

A PROFILE OF THE SOUTH AFRICAN BROILER MARKET VALUE CHAIN

2012

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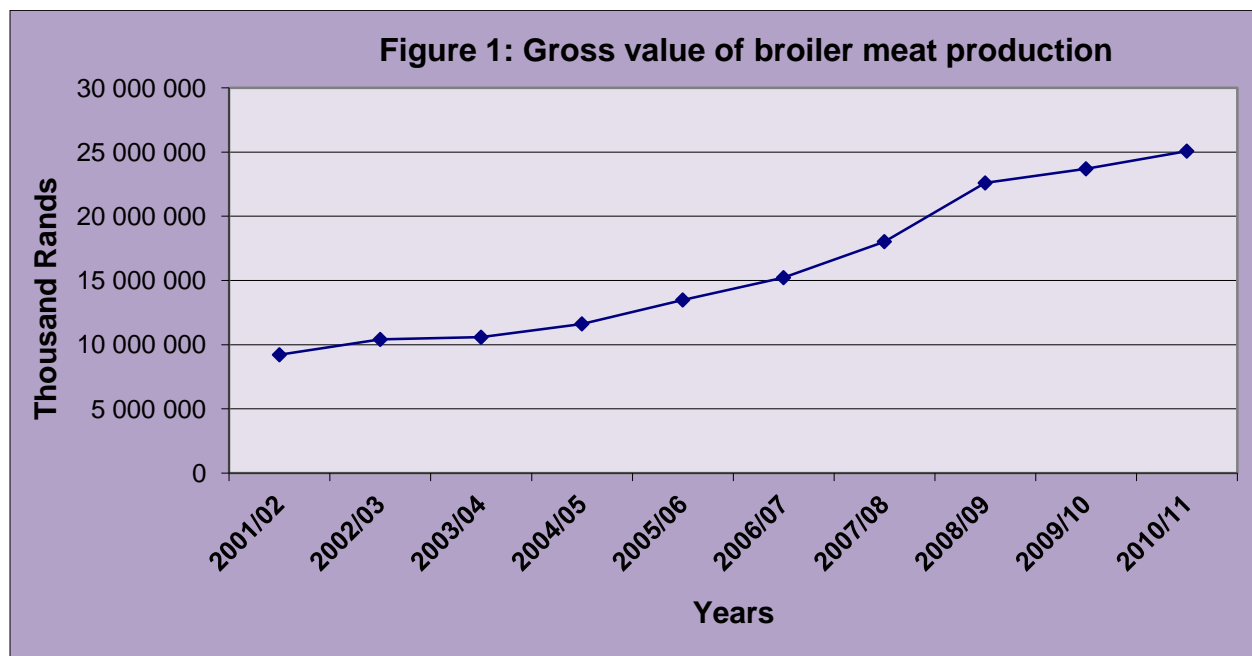
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1. DESCRIPTION OF THE INDUSTRY.

Broiler production, especially broiler meat production is the largest segment of South African agriculture by 17.5% in 2010 while all agricultural production in agriculture 35% of all animal products in South Africa (in Rand terms). The farm income from broiler meat for 2010 was R22, 940 billion. Broiler production dominates the agricultural sector and it is the main supplier in protein terms of food 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.

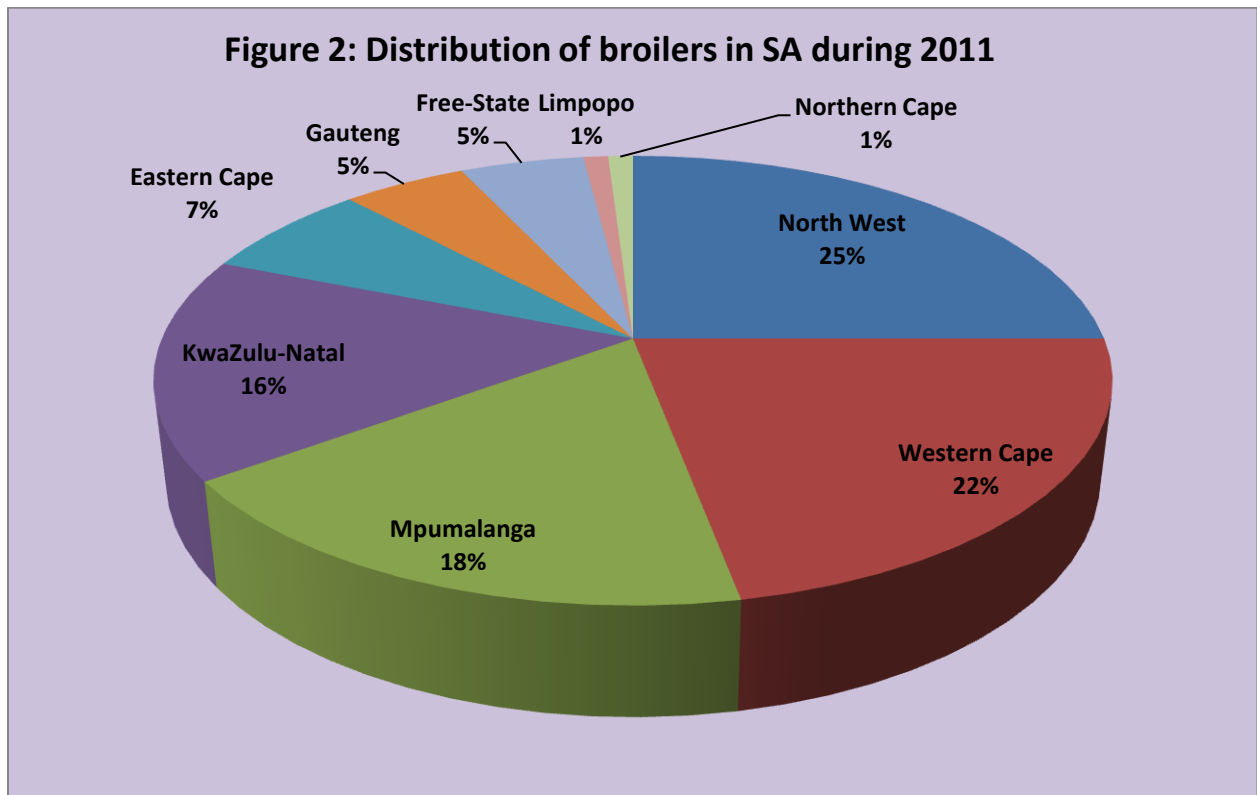
The gross value of broiler meat is depended on the quantity produced and prices received by producers. The gross value moved at an increasing trend during the period under review. The average gross value of production amounted to R 15, 989, 389, 000 over ten years. The contribution to the gross value 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 Cape, Mpumalanga and KwaZulu-Natal Provinces being the largest producers accounting for approximately 81% of total production. Figure 2 below shows the distribution of production during 2010/11.

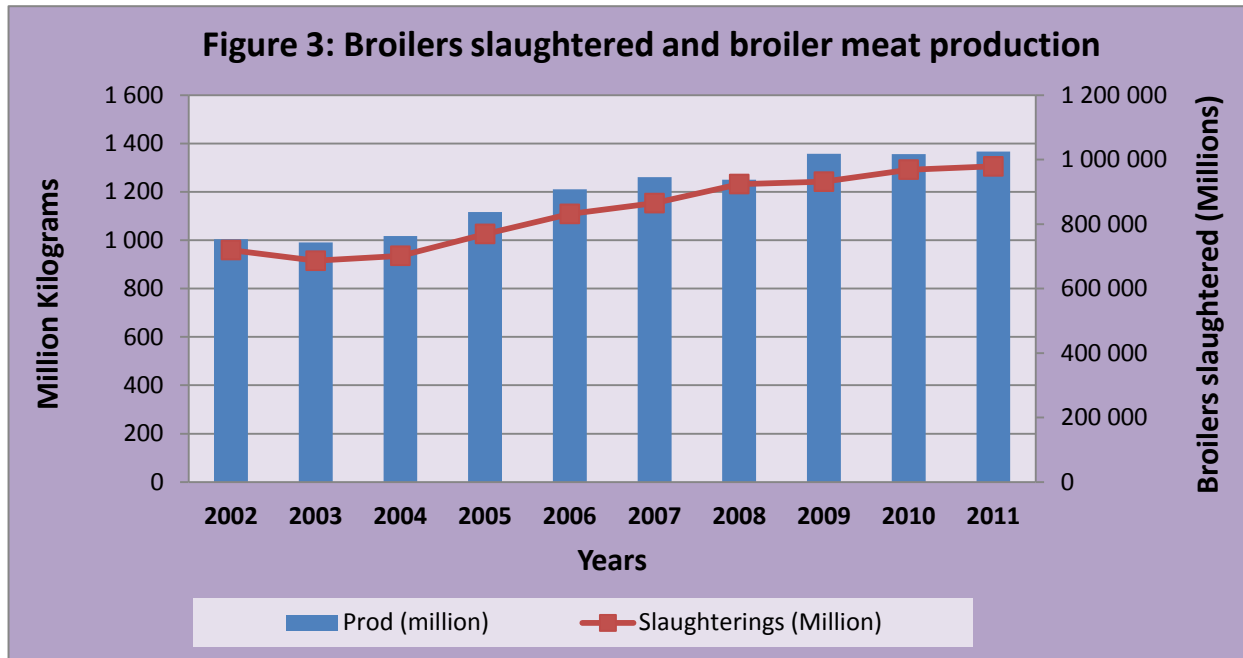


Source: Statistics and Economic Analysis, DAFF

During 2010/11 North West Province produced 25% of the entire broiler meat in South Africa followed by Western Cape Province by 22%, Mpumalanga Province 18% and KwaZulu–Natal Province 16%. Limpopo and Northern Cape Provinces were the least producers, producing 1% each of South African broiler meat

1.2. Production trends.

The number of birds slaughtered has significantly increased by about 49% in 2011 compared to the year 2002. This is mainly driven by the increasing demand. Figure 3 below shows the production trends from 2002 to 2011.

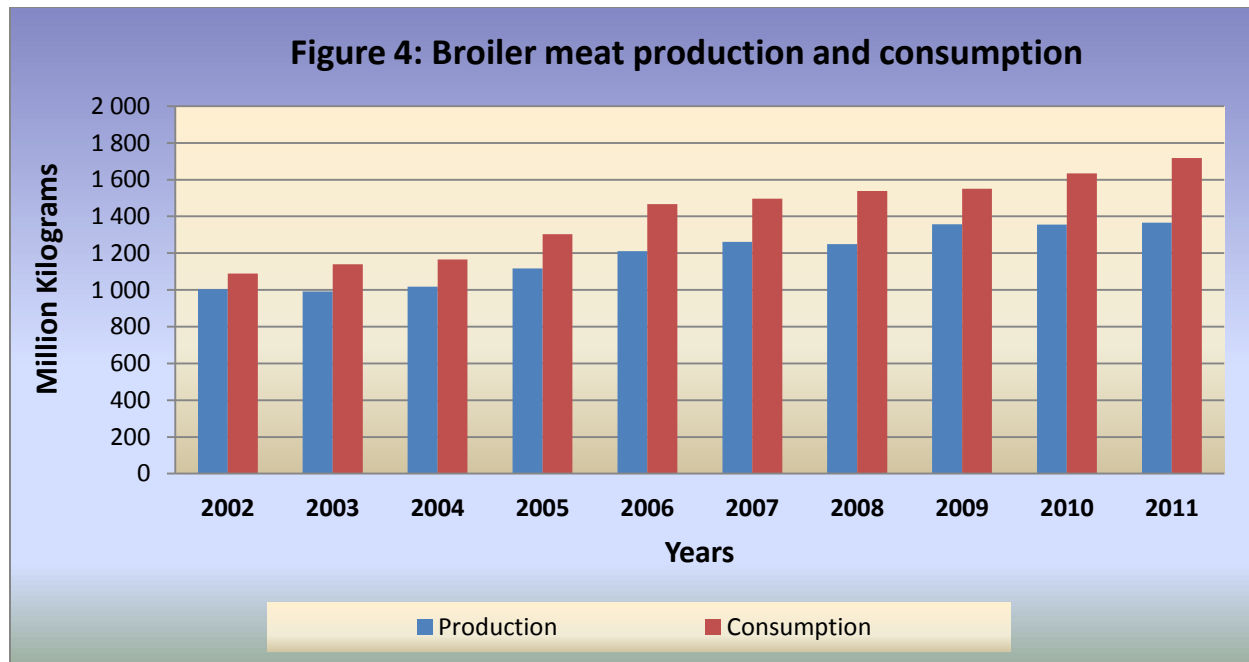


Source: Agricultural Statistics and SAPA

Figure 3 above shows that production of broiler meat increased continuously from 2004 to 2011 excluding 2008 while birds slaughtered fluctuated slightly throughout the period under review. Both broiler meat production and birds slaughtered reached a new peak of 1.4 million kilograms of broiler meat produced and 978.9 million birds slaughtered during 2011. There is an increase of 36% of broiler meat produced in 2011 compared to the production in 2002.

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

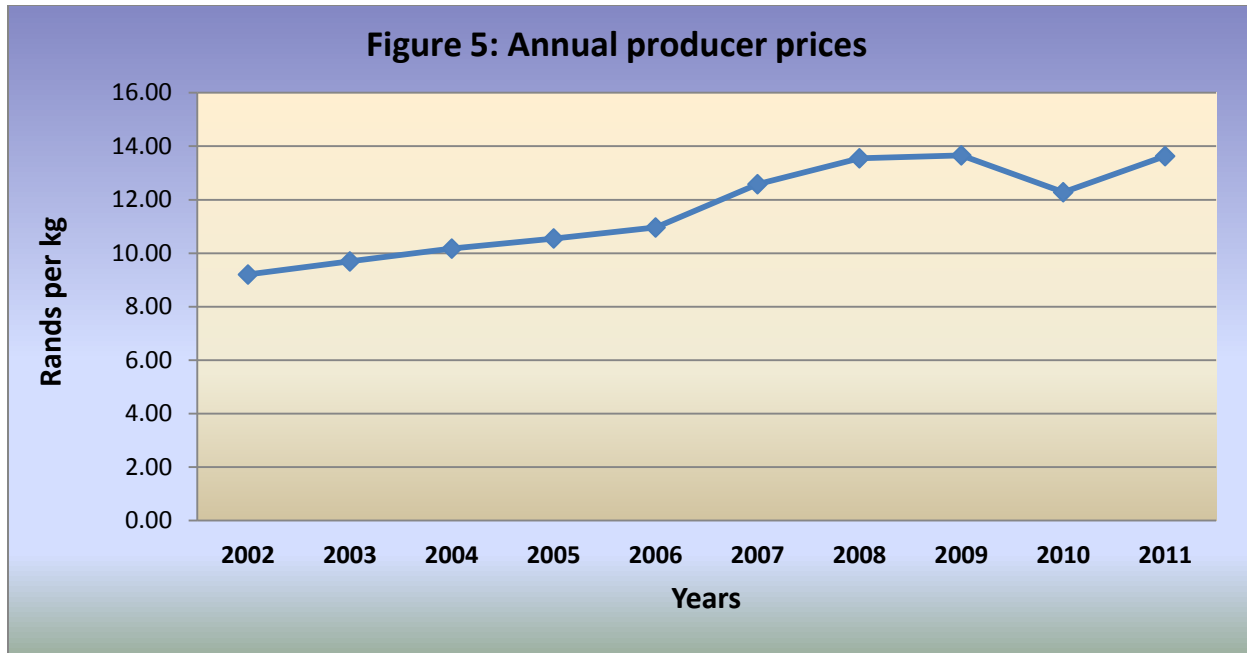
Figure 4 indicate that South Africa consume more broiler meat than what is produce locally, therefore South Africa became the net importer of broiler meat mainly to satisfy the local demand. The gap widened from 20/06 to 2011 as rising living standards are pushing larger numbers of consumers towards protein filled diets. The per capita of broiler meat consumed in South Africa has increased from 22.0 kg per person in 2002 to 35.8 kg per person in 2011. 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 7 035 farm staff and 562 farm managers. This includes broiler-rearing sites, laying sites, hatcheries and parent-rearing sites. The processing sector employs a total of 18 709 people and related feed industry employs 1 000 workers.

