

A PROFILE OF THE SOUTH AFRICAN BROILER MARKET VALUE CHAIN

2013

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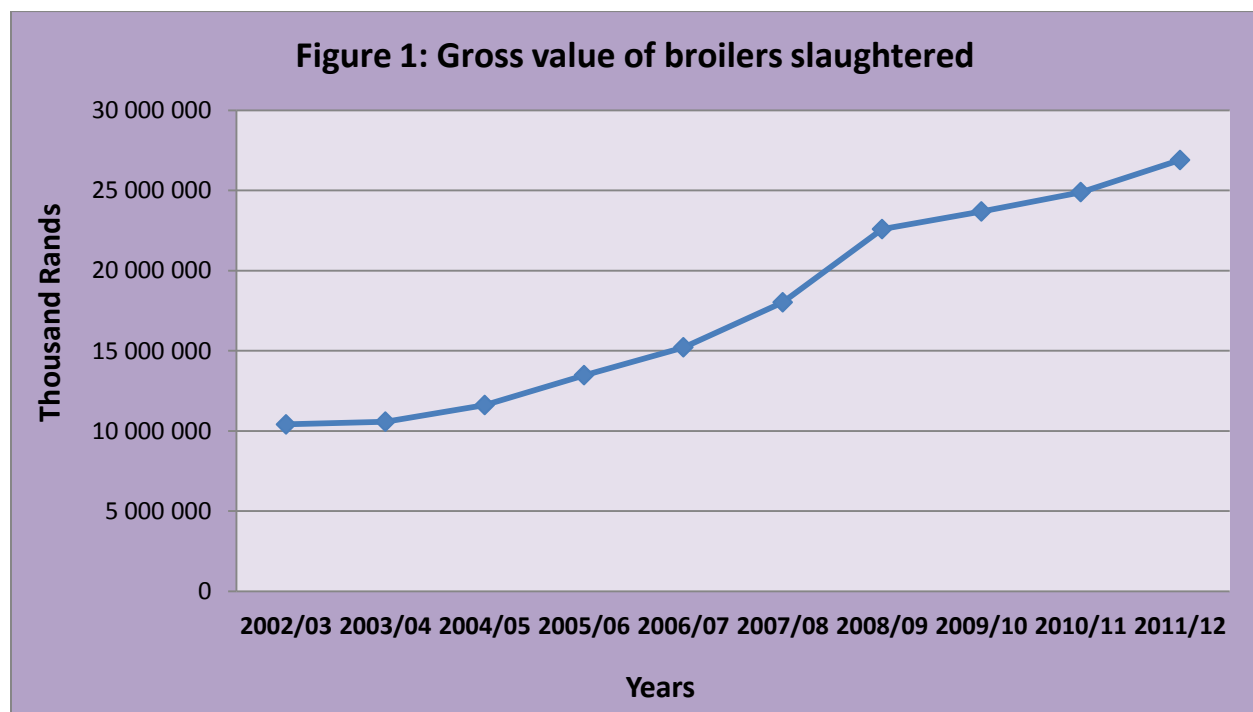
TABLE OF CONTENTS

1. DESCRIPTION OF THE INDUSTRY.	3
1.1. Production areas.	4
1.2. Production trends.	4
1.3. Local consumption.	5
1.4. Employment.	6
2. MARKET STRUCTURE	6
2.2. Import – Export analysis.	9
2.2.1. Exports.	10
2.2.2. Share Analysis.	21
2.2.3. Imports.	24
3. BROILER MEAT MARKET VALUE CHAIN	30
4. MARKETING CHANNELS FOR BROILER MEAT.	31
5. EMPOWERMENT STRATEGIES BY THE INDUSTRY AND GOVERNMENT.	32
6. BARRIERS TO PARTICIPATION BY THE EMERGING SECTOR.	32
7. OPPORTUNITIES AND WEAKNESSES.	34
8. MARKET INTELLIGENCE	35
8.1. Export tariffs for broiler meat.	35
8.2. Import tariffs for broiler meat.	37
9. PERFORMANCE ANALYSIS OF SOUTH AFRICAN POULTRY INDUSTRY IN 2012.	39
10. ACKNOWLEDGEMENTS	51

1. DESCRIPTION OF THE INDUSTRY.

Broiler production, especially broiler meat production is the largest segment of South African agriculture by 17% in 2012 which is 1.7% of the total gross value of agricultural products, but it remains the major broiler producer in Southern Africa accounting for 80% of total broiler production in the region. The farm income from broiler meat for 2012 was R29.845 billion. Broiler production dominates the agricultural sector and it is the main supplier in protein diet than all other animal proteins combined followed by beef. The growth had spill-over effects in the grain and chick industries. Broiler meat accounts for about 93.6% to the total poultry-meat production, with the rest made up of mature chicken slaughter (culls), small-scale and backyard broiler meat production and other specialized broiler meat products (geese, turkey, ducks and guinea fowl). Pure lines are imported at great-grandparent level. Currently 7.8 million parents are required to produce commercial progeny for the broiler meat industry from 212 000 grandparents and 4000 pure breed lines.

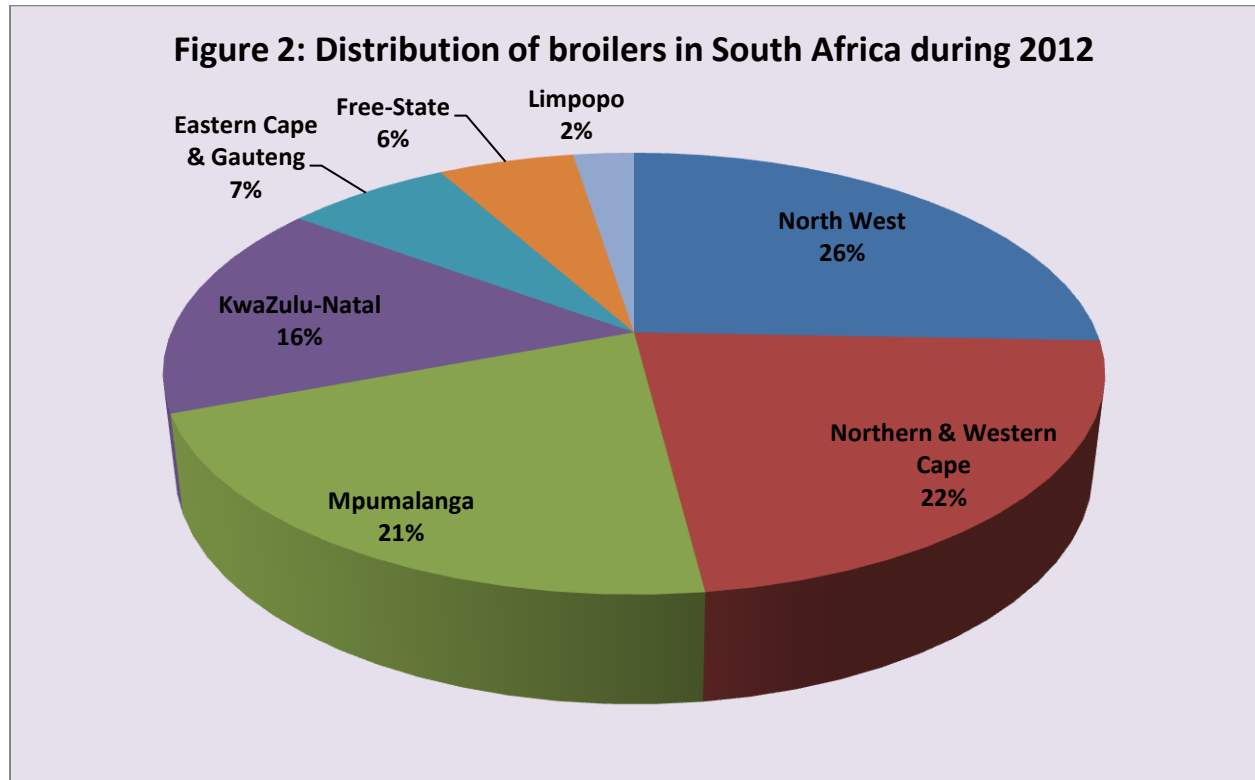
The gross value of broiler meat is depended on the quantity produced and prices received by producers. The gross value moved at an increasing trend during the period under review. The average gross value of production amounted to R 17, 740,702, 000 per annum over ten years. The contribution to the gross value continued increasing due to higher production and price throughout the period under review. Figure 1 below shows the gross value of broiler meat production.



Source: Statistics and Economic Analysis, DAFF

1.1. Production areas.

Broiler meat is produced throughout South Africa with North West, Western & Northern Cape, Mpumalanga and KwaZulu–Natal Provinces being the largest producers accounting for approximately 85% of total production. Figure 2 below shows the distribution of production during 2012.

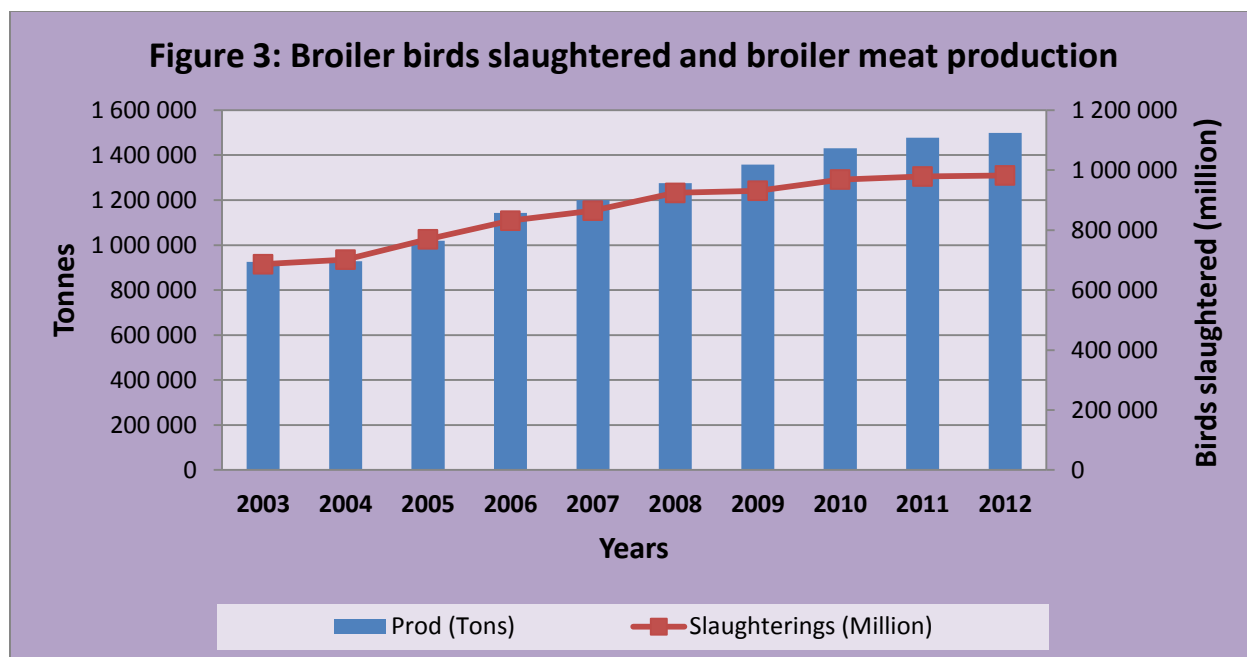


Source: Statistics and Economic Analysis, DAFF

During 2012 North West Province produced 26% of the entire broiler meat in South Africa followed by Western & Northern Cape Province by 22%, Mpumalanga Province 21% and KwaZulu–Natal Province 16%. Limpopo was the least producers, producing 2% of South African broiler meat

1.2. Production trends.

The number of birds slaughtered has significantly increased by about 43% in 2012 compared to the year 2003. This is mainly driven by the increasing demand which was pushed by slow economic growth whereby people opted for the affordable protein source. Figure 3 below shows the production trends from 2003 to 2012.

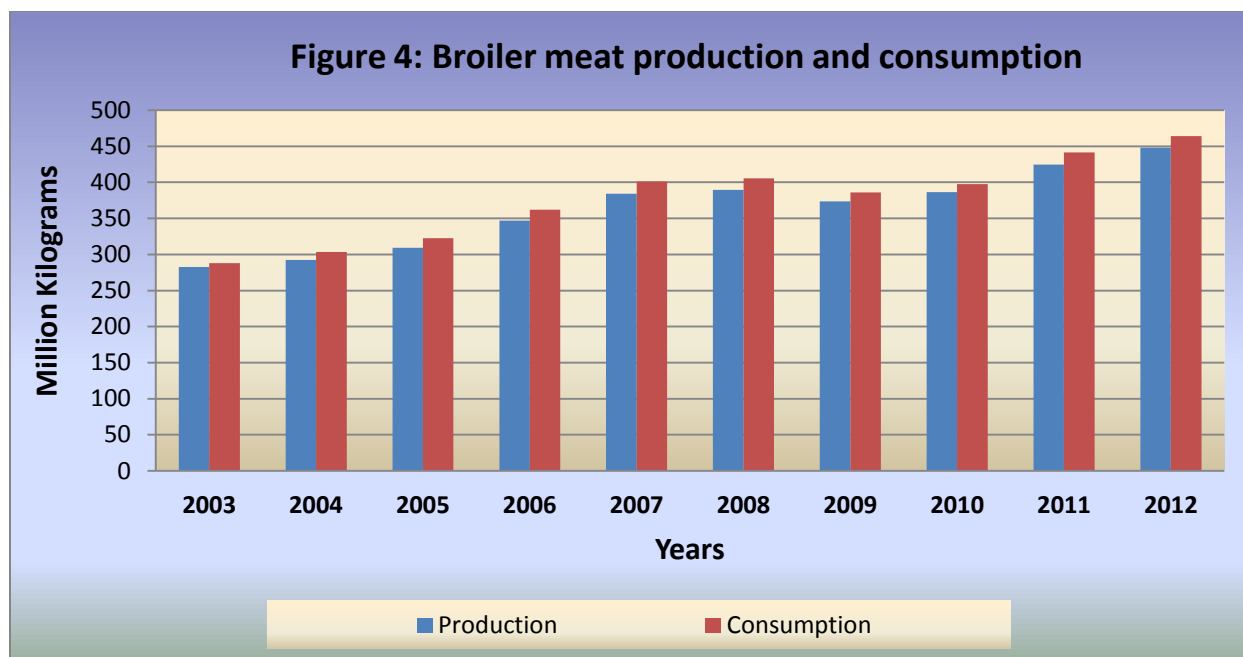


Source: Statistics and economic analysis, DAFF and SAPA

Figure 3 above shows that production of broiler meat increased continually from 2004 to 2011. Both broiler meat production and birds slaughtered followed the same trend and reached a new peak of 1.5 million tons of broiler meat produced and 982 million birds slaughtered during 2012. There is an increase of 62% of broiler meat produced in 2012 compared to the production in 2003.

1.3. Local consumption.

Figure 4 below depicts local consumption of broiler meat comparing it to total production for each year to determine if the country is self sufficient.



Source: SAPA

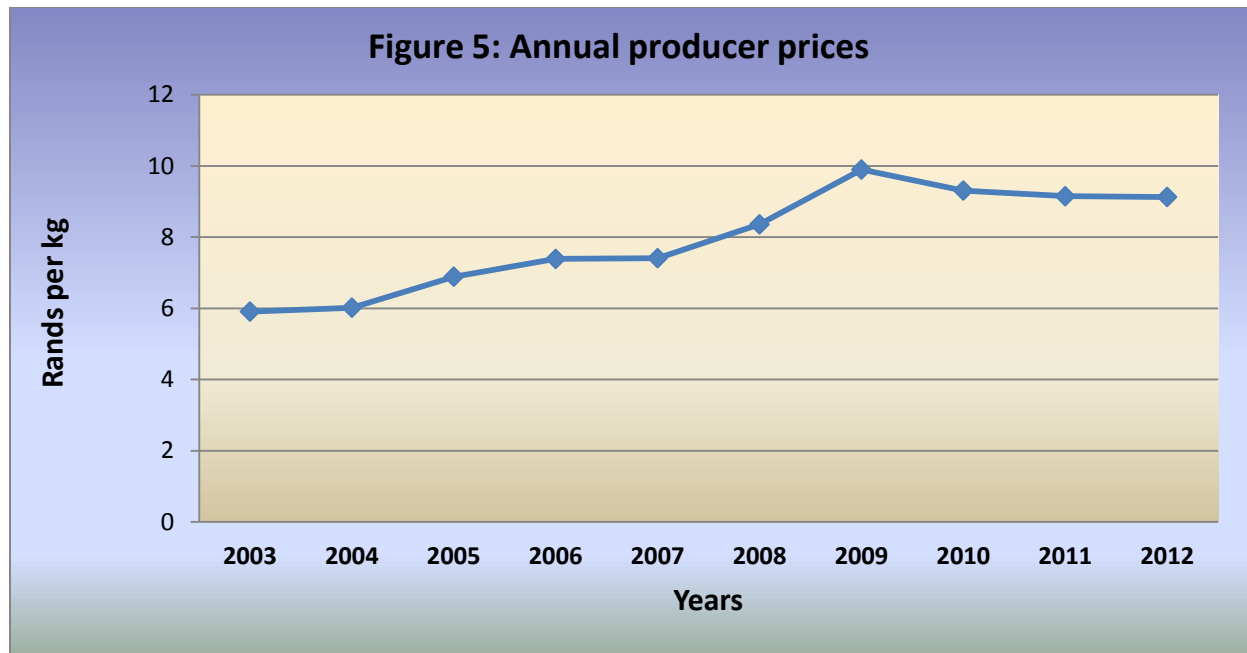
Figure 4 indicate that South Africa consume more broiler meat than what is produce locally, therefore South Africa became the net importer of broiler meat during the period under review, mainly to satisfy the local demand. The gap widened from 2006 to 2008 as rising living standards are pushing larger numbers of consumers towards protein filled diets. From 2009 to 2010 both broiler production and consumption decreased slightly due to the slow economic growth but stabilized from 2010 to 2012. The per capita of broiler meat consumed in South Africa has increased from 22.0 kg per person in 2002 to 36.27 kg per person in 2012. Broiler meat has the highest per capita consumption than all other animal protein sources.

