

**A PROFILE OF THE SOUTH AFRICAN BROILER MARKET
VALUE CHAIN**

2011

Directorate Marketing
Private Bag X 15
Arcadia
0007
Tel: 012 319 8455/6
Fax: 012 319 8131
Email: MorokoloB@daff.gov.za
www.daff.gov.za



**agriculture,
forestry & fisheries**

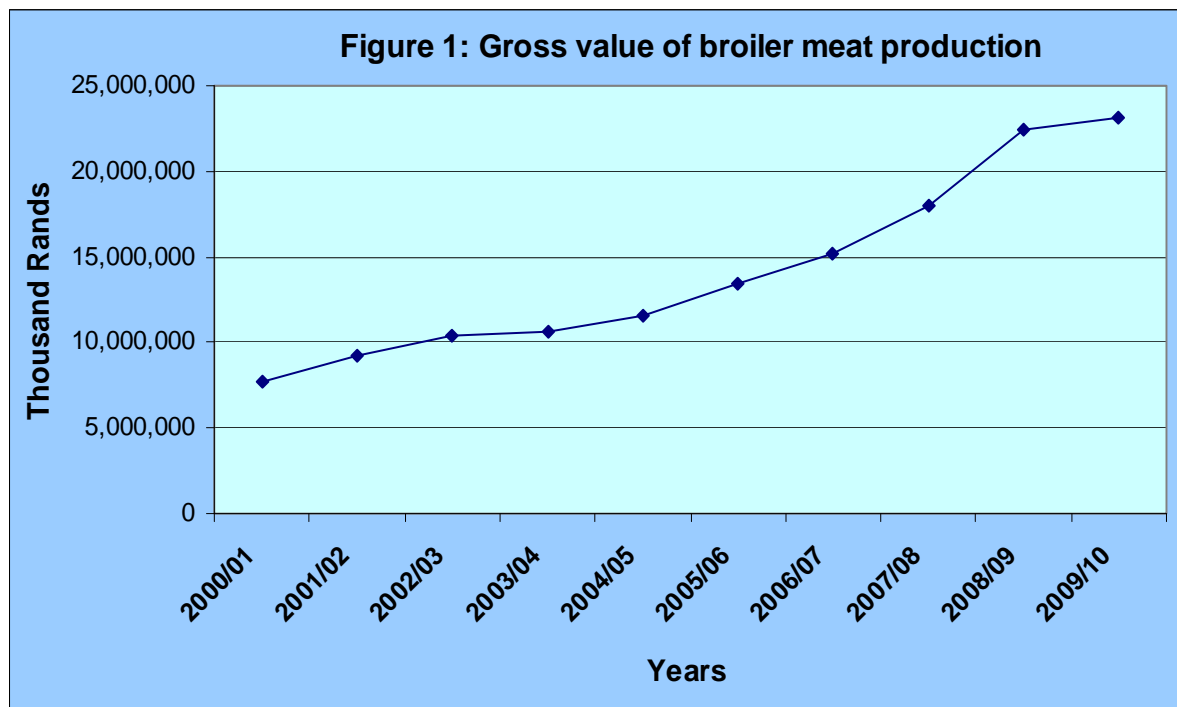
Department:
Agriculture, Forestry and Fisheries
REPUBLIC OF SOUTH AFRICA

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.	25
3. BROILER MEAT MARKET VALUE CHAIN	30
4. MARKETING CHANNELS FOR BROILER MEAT.	32
5. EMPOWERMENT STRATEGIES BY THE INDUSTRY AND GOVERNMENT.	34
6. BARRIERS TO PARTICIPATION BY THE EMERGING SECTOR.	34
7. OPPORTUNITIES AND WEAKNESSES.	36
8. MARKET INTELLIGENCE	37
8.1. Export tariffs for broiler meat.	37
8.2. Import tariffs for broiler meat.	38
9. PERFORMANCE ANALYSIS OF SOUTH AFRICAN POULTRY INDUSTRY IN 2010.	40
10. ACKNOWLEDGEMENTS	50

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 and 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.

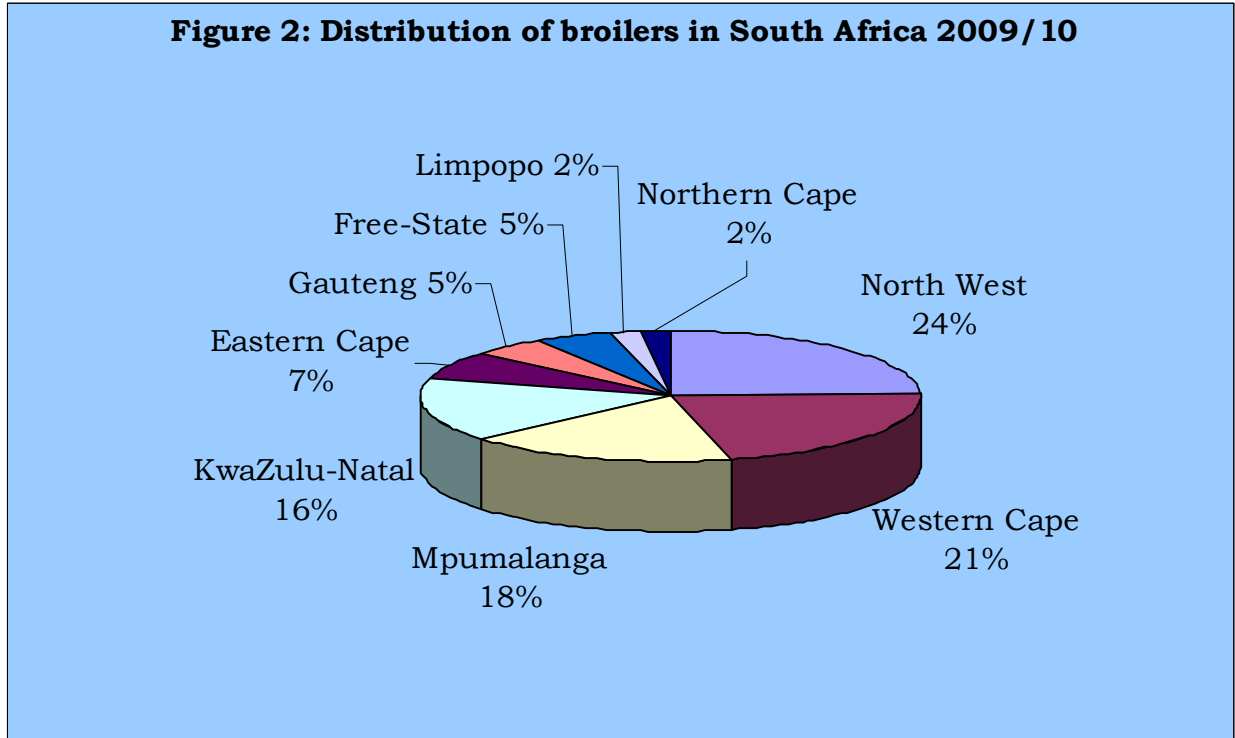
The gross value of broiler meat is depended on the quantity produced and prices received by producers. The trend in gross value follows a pattern of production. The contribution of broiler meat industry to the gross value of production increased continuously during the period under analysis due to increasing production and consumption. The average gross value of production amounted to R 14,176,530,200 over ten years. The contribution to the gross value continued to increase due to higher production throughout the period under review. Figure 1 below shows the contribution of broiler meat to the gross value of production.



