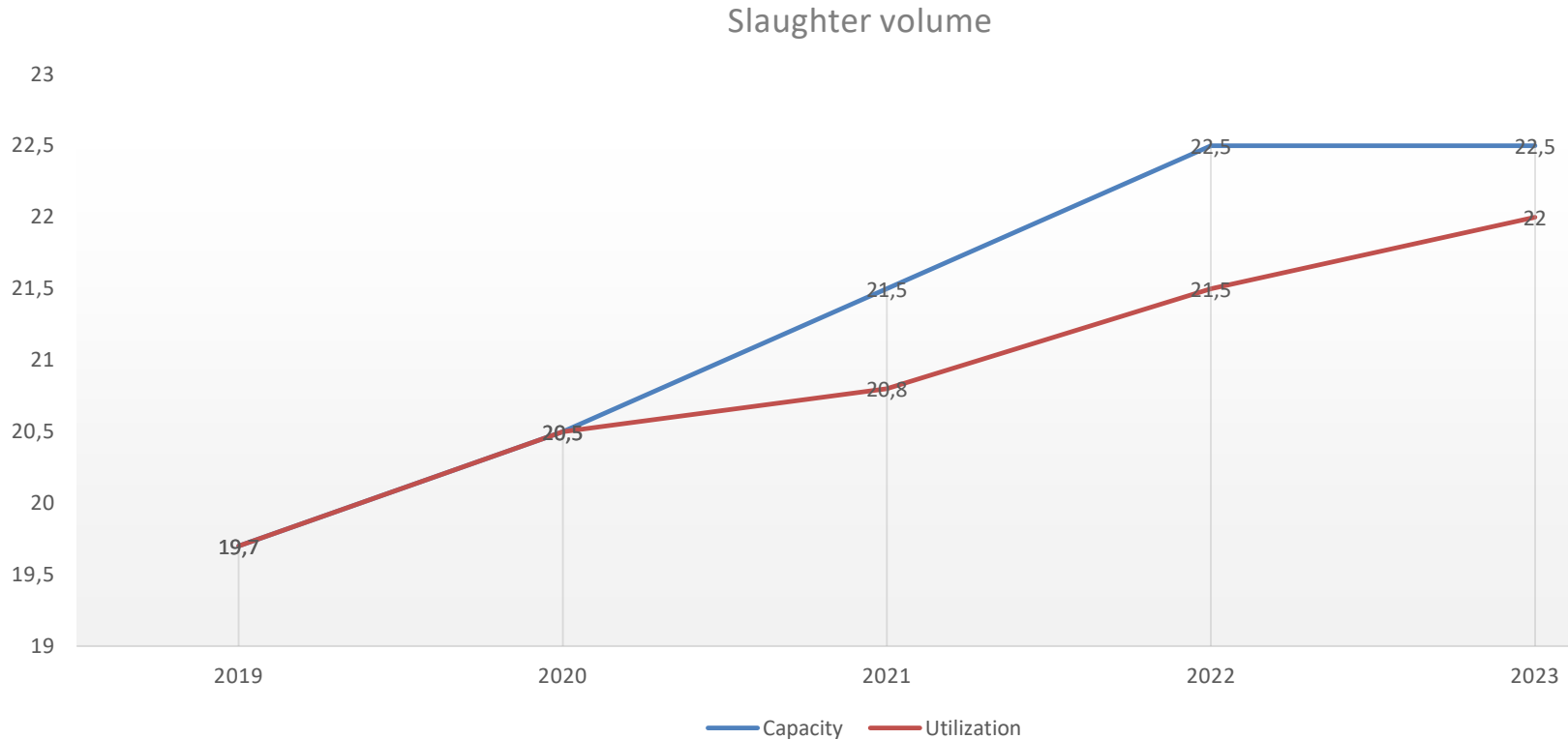
ECONOMIC IMPACT – BASED ON DATA PROVIDED BY SAPA



Source: SAPA Report Masterplan Factsheet, November 2022

SLAUGHTER VOLUME

ECONOMIC IMPACT – BASED ON DATA PROVIDED BY SAPA

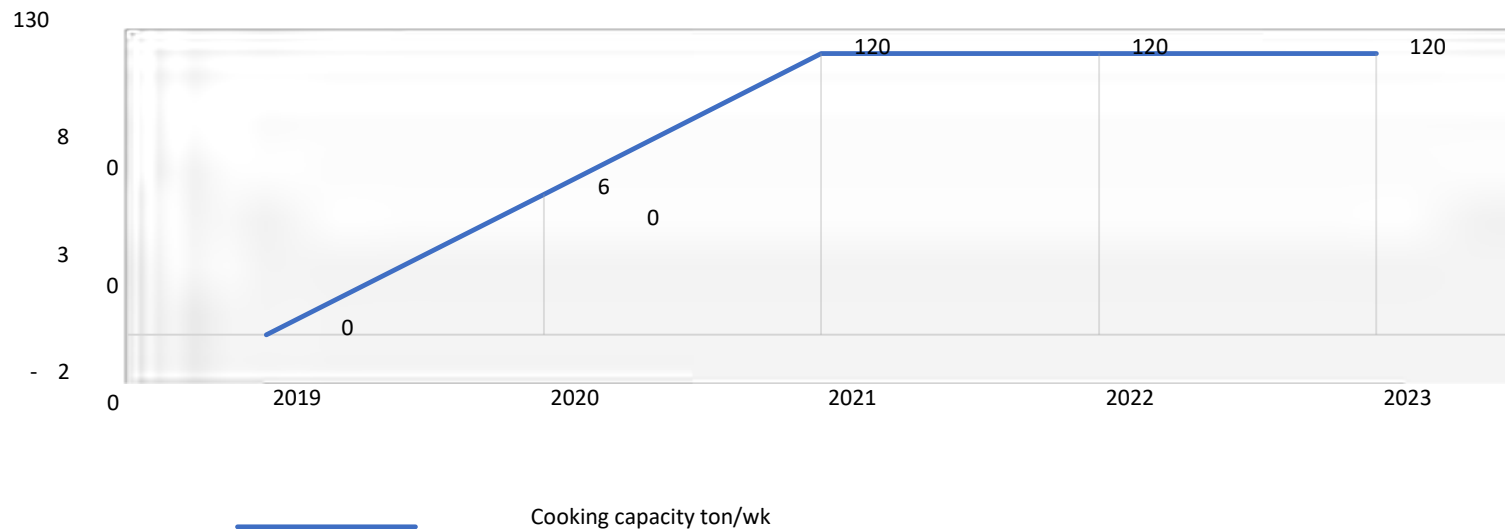


Source: SAPA Report Masterplan Factsheet, November 2022

COOKING CAPACITY AND EXPORTS

ECONOMIC IMPACT – BASED ON DATA PROVIDED BY SAPA

Cooking capacity ton/wk



Source: SAPA Report Masterplan Factsheet, November 2022

THANK YOU



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ACRONYMS

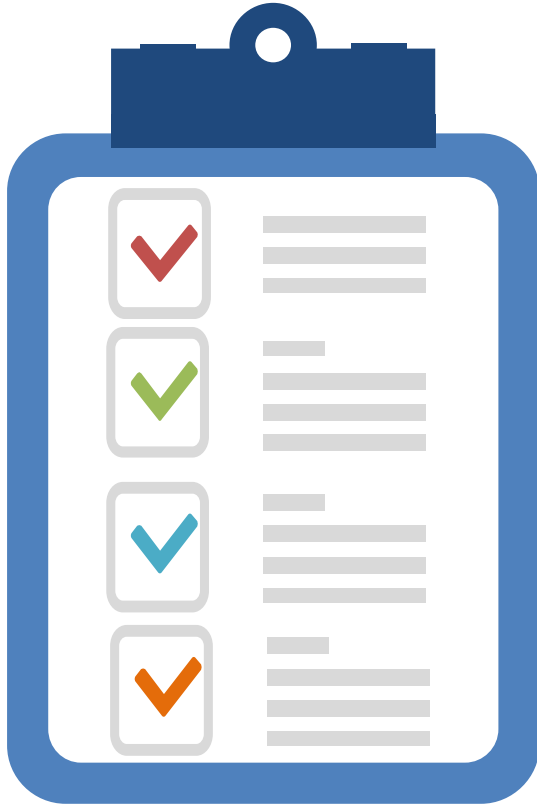
ACFTA	African Continental Free Trade Area
AFMA	Animal Feed Manufacturers Association
AMIE	Association of Meat Importers & Exporters
DALRRD	Department of Agriculture, Land Reform and Rural Development
DoH/NDoH	Department of Health/National Department of Health
IDC	Industrial Development Corporation
HPAI	Highly Pathogenic Avian Influenza
ME	Middle East
MDM	Mechanically Deboned Meat
NT	National Treasury
NAMC	National Agricultural Marketing Council
PMP	Poultry Masterplan
SACU	South African Customs Union
SADC	South African Development Community
SAPA	South African Poultry Association