1.4. Employment.

It is estimated that broiler hatchery and rearing industries employs 14 481 people, the processing sector employs a total of 27 564 people, the broiler distribution industries employs 6 073 people. The grand total of employment within the broiler industry is 48 118 employees.

2. MARKET STRUCTURE

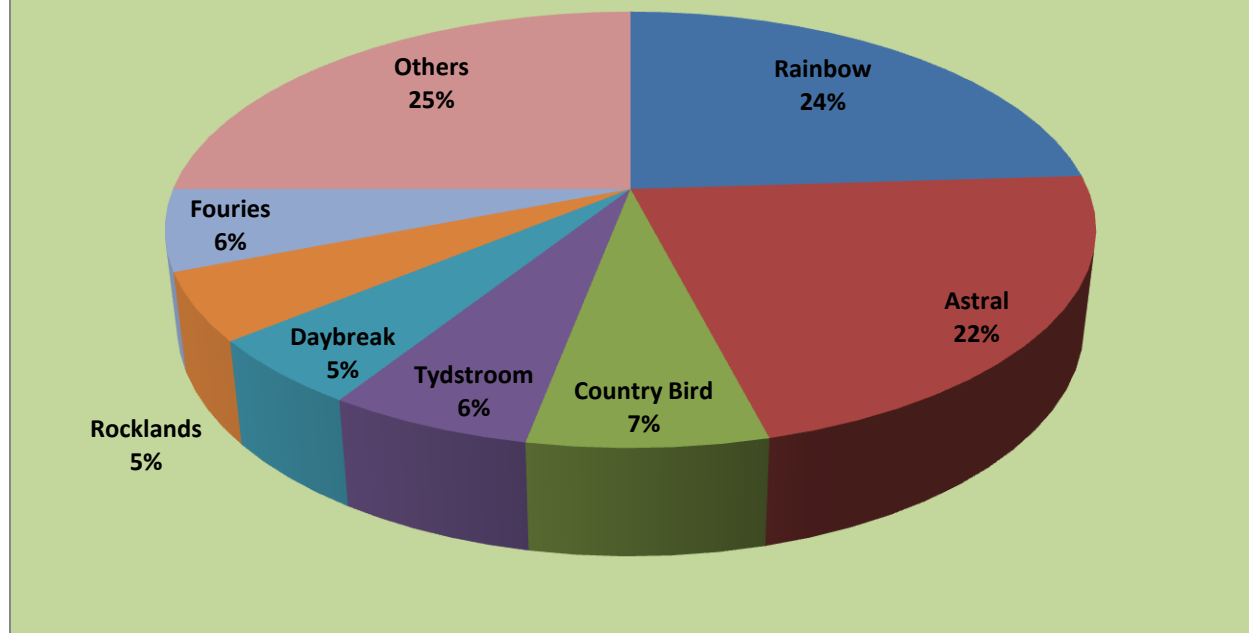
The domestic market consists of approximately 265 formal abattoirs. These abattoirs sell mainly to 5 main retailers (Pick n Pay, Shoprite-Checkers, Spar, Woolworths and MassMart and SMME's in the retail sector. These retailers buy the largest share of domestic production. Figure 5 below shows the price movements from 2003 to 2012.



Source: SAPA

The price increased from 2003 to 2009 where it reached a peak of R9.90/kg then declined slightly during the last three years of the analysis. The decline in 2010 might be due to oversupply of broiler meat responding to the FIFA world cup held in South Africa and the low economic growth. Generally the price of broiler meat increased significantly mainly due to the increased input costs. Figure 6 below shows the market shares in the broiler meat industry.

Figure 6: Major producers in the broiler industry



Source: USDA Foreign Agricultural Service

The broiler meat industry in South Africa is dominated by 2 large producers, namely Rainbow Limited and Astral Foods. Together these 2 companies produce 46% of the total broiler meat production. Rainbow produces approximately 235 million broilers per annum and Astral Food produces about 220 million broilers per annum. Country Bird is the third largest broiler producer, produces 68 million broilers per year. The other 4 medium-sized producers (Tydstroom, Daybreak, Fouries Poultry Farms and Rocklands) produce more than 50 million broilers per year and collectively they supply 22% of the market. These top 7 companies supply about 75% of total South African broiler meat and 25% is supplied by hundreds smallholder producers.

Table 1: Total production, number of birds slaughtered, consumption, exports and imports.

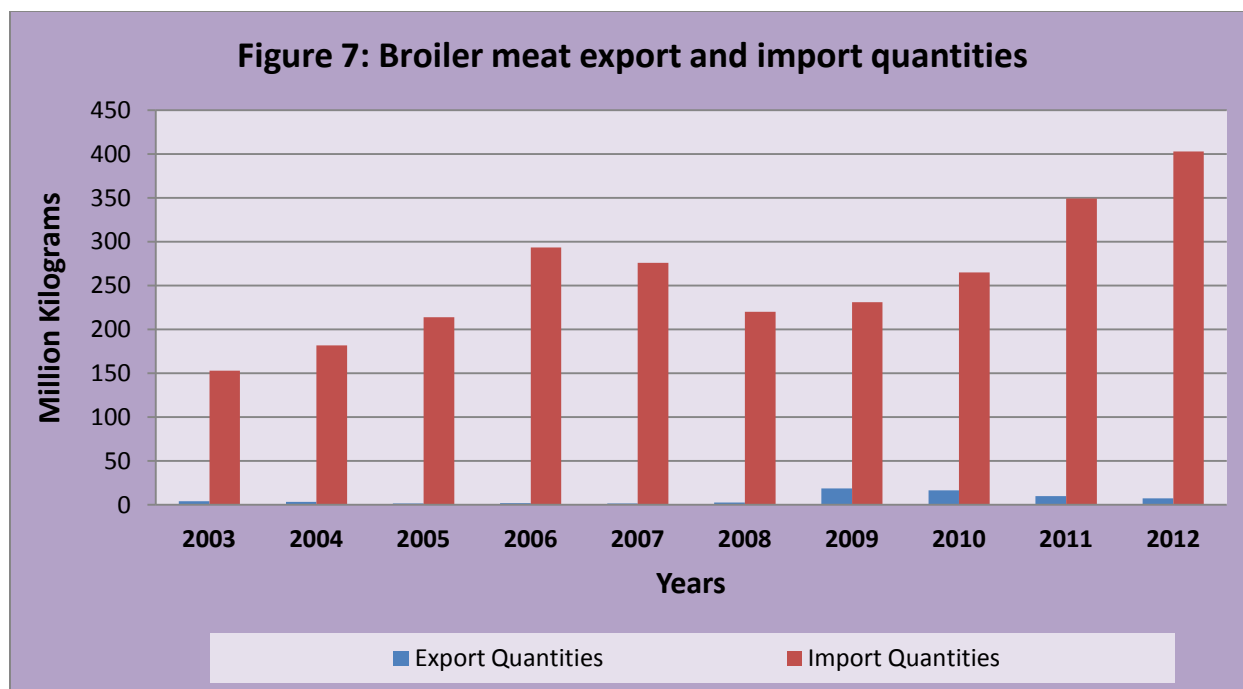
Years	Production	Broilers slaughtered	Consumption	Exports	Imports
	'000 Tons	Million Birds	(Million Kilograms)		
2003	925	686,247	288	4	153
2004	928	701,605	303	4	182
2005	1,019	769,379	322	2	214
2006	1,143	831,441	362	2	294
2007	1,200	864,962	401	2	276
2008	1,276	924,072	406	3	220
2009	1,358	931,443	386	19	231
2010	1,430	968,796	398	17	265
2011	1,478	978,873	441	10	349
2012	1,499	982,366	464	7	403

Source: Statistics and Economic Analysis, DAFF, SAPA and Quantec EasyData.

Table 1 above shows that although the number of broilers slaughtered increases, South Africa still does not produce enough to satisfy the domestic demand and therefore, the shortfall is imported after exporting smaller quantities. The imported amount of broiler meat exceeded the demand due to the dumping of certain parts of broiler meat from Brazil and United States of America. South Africa imposed Anti-dumping duties to USA and increased the general tariff on all imported broiler meat to minimize imports from Brazil as this dumping was posing a threat to local producers.

2.2. Import – Export analysis.

Figure 7 compares quantities of imports and exports of broiler meat from 2003 to 2012

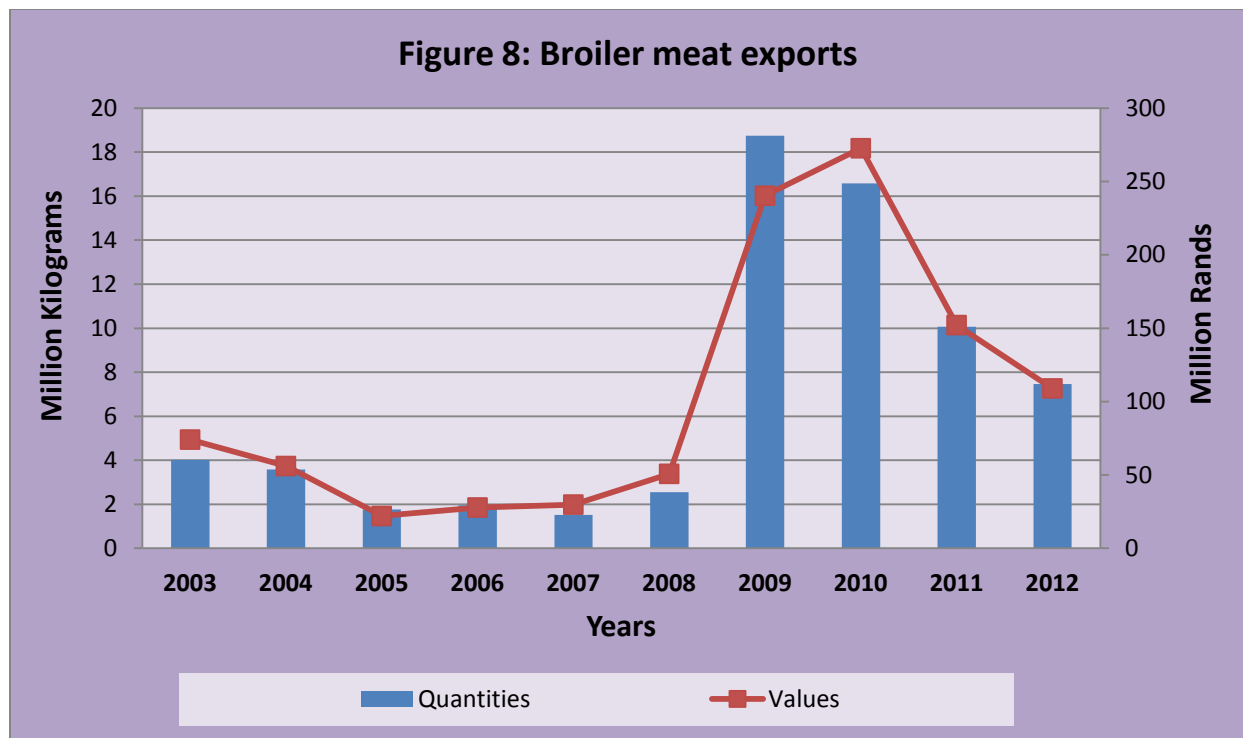


Source: Quantec EasyData

Figure 7 indicates that from 2003 to 2012 South African broiler meat exports were far less than the imports. South Africa is therefore a net importer of broiler meat. The situation might have been exaggerated by the alleged dumping of certain pieces of chicken from Brazil.

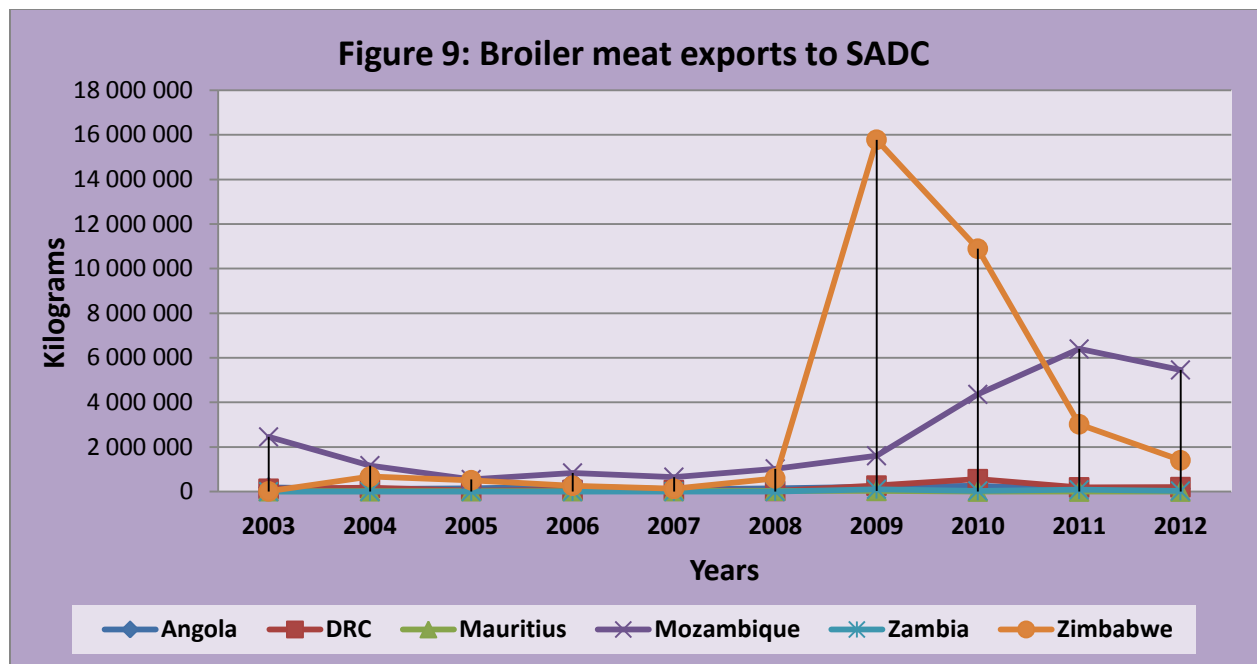
2.2.1. Exports.

The broiler meat industry is also an earner of foreign exchange through the export of broiler meat. South Africa experienced an increase of 86% of exports quantity and an increase of 47% in exports value. Figure 8 below indicates the export of broiler meat from 2003 to 2012.