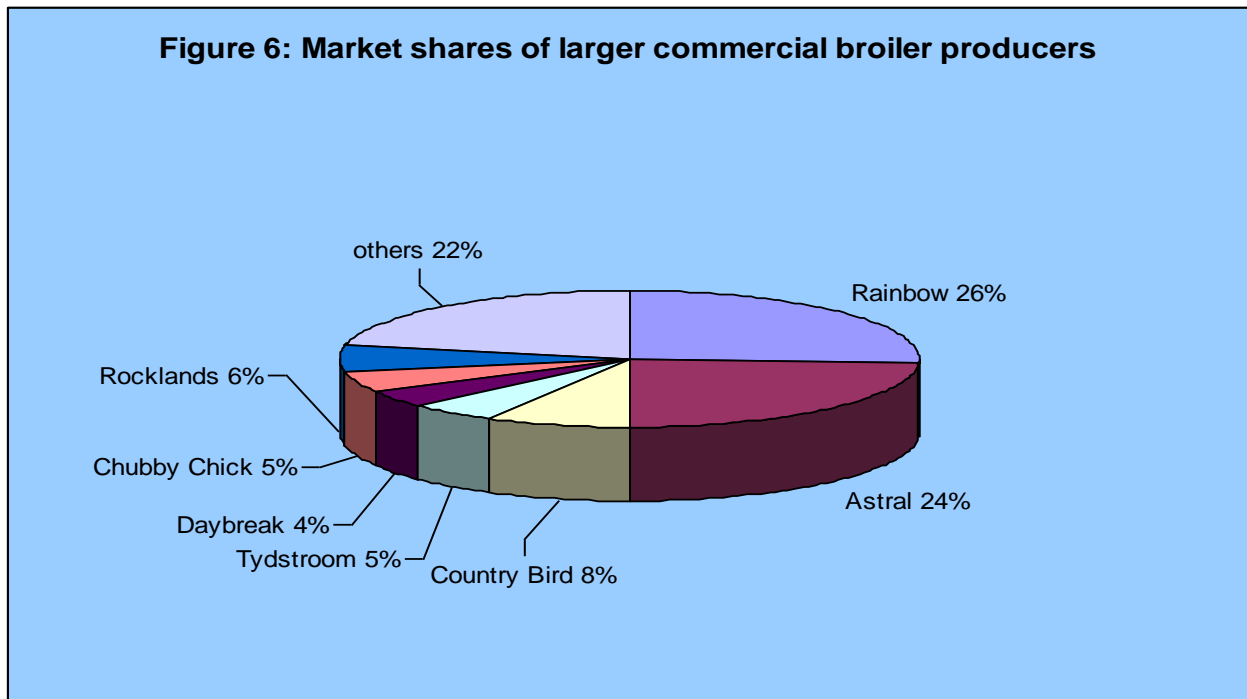
2. MARKET STRUCTURE

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 2002 to 2011.



Source: SAPA

The price increased from 2002 and reached the highest level in 2007 before declining in 2008, then increased slightly in 2009. The decline in 2010 might be due oversupply of eggs responding to the FIFA world cup held in South Africa. Figure 6 below shows the market shares in the broiler meat industry.



Source: UDA Foreign Agricultural Service

The broiler meat industry in South Africa is dominated by 2 large producers, namely Rainbow and Astral. Together these 2 companies produce 50% of the total broiler meat production. The other 4 medium-sized

producers (Tydstroom, Daybreak, Chubby Chick and Rocklands) produce more than 400 000 broilers each per week or 15% of the market. Argyle owns 2% of the market with more than 300 000 broilers per week followed by approximately 49 smaller producers producing less than 200 000 broilers per week each and around 1745 subsistence farmers (selling approximately 500 live chickens per week).

- **Rainbow** which owns the Rainbow, Bonny Bird and Farmer Brown brands is the largest vertically integrated broiler meat producer in South Africa holding an approximate market share of 36% and produces 4.1 million broilers per week.
- **Astral** (27%) and Earlybird farm both broiler meat producers are subsidiaries of Astral Foods. On the 08th September 2004 the Competition Tribunal approved the merger of the two subsidiaries. Astral produces 3.4 million broilers per week and Country Bird produces 1.2 million broilers per week.
- **Tydstroom Pluimveeplaas** which belongs to Pioneer Foods and holds 5% of the market share,
- **Daybreak** farms subsidiary of AFGRI which owns the superior brand holds 4%. It currently processes 650 000 broilers per week.
- **Chubby Chicks** (also known as Fourie's poultry farm) based in Uitenhage holds 4% of the market share.
- **Rocklands** is a subsidiary of JSE-listed Sovereign Food Investments. It is the seventh-largest broiler producer in South Africa and its broiler meat is marketed under the Crown label. Its market share is 4%.

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

Years	Broilers slaughtered	Production	Consumption	Exports	Imports
	(Million Kilograms)				
2001/02	719,430	1,004	1,089	7	87
2002/03	686,247	991	1,139	2	145
2003/04	701,605	1,017	1,166	2	160
2004/05	769,379	1,117	1,303	1	198
2005/06	831,441	1,210	1,467	1	251
2006/07	864,962	1,261	1,496	1	256
2007/08	8924,072	1,250	1,539	2	214
2008/09	931,443	1,357	1,551	18	209
2009/10	968,796	1,356	1,635	15	143
2010/11	978,873	1,367	1,717	9	202

Source: Agricultural Statistics, 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.

2.2. Import – Export analysis.

Figure 7 compares quantities of imports and exports of broiler meat from 2002 to 2011.

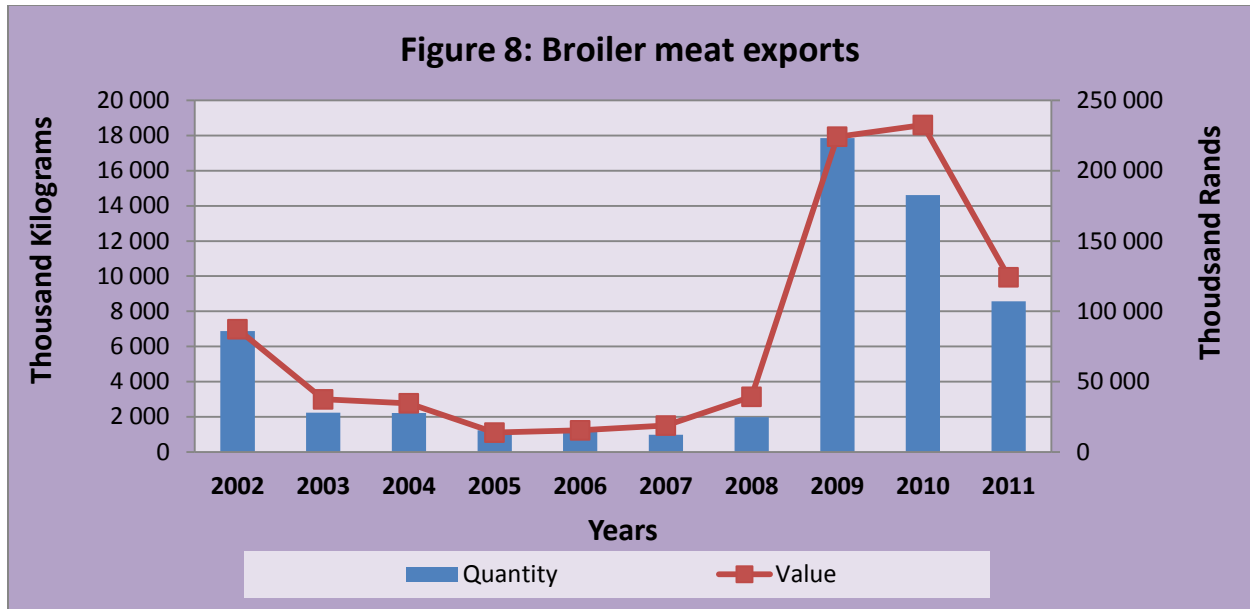


Source: Quantec EasyData

Figure 7 indicates that from 2002 to 2011 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.

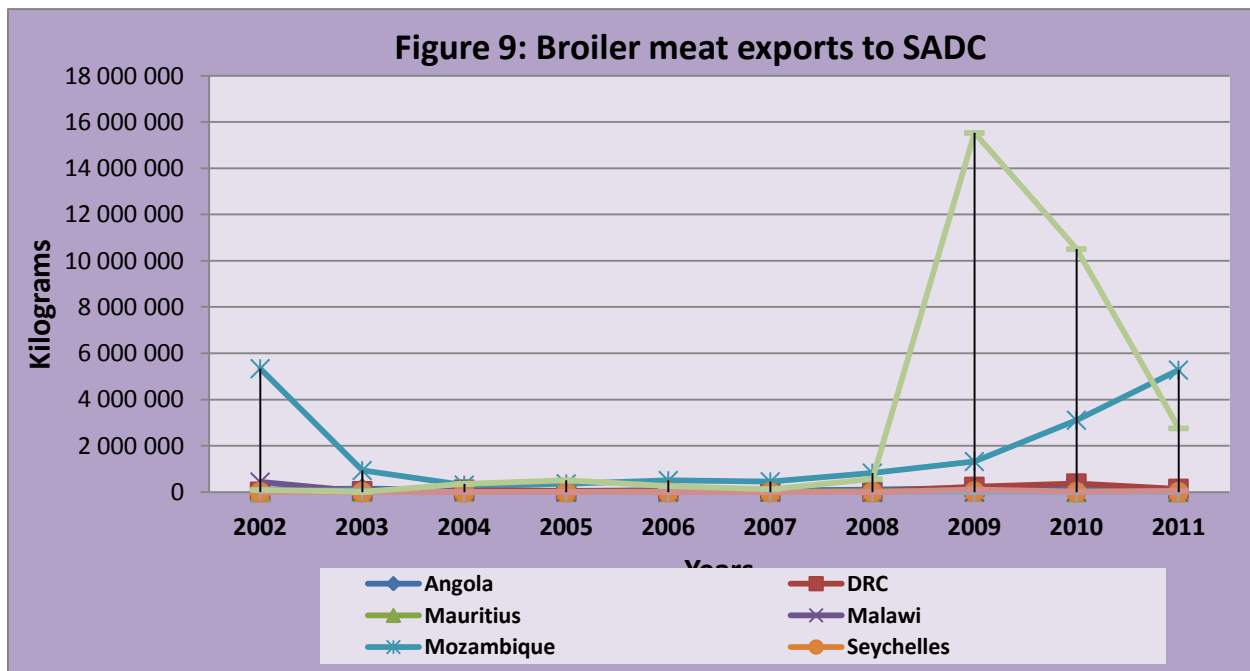
2.2.1. Exports.

The broiler meat industry is also an earner of foreign exchange through the export of broiler meat. South Africa experienced an increase of 25% of exports quantity and an increase of 42% in exports value. Figure 8 below indicates the export of broiler meat from 2002 to 2011.



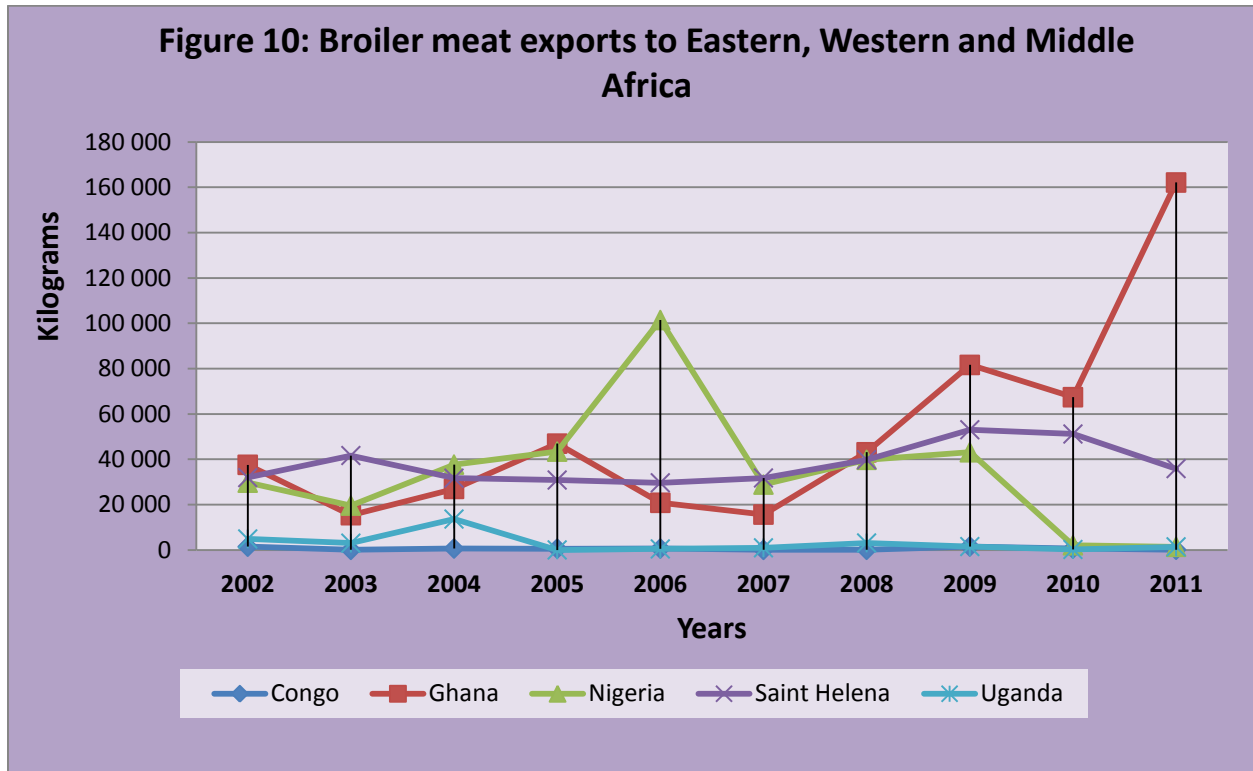
Source: Quantec EasyData

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 2011. Although there is a decreasing trend during the last two 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 2002 to 2011.



