

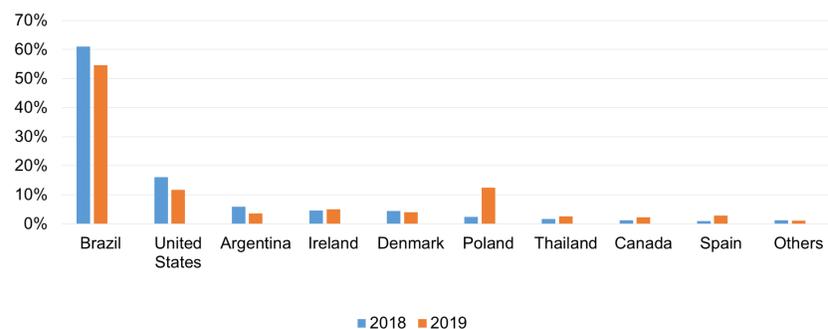
BACKGROUND

The poultry industry consists of day-old chick supply industry, the broiler and egg industry. The South African Poultry Association (SAPA) represents both the commercial and small holder farmers within these three branches. The South African Poultry Association was established in 1904 with the vision “to create a viable and sustainable industry to create economic growth and development, employment and food security. The poultry industry in South Africa is the largest segment of agricultural sector, contributing more than 20% of its share of GDP and 43% of animal product GDP (SAPA (a), 2018). It provides direct and indirect employment to over 110 000 people (SAPA (a), 2018) through its value chain and provides a strong platform for rural development, as well as the main supplier of a protein diet (DAFF, 2018). The country does not produce sufficient quantities of poultry products to meet demands, thus, import from other countries. The industry suffers numerous challenges which are exacerbated by increased competition from imports (DTi, 2017). There is a need to address these challenges to improve the poultry industry.

IMPORTS AND EXPORTS

According to SAPA(a) (2019) a total of 56 tons of poultry were imported in 2018 and in 2019 it increased by 4410 tons (12, 5 %). Brazil is the main country exporting poultry products to South Africa, accounting to over 54% of poultry imports in 2019 January.

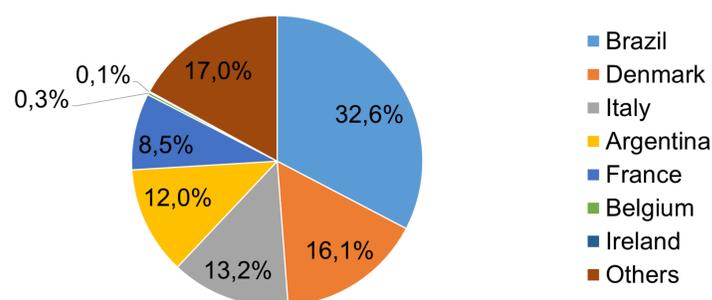
Figure 1: Country of origin for poultry imports 2018 and 2019



Source: SAPA, 2019

In 2018, egg imports into South Africa totalled to 1568.2 tons. These imports were mainly from Brazil, Denmark, Italy, Argentina, France, Belgium, Ireland, others.

Figure 2: Country of origin for egg imports



Source: SAPA (a), 2019

South Africa's major export markets are in neighbouring countries, namely, Botswana, Lesotho, Malawi, Mozambique, Namibia, Zambia, Swaziland and Zimbabwe. South Africa exported 51000 tons in 2018 and further dropped by 45000 in 2019. 3 467 tons of eggs and egg products were exported in 2018 (SAPA (b), 2018).

ACKNOWLEDGMENTS



PRODUCTION

Broiler

The 2019 report is not available, hence the analysis are based on the year 2018. In 2018, an average of 205 400 day-old parent pullets were placed per week. The average number of breeder hens for 2018 was 6.470 millions and in March 2019, the breeder flock was expected to comprise of 6.443 million hens.

Broiler hatcheries produced 21. 691 million day old chicks per week in 2018 December and on average, 17.843 million broilers were produced per week in December 2018.

Egg industry

A total of 2.7 million day old pullets, average 2.8 million laying hens and approximately 247 800 cases of eggs per week, were produced in 2019.

MARKET ANALYSIS

A tariff is imposed on the FOB price of imports and not the retail price. The implication is that any tariff increase is diluted in the final retail price. The table below indicates that wings have the highest retail price even though breast cuts have the highest FOB prices

Table 1: Cuts Free on board (FOB) and retail prices, Rands/Kg

Category	Product	FOB Price	Retail price
Bone in	Leg quarters	12.29	32.74
	Wings	17.64	59.80
	Thighs	8.55	39.56
	Drum sticks	12.50	43.98
Boneless	Breast	25.87	52.17
	Other	21.73	56.37

Source: SAPA (b), 2019

SECTOR CHALLENGES

- There is increasing pressure from rising input cost, particularly those for feed, transport, electricity and labour as well as declining consumers spending (DTi, 2017: SAPA, 2018; DAFF, 2018).
- **Imports** - Cheap or dumped brown chicken meat is sold locally below the foreign cost of production through foreign government subsidies.
- **Covid 19** – The outbreak of Covid-19 has indirectly affected the economy of the poultry sector. During level 5 of the national lockdown, the poultry sector was unable to export products because borders were closed.
- **Rising feed costs** - Feed cost is the biggest input cost, making between 65 to 75% of the total feed input costs. Higher feed pricing which is normally due to drought, affects income.
- **Drought** – The main factor contributing to high feed cost is drought. The national drought forces the maize price to surge.
- **Disease outbreaks** - Outbreak of diseases like Avian flu results in high mortalities and also results in restriction of imports and exports.
- **Rising Electricity tariffs** – Increasing electricity tariffs also put farmers' margins under pressure.

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