SPS	Sanitary and Phytosanitary measures

PMP -2030 Vision

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



STRATEGIC OBJECTIVES OF THE PLAN



1

Ensure that locally produced product makes up an increasingly larger proportion of consumption over time.

2

Export cooked and raw products to SADC and other ACFTA countries, the EU, and the middle east. the aim is to export at least 3-5% of production by 2023, 7-10% by 2028 and a growing proportion thereafter.

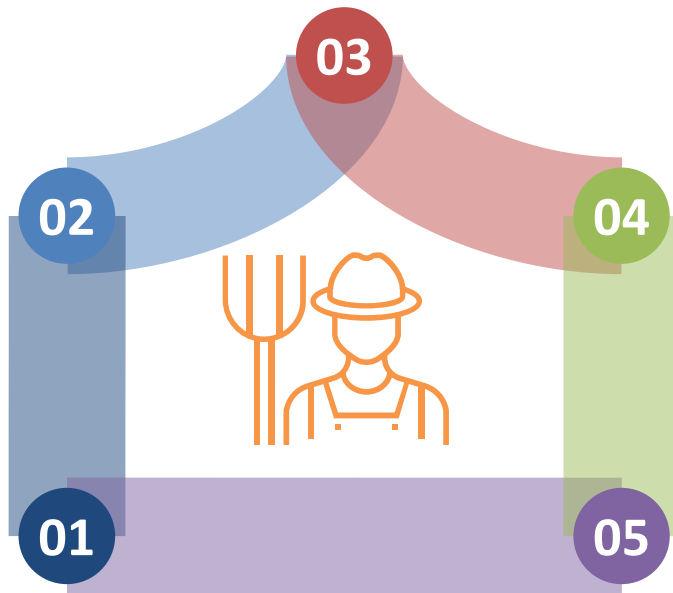
3

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.

4

Increase the level of black participation and particularly ownership across the value chain and increase employment and worker share-ownership in the sector

STRATEGIC OBJECTIVES AGREED BY STAKEHOLDERS



- 01** Poultry farming offers important opportunities for economic development in South Africa
- 02** Potential expansion of both maize and soya production
- 03** Commercial-scale contract farming supplying large integrated producers
- 04** Grow industrial scale food processing ,leading to increased employment and exports
- 05** Supply of affordable protein to South African households

CONTEXT IN WHICH THE MASTER PLAN IS IMPLEMENTED