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 2002- 2003; 2006-2008 and during 2011 while Zimbabwe was the highest commander of broiler meat from South Africa during 2004 -2005; 2009 and 2010. Even though Mozambique commanded the highest South African broiler meat exports for several years in total exports to Zimbabwe is still higher than exports to Mozambique during the past decade. Zimbabwe commanded and total of 30.7 million kilograms followed at a distance by Mozambique by 18.4 million kilograms.

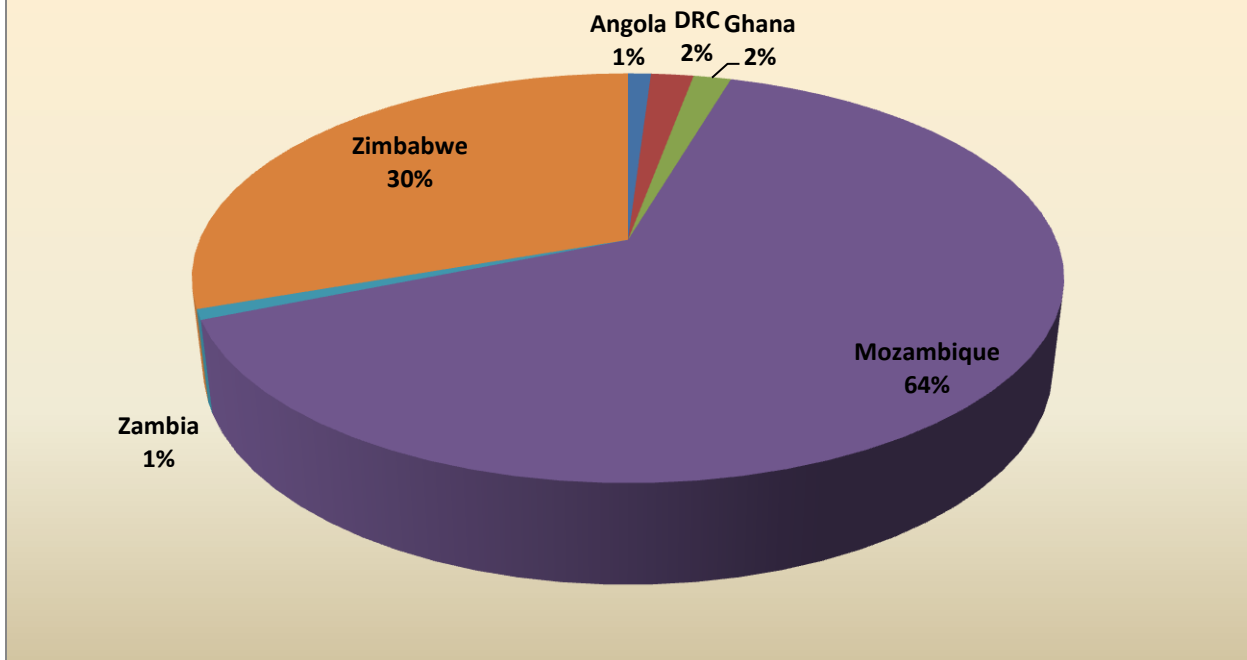


Source: Quantec EasyData

It is clearly indicated from figure 10 above that Ghana commanded the highest broiler meat exports during 2002, 2005 and 2008 to 2011. Saint Helena commanded the second highest export shares of broiler meat from South Africa and commanded the highest exports during 2003 and 2007 but became the second highest during other years. Nigeria commanded the third highest shares but commanded the highest exports during 2004 and 2006.

Figure 11 below shows the main export destinations of South Africa's broiler meat in 2011. Most of South African broiler meat is exported to Mozambique which obtained 64% of South African broiler meat followed by Zimbabwe by 30%. Angola, Ghana, Democratic Republic of Congo and Zambia shared the 6% of South African broiler meat exports during 2011. It is noted that South African broiler meat is exported mostly to SADC countries.

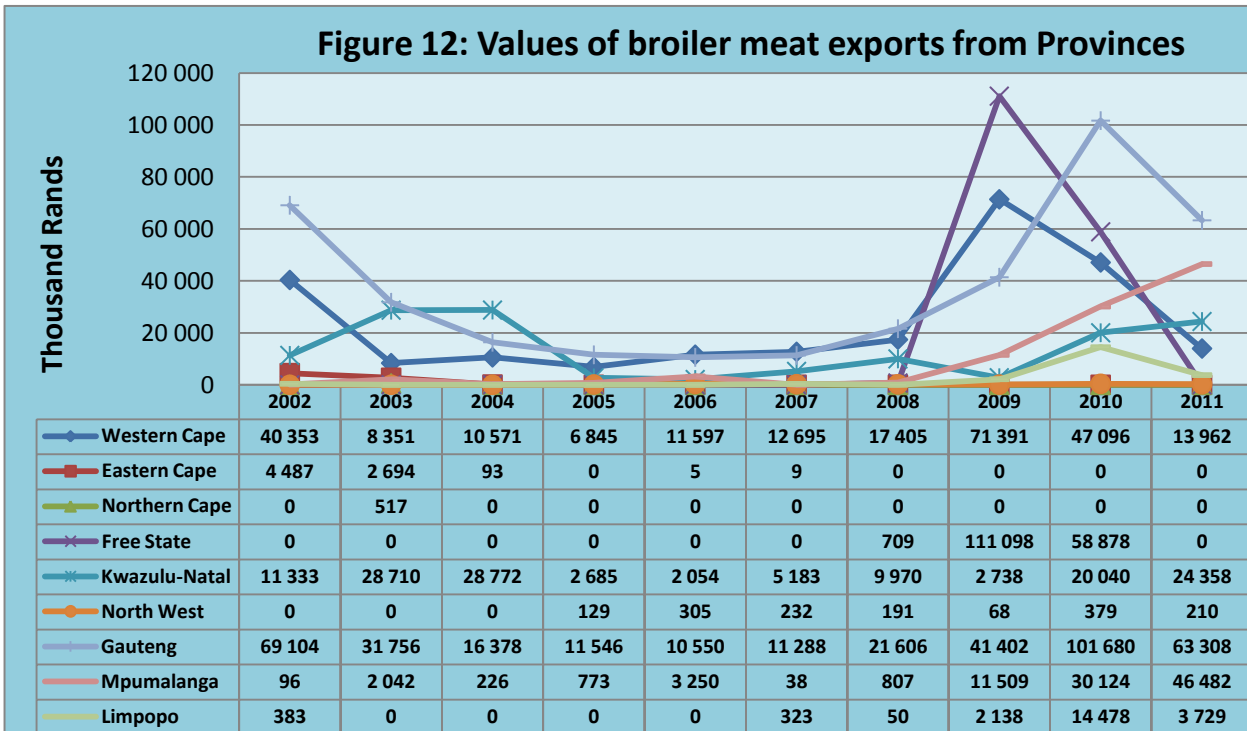
Figure 11: Broiler meat destinations during 2011



Source: Quantec EasyData

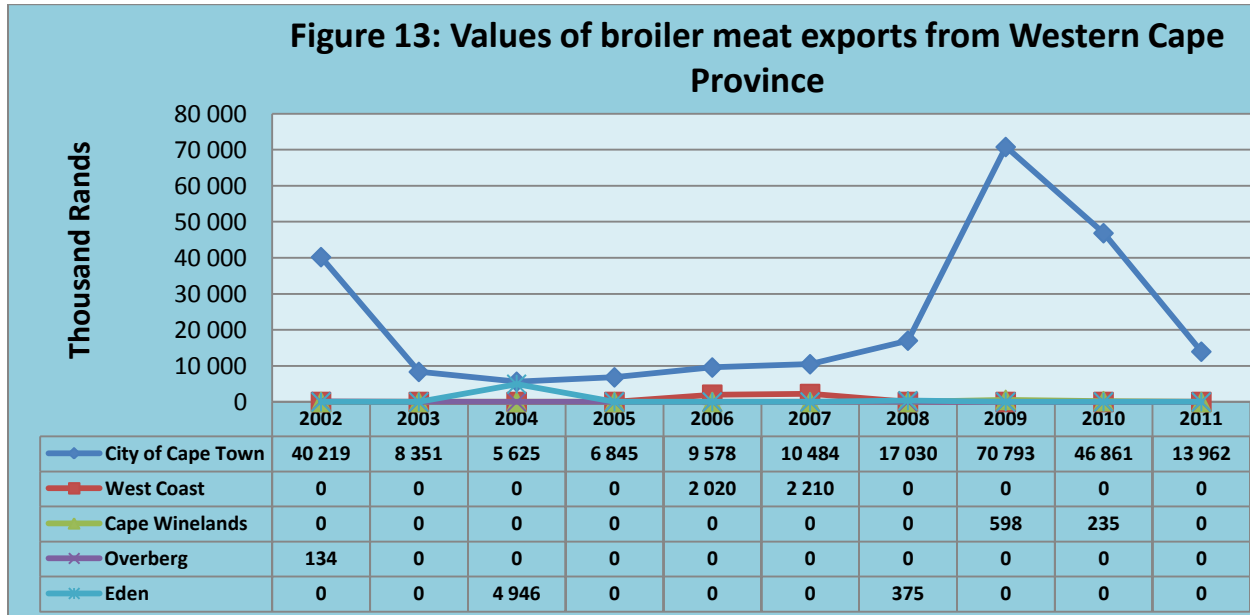
Values of broiler meat exports from various provinces of South Africa are presented in Figure 12.

Figure 12: Values of broiler meat exports from Provinces



Source: Quantec EasyData

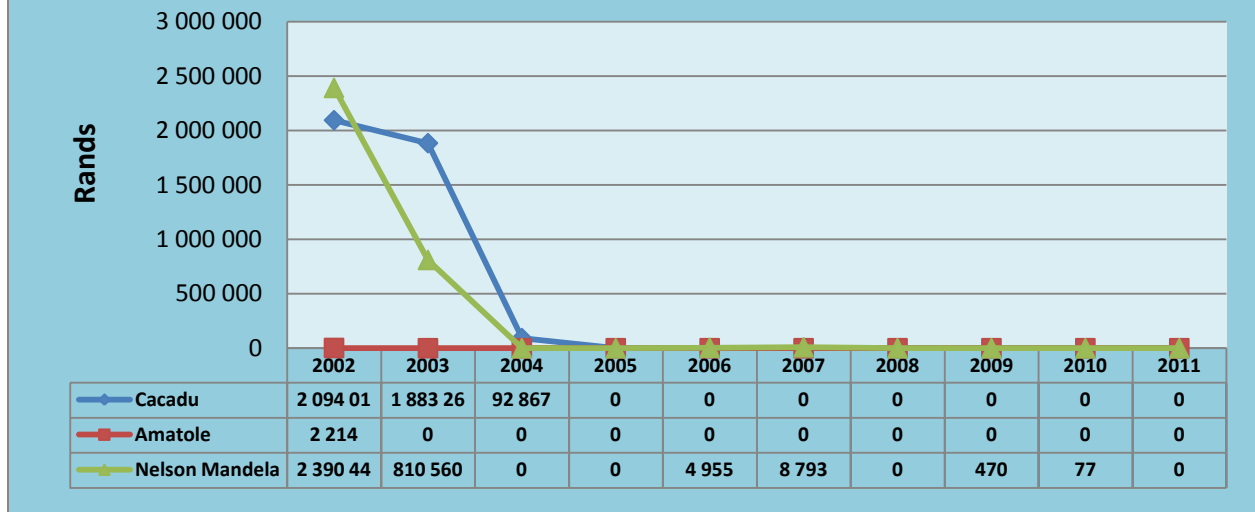
Broiler meat exports originate mainly from the Gauteng, Western Cape, Free State and KwaZulu-Natal Provinces. Gauteng Province has recorded the greatest values in broiler meat exports during the period under review with the highest values in 2002-2003, 2005, 2008 and 2010-2011. This is due to the fact 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 only from 2008 to 2010. 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.



Source: Quantec EasyData

The greatest share of broiler meat exports value from Western Cape Province originates mainly from City of Cape Town Metropolitan municipality. Small intermittent export values were recorded in West Coast, Cape Winelands, Overberg and Eden district municipalities. West Coast district municipality recorded some exports during 2006 and 2007; Cape Winelands district municipality recorded in 2009 and 2010; Overberg recorded the value of R134 000 of broiler meat exports in 2002 only whereas Eden recorded during 2004 and 2008.

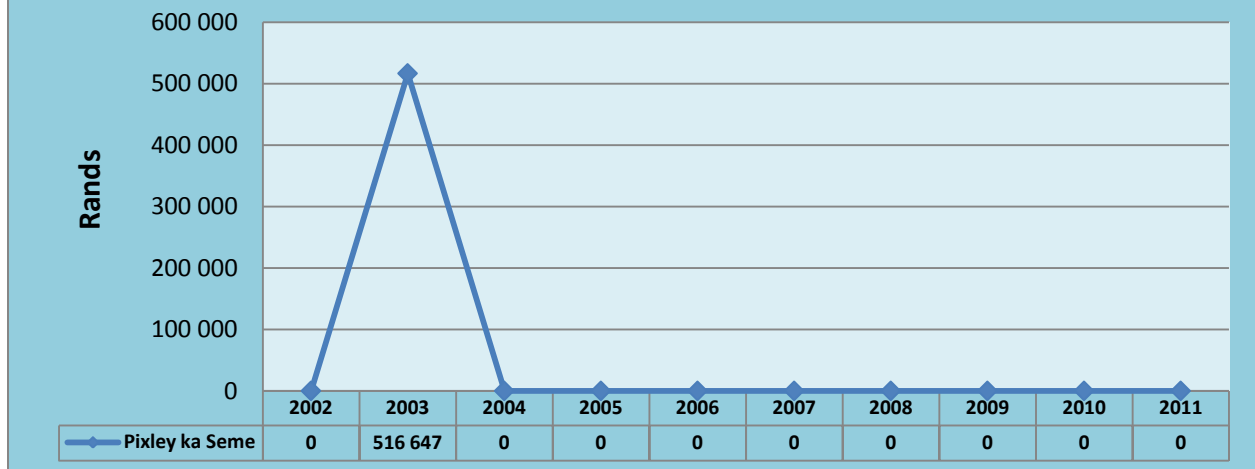
Figure 14: Values of broiler meat exported from Eastern Cape Province



