



VIDEO: NEWZROOM AFRIKA - SAPA'S IZAAK BREITENBACH DISCUSSES STATE OF SA POULTRY INDUSTRY

In an interview with Stephen Grootes, Izaak Breitenbach discusses the impact of the pandemic on South Africa's chicken industry. The pandemic and the subsequent lockdowns are having a profound effect on the industry. Challenges include the disruptions of both supply chains and markets.

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The FairPlay movement is a non-profit initiative to end predatory trade practices worldwide.



CHICKEN PRODUCER WEATHERS THE COVID STORM

A recent article by Charmain Lines examines the importance of a small but growing local chicken producer in the town of Lichtenburg in the Northwest Province.

Henwil Chicken is a member of the South African Poultry Association. It might only have about 5% of the national chicken market, but its impact on its town, local communities and province is exponentially more.

Established in 2002 as an abattoir, the business has changed beyond recognition over the past 18 years. When financial difficulties threatened its existence early on, the 13 chicken farmers who depended on the abattoir formed a company and bought the facility, becoming stakeholders in the truest sense of the word.

The closure of restaurants and catering businesses has meant that in the short-term existing production results in an oversupply that sits in cold storage. As a result prices have fallen putting large and small-scale producers at risk.

Beitenbach points out that the chicken industry is a national asset, employing thousands of workers, mostly in rural areas. "In this time of difficulty the last thing this industry wants to do is to downsize".

In addition to the impacts of reduced demand and price erosion, currency devaluation is having a huge impact on the price of feed, further exacerbating the problems of the industry. Combined with the impacts of dumping of chicken from Brazil and the EU, South Africa's poultry industry is seriously at risk.



Following 15 years of organic growth into areas such as feed, retail and fleet, Henwil's board of directors called on the business school of the Northwest University in 2017 to help them chart the way forward. The results of the business strategy exercise pointed to focused expansion: higher volumes, lower unit costs, increased competitiveness and healthier profit margins. Henk Alberts was appointed CEO and tasked with executing the new strategy.

Henwil contributes to the wellbeing and sustainability of the industry by being an agile business, a caring employer and a responsible corporate citizen. During lockdown it has donated chicken worth about R20,000 to four old-age homes in Lichtenburg and Coligny, and joined forces with the Department of Social Development to distribute 2,000 food parcels to needy families. And, once lockdown eases, it will continue assisting the provincial government to establish and operate a new feed mill that will be part of the Springbokpan agri-hub, one of 44 such initiatives across South Africa, aimed at giving subsistence farmers a shot at commercial sustainability.

Given that Henwil counts large wholesalers among its customers, Henk Alberts has a view of the state of imports – long acknowledged to be a significant threat to the local industry. While he doesn't have sight of statistics, his sense is that the weak exchange rate, falling consumer demand and the implementation of trade tariffs as per the industry master plan are already cutting imports, even without the more direct Covid-19-related disruption of global trade. However, he theorises that a lot of imported meat is languishing in warehouses, waiting for demand to recover. "We could only see the impact of these imports as far into the future as December."

Alberts is hopeful that the industry master plan, released in November 2019, will shore up the industry. He takes heart from the tariffs that have already been implemented, and from SARS' commitment to improve the monitoring of imports to ensure accurate declaration of product and payment of tariffs.

Henwil Chicken is a shining example of the extent to which South Africa's home-grown chicken industry is a national asset.





NO COUNTRY CAN AFFORD TO DEPEND ON IMPORTS FOR ITS FOOD SECURITY

Writing in *IOL Business Report* FairPlay founder Francois Baird cautions that one of the lessons of the pandemic is that no country can afford to depend on imports for its food security. "FairPlay is waving a red flag, because we know the predators are waiting. A wave of dumped imports is coming and local jobs are under threat. Longer term, our food security is at risk."

Now more than ever, it is time to safeguard our agriculture sector and to safeguard the public against predatory trade. The disruption in trade as a result of Covid-19's impact on production and supply chains signals a disruption in the status quo.

Predatory trade such as dumping, and trade barriers such as the unfair application of sanitary and phytosanitary (SPS) requirements, favours the dominant producers who are heavily subsidised by their governments.

Abuse of dominance behaviour is set to get worse. Dominant producers with huge stockpiles will sell frozen chicken and other commodities at any price to grab market share and cripple local producers, and then recoup losses in the longer term once they have captured the new markets.

If we do not act now we will pay a heavy price for it. Jobs will be lost, businesses will go bankrupt. We will become food insecure and left to the vagaries of an international price for food denominated in US dollars against a weak rand. More people will go hungry and child stunting will increase dramatically – that is how we stand to lose our future.

Firstly, we must institute rigorous anti-dumping investigations of all food imports that impact on national food security, listing those countries that are currently dumping and preparing detailed anti-dumping applications to penalise them for transgressions of World Trade Organisation fair-trade rules.

A second priority is to speed up the tariff application process.

It can take 18 months to have new tariffs approved, and the predators will use every one of those 18 months to dump as much chicken in this country as possible. It is an 18-month period that could sound the death knell of a strategic industry, and the government must ensure tariffs can be put in place much quicker.

