

22 February 2017

PRESS STATEMENT – FOR IMMEDIATE RELEASE

CURBING POULTRY IMPORTS CAN BENEFIT MORE THAN JUST THE POULTRY INDUSTRY

Issued by De Wet Boshoff, Executive Director of AFMA

The South African poultry industry's recent suggestions to government to effectively address the devastating influx of cheap dumped chicken into the local market, definitely has the potential to benefit more than just the South African poultry industry. According to Mr De Wet Boshoff, Executive Director of the Animal Feed Manufacturers Association of South Africa (AFMA), poultry meat imported into South Africa during 2016, effectively replaced 1,5 million tons of broiler feed worth an estimated R8,2 billion (the equivalent of 15 medium sized feed mills), which could have been locally manufactured. This places a huge damper on the local feed industry.

Boshoff says that by addressing the current poultry crisis effectively, the South African government can unlock enormous economic potential throughout the entire food and grain value chains, which will in turn address critical issues raised by President Zuma in his SONA 2017 address in Parliament on 9 February. These include economic growth, job creation, accelerated economic transformation and grassroots food security.

All these goals are possible if government and its agencies were to effectively apply the measures and remedies at its disposal under World Trade Organisation (WTO) rules. This could largely alleviate the current crisis caused by the influx of dumped poultry meat, replacing local products and inputs from not only in the poultry industry, but also in the local food and grain value chains.

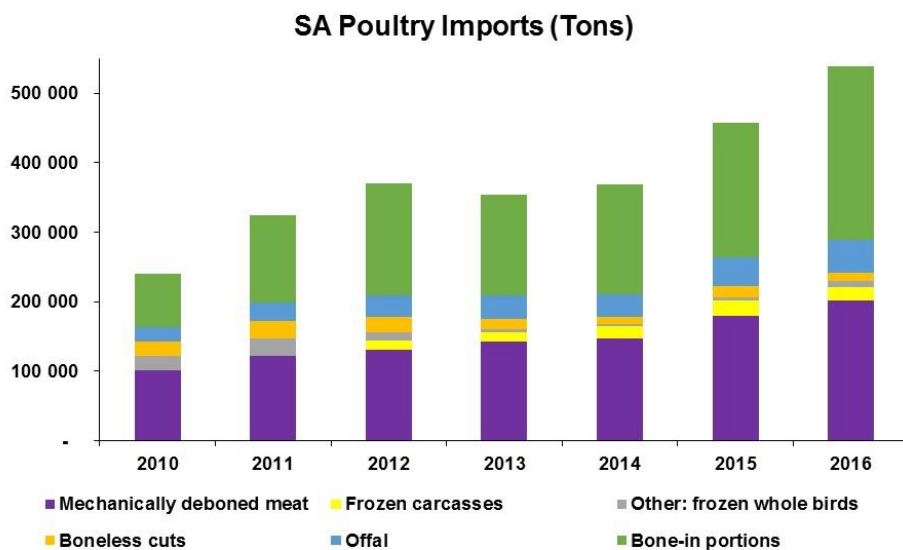
During 2015/16, South African's national feed production figures totalled 11.7 million tons with a gross turnover value estimated at R50 billion. AFMA members representing the formal feed industry, produced 61% of the national total via 71 manufacturing facilities across the country, averaging production of 98 000 tons of feed per mill annually.

Production by AFMA members (all species) amounted to 7 183 107 tons with an estimated gross turnover value of R31 billion, utilising 3.5 million tons of maize and maize products, and 1.2 million tons of soybean meal as major feed inputs.

Broiler feed production in the same year totalled 3 323 278 tons with an estimated turnover value of R17.6 billion, with a national market share of 46% of all products.

Realistically speaking it would be fair to argue that government's policy and trade remedies will not be able to bring poultry imports to a total standstill, which is why AFMA wishes to draw attention to potential scenarios and the impact on the local feed industry, when curbing major poultry import lines i.e. bone-in-portions (BIP) and mechanically deboned meat (MDM) which respectively represent 42% and 40% of the total imported volume.

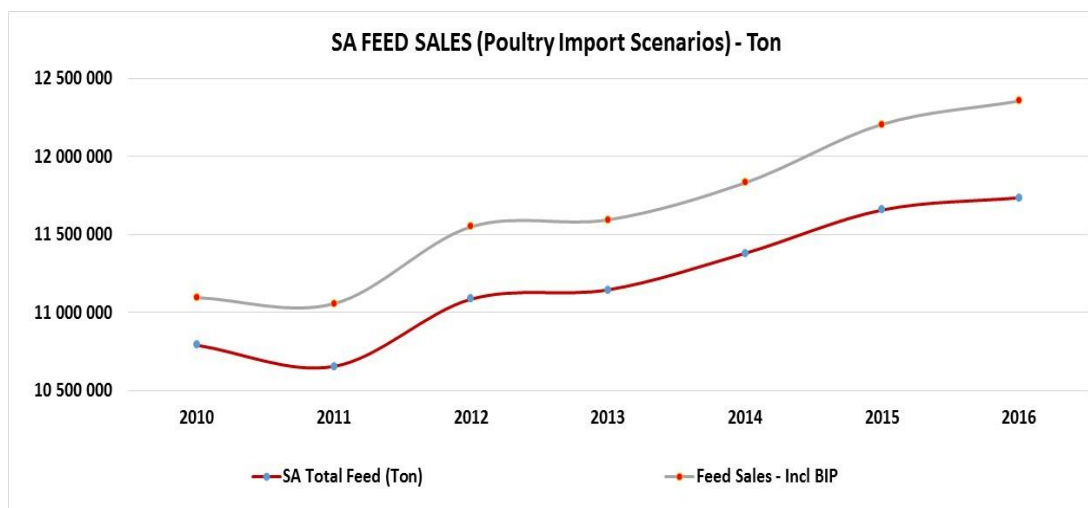


Figure 1: South African poultry imports.

Source: ITC - 2016

In 2016, BIP imports totalled 226 800 tons, which translates to the equivalent of 378 million broilers per year. Converted to broiler feed, BIP imports represent 620 000 tons of feed.

An increase of 620 000 tons in broiler feed sales will increase national feed sales to 12 356 817 tons, thus increasing feed sales growth to 5.3%, significantly higher than the mere 0,7% growth achieved in 2015/16.

Figure 2: Potential feed sales growth if BIP imports are curbed.

Source: AFMA



Furthermore, should government and industry be able to reach agreement on certain strategic issues, i.e. economic transformation and investment benefiting new entrants to the poultry sector, locally processed MDM could become a future strategic growth area which has the potential to increase local broiler feed sales to 12 947 369 tons (creating growth of up to 10.3%).

Boshoff further commented that, should volume growth become possible, the increased throughput in feed mills may well lead to better cost recovery and lower feed prices for the poultry producer. Other economic spin-offs will naturally follow and include higher turnover, investment and re-investment, economic growth and ultimately job creation.

Increased feed volumes will most definitely benefit the entire grain value chain, due to a higher demand for grains from the fertiliser, seed, production, trading, storage and handling, as well as the processing sectors.

Government must not under-estimate the greater benefit that halting poultry imports will present to the entire local food and grain value chains, the country, its industries and its citizens who desperately need jobs and a steady income.

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