Source: Quantec EasyData

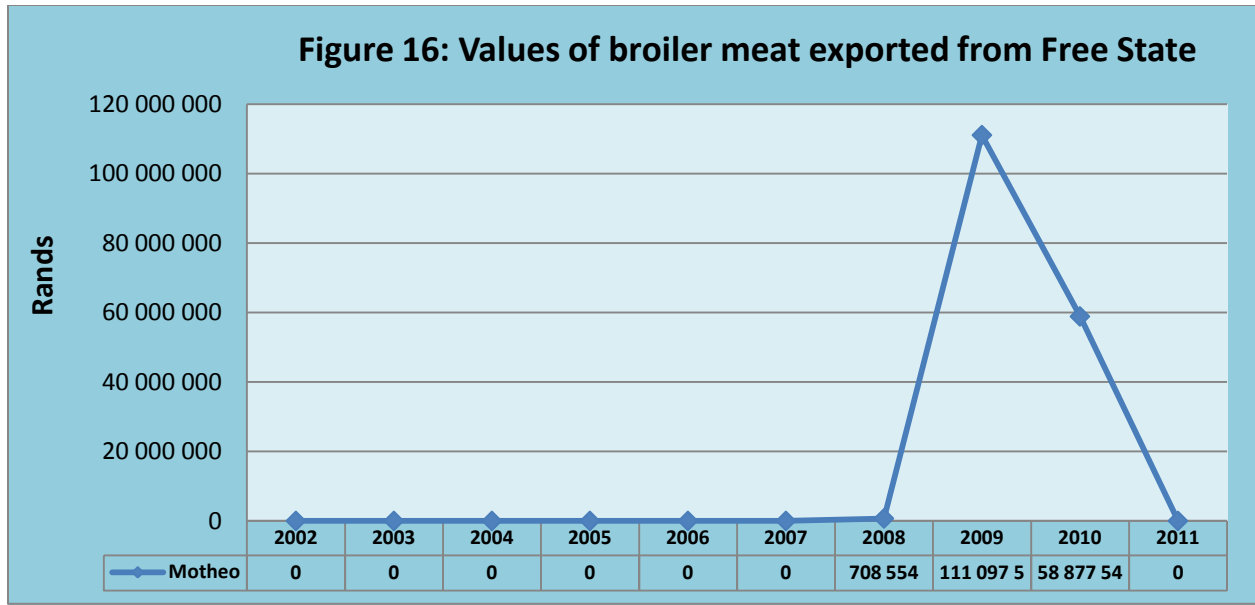
Broiler meat exports in Eastern Cape Province were from Cacadu district, Amatole district and Nelson Mandela metropolitan municipalities. All municipalities in the Eastern Cape Province recorded irregular exports of broiler meat. Nelson Mandela district municipality recorded the highest export values in 2002 and Cacadu district municipality commanded the highest values in 2003.

Figure 15: Values of broiler meat exported from Northern Cape province



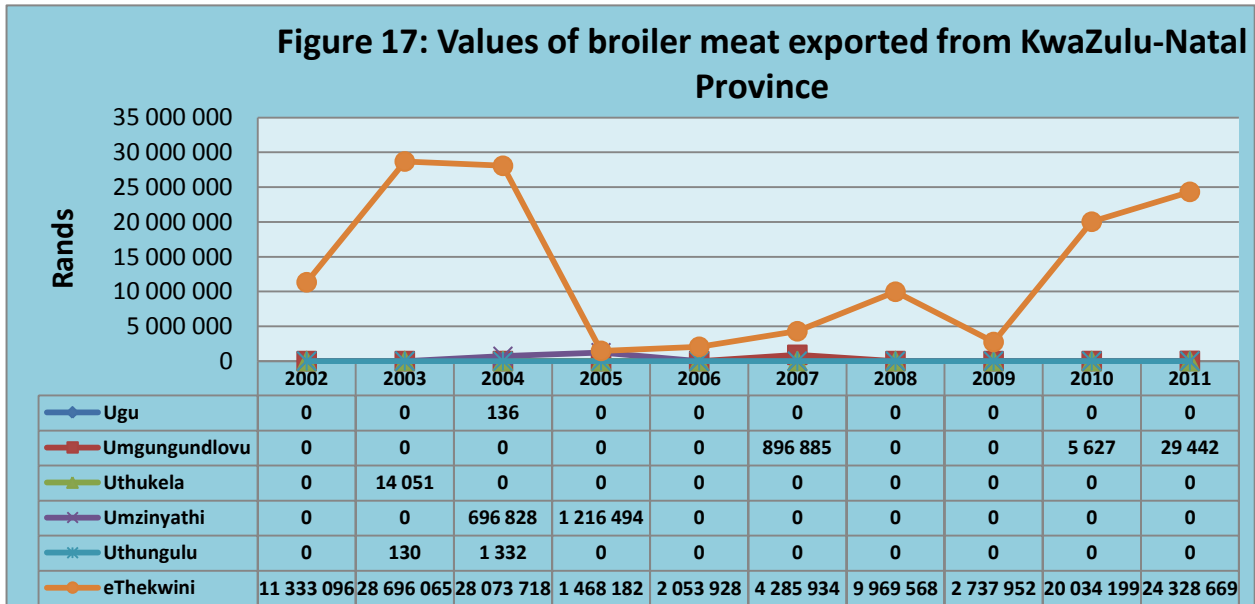
Source: Quantec EasyData

From 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

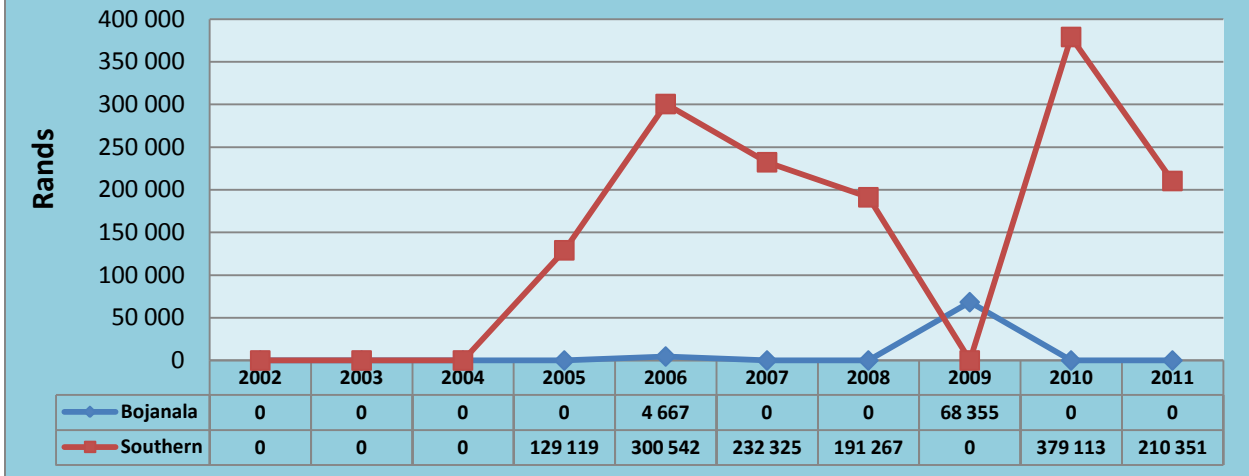
In Free State Province, broiler meat exports were mainly from Motheo district municipalities. Motheo district municipality recorded exports values of broiler meat from 2008 to 2010 and diminished during the other years.



Source: Quantec EasyData

From KwaZulu-Natal Province, the export of broiler meat was mainly from eThekwini district municipality. This municipality commanded the greatest value of R 132, 981, 311 during the past decade. Intermittent export values of broiler meat were recorded from Ugu district municipality (2004); Umgugundlovu district municipality (2007; 2010 & 2011); Uthukela district municipality (2003); Umzinyathi district municipality (2004-2005) and Uthungulu district municipality (2003-2004).

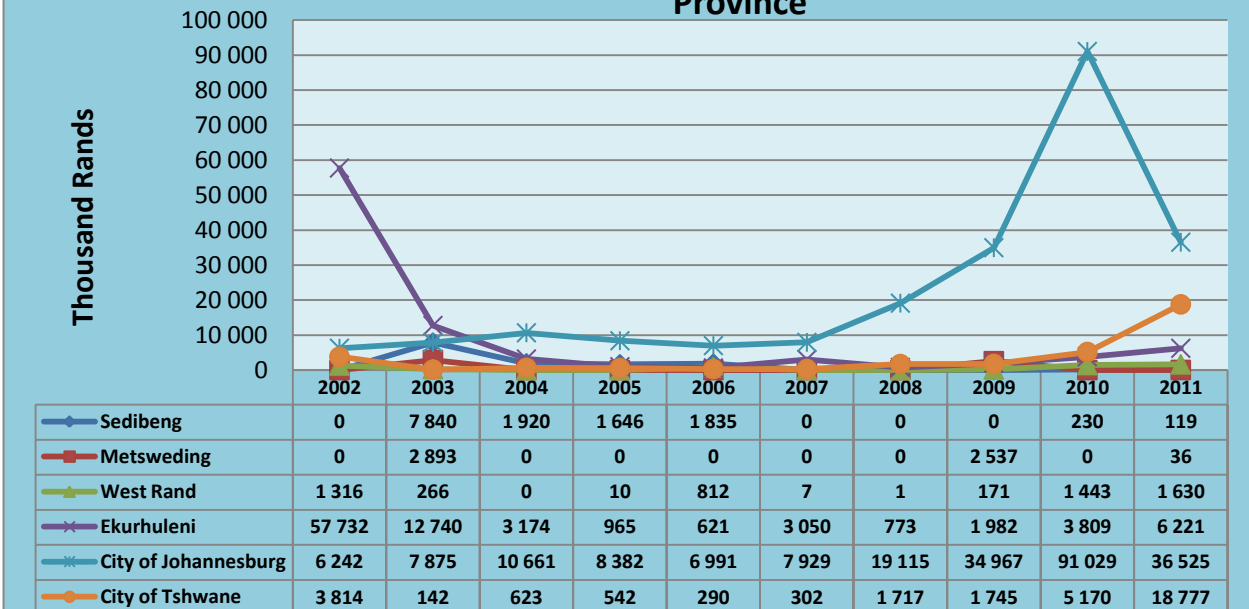
Figure 18: Values of broiler meat exported from North West Province



Source: Quantec EasyData

Southern district municipality in North West commanded the highest export values during the past decade followed by Bojanala district municipality. Both municipalities recorded intermittent exports. Bojanala recorded in 2006 and 2009 while Southern district municipality recorded from 2005 to 2008 and 2010 to 2011.

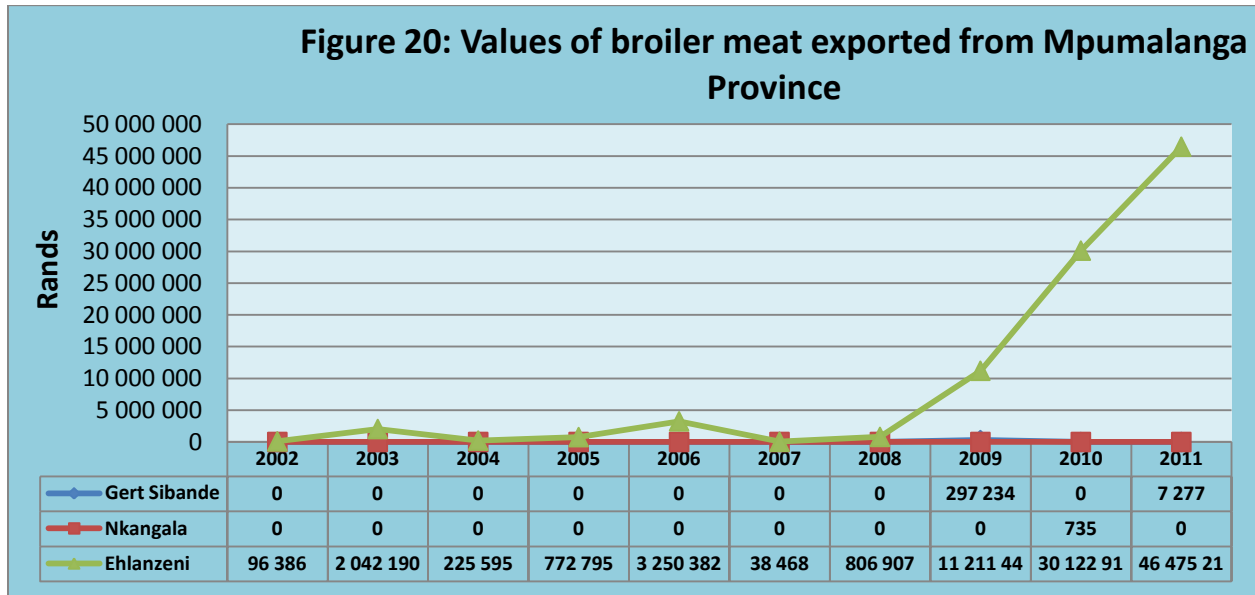
Figure 19: Values of broiler meat exported from Gauteng Province



Source: Quantec EasyData

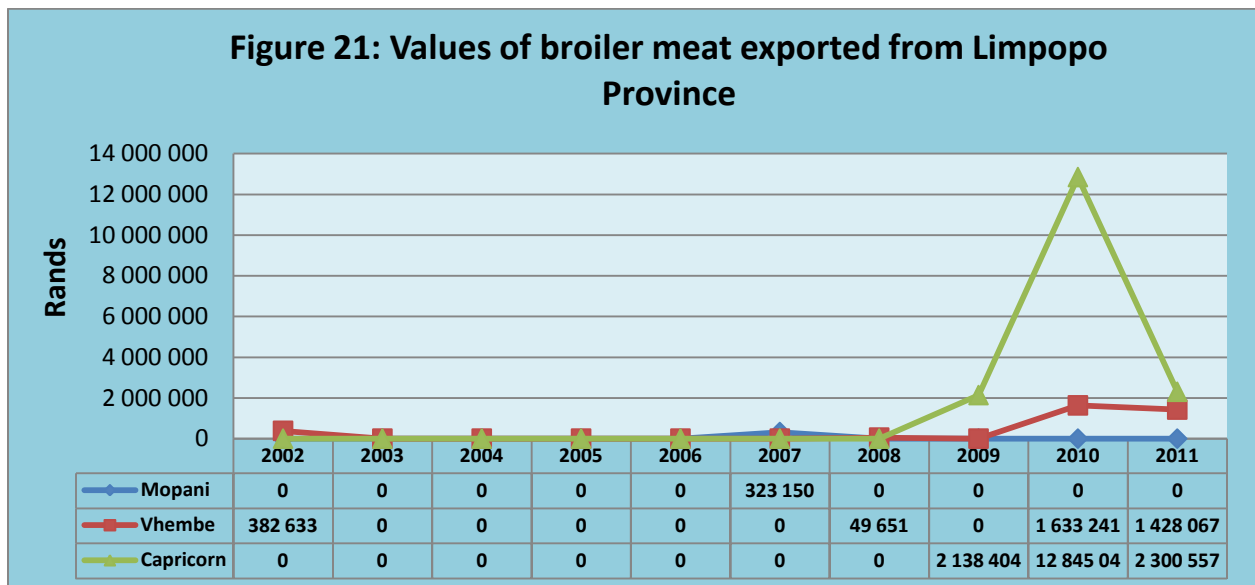
In Gauteng province, broiler meat exports arose mainly from City of Johannesburg, Ekurhuleni and City of Tshwane district municipalities. City of Johannesburg dominated the export market of broiler meat in Gauteng province and commanded an export value of R 229,715,619 for the past ten years. It commanded

the greatest values from 2004 to 2011. Irregular exports were recorded from Sedibeng, Metsweding and west Rand district municipalities..