Trade unions must be on the alert, because thousands of jobs are at risk while dumping continues. Crippling the local food producers would have a huge ripple effect on other industries – chickens consume nearly half of the country's maize crop, while transport and food processing account for thousands of additional jobs.

Finally, one of the lessons of the pandemic is that no country can afford to depend on imports for its food security. There has been global disruption of many industries, and this includes the food supply chain, from production to distribution and sale. South Africa needs to support local production and keep imports to the absolute minimum.



POULTRY MASTER PLAN NEEDS URGENT IMPLEMENTATION

A recent [article in *Business Day*](#) calls out the delays in implementing South Africa's poultry master plan.

As the government seeks to combat the economic devastation resulting from Covid-19, it has in its hands a ready-made prescription for job creation and poverty alleviation. The poultry sector master plan is in many ways more relevant now than when it was signed at the end of 2019.

The plan aims to create thousands of jobs in a revitalised chicken industry but it is many months behind schedule, so its detailed timetable urgently needs revising and updating.

By focusing on the revival and expansion of a strategic national industry that has been hammered by huge increases in dumped imports over the past decade, growth and job creation can come through expanding local and export markets and replacing imports with local production.

But first stabilisation and job preservation must come through tariff protection, which is under way. Hopefully, anti-dumping cases against transgressors of the past few years will also be brought, urgently.

Customs officials are to step up their efforts to identify and prevent under-declared or falsely declared import consignments. An important job-creation focus is the planned investment in new black-owned farming operations.

The poultry industry has committed to invest R1.5bn to expand production to meet the higher demand that will result from government interventions. Some of that investment has already been completed.

New tariffs announced in March will help reduce the volume of dumped imports from non-EU countries, particularly Brazil, and further action is needed to stem dumping. Huge stockpiles have built up in big chicken-producing countries because of reduced demand during virus lockdowns. The local industry will not grow and jobs will again be threatened if SA producers are subjected to a renewed assault when Europe and Brazil seek to empty their overflowing freezers of surplus chicken.

The master plan sets out government-led initiatives to increase local demand and expand export markets for SA chicken. Export promotion initiatives, including a substantial upgrading of the department of agriculture's veterinary services to enable the health certifications required for export, appear to be on hold.

There has also been little if any progress on new health and safety regulations to stop the thawing and refreezing of imported chicken, or to require imported chicken to carry the same detailed labels as local chicken. This would end the almost anonymous labelling on products, which makes it impossible to identify foreign producers in the event of product contamination.

Job creation is a more urgent task than ever in South Africa because of the devastating impact of the Covid-19 pandemic on the economy. The master plan is a job-creation framework just waiting to be put into action. Implementation should be expedited; thousands of jobs depend on it.



AFRICA LOOKS TO BUILD FOOD SELF SUFFICIENCY AS COVID-19 DISRUPTS CHAIN

In a [paper published by the *Cornell Alliance for Science*](#), Joseph Gakpo examines how some see the Covid-19 pandemic global supply chain disruptions as an opportunity for the continent to become self-sufficient in food production.

Africa is a net food importer, spending between US\$35 billion and US\$50 billion annually on the importation of foods, most of which can be produced in Africa.

“The Covid-19 pandemic provides a golden opportunity for Ghana to optimize our potential for food production to meet domestic needs, grow our agricultural exports and create jobs for the youth of this country,” Dr. Owusu Afriyie Akoto, Ghana’s Minister for Food and Agriculture, told a media briefing in the capital Accra.

“In the wake of export bans in countries from where we import a large chunk of our food items like rice and poultry, it provides a compelling situation for us to put strategic measures in place to ramp up production for all our key staples,” the minister added. “It also gives us the opportunity to intensify agro-processing, thus reducing post-harvest losses and ensure year-round food availability, whilst creating the needed jobs.”

Africa’s poultry industry, for example, has struggled over the years because imported products are usually less expensive than those that are home-produced. This has led to the local poultry industry collapsing in many African countries.

The paper notes that poultry products produced in France and shipped across the Atlantic Ocean, all the way to Togo, could cost about 50 percent less than chicken meat produced in the capital city of Lome.

This is due in large part because producers in advanced economies benefit from government direct and indirect subsidies.

African farmers agree now is the right time to give farmers increased support so they can produce and distribute food in their localities without having to transport products over long distances.

“There can be more than enough food here that can feed us without importation,” Opambuor Oboadie Bonsu, president of the Concerned Farmers Association in Ghana Nana, told the Alliance for Science. “In this era of Covid-19, everywhere is on lockdown. It is now time to stop the importation of food and consume local food. More investments are needed in roads and other areas to transport the food.”



The FairPlay movement is a not-for-profit trade movement that fights for jobs. Its goal is to end predatory trade practices between countries so that big and small nations play by the same rules. It supports the principle that penalties for transgressing those rules apply equally to everybody.

FairPlay was founded in October 2016. In alliance with existing organisations and experts it formulates and promotes strategies to defend communities made vulnerable by predatory trade practices and promote sustainable livelihoods.

These alliance partners are international, currently from the USA, Canada, Ireland, UK, Ghana and South Africa.

FairPlay mission: To end the scourge of dumping as an immoral trade practice.

FairPlay vision: A world where dumping no longer exists, with free trade according to the rules.

<http://fairplaymovement.org>

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