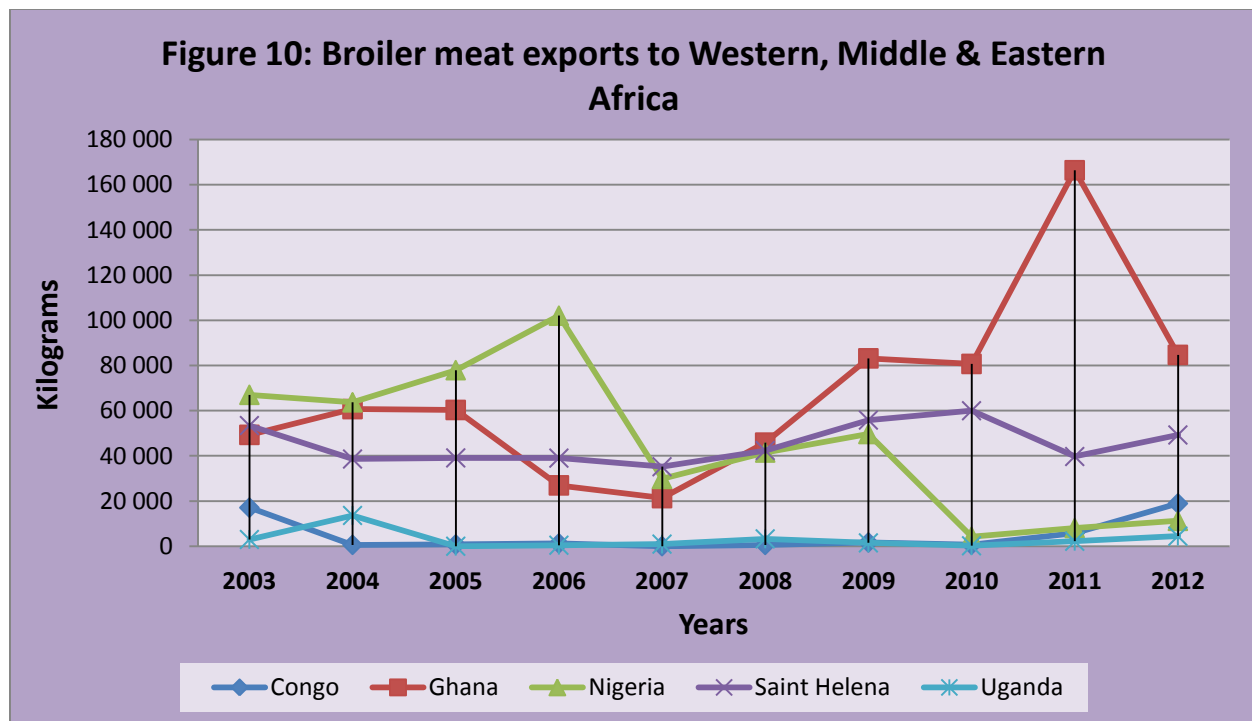
Source: Quantec EasyData

Broiler meat exports quantity and value followed the same trend throughout the decade. It has been more profitable to export broiler meat during the period under review because fewer quantities were exported with more values. Broiler meat exports reached its lowest level from 2005 to 2008 due to increased domestic demand. The broiler meat exports drastically increased in 2009 and started decreasing slightly in 2010 to 2012. Although there is a decreasing trend during the last three years of the decade exports are still higher than at the beginning of the decade. Figure 9 below shows the main export market of South Africa's broiler meat from 2003 to 2012.



Source: Quantec EasyData

Figure 9 above indicates that from SADC countries, Mozambique and Zimbabwe has been competing for dominance throughout the decade. Mozambique commanded the highest exports of South African broiler meat during the periods 2003-2008 and during 2011-2012 while Zimbabwe was the highest commander of broiler meat from South Africa during 2009 and 2010. Even though Mozambique commanded the highest South African broiler meat exports for several years, Zimbabwe commanded the highest exports quantities than exports to Mozambique during the past decade. Zimbabwe commanded a total of 33 million kilograms followed at a distance by Mozambique by 24 million kilograms.

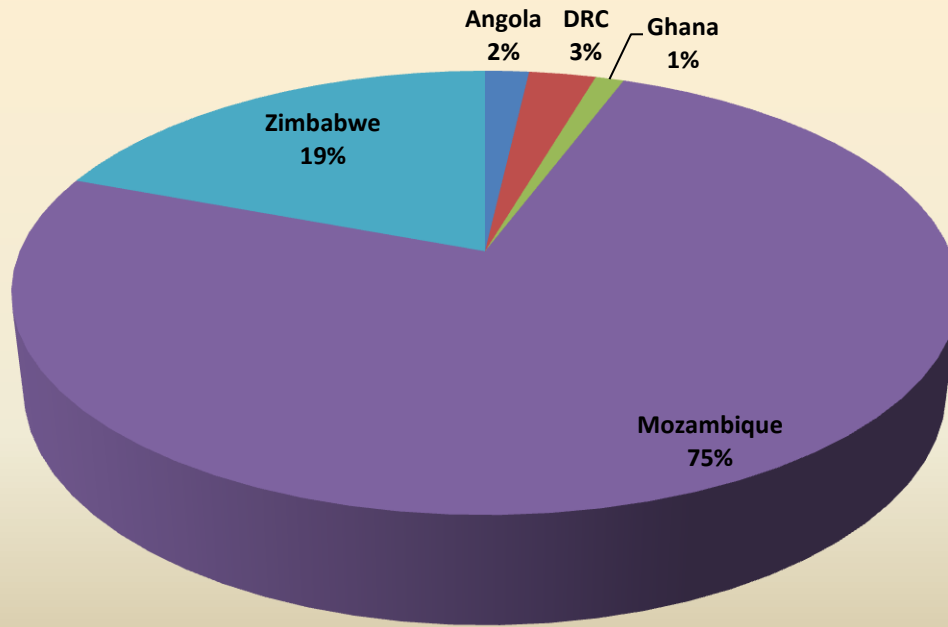


Source: Quantec EasyData

It is clearly indicated from figure 10 above that Nigeria and Ghana competed for the greatest share of South African broiler meat exports. Nigeria commanded the greatest shares from 2003 to 2006 and Ghana commanded the highest broiler meat exports during 2008 to 2012. Saint Helena commanded the second highest export shares of broiler meat from South Africa in 2003, 2006, 2008 to 2012 and was the highest in 2007.

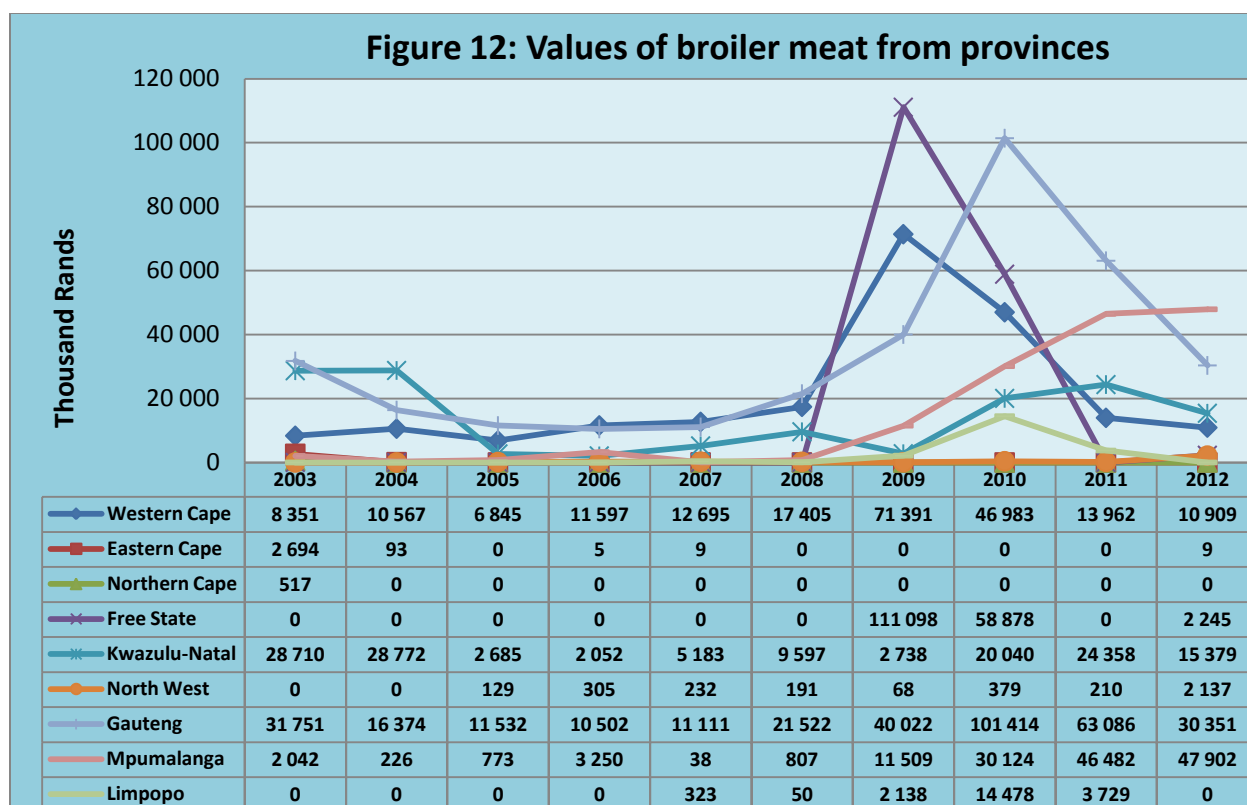
Figure 11 below shows the main export destinations of South Africa's broiler meat in 2012. Most of South African broiler meat is exported to Mozambique which obtained 75% of South African broiler meat followed by Zimbabwe by 19%. Angola, Democratic Republic of Congo and Ghana received a share of 2%, 3% and 1% respectively of South African broiler meat exports during 2012. It is noted that South African broiler meat is exported mostly to SADC countries.

Figure 11: Broiler meat destination during 2012



Source: Quantec EasyData

Values of broiler meat exports from various provinces of South Africa are presented in Figure 12.

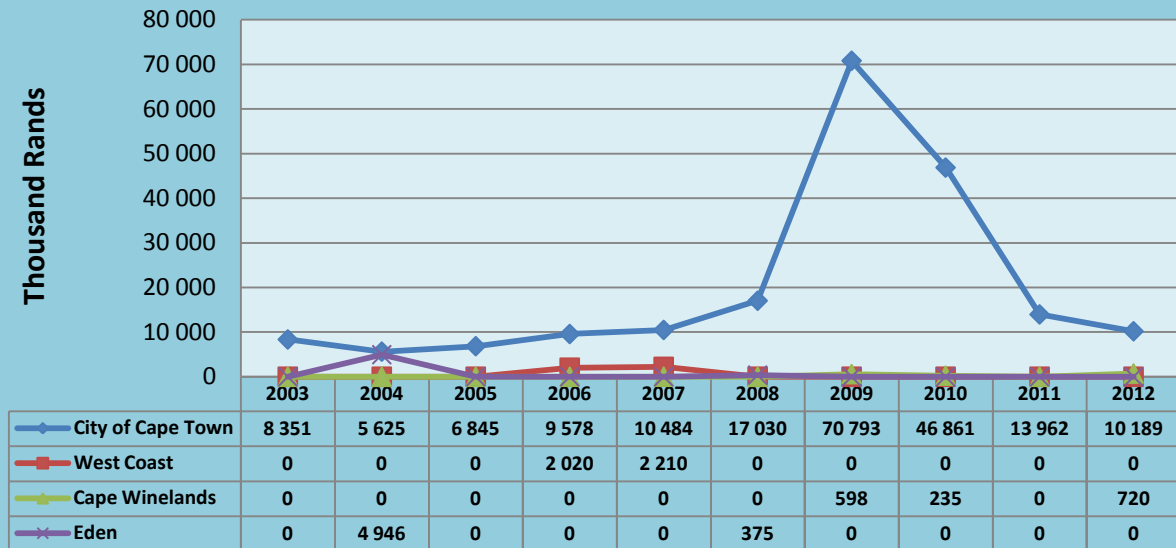


Source: Quantec EasyData

Broiler meat exports originate mainly from the Gauteng, Western Cape, Free State and KwaZulu-Natal Provinces. Gauteng Province has recorded the greatest values in broiler meat exports during the period under review with the highest values in 2003, 2005, 2008 and 2010-2011. This is due to the fact that this province is the main exit point of exports. Western Cape is the second greatest exporter; it recorded its high values during 2006 to 2007 followed by Free State Province which recorded exports values for three years only (2009, 2010 & 2012). KwaZulu-Natal and Mpumalanga provinces recorded regular exports values while intermittent exports were recorded from Eastern Cape, North West and Limpopo Provinces.

The following figures (Figures 13 - 21) show the values of broiler meat exports from the various districts in the nine provinces of South Africa.

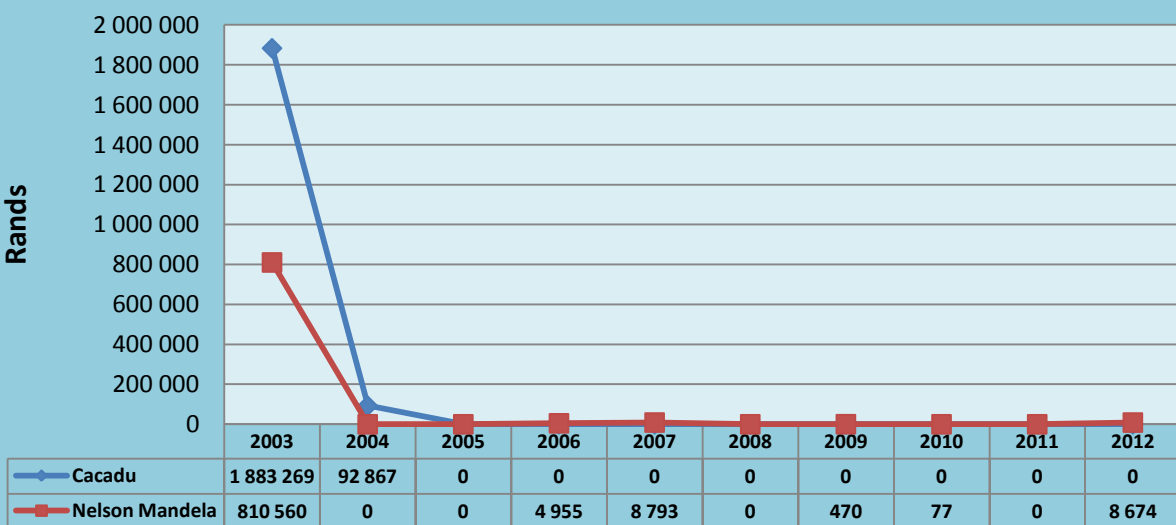
Figure 13: Values of broiler meat exports from Western Cape province



Source: Quantec EasyData

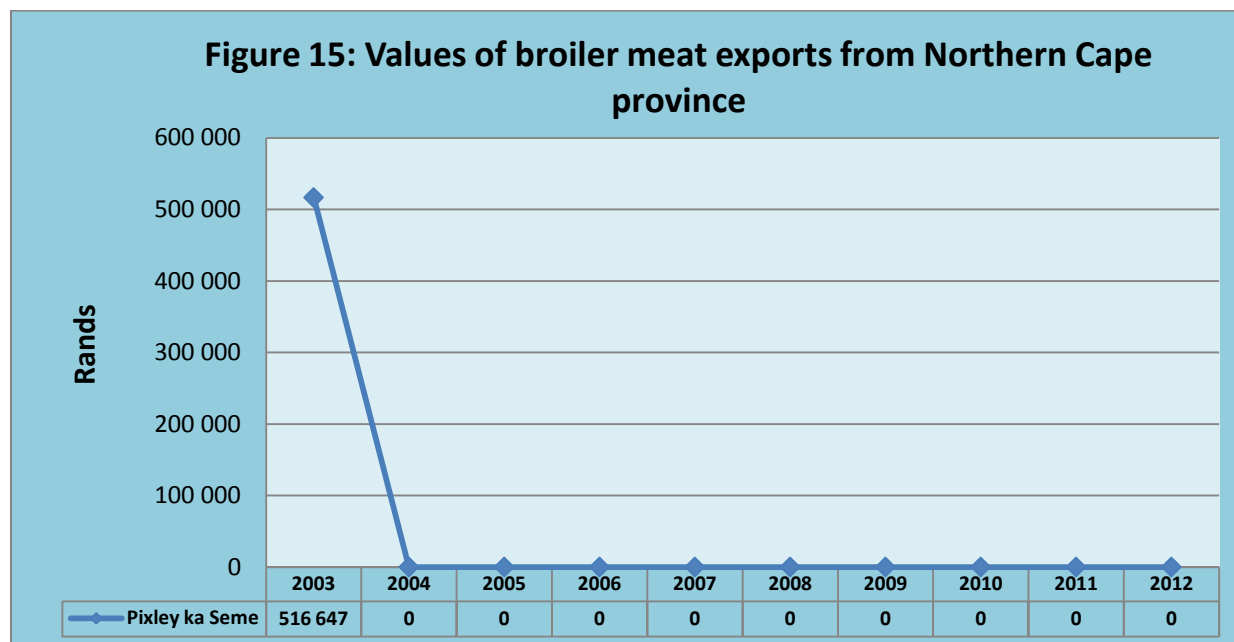
The greatest shares of broiler meat exports value in the Western Cape Province originates mainly from City of Cape Town Metropolitan municipality. Minimal intermittent export values were recorded in West Coast, Cape Winelands and Eden district municipalities. West Coast district municipality recorded some exports during 2006 and 2007; Cape Winelands district municipality recorded in 2009, 2010 and 2012; whereas Eden recorded some during 2004 and 2008 only.