Source: Quantec EasyData

In Mpumalanga Province, Ehlanzeni district municipality was the greatest commander of broiler meat export values. Ehlanzeni district municipality showed a continuous sharp increase from 2009 to 2011. Gert Sibande and Nkangala district municipalities recorded fractional exports. Gert Sibande district municipality recorded exports of broiler meat during 2009 and 2011 while Nkangala district municipality exported only in 2010.



Source: Quantec EasyData

Figure 21 indicates that Limpopo Province experienced intermittent exports of broiler meat from 2002 to 2011. Mopani district municipality recorded exports during 2007; Vhembe recorded during 2002, 2008 and 2010-2011; Capricorn district municipality recorded during 2009 to 2011.

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	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Western Cape	32.09	11.28	18.86	31.14	41.77	42.65	34.30	29.70	17.27	9.18
Eastern Cape	3.57	3.64	0.17	0.00	0.02	0.03	0	0	0	0
Northern Cape	0	0.70	0	0	0	0	0	0	0	0
Free State	0	0	0	0	0	0	1.40	46.22	21.59	0.00
Kwazulu-Natal	9.01	38.76	51.34	12.22	7.40	17.41	19.65	1.14	7.35	16.02
North West	0	0.00	0	0.59	1.10	0.78	0.38	0.03	0.14	0.14
Gauteng	54.95	42.87	29.23	52.54	38.00	37.92	42.58	17.23	37.29	41.64
Mpumalanga	0.08	2.76	0.40	3.52	11.71	0.13	1.59	4.79	11.05	30.57
Limpopo	0.30	0	0	0	0	1.09	0.10	0.89	5.31	2.45
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	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
City of Cape Town	99.67	100	53.21	100	82.59	82.59	97.85	99.16	99.50	100
West Coast	0	0	0	0	17.41	17.41	0	0	0	0
Cape Winelands	0	0	0	0	0	0	0	0.84	0.50	0
Overberg	0.33	0	0	0	0	0	0	0	0	0
Eden	0	0	46.79	0	0	0	2.15	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 2002 and 2011. During the same period, Eden district municipality commanded the second highest level although it registered fractional exports. 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	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Cacadu	46.67	69.91	100	0	0	0	0	0	0	0
Amathole	0.05	0	0	0	0	0	0	0	0	0
Nelson Mandela	53.28	30.09	0	0	100	100	0	100	100	0
Total	100	100	100	0	100	100	0	100	100	0

Source: Calculated from Quantec EasyData

From Eastern Cape Province, the export shares of broiler meat fluctuated among Nelson Mandeda metropolitan, Cacadu and Amathole district municipalities. During the past ten years Nelson Mandeda 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	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Pixley ka Seme	0	100		0	0	0	0	0	0	0
Total	0	100	0	0	0	0	0	0	0	0

Source: Calculated from Quantec EasyData

Northern Cape recorded exports of broiler meat from 2002 to 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	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Motheo	0.00	0.00	0.00	0.00	0.00	0.00	100	100	100	0
Total	0	0	0	0	0	0	1000	100	100	0

Source: Calculated from Quantec EasyData

From Free State Province exports of broiler meat occurred from Motheo district municipality in 2003 and 2008 to 2011.

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

Years District	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Ugu	0	0	0.00	0	0	0	0	0	0	0
Umgungundlovu	0	0	0	0	0	17.30	0	0	0.03	0.12

Years District	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Uthukela	0	0.05	0	0	0	0	0	0	0	0
Umzinyathi	0	0	2.42	45.31	0	0	0	0	0	0
Uthungulu	0	0.00	0.00	0	0	0	0	0	0	0
eThekwini	100	99.95	97.57	54.69	100	82.70	100	100	99.97	99.88
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, Umgugundlovu, 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	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Bojanala	0	0	0	0	1.53	0	0	100	0	0
Southern	0	0	0	100	98.47	100	100	0	100	100
Total	0	0	0	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 and diminished during the other years.

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

Years District	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Sedibeng	0	24.69	11.72	14.26	17.39	0	0	0	0.23	0.19
Metsweding	0	9.11	0	0	0	0	0	6.13	0	0.06
West Rand	1.90	0.84	0.00	0.08	7.70	0.06	0.00	0.41	1.42	2.57
Ekurhuleni	83.54	40.12	19.38	8.36	5.89	27.02	3.58	4.79	3.75	9.83
City of Johannesburg	9.03	24.80	65.09	72.60	66.27	70.24	88.47	84.46	89.52	57.69
City of Tshwane	5.52	0.45	3.81	4.70	2.75	2.68	7.95	4.21	5.08	29.66
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, Sedibeng and City of Tshwane district municipalities. Intermittent exports of broiler meat were recorded in Sedibeng and Metsweding district municipalities.

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

Years District	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Gert Sibande	0	0	0	0	0	0	0	2.58	0	0.02
Nkangala	0	0	0	0	0	0	0	0	0.00	0
Ehlanzeni	100	100	100	100	100	100	100	97.42	100.00	99.98
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 2005 to 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	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Mopani	0	0	0	0	0	100	0	0	0	0
Vhembe	100	0	0	0	0	0	100	0	11.28	38.30
Capricorn	0	0	0	0	0	0	0	100	88.72	61.70
Total	100	0	0	0	0	100	100	100	100	100

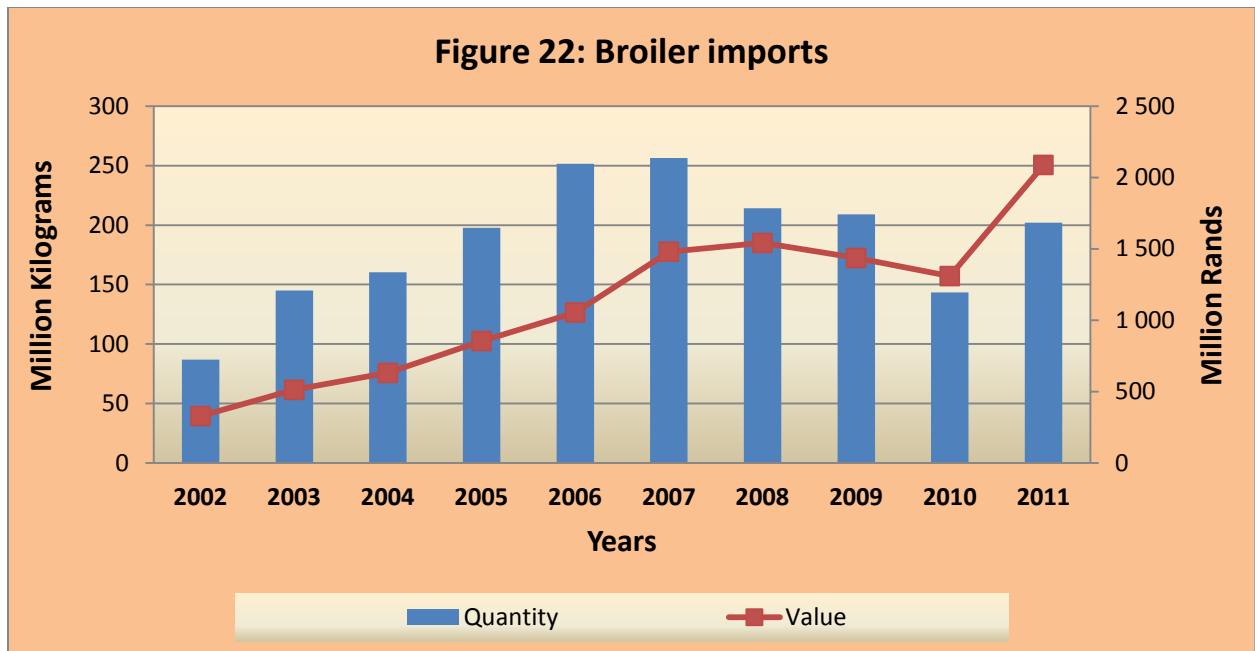
Source: Calculated from Quantec EasyData

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. 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.

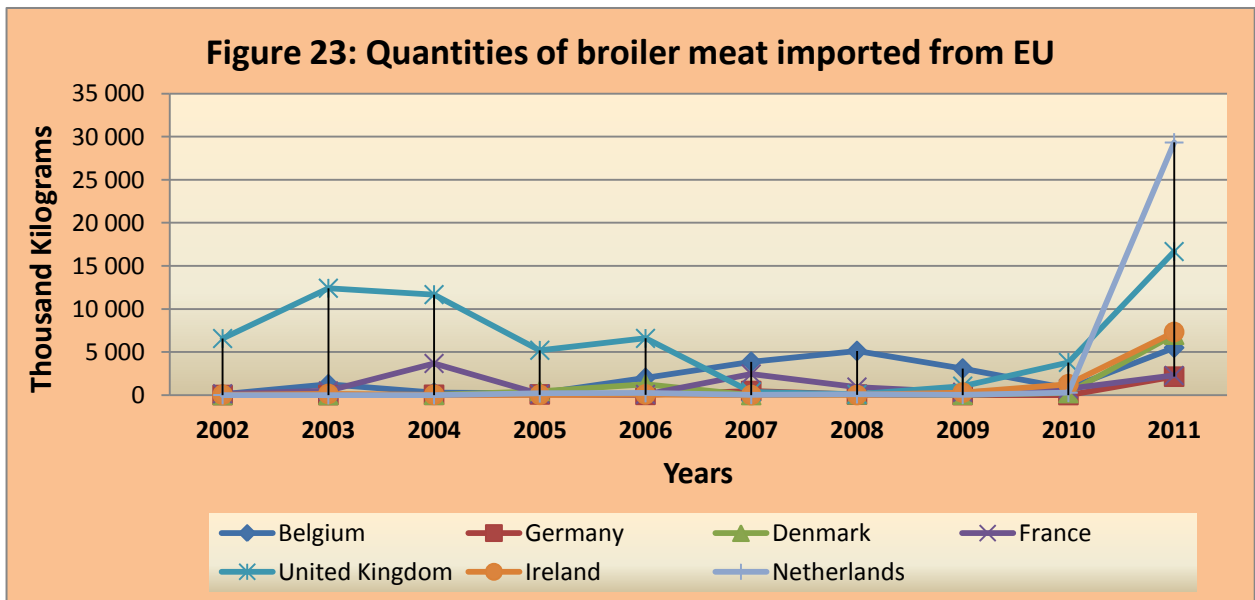
South Africa imported approximately 202 million kilograms of broiler meat in 2011 at an estimated value of R 2.1 million. The import value showed a significant increase of 57% compared to 2002. This drastic increase might have caused by the alleged dumping of certain pieces of broiler meat from Brazil. 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 2002 to 2011.



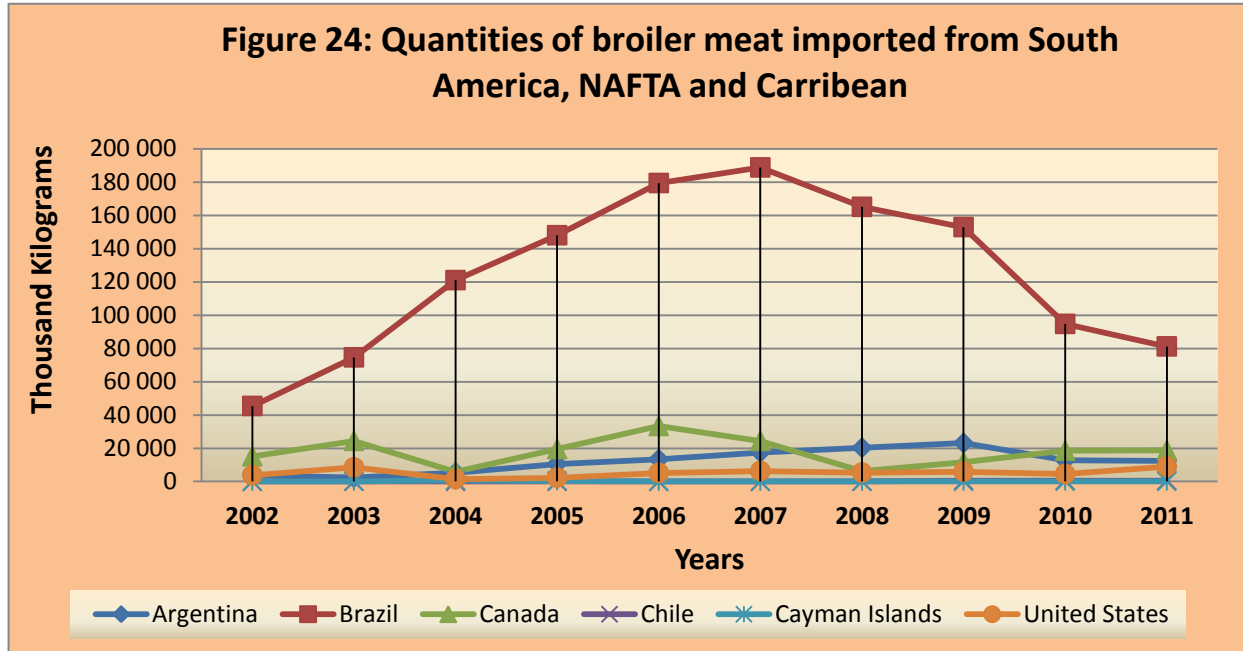
Source: Quantec EasyData

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 2002 and reached the highest level in 2007 before moving at a decreasing trend from 2008 to 2010 then increased drastically during 2011. The Rand appreciated (average of R7.66/US\$) from the last six months of 2009 and led the broiler meat imports to accelerate then depreciated in 2010. During 2010 to 2011, it was more expensive to import broiler meat as less quantity was imported at a high value. Figure 23 below show the main suppliers of broiler meat to South Africa during the period 2002 to 2011.