Source: Agricultural Statistics.

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 79% of total production. Figure 2 below shows the distribution of production during 2009/10.

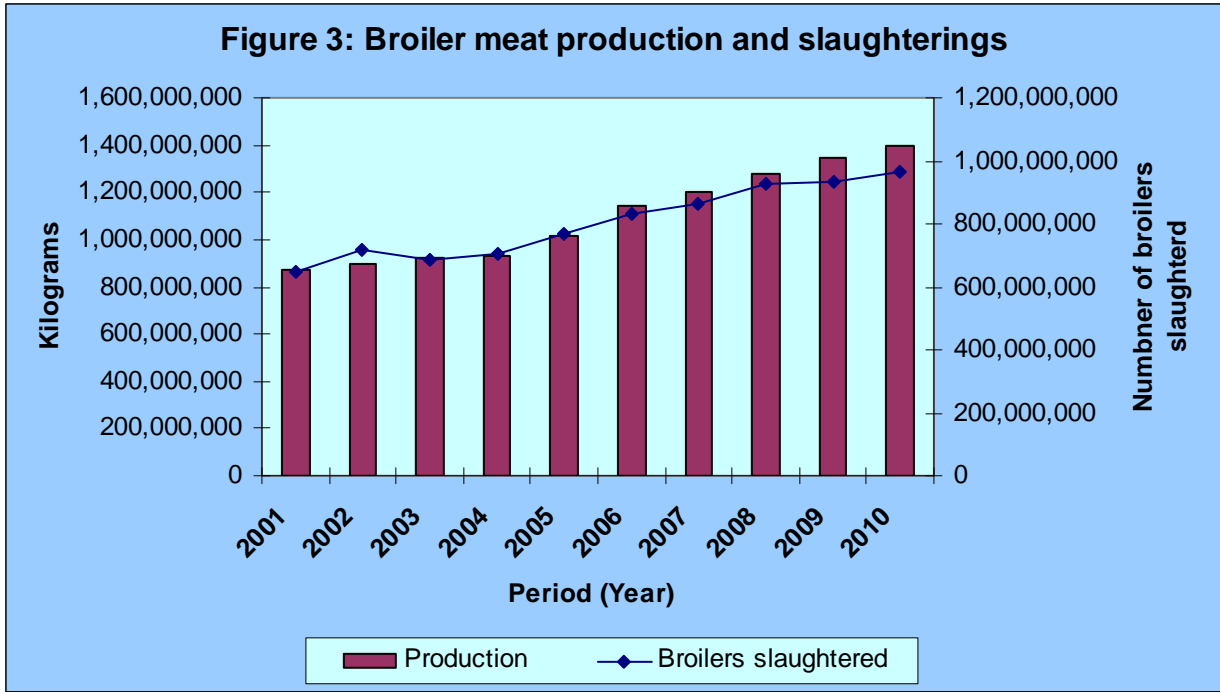


Source: Agricultural Statistics.

During 2009/10 North West Province produced 24% of the entire broiler meat in South Africa followed by Western Cape by 21%, Mpumalanga 18% and KwaZulu-Natal 16%. Limpopo and Northern Cape were the least producers, producing 2% each of South African broiler meat

1.2. Production trends.

The number of birds slaughtered has significantly increased by about 49% in 2010 compared to the year 2001. This is mainly driven by the increasing demand. Figure 3 below shows the production trends from 2001 to 2010.

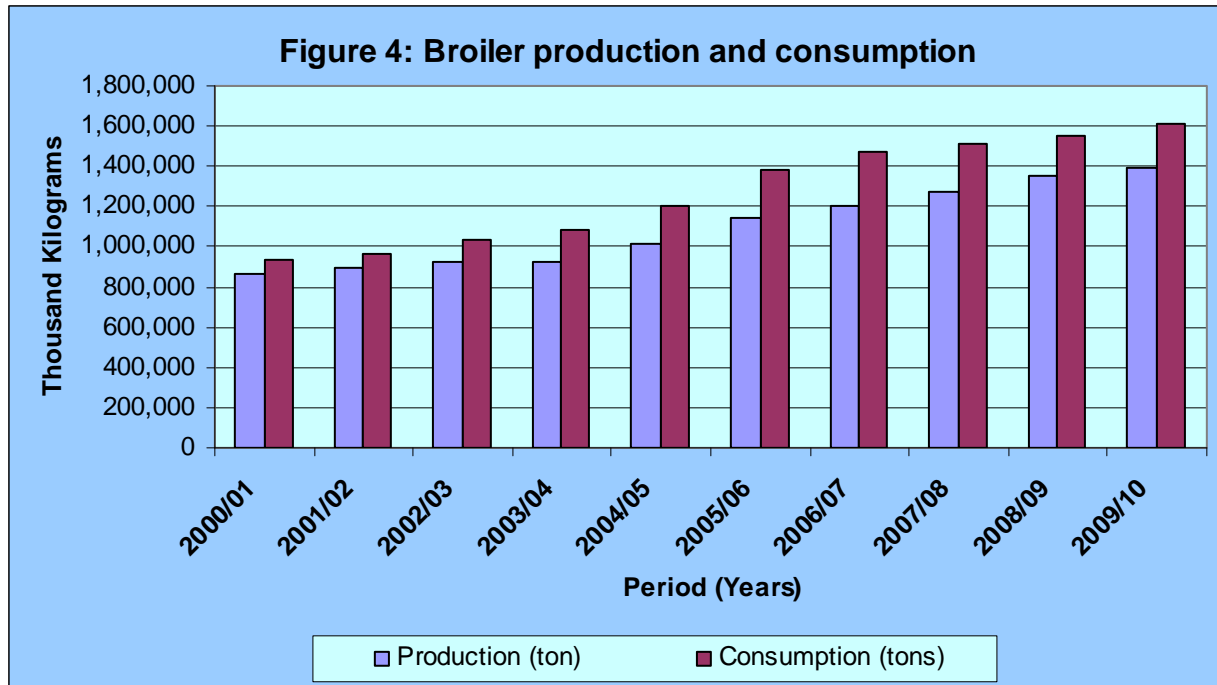


Source: Agricultural Statistics and SAPA.

Figure 3 above shows that production of broiler meat and the number of birds slaughtered increased continuously from 2001 when 869 million kilograms was produced to 2010 when 1 393 million kilograms was produced.

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: Agricultural Statistics.