Figure 14: Values of broiler meat exports from Eastern Cape province



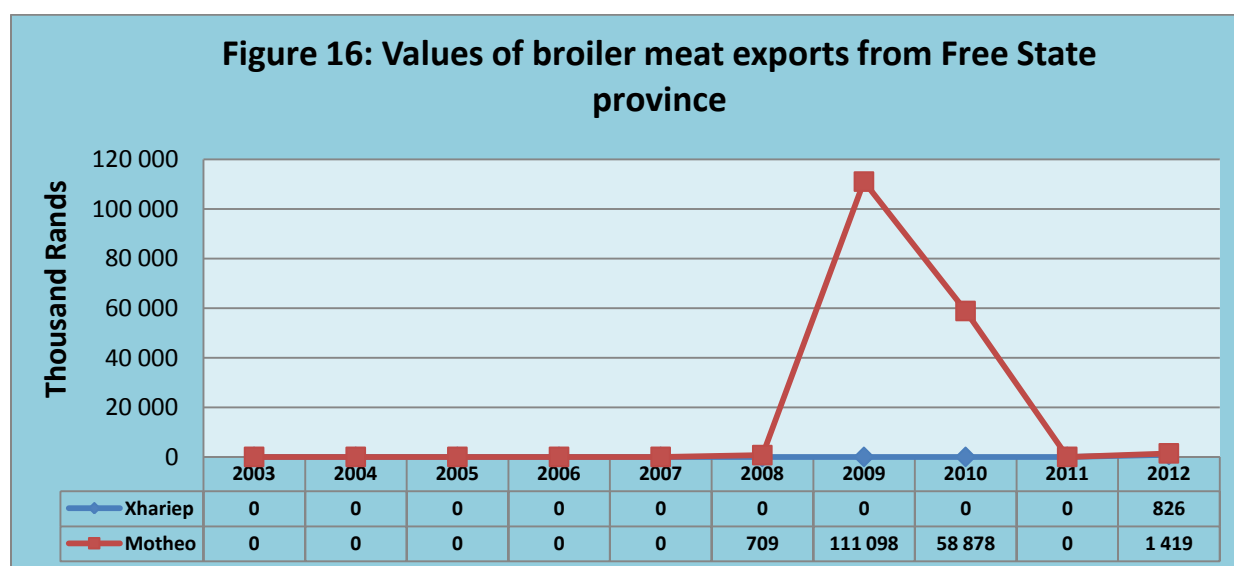
Source: Quantec EasyData

Broiler meat exports in Eastern Cape Province were from Cacadu district and Nelson Mandela district municipalities. Both municipalities in the Eastern Cape Province recorded irregular exports of broiler meat. Cacadu recorded exports during the first two years of the analysis and Nelson Mandela district municipality recorded export values in 2003, 2006-2007, 2009-2010 and 2012.



Source: Quantec EasyData

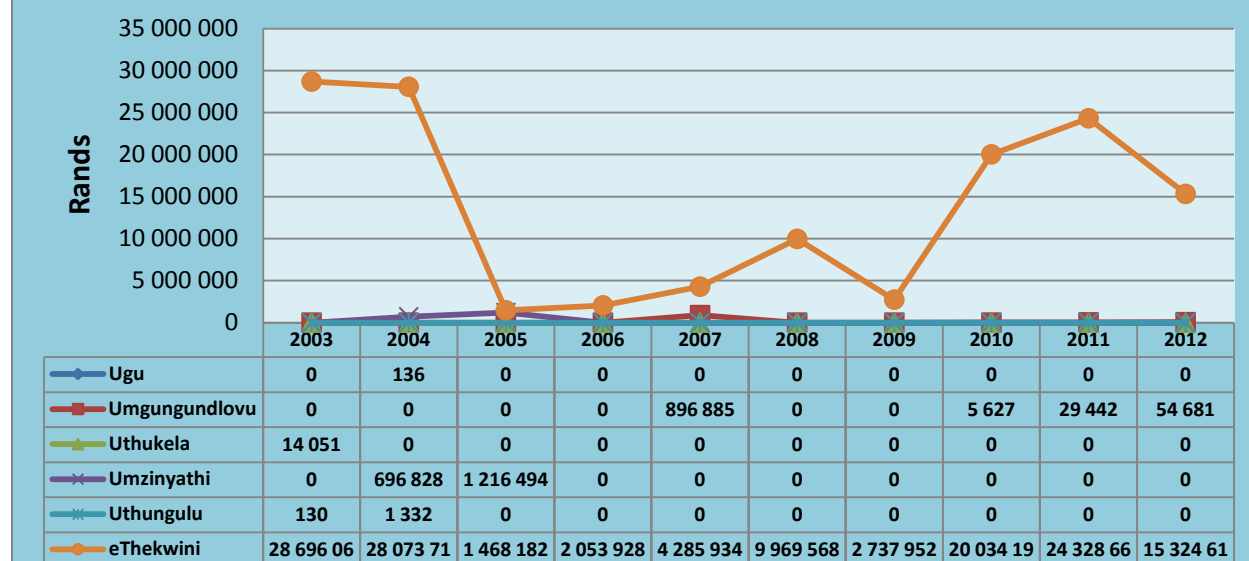
In the Northern Cape Province, broiler meat exports were from Pixley ka Seme district municipality only. Export values of broiler meat from this district municipality were recorded during 2003 then diminished thereafter.



Source: Quantec EasyData

In Free State Province, broiler meat exports were mainly from Motheo district municipalities. Motheo district municipality recorded exports values of broiler meat from 2008 to 2010 and in 2012. Xhariep district municipality recorded exports only in 2012.

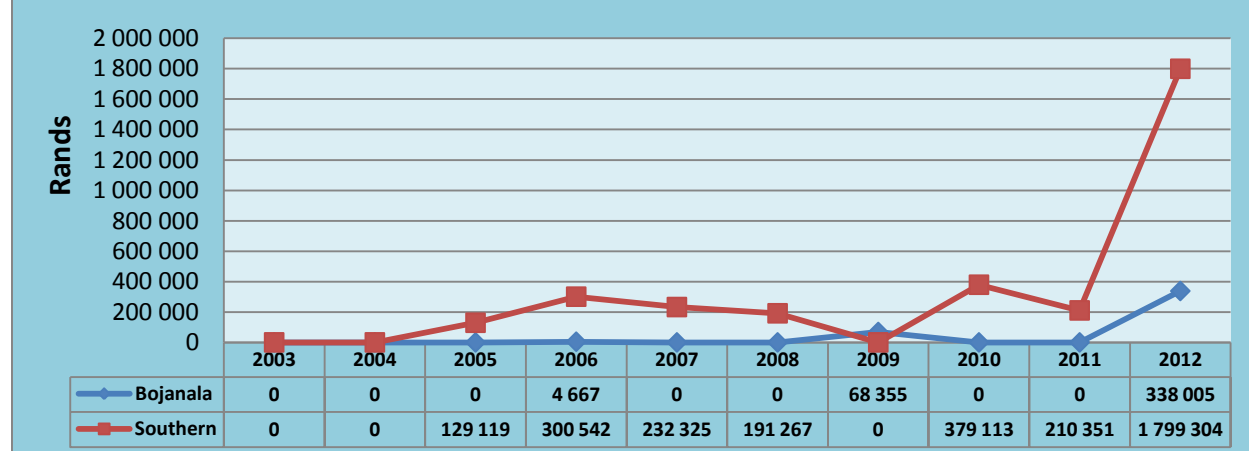
Figure 17: Values of broiler meat exports from Kwa-Zulu Natal province



Source: Quantec EasyData

In the KwaZulu–Natal Province, exports of broiler meat was mainly from eThekweni district municipality. This municipality commanded the greatest value of R 137 million during the past decade. Intermittent export values of broiler meat were recorded from Ugu district municipality (2004); Umgugundlovu district municipality (2007; 2010-2012); Uthukela district municipality (2003); Umzinyathi district municipality (2004-2005) and Uthungulu district municipality (2003-2004) diminished during the other years.

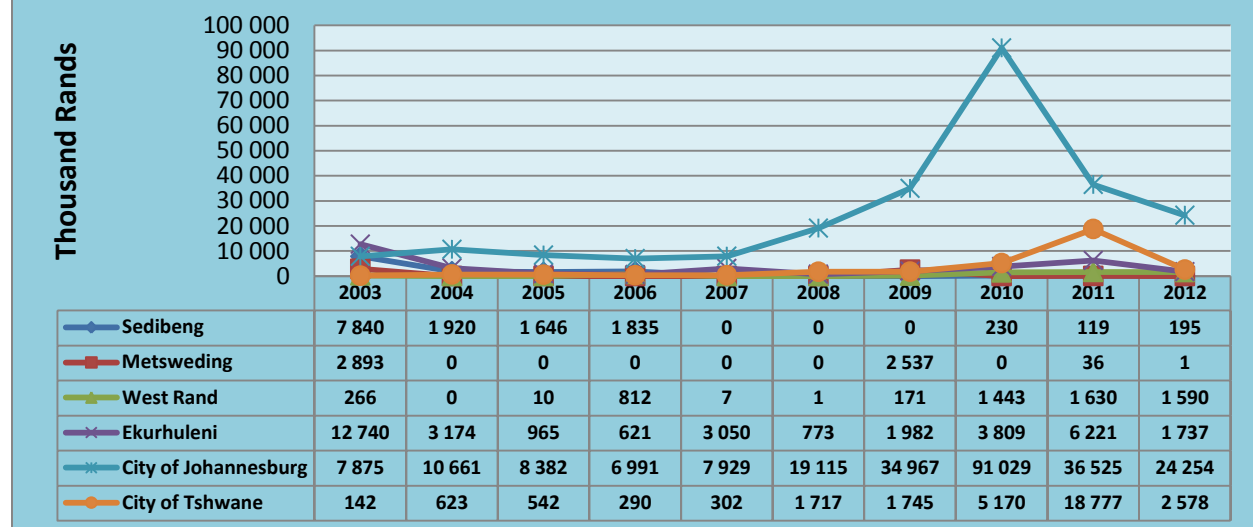
Figure 18: Values of broiler meat exports from North West province



Source: Quantec EasyData

Southern district municipality in North West Province dominated the export market and commanded the highest export values during 2005-2008 and from 2010-2012. Bojanala district municipality exported broiler meat in 2006, 2009 and 2012. There were no regular exports recorded in the North West Province.

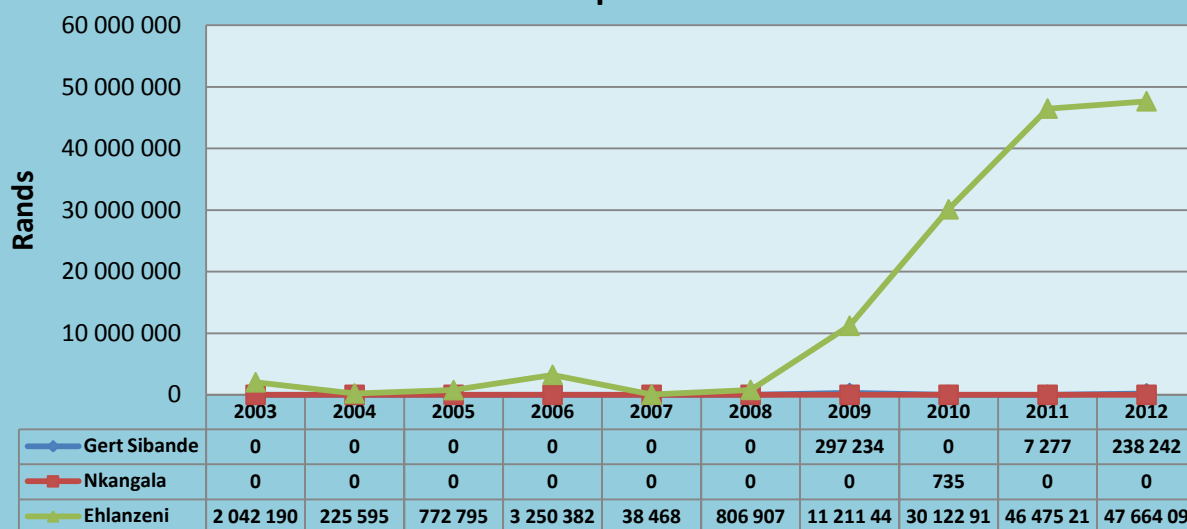
Figure 19: Values of broiler meat exports from Gauteng province



Source: Quantec EasyData

In Gauteng province, broiler meat exports arose mainly from City of Johannesburg, Ekurhuleni and City of Tshwane district municipalities. City of Johannesburg dominated the export market of broiler meat in Gauteng province and commanded an export value of R 248 million for the past ten years. It commanded the greatest values from 2004 to 2012. Irregular exports were recorded from Sedibeng, Metsweding and west Rand district municipalities.

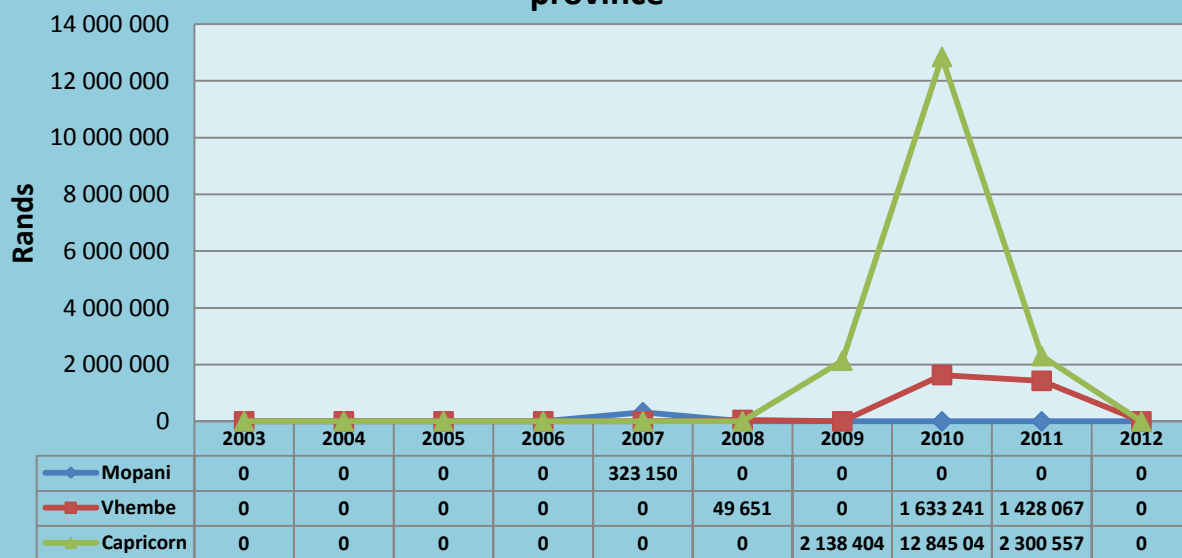
Figure 20: Values of broiler meat exports from Mpumalanga province



Source: Quantec EasyData

From Mpumalanga Province, Ehlanzeni district municipality was the greatest commander of broiler meat export values. Ehlanzeni district municipality increased exponentially from 2009 to 2012. Gert Sibande and Nkangala district municipalities recorded fractional exports. Gert Sibande district municipality recorded exports of broiler meat during 2009, 2011-2012 while Nkangala district municipality exported only in 2010.

Figure 21: Values of broiler meat exports from Limpopo province



Source: Quantec EasyData

Figure 21 indicates that Limpopo Province experienced intermittent exports of broiler meat during the period under analysis. Mopani district municipality recorded exports during 2007; Vhembe recorded during 2008 and 2010-2011 and Capricorn district municipality recorded during 2009 to 2011. There was no exports record from Limpopo province during 2003 to 2006 and in 2012.

2.2.2. Share Analysis.

The shares of provinces to the total export values for South African exports of broilers during the past ten years are presented in Table 2.

Table 2: Share of Provincial broiler meat exports to the total RSA broiler meat exports (%)

Years Province	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Western Cape	11.28	18.86	31.16	41.85	42.90	35.11	29.88	17.25	9.20	10.01
Eastern Cape	3.64	0.17	0	0.02	0.03	0	0	0	0	0.01
Northern Cape	0.70	0	0	0.00	0	0	0	0	0	0
Free State	0	0	0	0	0.00	0	46.49	21.62	0.00	2.06
Kwazulu-Natal	38.76	51.35	12.22	7.40	17.51	19.36	1.15	7.36	16.04	14.12
North West	0.00	0.00	0.59	1.10	0.79	0.39	0.03	0.14	0.14	1.96
Gauteng	42.87	29.22	52.51	37.90	37.55	43.42	16.75	37.24	41.55	27.86
Mpumalanga	2.76	0.40	3.52	11.73	0.13	1.63	4.82	11.06	30.62	43.97
Limpopo	0	0	0	0	1.09	0.10	0.89	5.32	2.46	0
Total	100	100	100	100	100	100	100	100	100	100

Source: Calculated from Quantec EasyData

From Table 2 above, Gauteng Province commanded the greatest share of South African broiler meat exports followed by Western Cape and KwaZulu-Natal provinces. This is mainly due to the fact that most exporters of broiler meat are situated in these provinces and also that they are the exit points for exports. Mpumalanga province was a regular exporter while Northern Cape, Eastern Cape, Free State, North West and Limpopo provinces registered fractional exports of broiler meat.