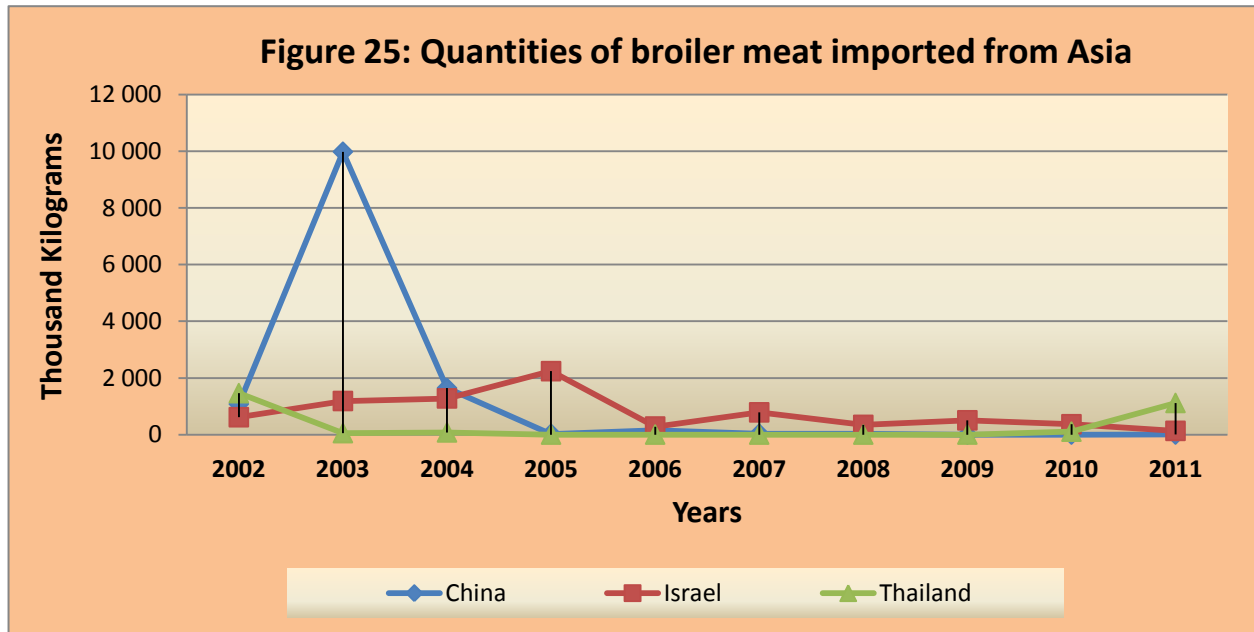
Source: Quantec EasyData

Figure 23 clearly indicates that the highest quantity of broiler meat imports from 2002 to 2006 and 2010 originated from United Kingdom followed by Belgium which commanded the highest imports of broiler meat to South Africa during the periods 2007 to 2009 and Netherlands commanded the highest imports during 2011. The lowest imports received during the past decade were from Germany, Denmark and Ireland.



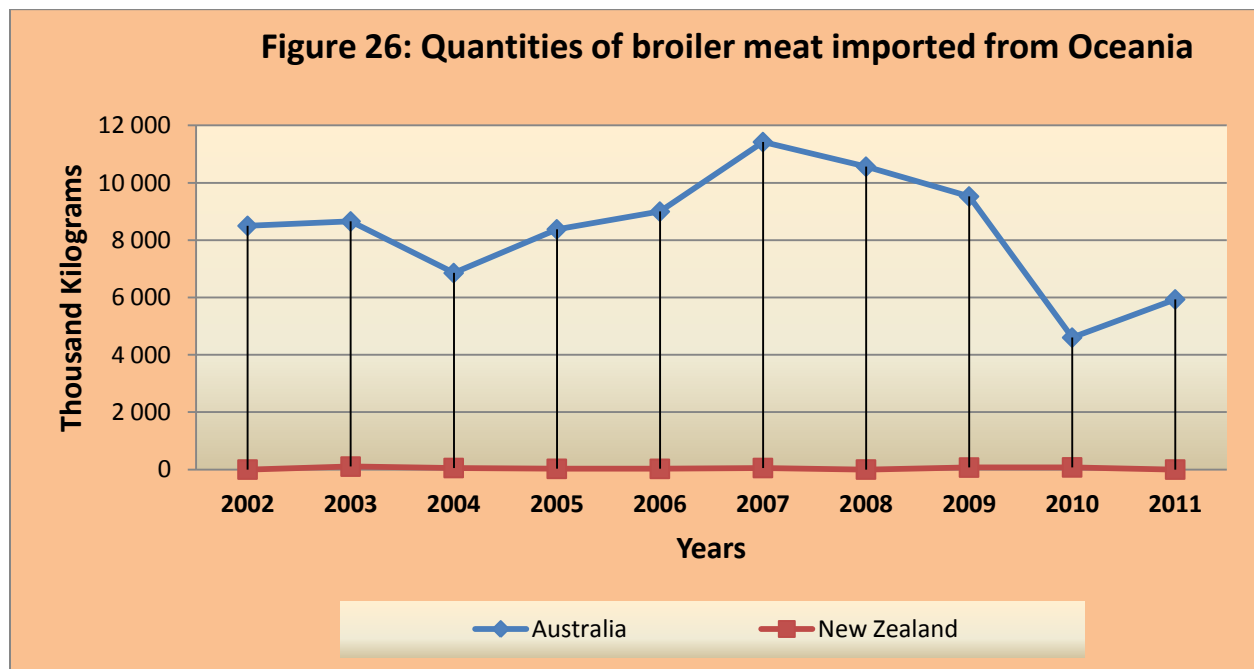
Source: Quantec EasyData

During the past decade Brazil commanded the highest quantities of South Africa's import market of broiler meat. Its quantity increased drastically from 2002 to 2007 and dropped slightly from 2008 to 2011. The decrease was due to the world economic recession which led to a slow down of consumer demand. Canada became the second largest importer of broiler meat to South Africa followed by Argentina during the period under review. Generally, Brazil is the net exporter of broiler meat to South Africa.



Source: Quantec EasyData

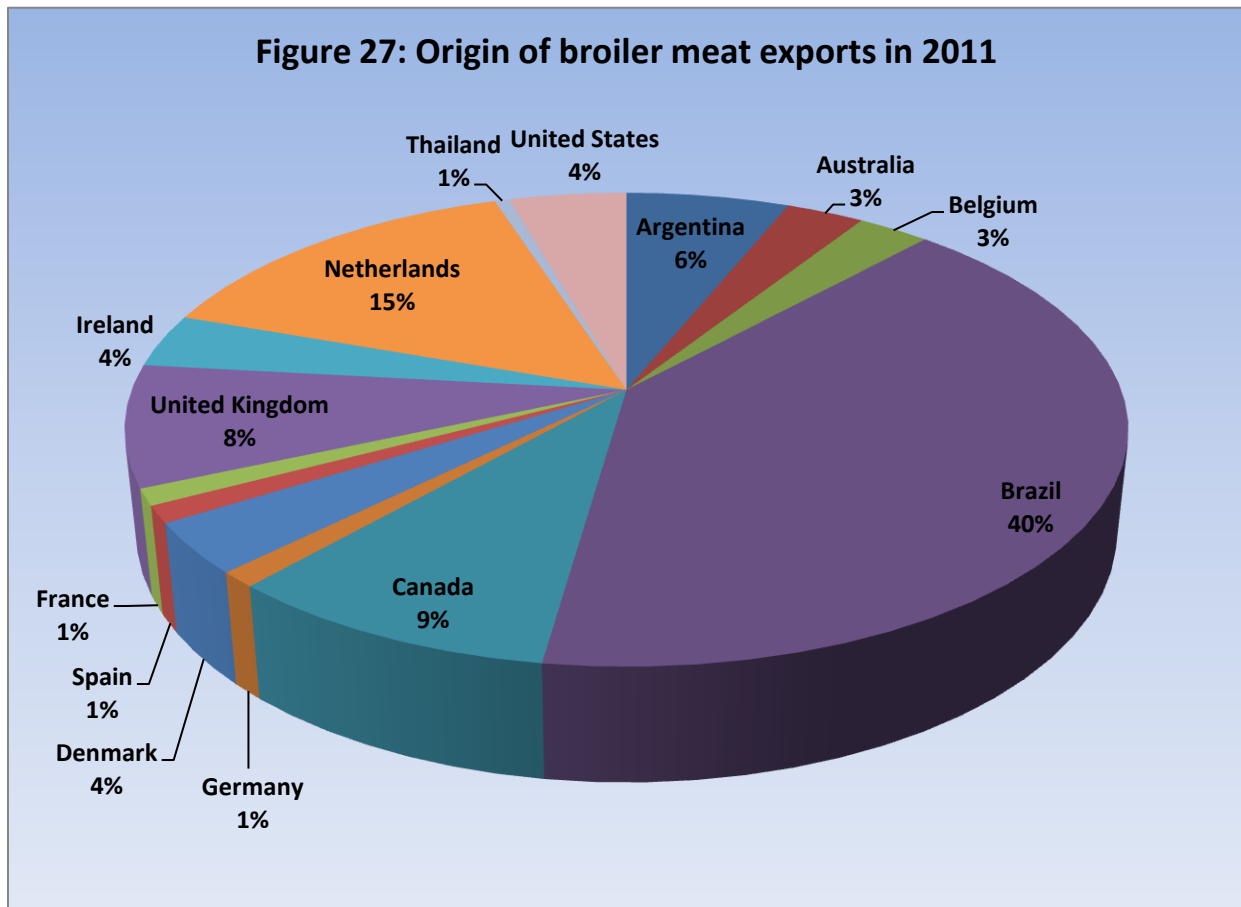
Figure 25 shows that China was the main supplier of broiler meat to South Africa and it commanded the greatest share during 2003 followed by Israel which commanded the highest shares during 2005 to 2010. The least imports of broiler meat were from Thailand but it commanded the greatest shares during 2011.



Source: Quantec EasyData

It is clearly indicated from figure 26 above that from Oceania, Australia is the main importer 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: Origin of broiler meat exports in 2011

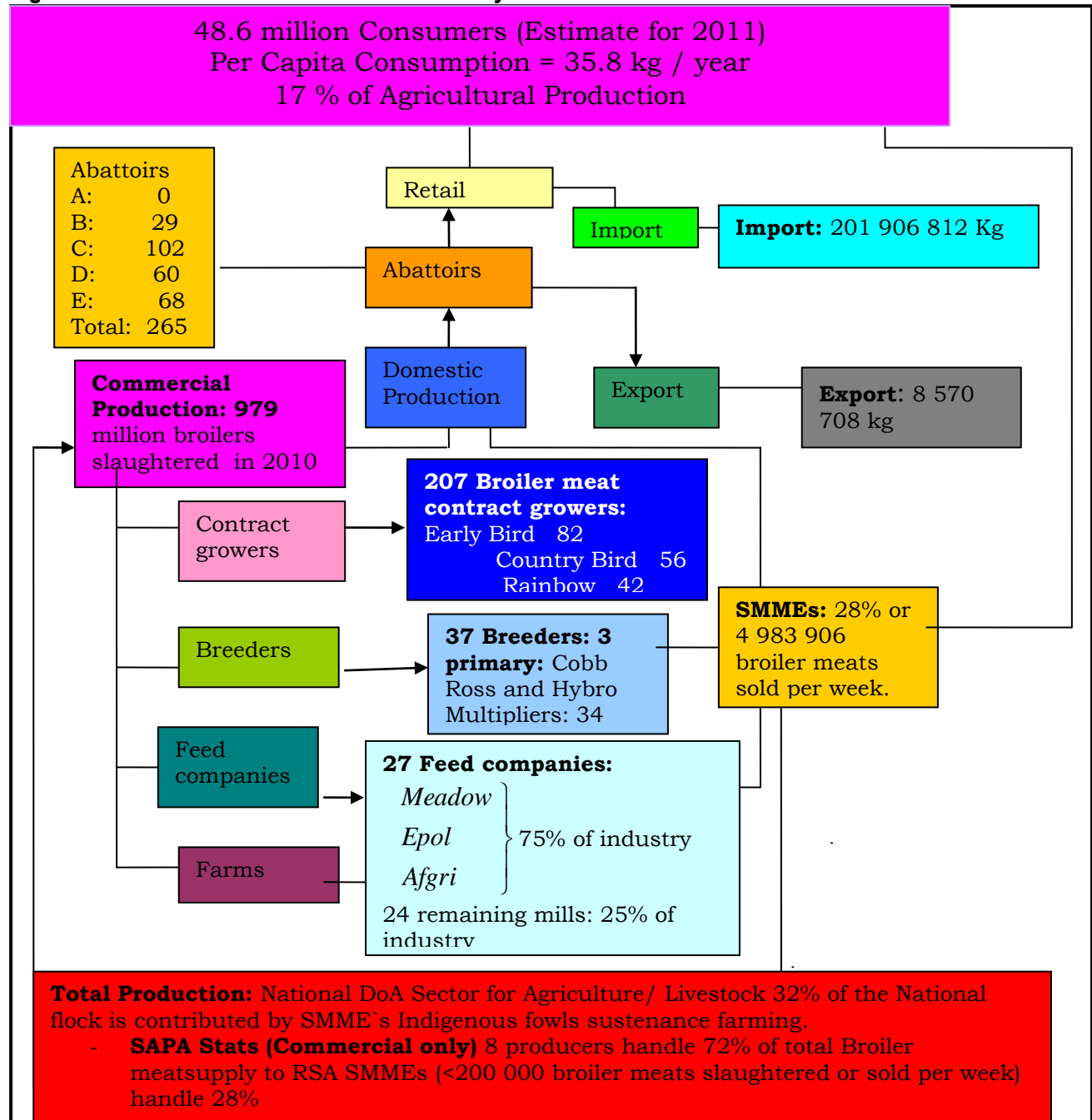


Source: Quantec EasyData.

Figure 27 above shows the share of various suppliers to South Africa's broiler meat in 2011. Brazil commanded the highest market share of broiler meat imports in South Africa, leading with 40% share followed at a distance by Netherlands with 15% and Canada by 9%.

3. BROILER MEAT MARKET VALUE CHAIN

Figure 24: Structure of the broiler meat industry.

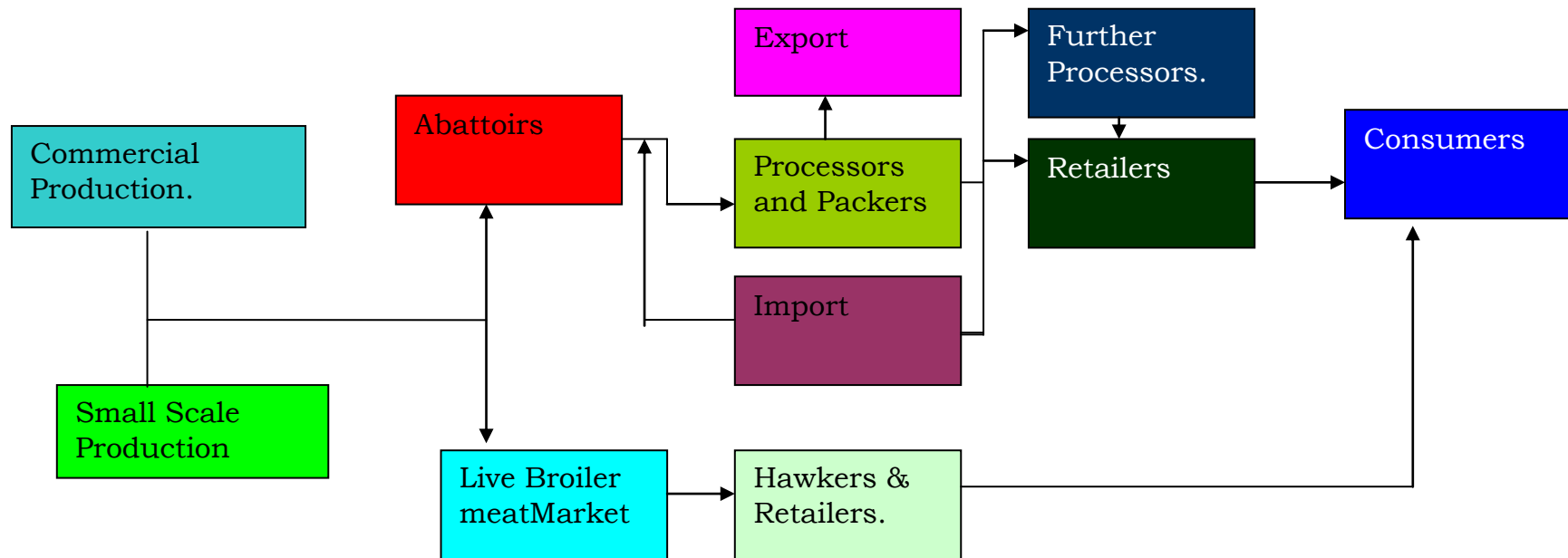


Source: Adapted from NAMC.