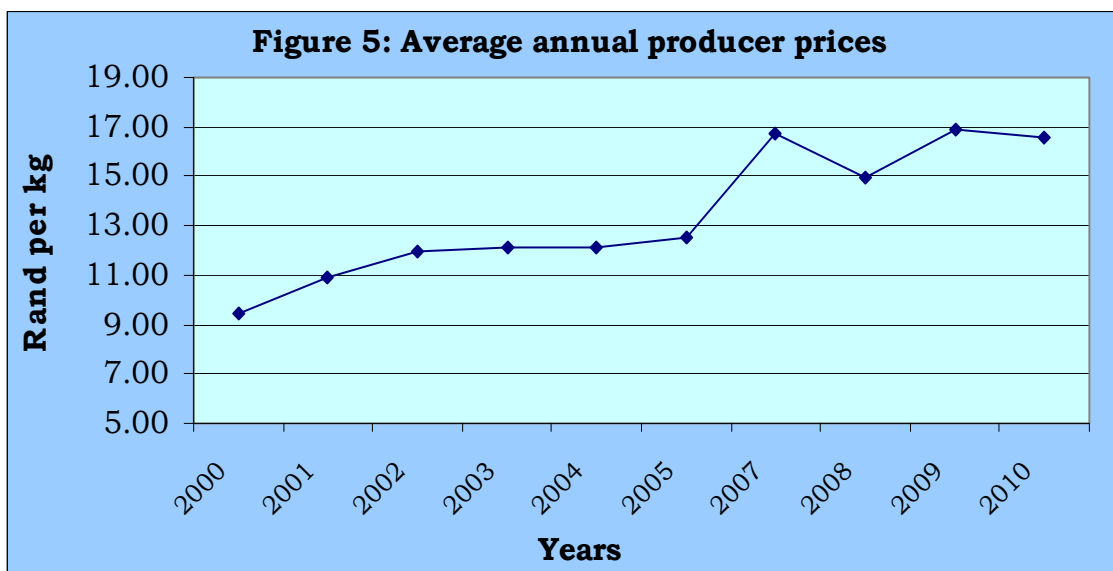
Figure 4 indicate that South Africa consume more broiler meat than it is produce. This is the reason why South Africa became the net importer of broiler meat. The gap widened from 2005/06 as rising living standards are pushing larger numbers of consumers towards protein filled diets. The per capita of broiler meat consumed in South Africa has increased from 19.7 kg per person in 2000 to 32.96 kg per person in 2010. Broiler meat has the highest per capita consumption than all other animal protein sources.

1.4. Employment.

Commercial broiler meat producers are estimated at 404 (199 producers and 205 contract growers). Smallholder farmers are estimated at around 1 554. These farmers produced 920.4 million chickens in 2010 and employ around 60 000 workers. Approximately 10% of all agricultural sector workers are employed in the poultry sector.

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 2001 to 2010.

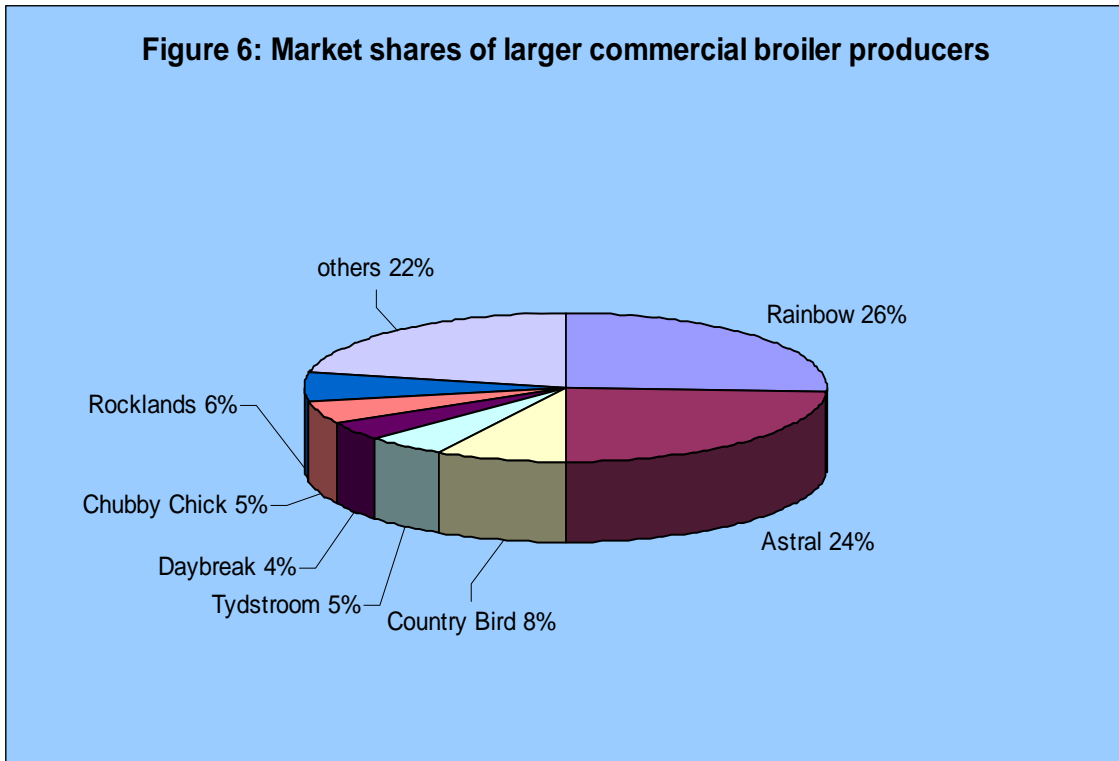


Source: *Agricultural Statistics*.

The price increased from 2002 and reached the highest level in 2007 before declining in 2008, then increased slightly in 2009. The decline in 2008 may be due to global economic recession that occurred from August 2008.

Figure 6 below shows the market shares in the broiler meat industry.

Figure 6: Market shares of larger commercial broiler producers



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.

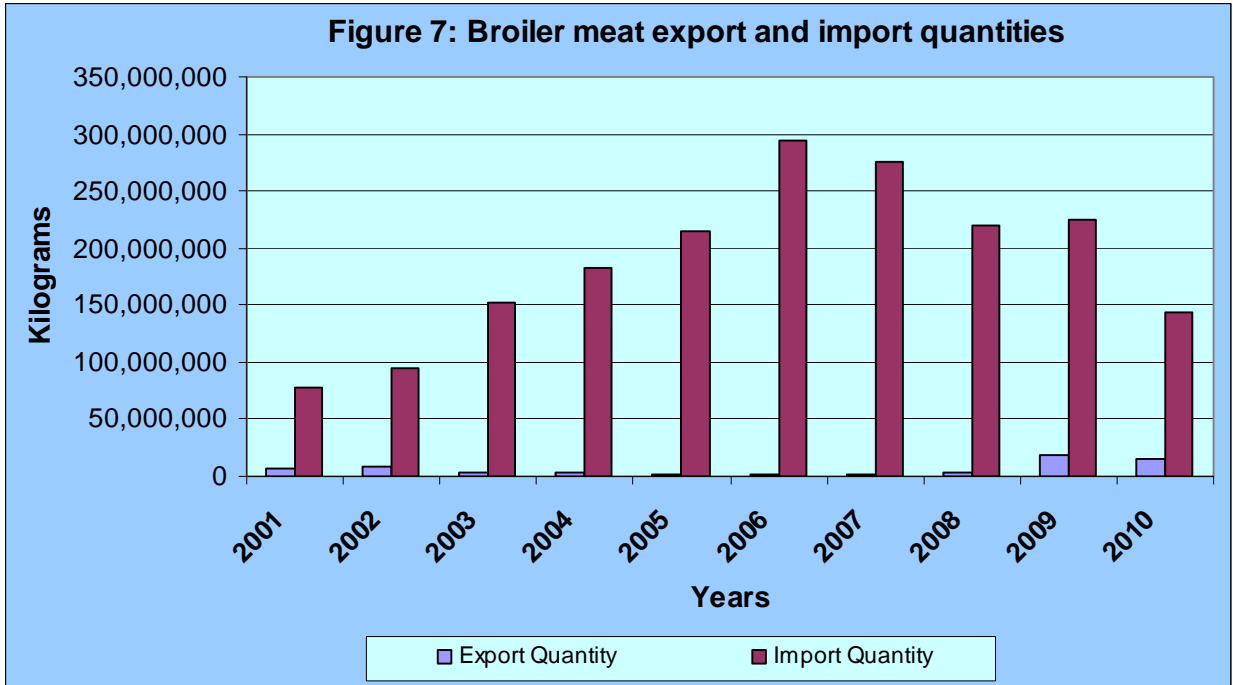
Years	Broilers slaughtered	Production	Consumption	Exports	Imports
	(Tons)				
2000/01	652,995	869,000	938,000	7,394	78,470
2001/02	724,132	896,000	965,000	9,002	93,901
2002/03	690,900	925,000	1,032,000	4,009	153,007
2003/04	704,392	928,000	1,082,000	3,578	181,997
2004/05	774,322	1,019,000	1,204,000	1,766	214,023
2005/06	837,112	1,143,000	1,383,000	1,950	293,598
2006/07	870,555	1,200,000	1,470,000	1,507	276,017
2007/08	927,832	1,276,000	1,508,000	2,548	220,278
2008/09	937,807	1,349,000	1,550,000	18,658	225,107
2009/10	966,108	1,393,000	1,609,000	15,542	143,580