The accompanying Tables 3 to 11 shows a share of the various districts broiler meat exports to the various provincial broiler meat exports.

Table 3: Share of district broiler meat exports to the total Western Cape provincial broiler meat exports (%)

Years District	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
City of Cape Town	100	53.21	100	82.59	82.59	97.85	99.16	99.50	100	93.40
West Coast	0	0	0	17.41	17.41	0	0	0	0	0
Cape Winelands	0	0	0	0	0	0	0.84	0.50	0	6.60
Eden	0	46.79	0	0	0	2.15	0	0	0	0
Total	100	100	100	100	100	100	100	100	100	100

Source: Calculated from Quantec EasyData

City of Cape Town metropolitan municipality has commanded the greatest share of broiler meat exports in Western Cape Province during the period between 2003 and 2012. During the same period, Eden district municipality commanded the second highest level although it registered fractional exports, followed at a close range by West coast district municipality. West Coast, Cape Winelands and Overberg district municipalities also recorded intermittent exports of broiler meat.

Table 4: Share of district broiler meat exports to the total Eastern Cape provincial broiler meat exports (%)

Years District	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Cacadu	69.91	100	0	0	0	0	0	0	0	0
Nelson Mandela	30.09	0	0	100	100	0	100	100	0	100
Total	100	100	0	100	100	0	100	100	0	100

Source: Calculated from Quantec EasyData

From Eastern Cape Province, the export shares of broiler meat fluctuated among Nelson Mandela metropolitan and Cacadu district municipalities. During the past ten years Nelson Mandela metropolitan municipality commanded the greatest shares of broiler meat exports followed by Cacadu district municipality. There were no exports recorded during the periods 2005, 2008 and 2011.

Table 5: Share of district broiler meat exports to the total Northern Cape provincial broiler meat exports (%)

Years District	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Pixley ka Seme	100		0	0	0	0	0	0	0	0
Total	100	0	0	0	0	0	0	0	0	0

Source: Calculated from Quantec EasyData

Northern Cape Province recorded exports of broiler meat only in 2003 from Pixley ka Seme district municipality and diminished thereafter.

Table 6: Share of district broiler meat exports to the total Free State provincial broiler meat exports (%)

Years District	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Xhariep	0	0	0	0	0	0	0	0	0	36.80
Motheo	0	0	0	0	0	100	100	100	0	63.20
Total	0	0	0	0	0	100	100	100	0	100

Source: Calculated from Quantec EasyData

From Free State Province exports of broiler meat occurred from Motheo and Xhariep district municipalities in 2008 to 2010 and 2012.

Table 7: Share of district broiler meat exports to the total KwaZulu–Natal provincial broiler meat exports (%)

Years District	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Ugu	0	0	0	0	0	0	0	0	0	0
Umgungundlovu	0	0	0	0	17.30	0	0	0.03	0.12	0.36
Uthukela	0.05	0	0	0	0	0	0	0	0	0
Umzinyathi	0	2.42	45.31	0	0	0	0	0	0	0
Uthungulu	0	0	0	0	0	0	0	0	0	0
eThekwini	99.95	97.57	54.69	100	82.70	100	100	99.97	99.88	99.64
Total	100	100	100	100	100	100	100	100	100	100

Source: Calculated from Quantec EasyData

From KwaZulu-Natal Province, eThekwini district municipality has commanded the greatest share of broiler meat exports throughout the period under analysis. Fractional exports of broiler meat were recorded in Ugu, Umgungundlovu, Uthukela, Umzinyathi and Uthungulu district municipalities.

Table 8: Share of district broiler meat exports to the total North West provincial broiler meat exports (%)

Years District	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Bojanala	0	0	0	1.53	0	0	100	0	0	15.81
Southern	0	0	100	98.47	100	100	0	100	100	84.19
Total	0	0	100	100	100	100	100	100	100	100

Source: Calculated from Quantec EasyData

Southern district municipality has commanded the greatest share of broiler meat exports in North West Province during the past decade. Bojanala district municipality recorded the highest exports of broiler meat during 2009.

Table 9: Share of district broiler meat exports to the total Gauteng provincial broiler meat exports (%)

Years District	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Sedibeng	24.69	11.72	14.26	17.39	0	0	0	0.23	0.19	0.64
Metsweding	9.11	0	0	0	0	0	6.13	0	0.06	0
West Rand	0.84	0	0.08	7.70	0.06	0	0.41	1.42	2.57	5.24
Ekurhuleni	40.12	19.38	8.36	5.89	27.02	3.58	4.79	3.75	9.83	5.72
City of Johannesburg	24.80	65.09	72.60	66.27	70.24	88.47	84.46	89.52	57.69	79.90
City of Tshwane	0.45	3.81	4.70	2.75	2.68	7.95	4.21	5.08	29.66	8.49
Total	100	100	100	100	100	100	100	100	100	100

Source: Calculated from Quantec EasyData

In Gauteng Province, City of Johannesburg metropolitan municipality commanded the greatest share of broiler meat exports followed by Ekurhuleni and City of Tshwane district municipalities. Intermittent exports of broiler meat were recorded in Sedibeng, Metsweding and West Rand district municipalities.

Table 10: Share of district broiler meat exports to total Mpumalanga provincial broiler meat exports (%)

Years District	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Gert Sibande	0	0	0	0	0	0	2.58	0	0.02	0.50
Nkangala	0	0	0	0	0	0	0	0	0	0
Ehlanzeni	100	100	100	100	100	100	97.42	100	99.98	99.50
Total	100	100	100	100	100	100	100	100	100	100

Source: Calculated from Quantec EasyData

Ehlanzeni district in Mpumalanga Province commanded 100% share of all broiler meat exports during the periods 2003-2008 and 2010. This makes Ehlanzeni district municipality to be the main exporter of broiler meat in Mpumalanga Province. Gert Sibande and Nkangala district municipalities experienced fractional exports during the period under review.

Table 11: Share of district broiler meat exports to the total Limpopo provincial broiler meat exports (%)

Years District	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Mopani	0	0	0	0	100	0	0	0	0	0
Vhembe	0	0	0	0	0	100	0	11.28	38.30	0
Capricorn	0	0	0	0	0	0	100	88.72	61.70	0
Total	0	0	0	0	100	100	100	100	100	0

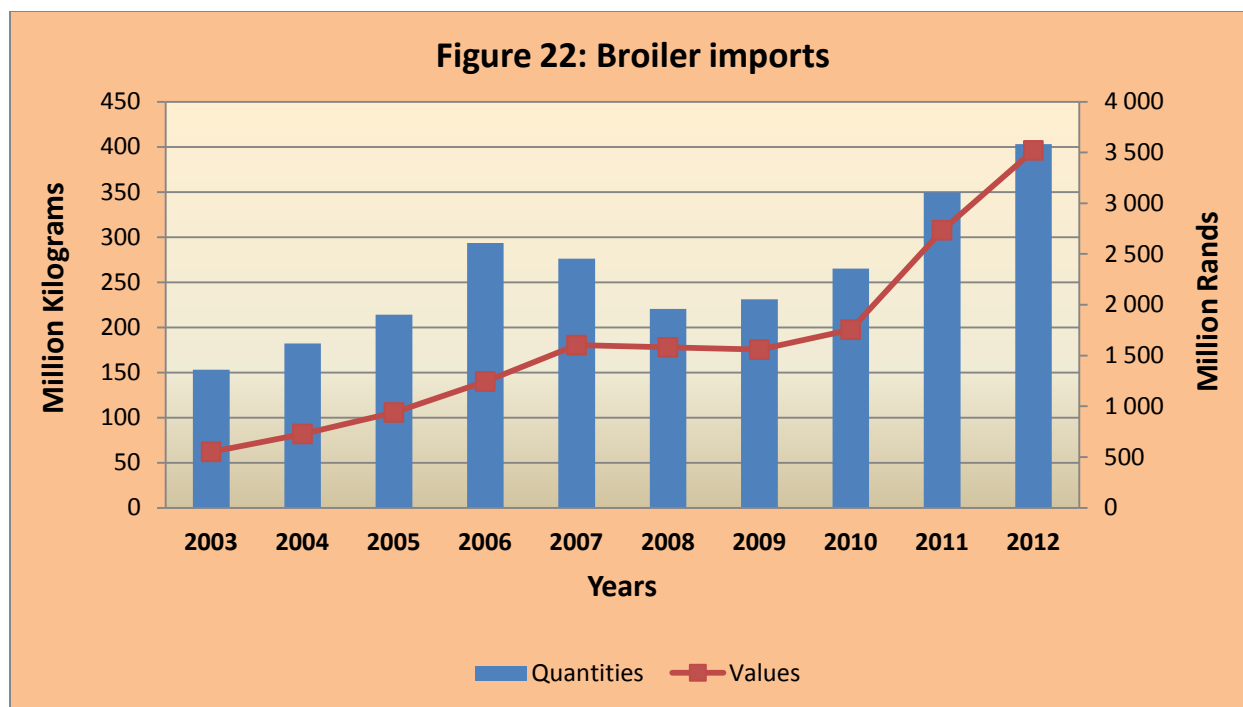
Source: Calculated from Quantec EasyData

From Limpopo Province, exports of broiler meat were irregular during the period under analysis. There were no records of broiler meat exports during the period 2003 to 2006 and in 2012. Mopani recorded exports of broiler meat during 2007; Vhembe recorded its exports during 2008 and 2010 to 2011 then Capricorn district municipality in 2008 to 2011.

2.2.3. Imports.

South Africa imported approximately 403 million kilograms of broiler meat in 2012 at an estimated value of R 3.5 million. The imports quantity and value showed a significant increases of 163% and 539% respectively compared to 2003. This drastic increase might have caused by the alleged dumping of certain pieces of broiler meat from Brazil and Unites States. The decline in 2008 might have been caused by global economic meltdown that occurred from August 2008.

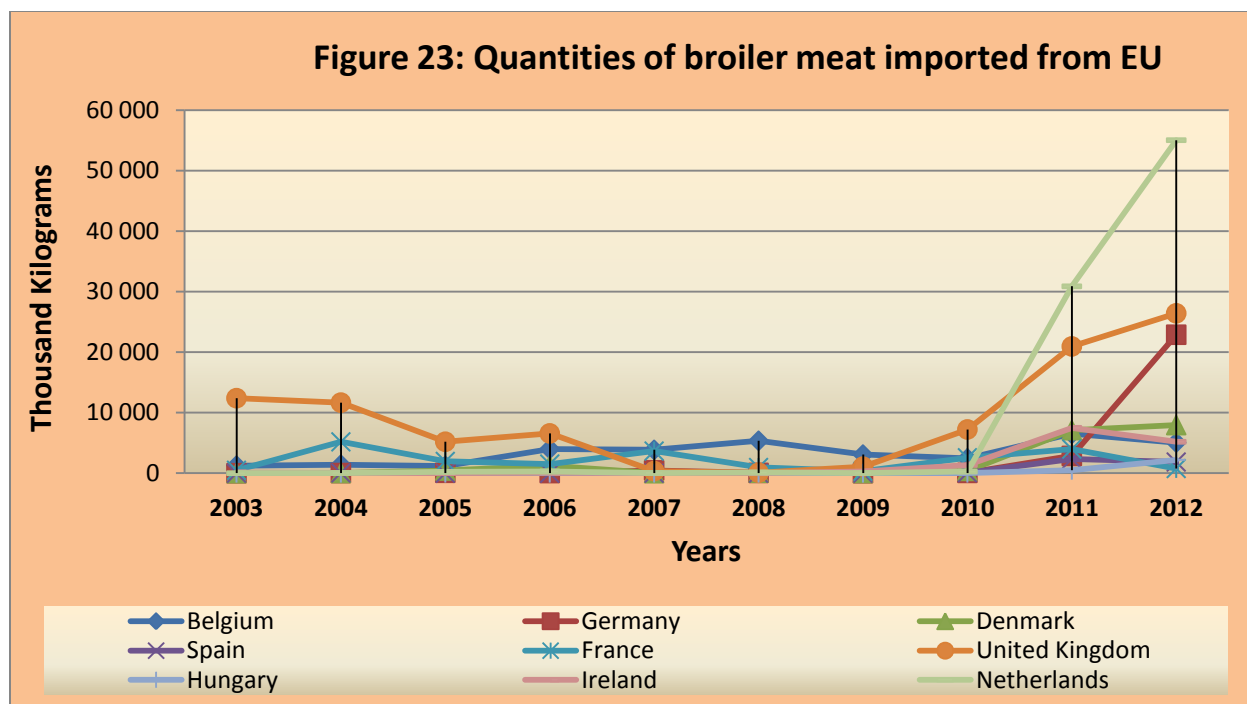
Figure 21 below show the imports of broiler meat from 2003 to 2012.



Source: Quantec EasyData

Broiler meat imports are exchange rate driven, when the Rand appreciates against US\$, imports of broiler meat increases and when the Rand depreciates against US\$ imports of broiler meat decreases. The import of broiler meat quantities increased significantly from 2003 to 2012 while fluctuating slightly and reached the highest level in 2012. It was less expensive to import broiler meat during the past decade as high quantities were imported at a less value.

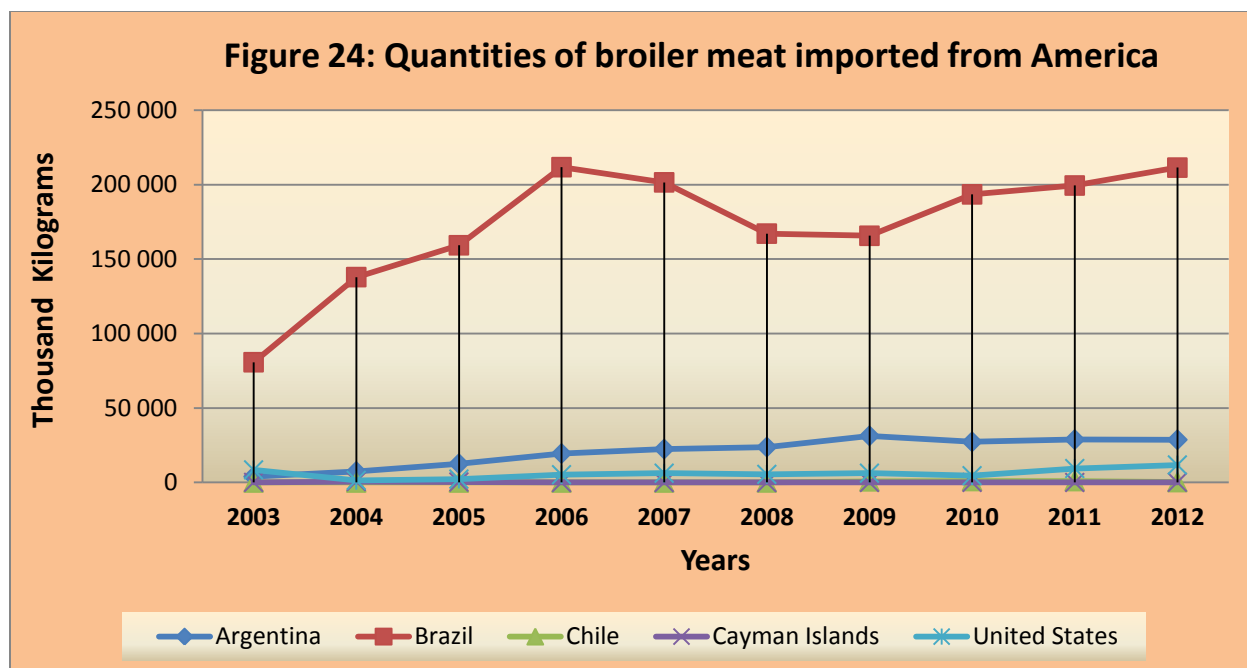
Figure 23-26 below show the main suppliers of broiler meat from European Union, America, Asia and Oceania continents to South Africa during the period 2003 to 2012.