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 35.80%. Production in kilograms is around 1 367 million, consumption around 1 717 million, Imports 202 million and Export 8.6 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 from 22.0 kilograms per person in 2002 to 37.30 kilograms per person in 2011. 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 2010 and 2011 are shown in Table 12.

Table 12: Broiler meat export tariffs

Country	Product Code	Trade Regime Description	2010		2011	
			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	0.00%	0.00%	10.00%	10.00%
Democratic Republic of Congo	02071110; 02071120; 02071210; 02071220; 02071300; 02071410; 02071490; 02072400; 02072500; 02072600; 02073200; 02073300; 02073400; 02073500 & 02073600	MFN Applied	0.00%	0.00%	10.00%	10.00%
Ghana	0207110000; 0207120000; 0207130000; 0207140000; 0207240000; 0207250000; 0207260000; 0207270000; 02073200000207330000; 0207340000; 0207350000 & 0207360000	MFN Applied	0.00%	0.00%	20.00%	20.00%
Mozambique	02071100; 02071200;	Preferential	0.00%	0.00%	15.00%	15.00%

Country	Product Code	Trade Regime Description	2010		2011	
			Applied Tariffs.	Total Ad Valorem Equivalent Tariff (estimated)	Applied Tariffs.	Total Ad Valorem Equivalent Tariff (estimated)
	02071300; 02071400; 02072400; 02072500; 02072600; 02072700; 02073200; 02073300; 02073400; 02073500 & 02073600	tariff for SADC				
Zimbabwe	02071100; 02071200; 02071300; 02071400; 02072400; 02072500; 02072600; 02072700; 02073200; 02073300; 02073400; 02073500 & 02073600	MFN Applied	0.00%	0.00%	40.00%	40.00%

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. Angola and DRC apply the lowest 10% tariff to South African broiler meat exports. Zimbabwe applies the highest tariff of 40%, Ghana applies 20% and Mozambique applies 20% rate.

8.2. Import tariffs for broiler meat.

Tariffs that South Africa applied to imports of broiler meat originating from all possible countries in 2010 and 2011 are shown in Table 13.

Table 13: Broiler meat import tariffs

Country	Product Code	Trade Regime Description	2010		2011	
			Applied Tariffs	Total Ad Valorem Equivalent Tariff (estimated)	Applied Tariffs	Total Ad Valorem Equivalent Tariff (estimated)
Argentina	02071100;	MFN	0.00%	0.00%	0.00%	0.00%
Australia	02071210;	Applied				
Brazil	02071300;					

Country	Product Code	Trade Regime Description	2010		2011	
			Applied Tariffs	Total Ad Valorem Equivalent Tariff (estimated)	Applied Tariffs	Total Ad Valorem Equivalent Tariff (estimated)
Canada United States of America	02072400; 02072500; 02072600; 02072700; 02074200; 02074300; 02074400; 02074500; 02075100; 02075200; 02075300; 02075400; 02075500 & 02076000	MFN Applied	27.00%	27.00%	27.00%	27.00%
	02071290; 02071220 & 02071420 02071410 02071490	MFN Applied	5.00%	5.00%	5.00%	5.00%

Country	Product Code	Trade Regime Description	2010		2011	
			Applied Tariffs	Total Ad Valorem Equivalent Tariff (estimated)	Applied Tariffs	Total Ad Valorem Equivalent Tariff (estimated)
		MFN Applied			264.00 \$/Ton	27.52%

Source: MacMap

During 2010 and 2011 South Africa applied different tariff rates to different products of broiler meat. It applied a tariff rate of 0% on HS 02071100 and HS 02071300 from Argentina, Australia, Belgium, Brazil, Canada and United States of America. The same countries receive the tariff rate of 5% on HS 02071410 and 27% on HS 02071290, 02071220 and 02071420.

9. PERFORMANCE ANALYSIS OF SOUTH AFRICAN POULTRY INDUSTRY IN 2011.

Table 14: List of importing markets for the Meat & edible offal of broiler exported by South Africa in 2011.
South Africa's exports represent **0.08%** of world exports for Meat & edible offal of broiler, its ranking in world's exports is **42**.

Importers	Trade Indicators												Tariff (estimated) faced by South Africa (%)
	Exported value 2011 (USD thousand)	Trade balance 2011 (USD thousand)	Share in South Africa's exports (%)	Exported quantity 2011	Quantity unit	Unit value (USD/unit)	Exported growth in value between 2007-2011 (% p.a.)	Exported growth in quantity between 2007-2011 (% p.a.)	Exported growth in value between 2010-2011 (% 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 2007-2011 (% p.a.)	
World	21590	-354670	100	10689	Tons	2020	58	62	-43		100	9	
Mozambique	13894	13894	64.4	6533	Tons	2127	77	71	-9	78	0.1	30	15
Zimbabwe	5614	5614	26	3300	Tons	1701	165	150	-71	120	0	191	40
Ghana	612	612	2.8	166	Tons	3687	65	60	75	35	0.7	20	20
Democratic Republic of the Congo	399	399	1.8	222	Tons	1797	8	-2	-56	50	0.3	12	10
Zambia	293	293	1.4	215	Tons	1363	182	260	146	175	0		4.5
Angola	290	290	1.3	100	Tons	2900	-7	-10	-47	15	1.6	28	10
Saint Helena	116	116	0.5	40	Tons	2900	10	6	-26	199	0	-5	
Nigeria	107	107	0.5	26	Tons	4115	-29	-25	346	149	0	39	20
French South Antarctic Territories	42	42	0.2	18	Tons	2333	111			203	0	-39	
United Arab Emirates	40	-51	0.2	7	Tons	5714	-9	-20	-83	13	2.2	10	5
Netherlands	33	-43363	0.2	27	Tons	1222	-43	-22		10	3.2	-1	0

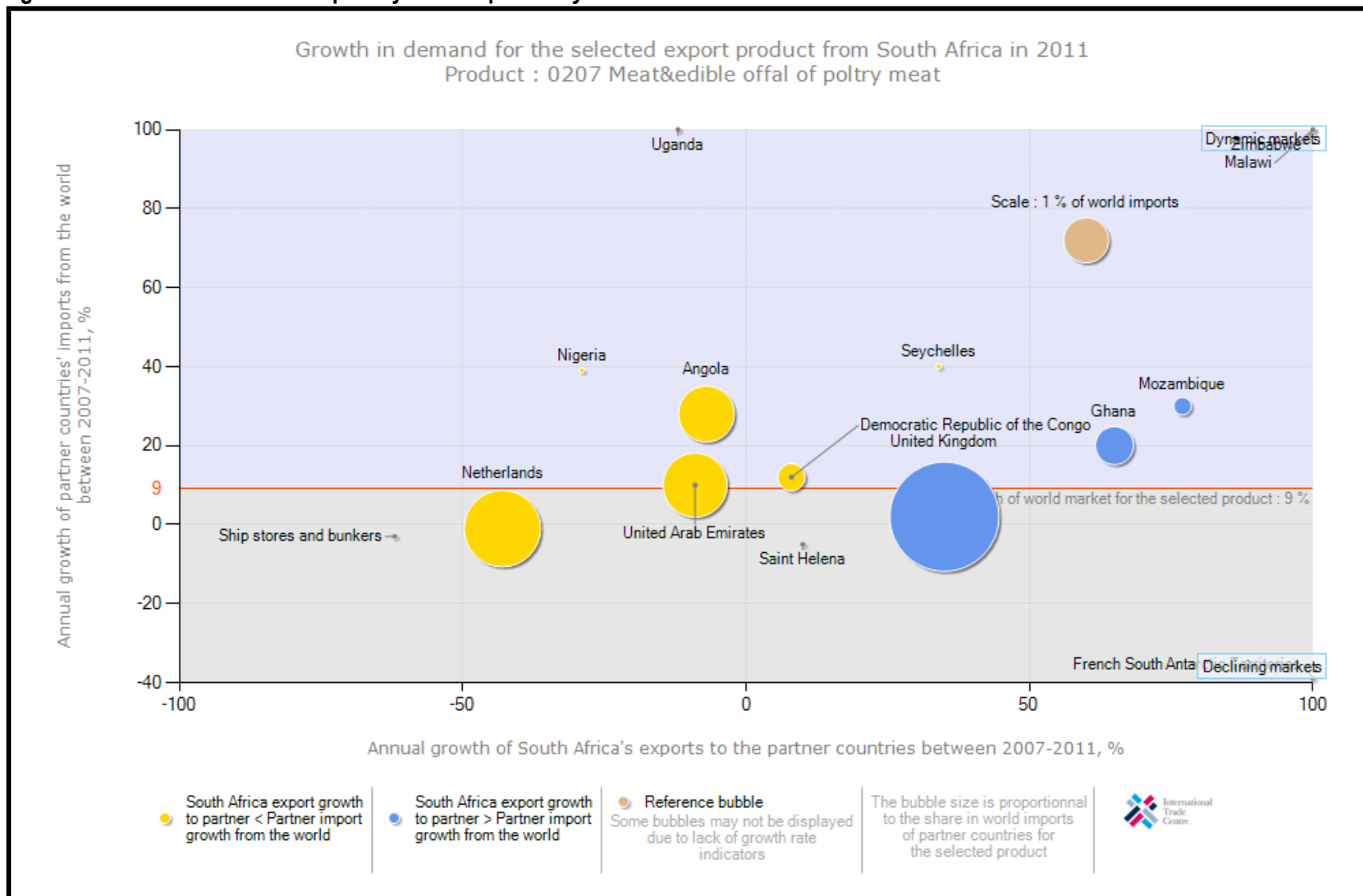
Source: ITC calculations based on COMTRADE statistics.

Table 14 shows that during 2011 South Africa exported a total of 10 689 tons of meat & edible offal of broiler at an average value of US\$ 2 020/unit. The major export destinations for meat & edible offal of broiler originating from South Africa during 2011 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 64.4% during the year 2011 followed by Zimbabwe which commanded 26%.

South Africa's meat & edible offal of broiler exports increased by 58% in value and 62% in quantity between the periods 2007 and 2011. During the same period, exports for meat & edible offal of broiler to Mozambique increased by 77% in value while in quantity it increased by 71%; and exports to Zimbabwe increased by 165% in value while quantity increased by 150%.

Between the periods 2010 and 2011, South Africa's exports value of meat & edible offal of broiler decreased by 43%. During the same period, exports value of meat & edible offal of broiler to Mozambique decreased by 9% and Zimbabwe experienced decreased by 71%. This shows that Mozambique and Zimbabwe are the net importer of South African meat & edible offal of broiler.

Figure 26: Growth in demand for poultry meat exported by South Africa in 2011



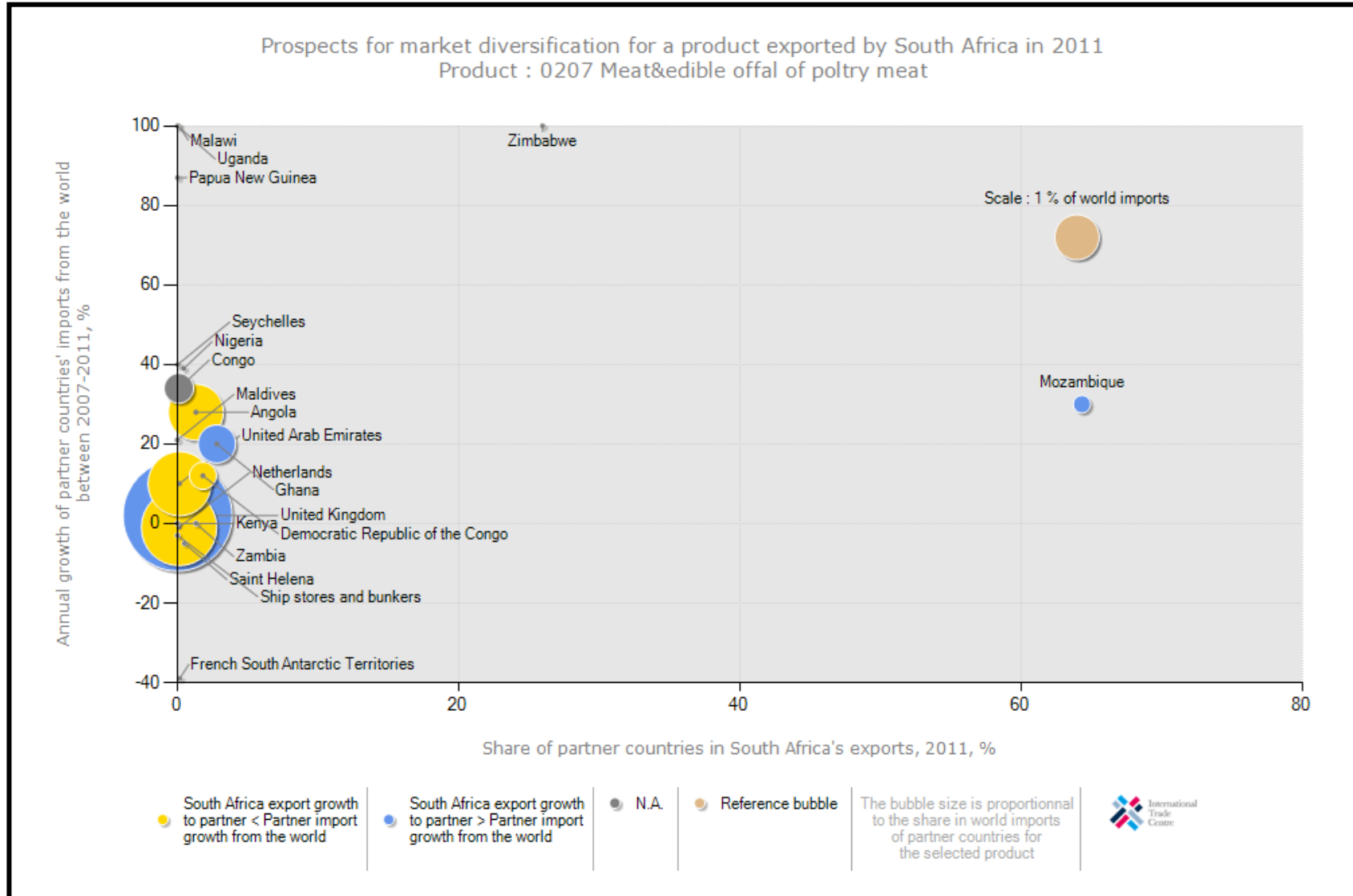
Source: Trademap, ITC

Figure 26 illustrates that between 2007 and 2011 South Africa's meat & edible offal of broiler exports to Netherlands, United Arab Emirates, Democratic Republic of Congo, Angola, Nigeria, Seychelles and Uganda were growing at a rate that is less than their import growth from the rest of the world. They all represent gains in the dynamic markets of South African export for meat & edible offal of poultry except Netherlands which represent losses in the declining market.