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 2001 to 2010.



Source: Quantec EasyData.

Figure 7 indicates that from 2001 to 2010 South African broiler meat exports were far less than the imports. South Africa is therefore a net importer of broiler meat.

2.2.1. Exports.

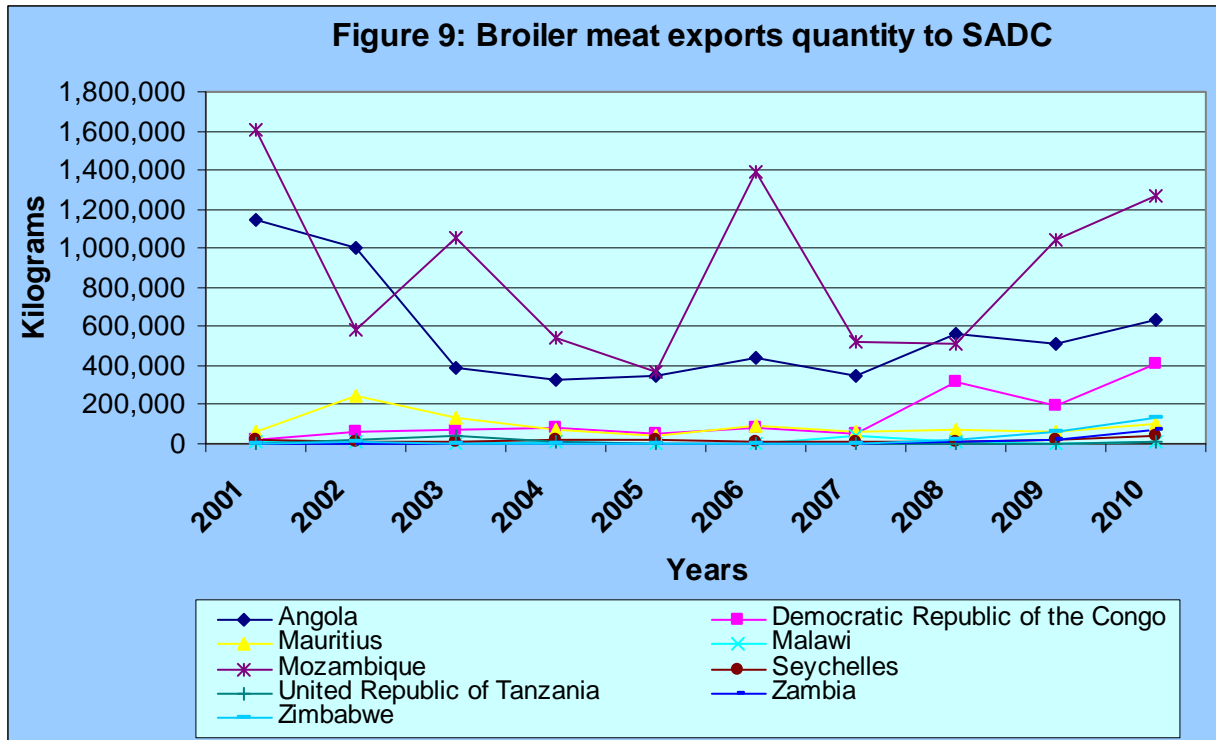
The broiler meat industry is also an earner of foreign exchange through the export of broiler meat. South Africa experienced an increase of 8.148 million kilograms for broiler meat exports in 2010, yielding approximately R 253 million during 2010 relative to 2001. Figure 8 below indicates the export of broiler meat from 2001 to 2010.



Source: Quantec EasyData.

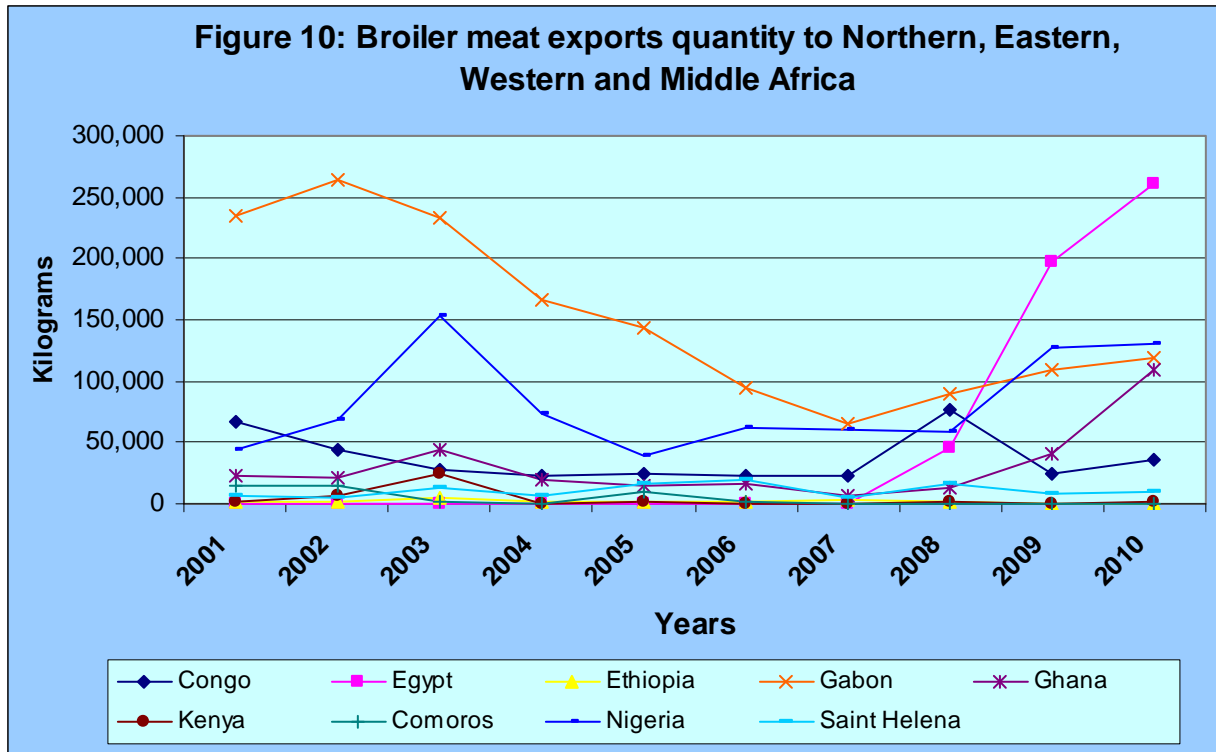
Broiler meat exports quantity and value are followed the same trend throughout the decade. Between 2001 to 2002 broiler meat have been exported at a lower rate due to the stronger South African exchange rate. Broiler meat exports reached its lowest level from 2005 to 2008 due to increased domestic demand. The broiler meat exports drastically increased in 2009 and declined in 2010

Figure 9 below shows the main export market of South Africa's broiler meat from 2001 to 2010.