Source: Quantec EasyData

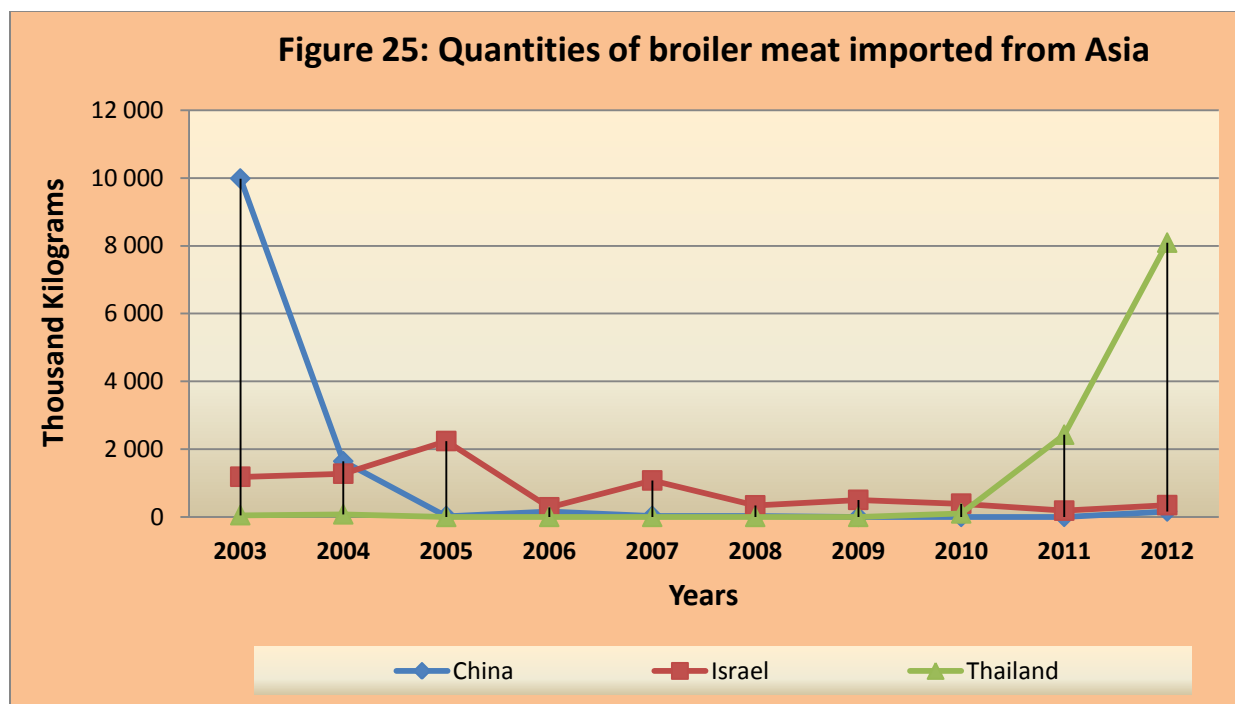
Figure 23 clearly indicates that the highest quantity of broiler meat imports from 2003 to 2006 and 2010 originated from United Kingdom, Belgium commanded the highest imports of broiler meat to South Africa during the periods 2007 to 2009 and Netherlands commanded the highest imports during 2011 to 2012.

Averagely United Kingdom exported a value of R 9.2 million per annum of broiler meat to South Africa followed by Netherlands by R 8.7 million. The lowest imports received during the past decade were from Hungary and Spain.



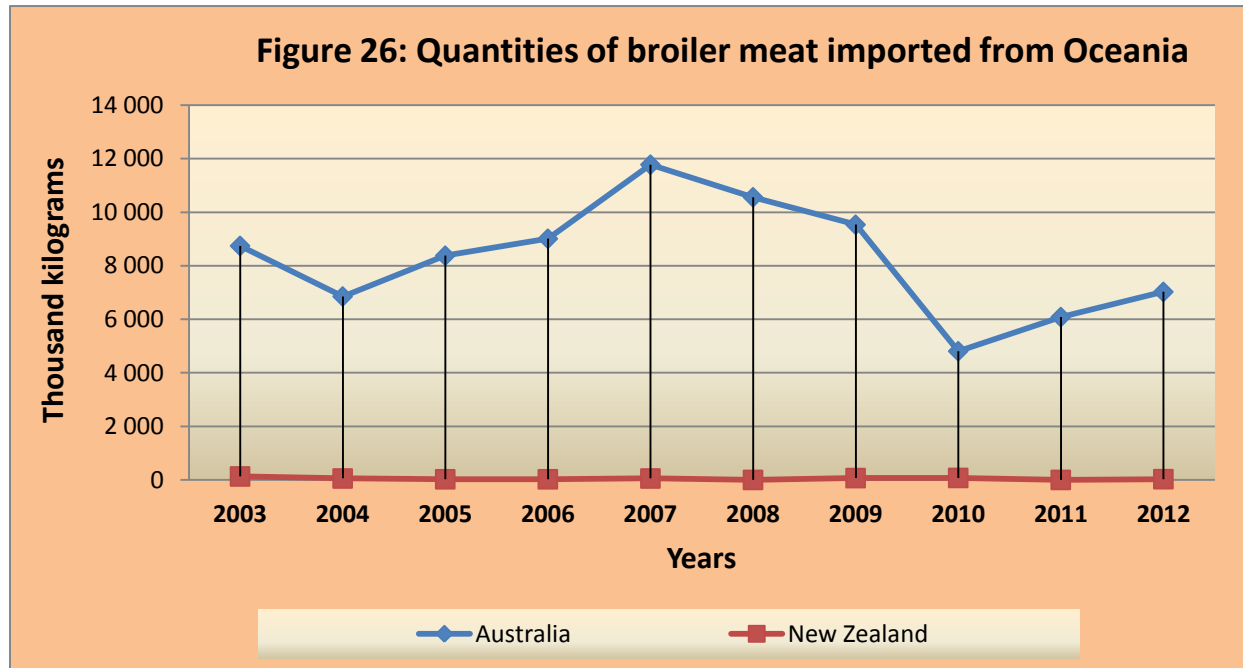
Source: Quantec EasyData

During the past decade Brazil commanded the highest quantities of South Africa's import market of broiler meat. Its quantity increased drastically from 2003 to 2006 and dropped slightly from 2007 to 2009 then started increasing again from 2010 to 2012. The decrease experienced during 2008 and 2009 was due to the world economic recession which led to a slow down of consumer demand. Argentina became the second largest importer of broiler meat to South Africa followed by United States during the period under review. Generally, Brazil is the net exporter of broiler meat to South Africa.



Source: Quantec EasyData

Figure 25 shows that China was the main supplier of broiler meat to South Africa in 2003 to 2004 then Israel took over from 2004 to 2010 and Thailand was the greatest from 2011 to 2012. China commanded a total value of R 12 million; Thailand commanded a value of R10.7 million followed by Israel, which commanded R 7.8 million of broiler meat imported to South Africa over the period under review.

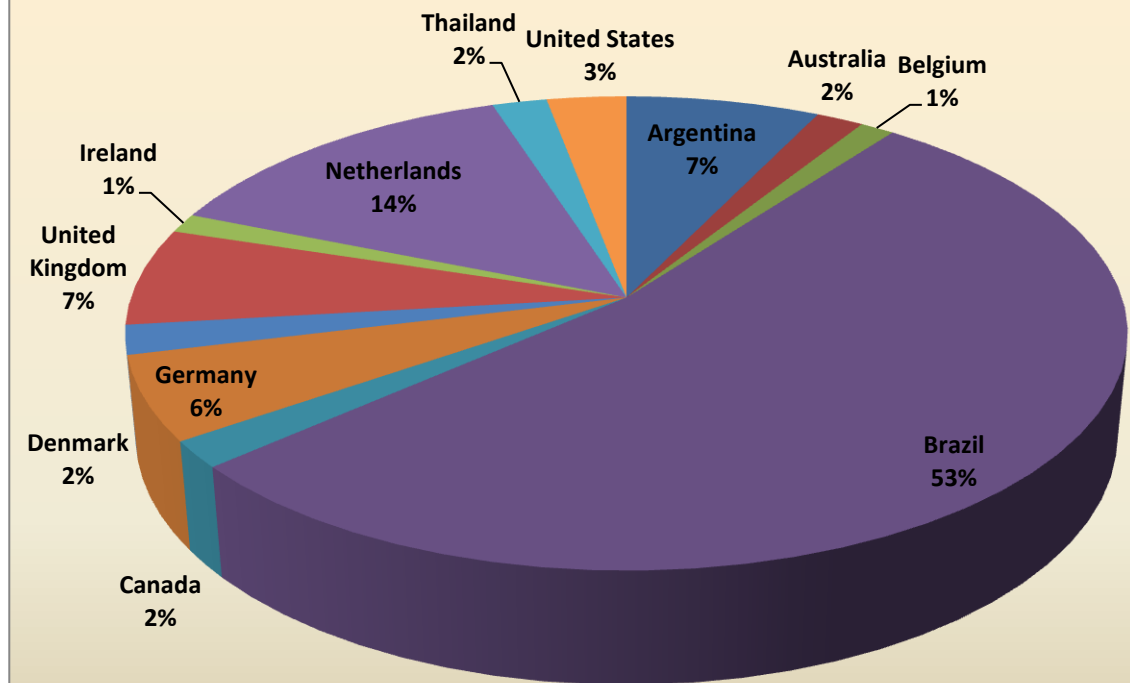


Source: Quantec EasyData

It is clearly indicated from figure 26 above that in Oceania, Australia is the main exporter of broiler meat to South Africa. Australia reached the highest imports in 2007. South Africa received the least imports of broiler meat from New Zealand.

Figure 27 shows the countries of origin for the imported broiler meat during 2012.

Figure 27: Origin of broiler meat imports in 2012

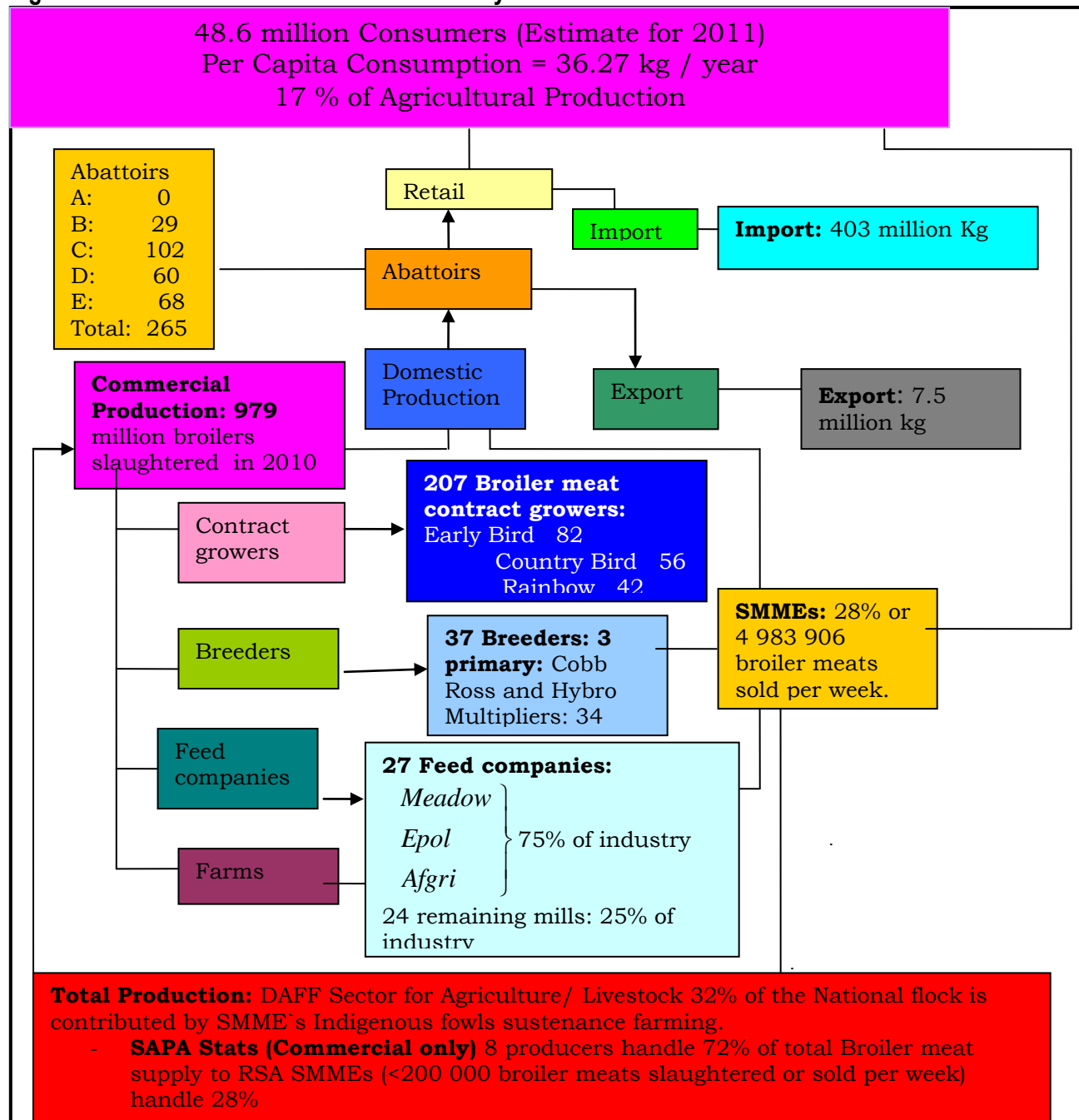


Source: Quantec EasyData.

Figure 27 above shows the share of various suppliers to South Africa's broiler meat in 2012. Brazil commanded the highest market share of broiler meat imports in South Africa, leading with 53% share followed at a distance by Netherlands with 14%. Minimal imports were from Ireland and Belgium.

3. BROILER MEAT MARKET VALUE CHAIN

Figure 24: Structure of the broiler meat industry.

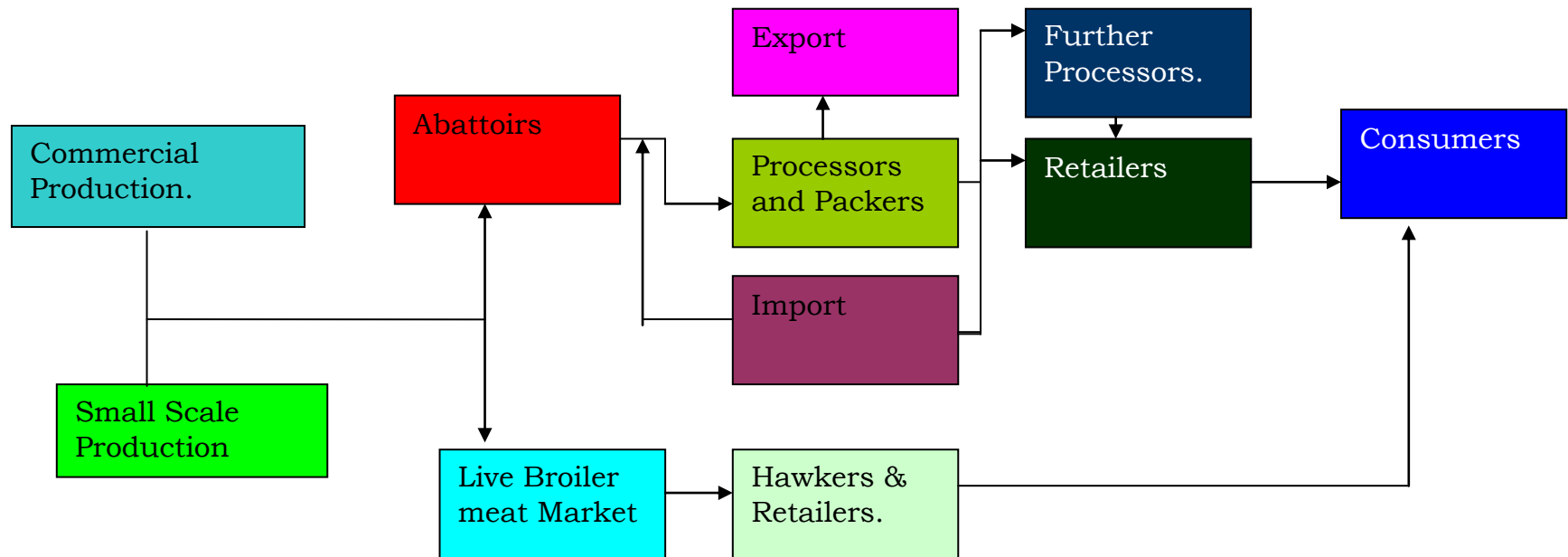


Source: Adapted from NAMC.

South African broiler meat value chain consists of broiler meat farms and contract growers, feed companies and other input suppliers and breeders. In the secondary sector we have abattoirs, importers, exporters and retailers. There are around 48.6 million consumers with a per capita consumption of 36.27%. Production in tons is around 448 million, consumption around 464 million kilograms, Imports 403 million kilograms and Export 7.5 million.

4. MARKETING CHANNELS FOR BROILER MEAT.

Figure 25: Marketing Channels.