During the same period, South Africa's meat & edible offal of broiler exports to United Kingdom, Ghana, Mozambique and Saint Helena were growing at a rate that is greater than their imports from the rest of the world. Further analysis shows that they all represent gains in the dynamic markets excluding United Kingdom which represent gains in the declining markets of South African export for meat & edible offal of poultry.

The most growth in demand of South African meat & edible offal poultry is from Uganda and Malawi with annual import growth of 181% and 153% respectively.

Figure 27: Prospects for market diversification for poultry meat exported by South Africa in 2011



Source: Trademap, ITC

Figure 27 above shows the prospects for market diversification for meat & edible offal of broiler exports by South Africa in 2011. The analysis of the results as shown on the figure above shows that Mozambique commanded the greatest shares (64%) of South Africa's meat & edible offal of broiler exports during the year 2011, and it further shows that Mozambique's imports growth has also increased by 30% during the period under review.

If South Africa is to diversify its meat & edible offal of broiler exports, the most attractive market for South Africa will be Zimbabwe and Uganda. Although Zimbabwe has a share of 26% of South Africa's broiler meat exports, its import growth from the world is still greater than South Africa's exports to Zimbabwe. Therefore, South Africa needs to penetrate the Zimbabwean market because its import growth is high (191%). Uganda is the small market but its import growth is at 181%, South Africa can therefore penetrate their market.

Table 14: List of supplying markets for Meat & edible offal of broiler imported by South Africa in 2011.

South Africa's imports represent 1.15% 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 2011 (USD thousand)	Trade balance 2011 (USD thousand)	Share in South Africa's imports (%)	Imported quantity 2011	Quantity unit	Unit value (USD/unit)	Imported growth in value between 2007-2011 (% p.a.)	Imported growth in quantity between 2007-2011 (% p.a.)	Imported growth in value between 2010-2011 (% 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 2007-2011 (% p.a.)	
World	376260	-354670	100	349417	Tons	1077	13	7	57		100	8	
Brazil	202350	-202350	53.8	199370	Tons	1015	5	1	13	1	28.4	11	18.1
Netherlands	43396	-43363	11.5	30940	Tons	1403	469	355	10159	3	8.9	2	0
United Kingdom	24714	-24705	6.6	20951	Tons	1180	335	253	302	11	1.9	5	0
Argentina	22999	-22999	6.1	28924	Tons	795	11	7	16	14	1.2	2	18.1
Canada	21030	-21030	5.6	19036	Tons	1105	13	6	14	17	1	2	18.1
United States of America	13245	-13239	3.5	9416	Tons	1407	14	7	175	2	17.7	6	18.1
Denmark	9546	-9546	2.5	7086	Tons	1347		400	2566	19	0.8	-7	0
Ireland	8585	-8585	2.3	7473	Tons	1149		1283	655	23	0.5	-1	0
Belgium	8252	-8252	2.2	6517	Tons	1266	21	3	372	7	4	8	0
Australia	6859	-6859	1.8	6067	Tons	1131	-11	-19	33	31	0.2	12	18.1
France	4042	-4042	1.1	3990	Tons	1013	30	12	186	4	5.8	3	0
Thailand	3760	-3760	1	2425	Tons	1551			1133	24	0.5	27	18.1
Germany	3009	-3009	0.8	2855	Tons	1054	67	57	10276	6	4.3	4	0
Spain	2664	-2664	0.7	2351	Tons	1133			3549	16	1.1	16	0
Chile	714	-714	0.2	966	Tons	739		210	53	15	1.1	16	18.1

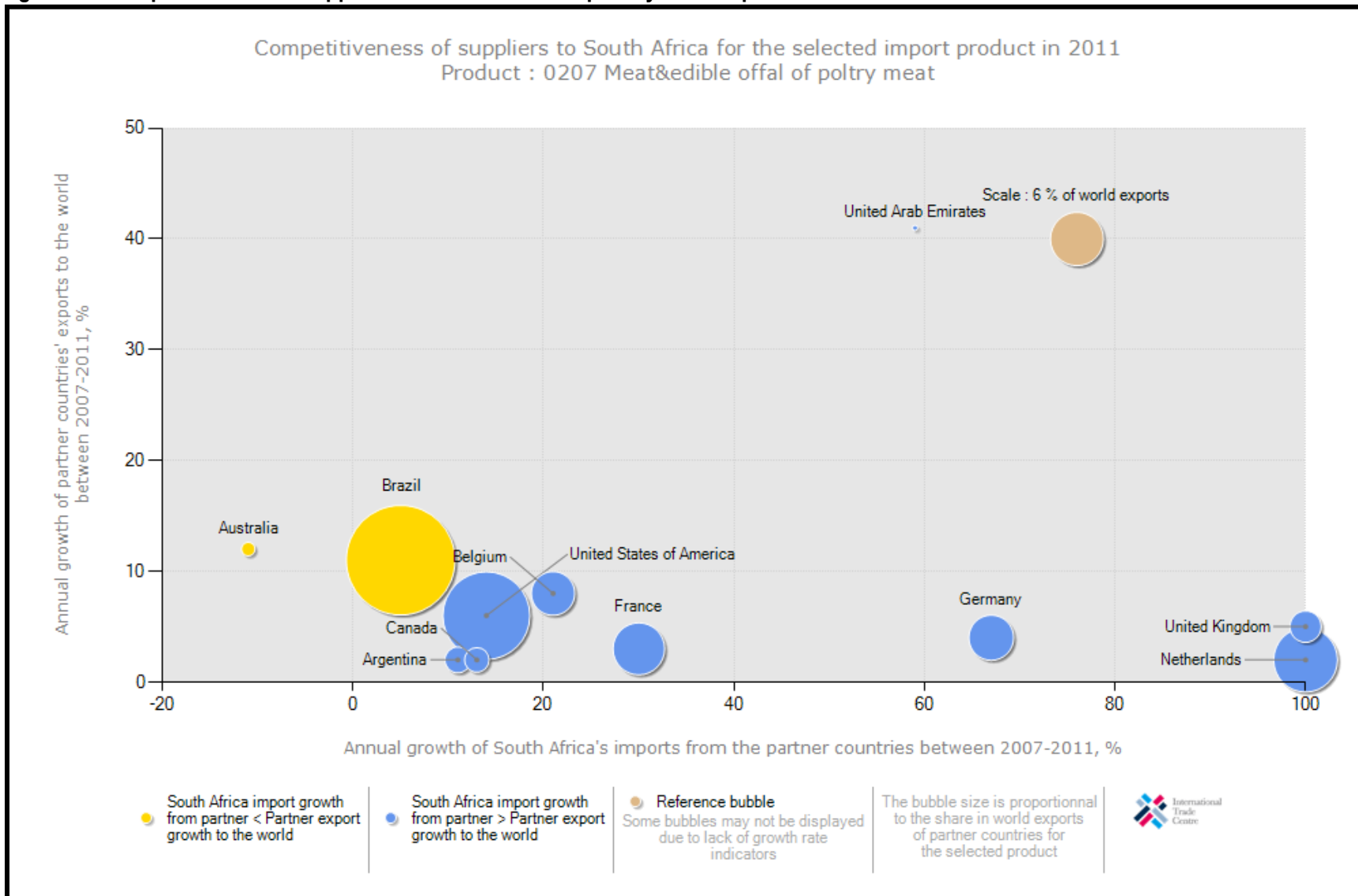
Sources: ITC calculations based on COMTRADE statistics.

Table 14 shows that during 2011 South Africa imported a total of 349 417 tons of meat & edible offal of broiler at an average value of US\$ 1 077/unit. The major origins for meat & edible offal of broiler imported by South Africa during 2011 were Brazil, Netherland, United Kingdom, Argentina, Canada and United States of America. The greatest share of South African meat & edible offal of broiler imports were from Brazil which commanded 53.80% during 2011. There is an increase of 32% compared to last year (2010).

South Africa's meat & edible offal of broiler imports increased by 13% in value and decreased by 7% in quantity between the periods 2007 and 2011. During the same period, imports of meat & edible offal of broiler from Brazil also increased by 5% in value and decreased by 1% in quantity while imports from Netherlands increased by 469% in value and 355% in quantity. Broiler meat exports from United Kingdom increased by 335% in value and 253% in quantity compared to the period 2007 and 2011.

Between the periods 2010 and 2011 South Africa's imports for meat & edible offal of broiler increased by 57% in value. During the same period, imports of meat & edible offal of broiler from Brazil increased by 13% and Netherlands experienced the highest increase by 10159% in value.

Figure 28: Competitiveness of suppliers to South Africa for poultry meat imported in 2011

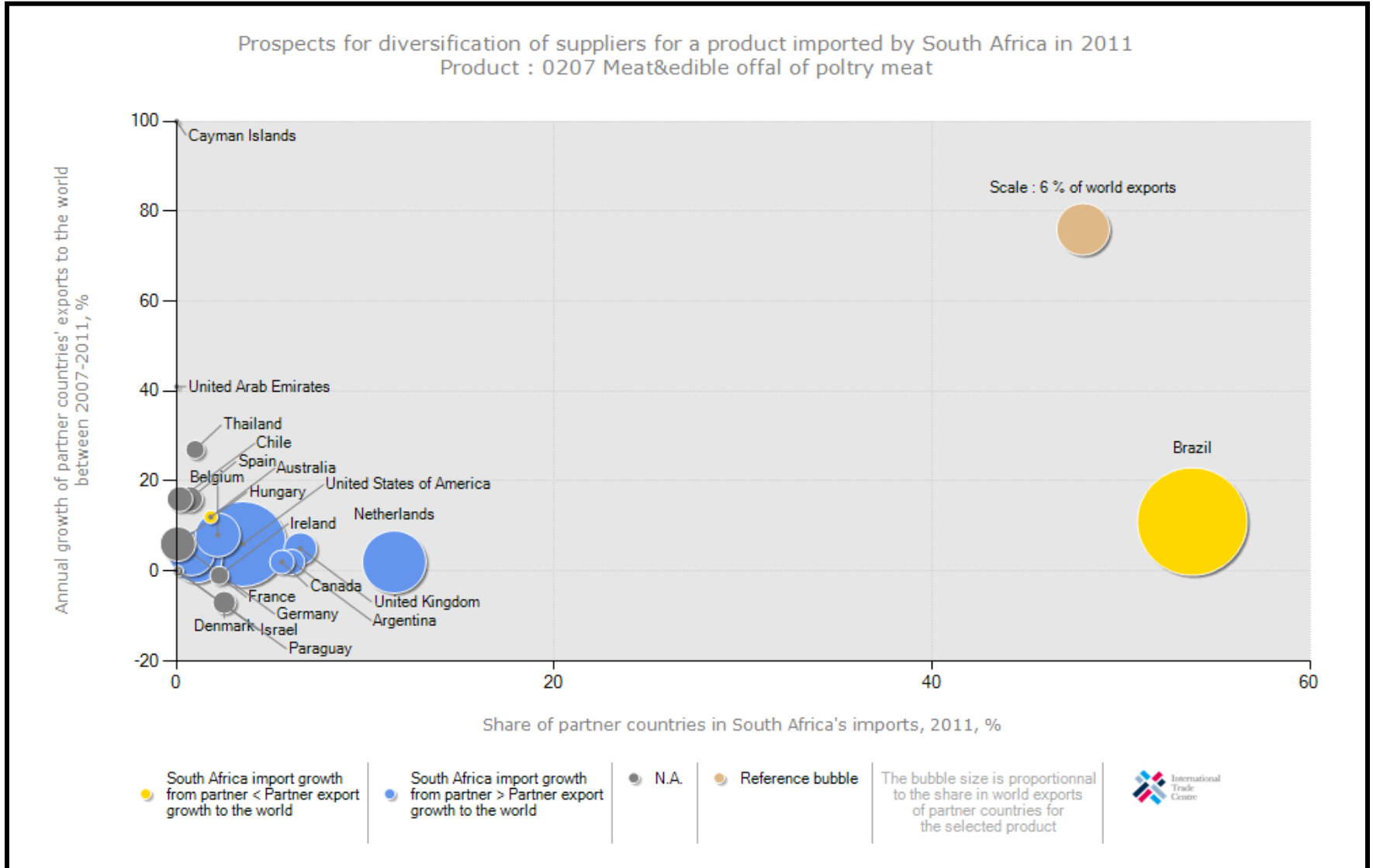


Source: Trademap, ITC

Figure 28 illustrates that between 2007 and 2011 South Africa's meat & edible offal of broiler imports from Brazil and Australia 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 United States of America, Belgium, Canada, Argentina, France, Germany, United Kingdom, Netherlands and United Arab Emirates were growing at a rate that is greater than their exports to the rest of the world.

Generally the most competitive market is Brazil followed by United States of America. Their share in the world market of meat & edible offal of broiler is 28.4% and 17.7% respectively and together they constitute a total of 46% of the world's meat & edible offal of broiler.

Figure 29: Prospects for diversification of suppliers for poultry meat imported by South Africa in 2011



Source: Trademap, ITC

Figure 29 above shows the prospects for diversification of suppliers for meat & edible offal of broiler imports by South Africa in 2011. The analysis of the results as shown on the figure shows that Brazil commanded the greatest shares (53.78%) in South Africa's meat & edible offal of broiler imports during the year 2011 but it still shows that Brazil's exports to the world are greater than South Africa's imports from Brazil.

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 172% but the chart shows that Cayman Islands' share in the world's exports is 0%. This means it might be difficult to enter their market because it's too small.

10. ACKNOWLEDGEMENTS

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Agricultural Statistics
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www.daff.gov.za

Market Access Map
www.macmap.org

National Agricultural Marketing Council
Chicken Meat Industry Overview Research
Report (2007 – 03)
Tel: 012 341 1115
www.namc.co.za

Broiler Site
www.thepoultrysite.com

Quantec Easydata
www.easydata.co.za

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