Source: Quantec EasyData.

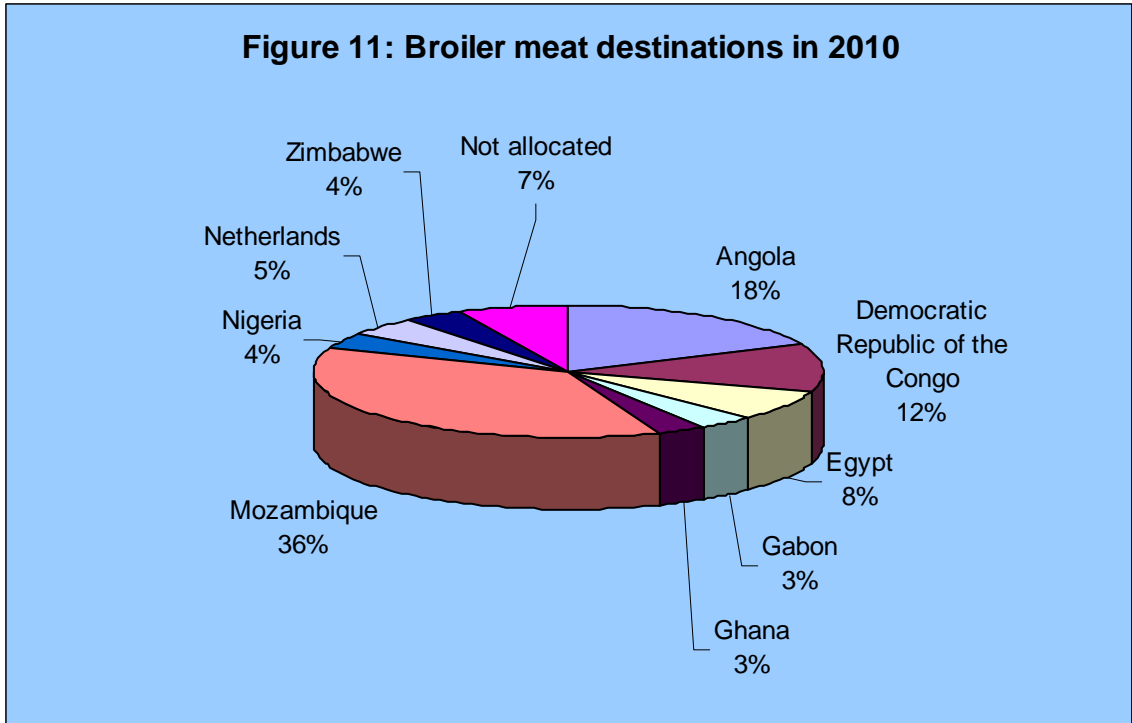
Figure 9 above indicates that from SADC countries, Mozambique and Angola has been competing for dominance throughout the decade. Mozambique commanded the highest exports of South African broiler meat during the periods 2001, 2003 to 2007 and during 2009 to 2010 while Angola was the highest commander of broiler meat from South Africa during 2002 and 2008. Generally the quantities of broiler meat exported declined significantly during 2005.



Source: Quantec EasyData

It is clearly indicated from figure 10 above that from 2001 to 2008 Gabon commanded the greatest market share of South African broiler meat while Nigeria commanded the second level during the period under analysis except in 2008. Egypt experienced a drastic increase from 2008 to 2010 and commanded the highest market share during 2009 to 2010.

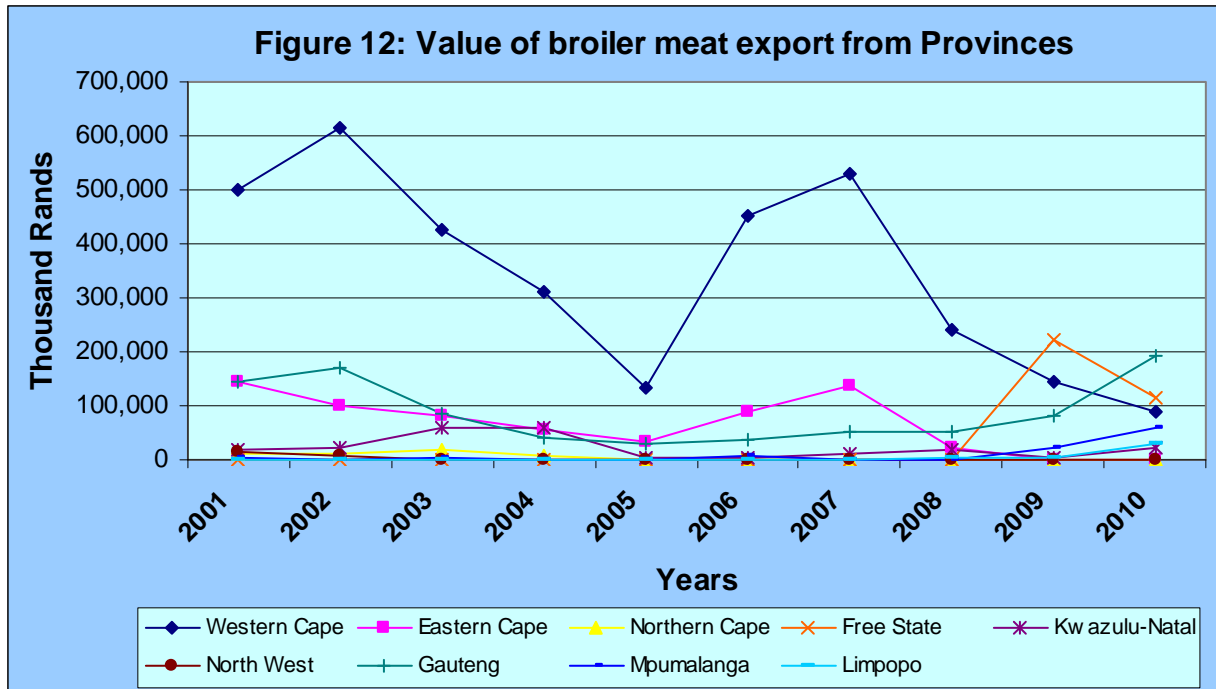
Figure 11 below shows the main export destinations of South Africa's broiler meat in 2010. Most of South African broiler meat is exported to Mozambique which obtained 36% of South African broiler meat followed by Angola by 18%, Democratic Republic of Congo 12% and Egypt by 8%. It is noted that South African broiler meat is exported mostly to SADC countries which constitutes 88% of the total broiler meat exports.



Source: Quantec EasyData.

It is noted that South African broiler meat is exported mostly to SADC countries and Mozambique is the net importer of South African broiler meat.