From Figure 25, broiler meat production is by two sectors; viz, commercial and small scale. Live broiler meat is marketed mainly through two channels, live broiler meat market and abattoirs. Majority of broiler meat from commercial is sold through abattoirs while small scale through live broiler meat market. Live broiler meat market depends on hawkers and small retailers for distribution to customers. Abattoirs slaughters broiler meat and sell it as carcass to processors and packers, who in turn may export, sell to retailers or further processors. Processors and packers and further processors also rely on imports for their supplies. Further processors sell to retailers for final distribution to the consumer.

5. EMPOWERMENT STRATEGIES BY THE INDUSTRY AND GOVERNMENT.

- The Land Bank sponsors the distribution of broiler meat bulletin to developing farmers.
- Sector for Education and Training (SetaSA) sponsors training under the National Skills Broiler Project Fund.
- Rocklands broiler meat has entered into a R20-million joint venture with BEE company Kamnandi Trading to produce 265 000 live birds every eight weeks in the Eastern Cape town of Loerie over 20 years.
- Vukanathi Broiler Project in North West is presently an out grower for Country Bird. Country Bird provides the day old chicks, medicine, feed and the market to the project. In 2006 the venture was transformed into black employment equity (BEE) entity that required Thembani's assistance as guarantor to secure a working capital and growth line of credit. The Vukanathi project will own 72% of the equity of the business and effectively transform the venture into a BEE entity, with a strategic partner owning 28% of this venture.
- The South African Broiler Association (SAPA) was the catalyst in the formation of the Developing Broiler Farmers Organization (DPFO). The main objective of the DPFO is to serve as a conduit to the developing broiler farmers for information dissemination and to co-ordinate and address collective issues in the industry.

Possible market entry for SMME

- ❖ Contract growing.
- ❖ Empowerment purchases of existing operation's farms by workers.
- ❖ Strategic partnerships – not for beginner farmers.
- ❖ Resource centres in the form of central distribution points that will allow farmers to organize into buyer groups or small cooperatives.

6. BARRIERS TO PARTICIPATION BY THE EMERGING SECTOR.

The transaction costs of the emerging farmers are much higher than those of their large developed counterparts in the commercial sector.

The availability of day-old chicks is a problem because the big producers are given preference. The long distances from the suppliers to the farms could result in high fatalities.

The lack of abattoirs/slaughter houses to market/sell dressed chickens in the formal markets. The lack of bar coding facilities and proper freezers to store dressed birds. Most retail companies look for bar coded products for traceability.

The volumes produced and their location places them at a disadvantage to supply to the retail sector. Hence many farmers sell live birds to the informal sector.

Other constraints that affect the industry

- Low priced imports.
 - Sanitary and Phytosanitary Standards.
 - Exchange rate fluctuations.
 - Chick Costs are high.
 - Higher input costs, especially feed prices.
 - Lack of Finance as small scale farmers do not meet the requirements set by the commercial banks.
 - Lack of Health Control as state veterinarians are not trained in broiler or available when needed.
 - Lack of Marketing Skills.
- Lack of Technical Training.
 - Lack of strong Farmer Organization, support structures and mentorship.
 - The significant growth in volume of imports into South Africa.
 - Continuous threat of poultry diseases, especially the new variant of IB prevalent in SA.
 - Negative media comments around the practice of brining are a potential crisis for the industry.

7. OPPORTUNITIES AND WEAKNESSES.

The per capita consumption increased during 2012 and was 36 kg per person. If this trend continues this is an opportunity for new entrants and the growth of existing broiler farmers in the industry.

The per capita broiler meat consumption is set to increase further with the redistribution of wealth, recovery of the economy and the increase in the level of disposable income. With the redistribution of wealth the per capita income of the nation has resulted in an upward movement of individuals in the pyramid of purchasing power. This thus results in the demands changing hence individuals would include more broiler meat in their regular meals.

There are 35 producers who provide 61% of the total broiler meat market. Imports control 27% of the market. The balance 12% is being supplied by hundreds of small/emerging farmers. New entrants are free to enter but are limited in terms of capital, expertise and the availability of day-old chicks.

Another inhibiting factor to the growth of the emerging sector is the lack of abattoirs to slaughter and sell their products to the retail sector. Their volumes are too small to warrant the capital outlay for the establishment of an abattoir. Thus many emerging farmers sell their products in the informal sector as live birds.

The quality standards and bar coding are pre-requisites by most retail companies. This is thus an area that can be jointly addressed by government and the industry. This intervention could assist with the growth of the domestic supply and could ultimately reduce imports. Some farmers lack the knowledge/expertise on handling diseases on their farms.

8. MARKET INTELLIGENCE

8.1. Export tariffs for broiler meat.

Tariffs from different importing countries applied to broiler meat originating from South Africa in 2011 and 2012 are shown in Table 12.

Table 12: Broiler meat export tariffs

Importers	Product Code	Trade Regime Description	2011		2012	
			Applied Tariffs	Total Ad Valorem Equivalent Tariff (estimated)	Applied Tariffs	Total Ad Valorem Equivalent Tariff (estimated)
Angola	02071100; 02071200; 02071300; 02071400; 02072400; 02072500; 02072600; 02072700; 02073200; 02073300; 02073400; 02073500 & 02073600	MFN Applied	10%	10%	10%	10%
Democratic Republic of Congo	02071110; 02071120; 02071210; 02071220; 02071300; 02071410; 02071490; 02072400; 02072500; 02072600; 02073200; 02073300; 02073400; 02073500 & 02073600	MFN Applied	10%	10%	10%	10%
Ghana	0207110000; 0207120000;	MFN Applied	20%	20%	20%	20%

Importers	Product Code	Trade Regime Description	2011		2012	
			Applied Tariffs	Total Ad Valorem Equivalent Tariff (estimated)	Applied Tariffs	Total Ad Valorem Equivalent Tariff (estimated)
	0207130000; 0207140000; 0207240000; 0207250000; 0207260000; 0207270000; 0207320000; 207330000; 0207340000; 0207350000 & 0207360000					
Mozambique	02071100; 02071200; 02071300; 02071400; 02072400; 02072500; 02072600; 02072700; 02073200; 02073300; 02073400; 02073500 & 02073600	Preferential tariff for SADC	15%	15%	15%	15%
Zimbabwe	02071100; 02071200; 02071300; 02071400; 02072400; 02072500; 02072600; 02072700; 02073200; 02073300; 02073400; 02073500 & 02073600	MFN Applied	40%	40%	40%	40%

Source: MacMap

Most of South Africa's broiler meat is exported to SADC. Most of the SADC countries removed the preferential tariffs, which was at 0% and apply different MFN tariffs. Mozambique is the only country within SADC which South Africa supplied with broiler meat which applied a preferential tariff of 15% during 2011 and 2012. Angola and DRC apply the lowest 10% tariff to South African broiler meat exports in 2011 and remained the same in 2012. Zimbabwe applies the highest tariff of 40% and Ghana applies 20%.

8.2. Import tariffs for broiler meat.

Tariffs that South Africa applied to imports of broiler meat originating from all possible countries in 2011 and 2012 are shown in Table 13.

Table 13: Broiler meat import tariffs

Country	Product Code	Trade Regime Description	2011		2012	
			Applied Tariffs	Total Ad Valorem Equivalent Tariff (estimated)	Applied Tariffs	Total Ad Valorem Equivalent Tariff (estimated)
Argentina Brazil Germany Netherlands United Kingdom	02071100; 02071210; 02071300; 02072400; 02072500; 02072600; 02072700; 02074200; 02074300; 02074400; 02074500; 02075100; 02075200; 02075300; 02075400; 02075500 & 02076000	MFN Applied	0%	0%	0%	0%
	02071290; 02071220 & 02071420	MFN Applied	27%	27%	27%	27%
	02071410	MFN Applied	5%	5%	5%	5%
	02071490	MFN Applied	264 \$/Ton	27.52%	264\$/Ton	27.52%

Source: MacMap

During 2011 and 2012 South Africa applied different tariff rates to different products of broiler meat. It applied a tariff rate of 0% on HS 02071100 to HS 02076000 from Argentina, Brazil, Germany, Netherlands and United Kingdom. South Africa applied the tariff rate of 5% on HS 02071410 and 27% on HS 02071290, 02071220 and 02071420. All tariff duties remained the same for the past two years.

9. PERFORMANCE ANALYSIS OF SOUTH AFRICAN POULTRY INDUSTRY IN 2012.

Table 14: List of importing markets for the Meat & edible offal of broiler exported by South Africa in 2012.

South Africa's exports represent **0.06%** of world exports for Meat & edible offal of broiler, its ranking in world's exports is **46**.

Importers	Trade Indicators												Tariff (estimated) faced by South Africa (%)
	Exported value 2012 (USD thousand)	Trade balance 2012 (USD thousand)	Share in South Africa's exports (%)	Exported quantity 2012	Quantity unit	Unit value (USD/unit)	Exported growth in value between 2008-2012 (% p.a.)	Exported growth in quantity between 2008-2012 (% p.a.)	Exported growth in value between 2011-2012 (% p.a.)	Ranking of partner countries in world imports	Share of partner countries in world imports (%)	Total import growth in value of partner countries between 2008-2012 (% p.a.)	
World	15147	-414167	100	9502	Tons	1594	13	17	-30		100	8	
Mozambique	10841	10841	71.6	5735	Tons	1890	52	54	-22	102	0.1	10	15
Zimbabwe	2478	2478	16.4	3098	Tons	800	-2	19	-56	107	0.1	42	40
Ghana	543	543	3.6	85	Tons	6388	41	21	-11	36	0.7	27	20
Angola	347	347	2.3	133	Tons	2609	-15	-18	20	16	1.8	26	10
Democratic Republic of the Congo	311	311	2.1	222	Tons	1401	-11	-10	-22	52	0.4	19	10
Saint Helena	129	129	0.9	49	Tons	2633	0	0	11	198	0	-9	
Zambia	112	112	0.7	36	Tons	3111	97	120	-62	162	0	132	0.1
Malawi	85	85	0.6	45	Tons	1889		146	174	205	0	-5	10
Congo	64	64	0.4	19	Tons	3368	116	101	121	46	0.5	20	5
Nigeria	57	57	0.4	18	Tons	3167	-33	-25	-47	186	0	-46	20
Ireland	39	-5555	0.3	26	Tons	1500				23	1	-1	0

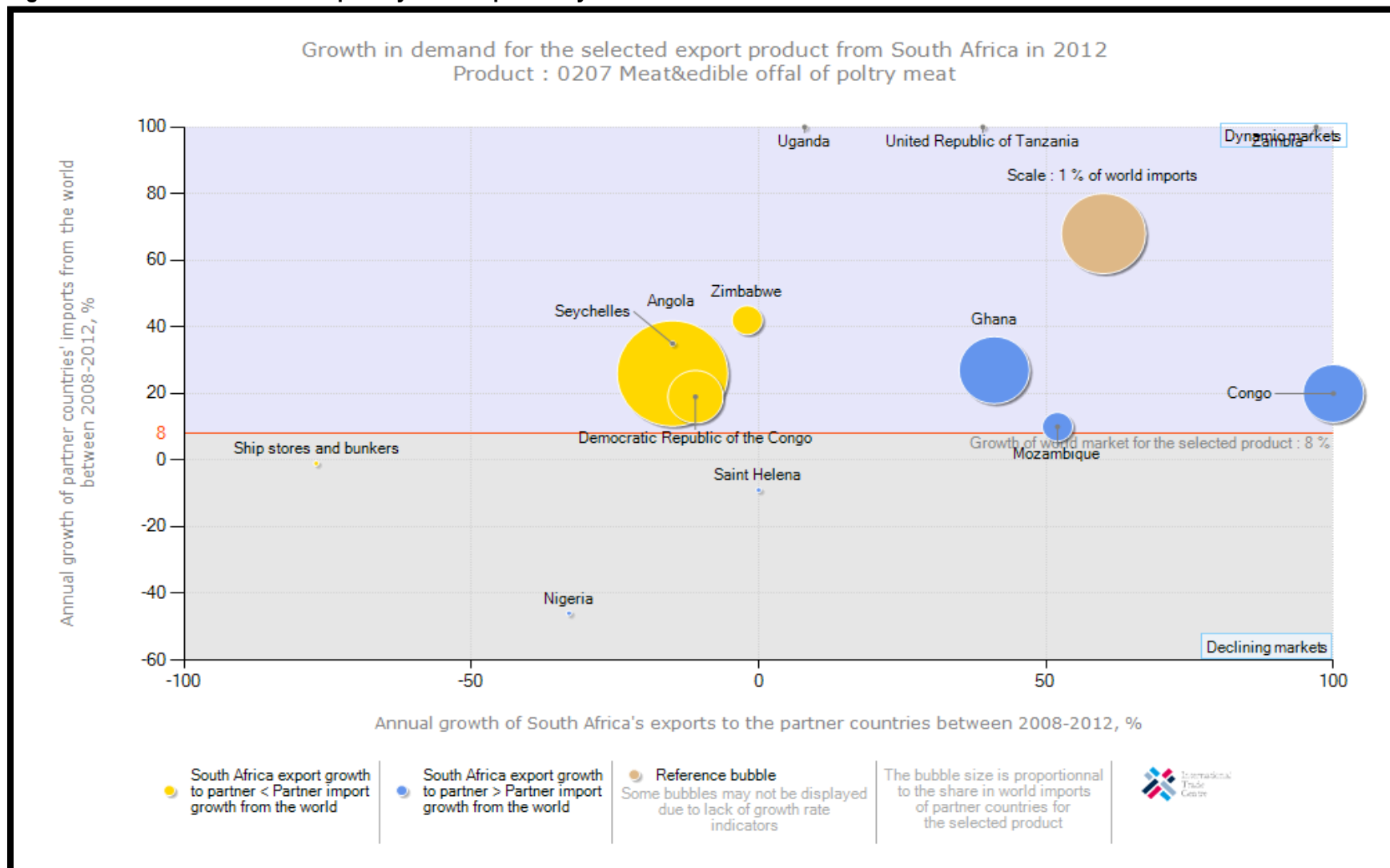
Source: ITC calculations based on COMTRADE statistics.

Table 14 shows that during 2012 South Africa exported a total of 9 502 tons of meat & edible offal of broiler at an average value of US\$ 1 594/unit. The major export destinations for meat & edible offal of broiler originating from South Africa during 2012 were Mozambique, Zimbabwe, and Ghana. The greatest share of South Africa's meat & edible offal of broiler exports were exported to Mozambique which commanded a share of 71.6% during the year 2012 followed by Zimbabwe which commanded 16.4%.

South Africa's meat & edible offal of broiler exports increased by 13% in value and 17% in quantity between the periods 2008 and 2012. During the same period, exports for meat & edible offal of broiler to Mozambique increased by 52% in value while in quantity it increased by 54%; and exports to Zimbabwe decreased by 2% in value while quantity increased by 19%.

Between the periods 2011 and 2012, South Africa's exports value of meat & edible offal of broiler decreased by 30%. During the same period, exports value of meat & edible offal of broiler to Mozambique decreased by 22% and Zimbabwe experienced decreased by 56%. This shows that Mozambique and Zimbabwe remained the net importer of South African meat & edible offal of broiler.