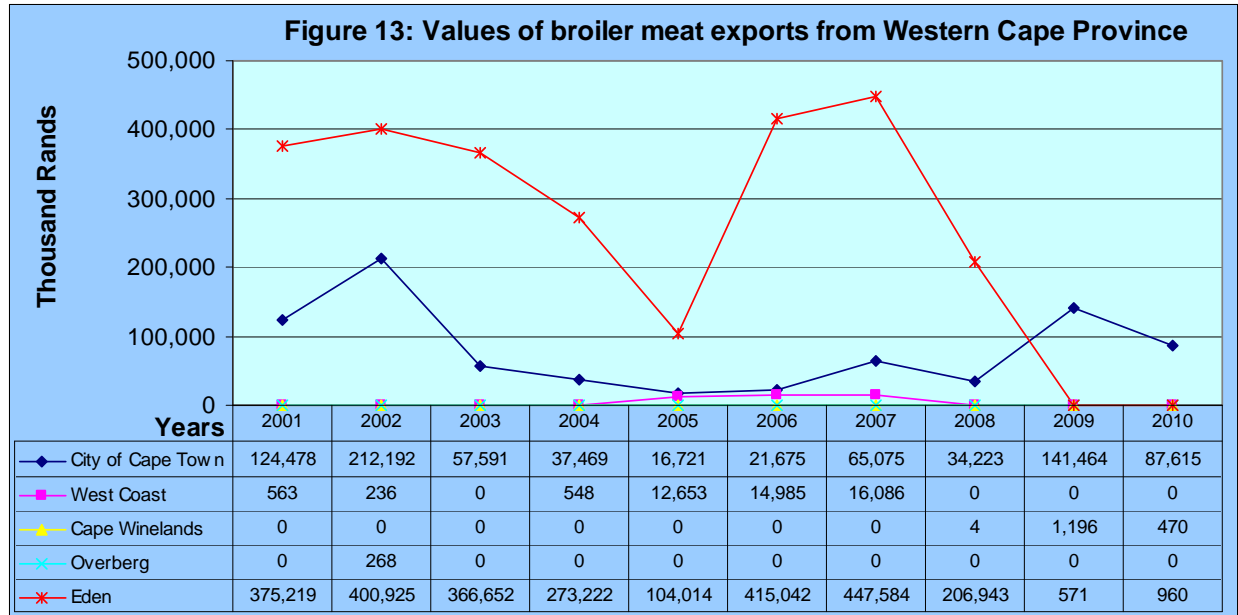
Values of broiler meat exports from various provinces of South Africa are presented in Figure 12.



Source: Quantec EasyData.

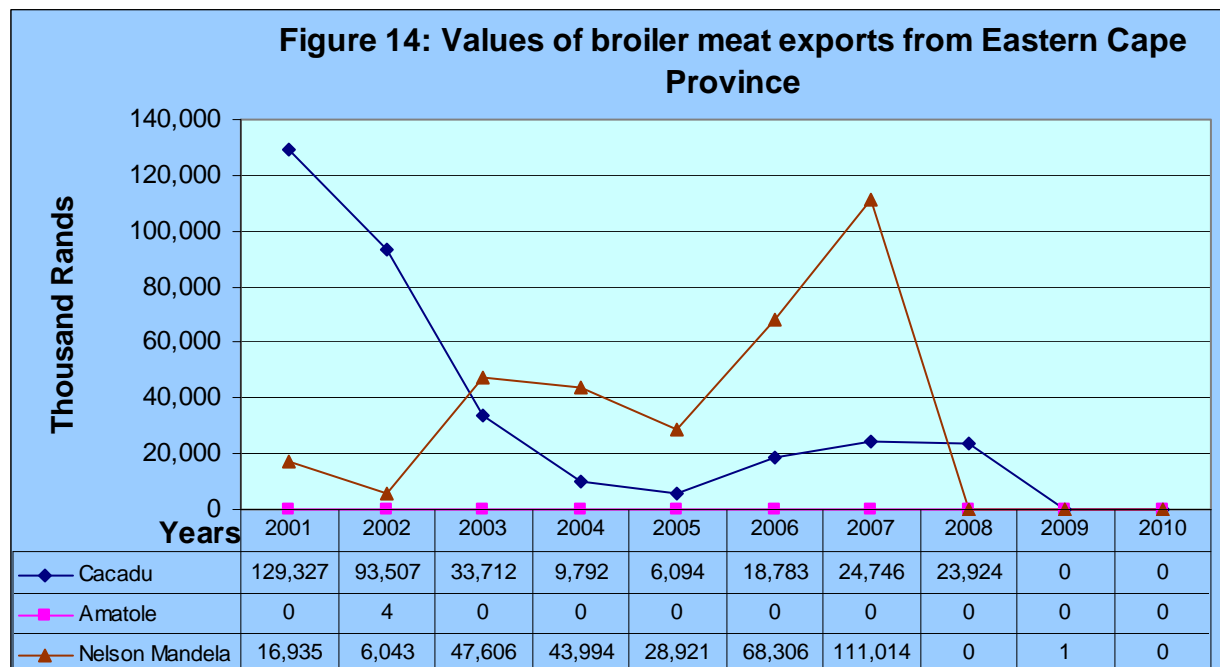
Broiler meat exports originate mainly from the Western Cape, Eastern Cape, Gauteng and Free State provinces. Western Cape Province has recorded the greatest values in broiler meat exports between the periods 2001 and 2008 with the highest value in 2002. This is due to the fact that this province is the main exit point of exports. From 2009 to 2010, export values fluctuated between Free State and Gauteng provinces. Free State experienced the greatest values in 2009 and Gauteng in 2010. Mpumalanga province was a regular exporter while Northern Cape, Eastern Cape, North West and Limpopo provinces registered intermittent exports.

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



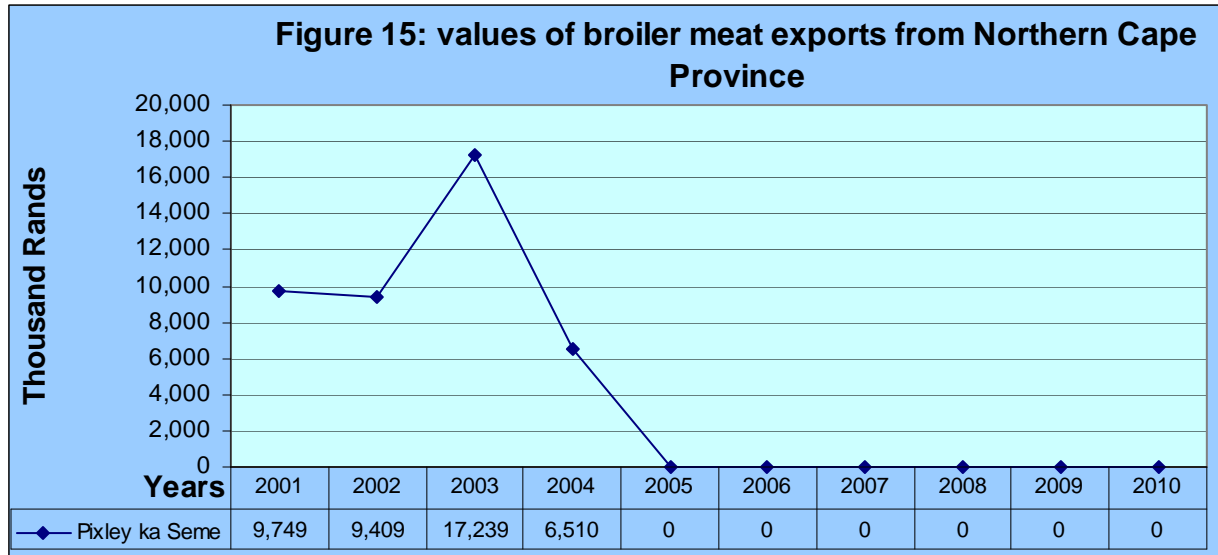
Source: Quantec EasyData.

The greatest share of broiler meat exports from Western Cape Province originates mainly from Eden district municipality followed at a distance by City of Cape Town metropolitan municipality. Broiler meat exports originating from Eden district municipality have shown increases during 2006 and 2007 but declined dramatically in 2008 to 2010. Small intermittent export values were recorded in West Coast, Cape Winelands, and Overberg district municipalities.



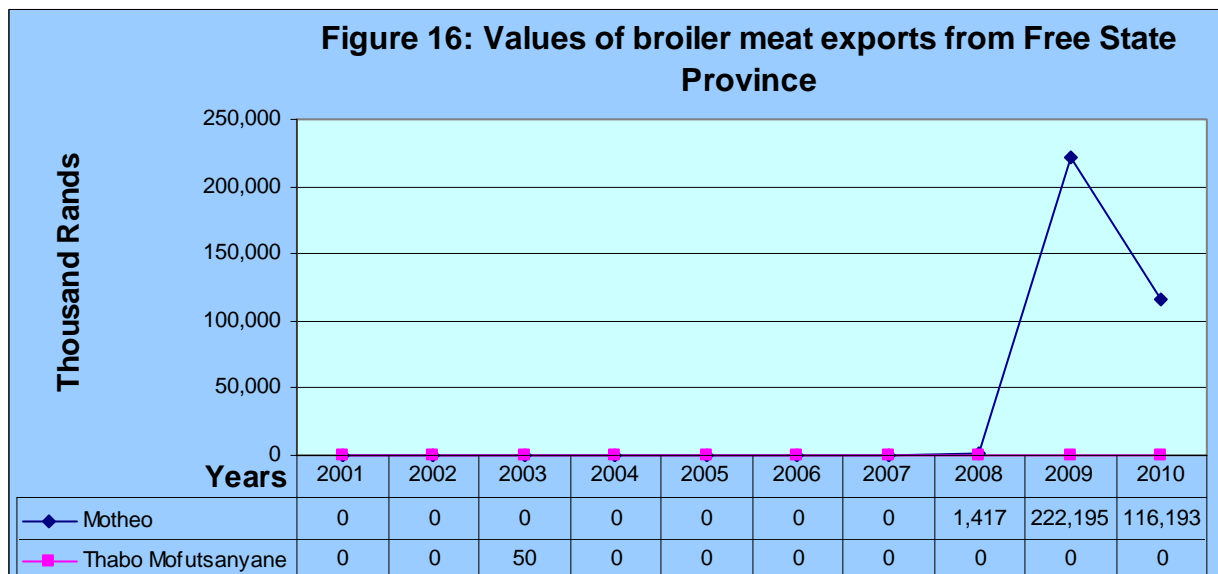
Source: Quantec EasyData.

Broiler meat exports from Eastern Cape Province were from Cacadu district and Nelson Mandela metropolitan municipality during 2001 to 2008. Cacadu district municipality commanded the highest values from 2001 to 2002 & 2008 and Nelson Mandela took over from 2003 to 2007. Amathole district municipality recorded exports in 2002 only. Exports of broiler meat from Eastern Cape diminished in 2010.



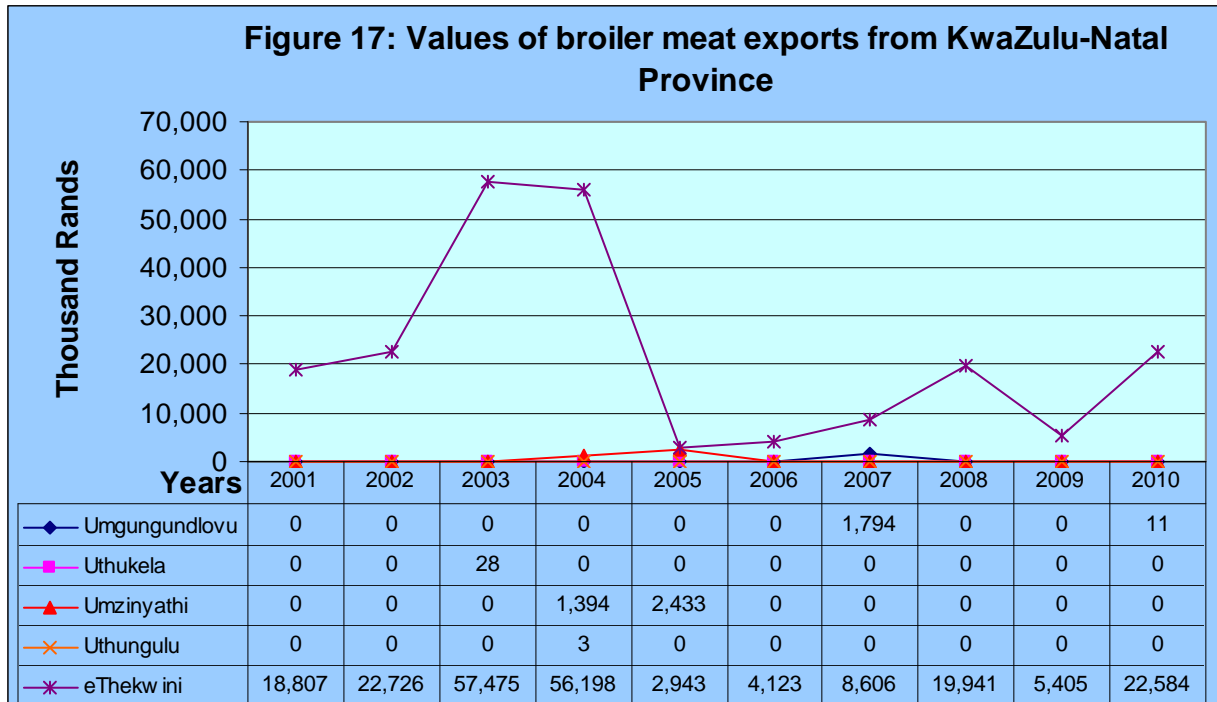
Source: Quantec EasyData.

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 2001 to 2004 then diminished thereafter.



Source: Quantec EasyData.