Figure 26: Growth in demand for poultry meat exported by South Africa in 2012

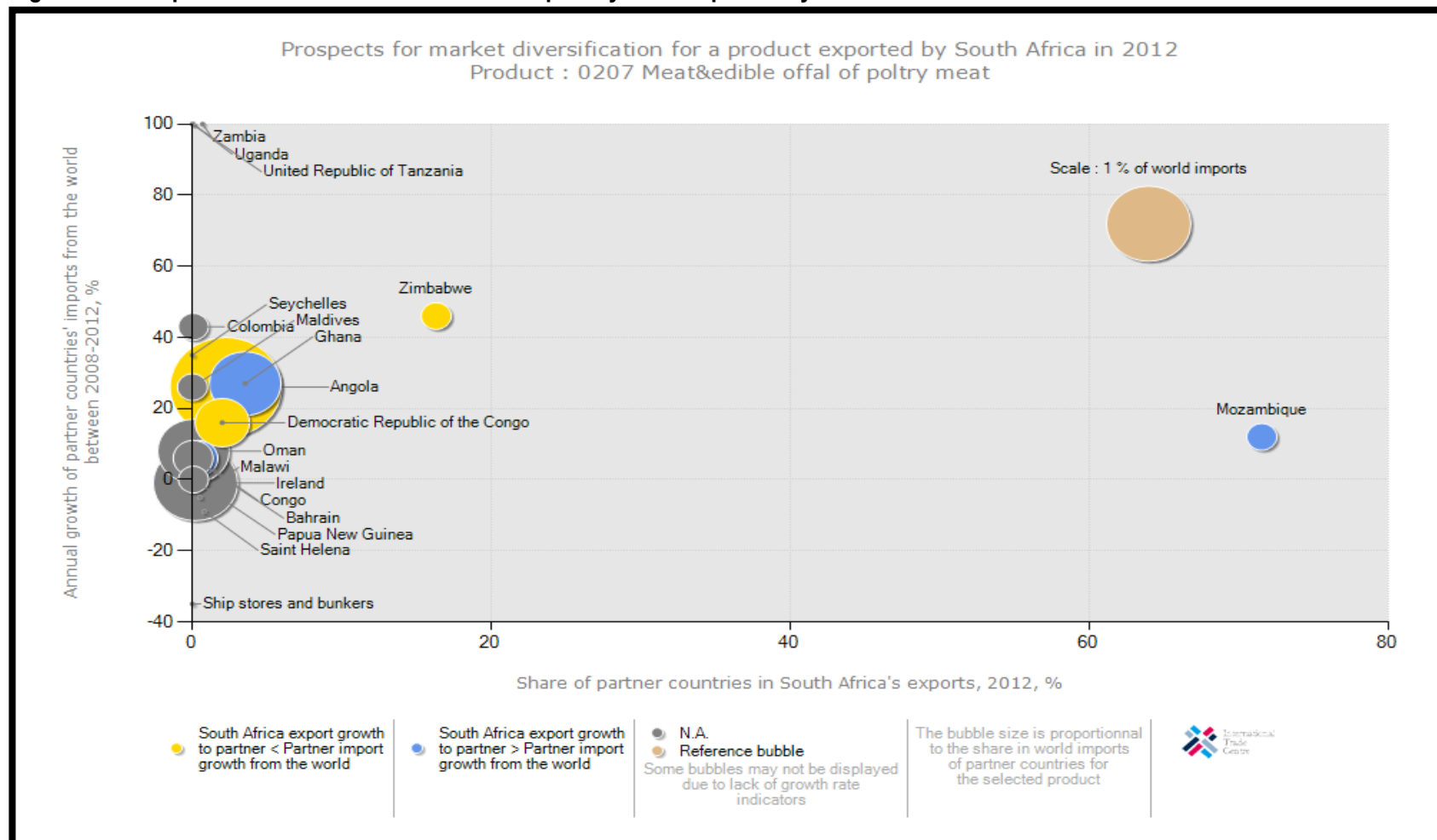


Source: Trademap, ITC

Figure 26 illustrates that between 2008 and 2012 South Africa's meat & edible offal of broiler exports to Zambia, United Republic of Tanzania, Zimbabwe, Democratic Republic of Congo (DRC), Angola, Seychelles and Uganda were growing at a rate that is less than their import growth from the rest of the world. Angola, DRC, Zimbabwe and Seychelles represented loss of South African exports by 15%, 11%, 2% and 15% per annum respectively during the period 2008-2012. During the same periods, Uganda, United Republic of Tanzania and Zambia represented gains of 8%, 39% and 97% per annum in the dynamic markets of South African export for meat & edible offal of poultry.

South Africa's meat & edible offal of broiler exports to Ghana, Mozambique, Congo and Saint Helena were growing at a rate that is greater than their imports from the rest of the world during 2008-2012. The most growing demand of South African meat & edible offal poultry is from Congo with an annual growth of South African exports of 116%.

Figure 27: Prospects for market diversification for poultry meat exported by South Africa in 2012



Source: Trademap, ITC

Figure 27 above shows the prospects for market diversification for meat & edible offal of broiler exports by South Africa in 2012. The analysis of the results as shown on the figure above shows that Mozambique commanded the greatest shares (71.57%) of South Africa's meat & edible offal of broiler exports during the year 2012, and it further shows that Mozambique's imports growth has also increased by 12% during the period under review.

If South Africa is to diversify its meat & edible offal of broiler exports, the fastest growing markets exist in Zambia, United Republic of Tanzania and Uganda. Their annual import growth is at 132%, 513% and 164% per annum respectively during 2012. South Africa stand a chance to penetrate these market since their imports from the world are more that their imports from South Africa.

Table 14: List of supplying markets for Meat & edible offal of broiler imported by South Africa in 2012.

South Africa's imports represent 1.71% of world's imports of Meat & edible offal of broiler, its ranking in world's imports is 17.

Exporters	Trade Indicators												Tariff (estimated) applied by South Africa (%)
	Imported value 2012 (USD thousand)	Trade balance 2012 (USD thousand)	Share in South Africa's imports (%)	Imported quantity 2012	Quantity unit	Unit value (USD/unit)	Imported growth in value between 2008-2012 (% p.a.)	Imported growth in quantity between 2008-2012 (% p.a.)	Imported growth in value between 2011-2012 (% p.a.)	Ranking of partner countries in world exports	Share of partner countries in world exports (%)	Total export growth in value of partner countries between 2008-2012 (% p.a.)	
World	429314	-414167	100	402959	Tons	1065	27	18	14		100	9	
Brazil	182016	-182016	42.4	211436	Tons	861	9	7	-10	1	26.3	7	17
Netherlands	80610	-80610	18.8	55041	Tons	1465	667	604	86	3	10.7	12	0
United Kingdom	36637	-36637	8.5	26426	Tons	1386	402	329	48	13	1.7	6	0
Germany	31117	-31117	7.2	22886	Tons	1360	819	360	934	6	4.3	8	0
Argentina	21482	-21482	5	28717	Tons	748	4	3	-7	10	2	20	17
United States of America	16348	-16348	3.8	11793	Tons	1386	33	22	23	2	19	6	17
Thailand	14699	-14699	3.4	8092	Tons	1816			291	19	0.7	40	17
Denmark	10581	-10581	2.5	7951	Tons	1331	401	338	11	20	0.7	-8	0
Canada	8257	-8257	1.9	7311	Tons	1129	10	8	-61	16	1	2	17
Australia	8033	-8033	1.9	7026	Tons	1143	-6	-12	17	30	0.2	12	17
Belgium	7713	-7713	1.8	5065	Tons	1523	35	7	-7	7	4	8	0

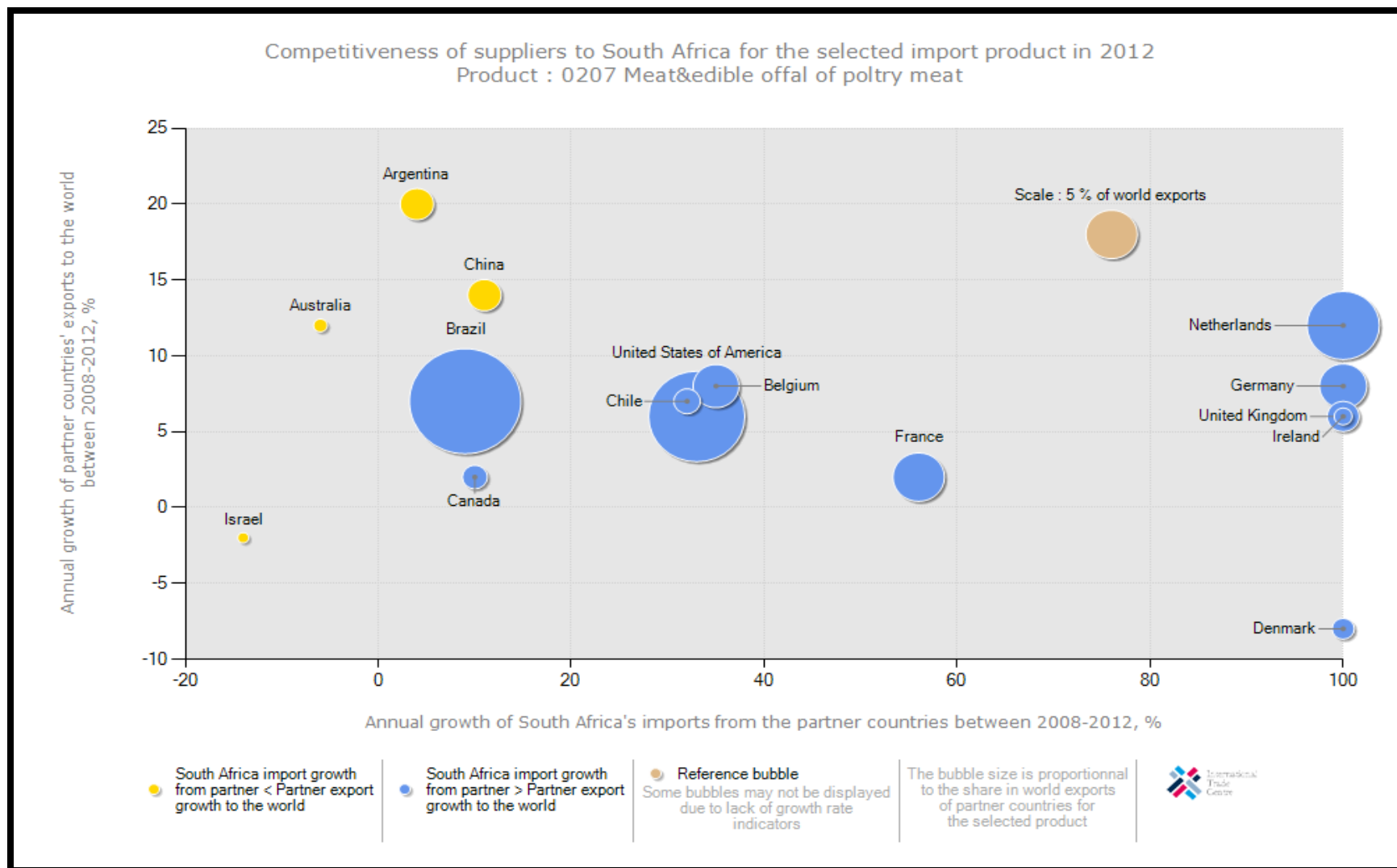
Sources: ITC calculations based on COMTRADE statistics.

Table 14 shows that during 2012 South Africa imported a total of 402 959 tons of meat & edible offal of broiler at an average value of US\$ 1 065/unit. The major origins for meat & edible offal of broiler imported by South Africa during 2012 were Brazil, Netherlands, United Kingdom, Germany and Argentina. The greatest share of South African meat & edible offal of broiler imports were from Brazil which commanded 42.4% during 2012 followed by Netherlands by 18.8%, United Kingdom by 8.5%, Germany by 7.2% and Argentina by 5%.

South Africa's meat & edible offal of broiler imports increased by 27% in value and decreased by 18% in quantity between the periods 2008 and 2012. During the same period, imports of meat & edible offal of broiler from Brazil also increased by 9% in value and decreased by 7% in quantity while imports from Netherlands increased by 667% in value and 604% in quantity. Broiler meat exports from United Kingdom increased by 402% in value and 329% in quantity and Germany increased by 819% in value and 360% in quantity during the periods 2008 and 2012.

Between the periods 2011 and 2012 South Africa's imports for meat & edible offal of broiler increased by 14% in value. During the same period, imports of meat & edible offal of broiler from Brazil decreased by 10% and Netherlands experienced the highest increased by 86% in value. The fastest growing market during the same periods was Germany with an annual growth of 934%.

Figure 28: Competitiveness of suppliers to South Africa for poultry meat imported in 2012



Source: Trademap, ITC

Figure 28 illustrates that between 2008 and 2012 South Africa's meat & edible offal of broiler imports from Argentina, China, Australia and Israel were growing at a rate that is less than their export growth to the rest of the world. During the same period, South Africa's meat & edible offal of broiler imports from Brazil, Canada, United States of America, Belgium, France, Germany, United Kingdom, Netherlands, Chile, Ireland and Denmark were growing at a rate that is greater than their exports to the rest of the world.

Generally the most competitive markets were Germany and Netherlands with the annual import growth to South Africa of 819% and 667% respectively with the world export market share of 4.3% and 10.7% respectively. Together they constitute a total of 15% of the world share of meat & edible offal of broiler.

Figure 29: Prospects for diversification of suppliers for poultry meat imported by South Africa in 2012

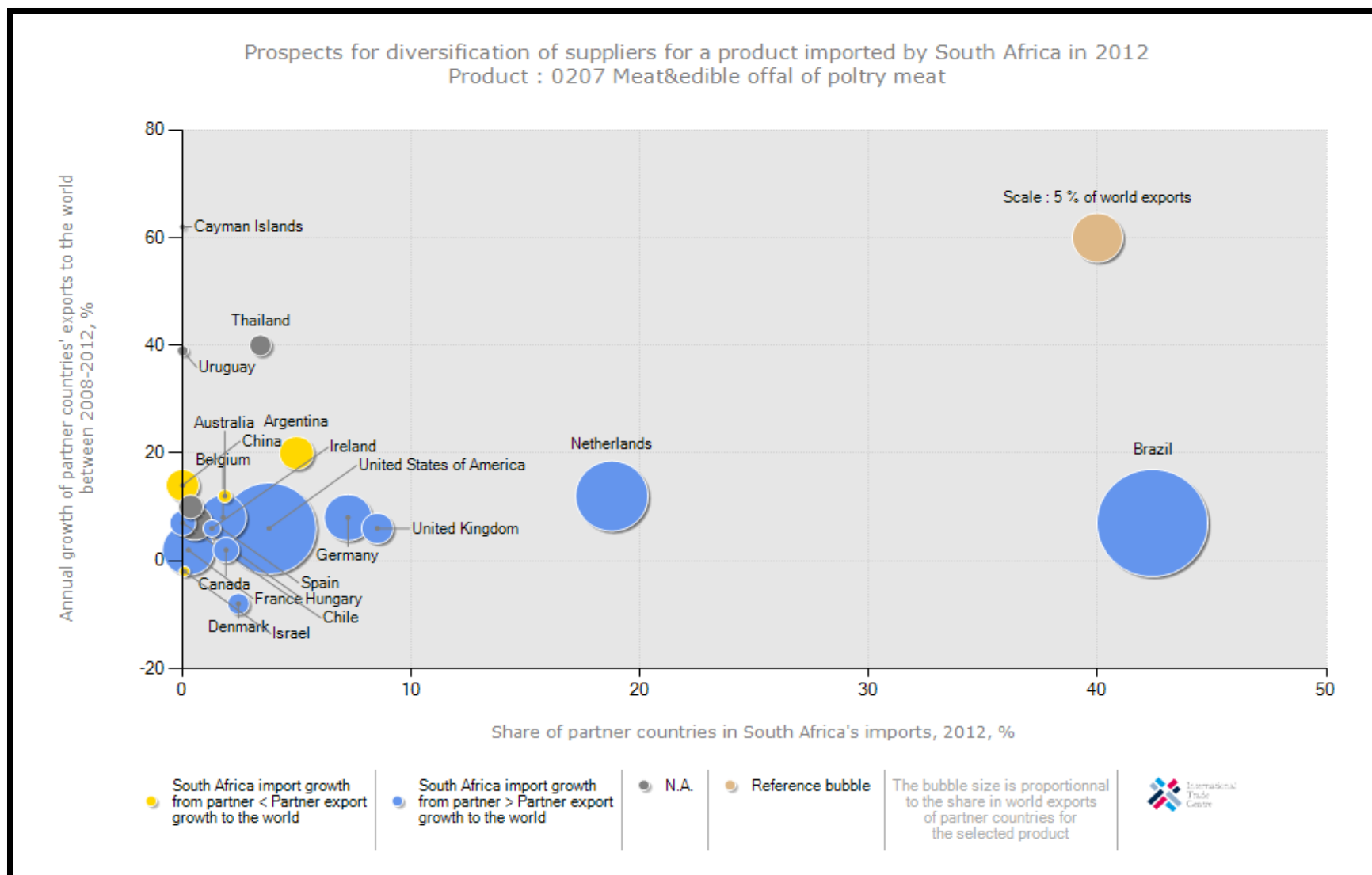


Figure 29 above shows the prospects for diversification of suppliers for meat & edible offal of broiler imports by South Africa in 2012. The analysis of the results as shown on the figure shows that Brazil commanded the greatest shares (42.4%) in South Africa's meat & edible offal of broiler imports during the year 2012 followed at a distance by Netherlands (18.78%). They are both exporting more meat & edible offal of poultry meat to South Africa than to the rest of the world.

If South Africa is to diversify its meat & edible offal of broiler imports, Brazil remains a traditional supplier, however other possible suppliers can be Cayman Islands due to its high annual exports of 62% but the chart shows that Cayman Island is a small market with a world market share of 0%. This means it might be difficult to enter their export market because it's size.

10. ACKNOWLEDGEMENTS

Agricultural Statistics

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www.daff.gov.za.

Market Access Map

www.macmap.org.

Broiler Site

www.thepoultrysite.com

Quantec Easydata

www.easydata.co.za

South African Poultry Association (SAPA)

P.O. Box 1192

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Tel: 011-795 2051

Fax: 011-795 3180

www.sapa.org.za.

TradeMap

www.trademap.org.

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