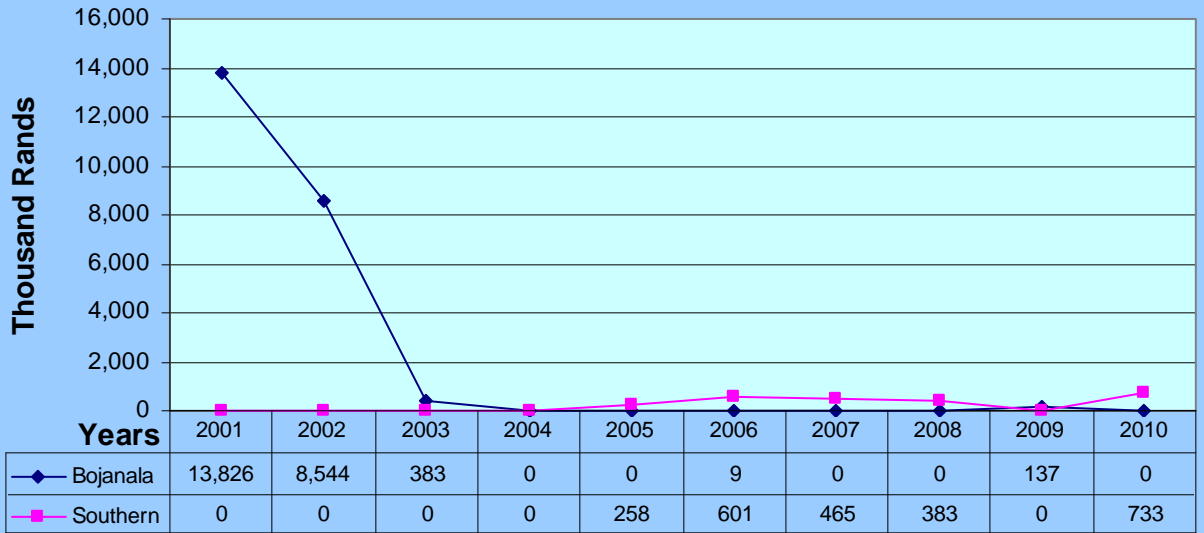
In Free State Province, broiler meat exports were mainly from Motheo and Thabo Mofutsanyane district municipalities. Thabo Mofutsanyane recorded exports of broiler meat in 2003 only and Motheo district municipality experienced some exports during 2008 to 2010.



Source: Quantec EasyData.

From KwaZulu-Natal Province, the export of broiler meat were mainly from eThekweni district municipality with dramatic increases of export values recorded from 2003 to 2004 followed by a remarkable decrease in 2005. Thereafter the value of broiler meat exports experienced slight increases until 2006 to 2008 then decreased again in 2009. Fractional exports were recorded from Umgungundlovu, Uthukela, Umzinyathi and Uthungulu district municipalities.

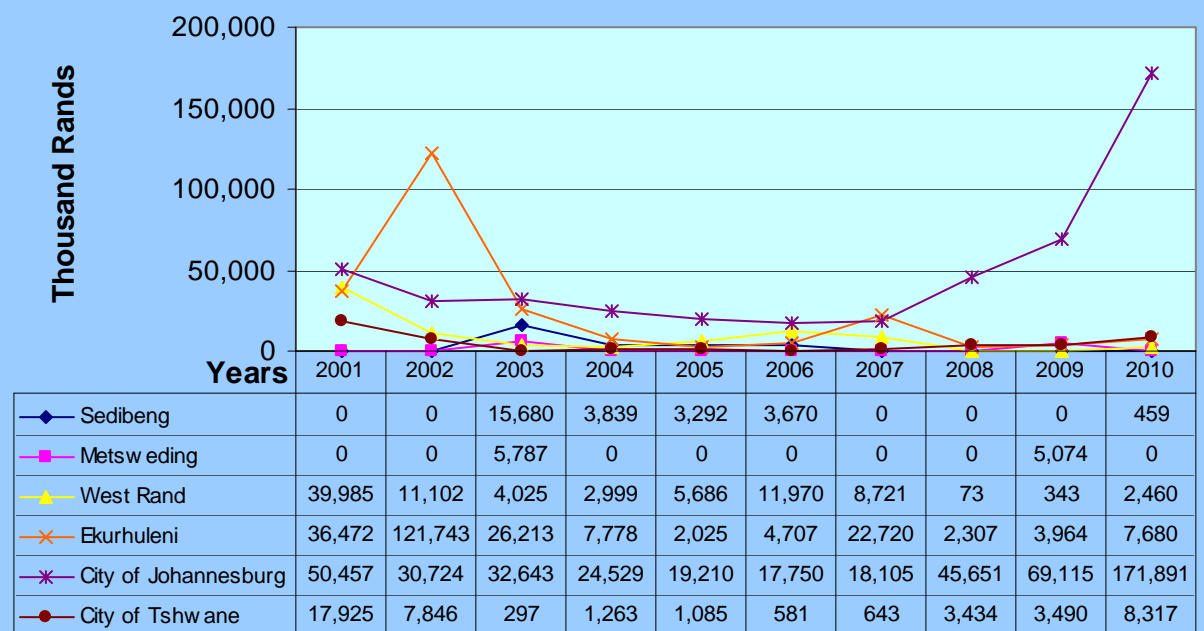
Figure 18: Values of broiler meat exports from North West Province



Source: Quantec EasyData.

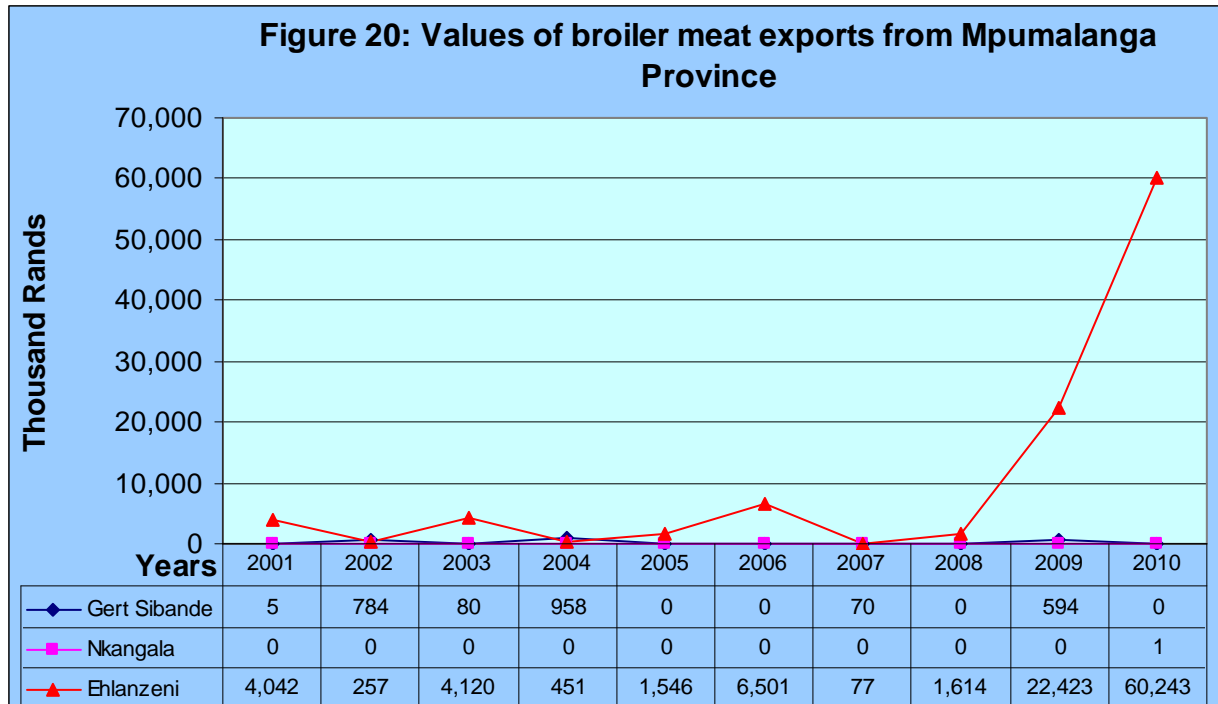
The value of broiler meat exports from Bojanala district municipality of North West was recorded from 2001 to 2003 and 2009. Southern district municipality recorded low exports of broiler meat from 2005 and 2010.

Figure 19: Values of broiler meat exports from Gauteng



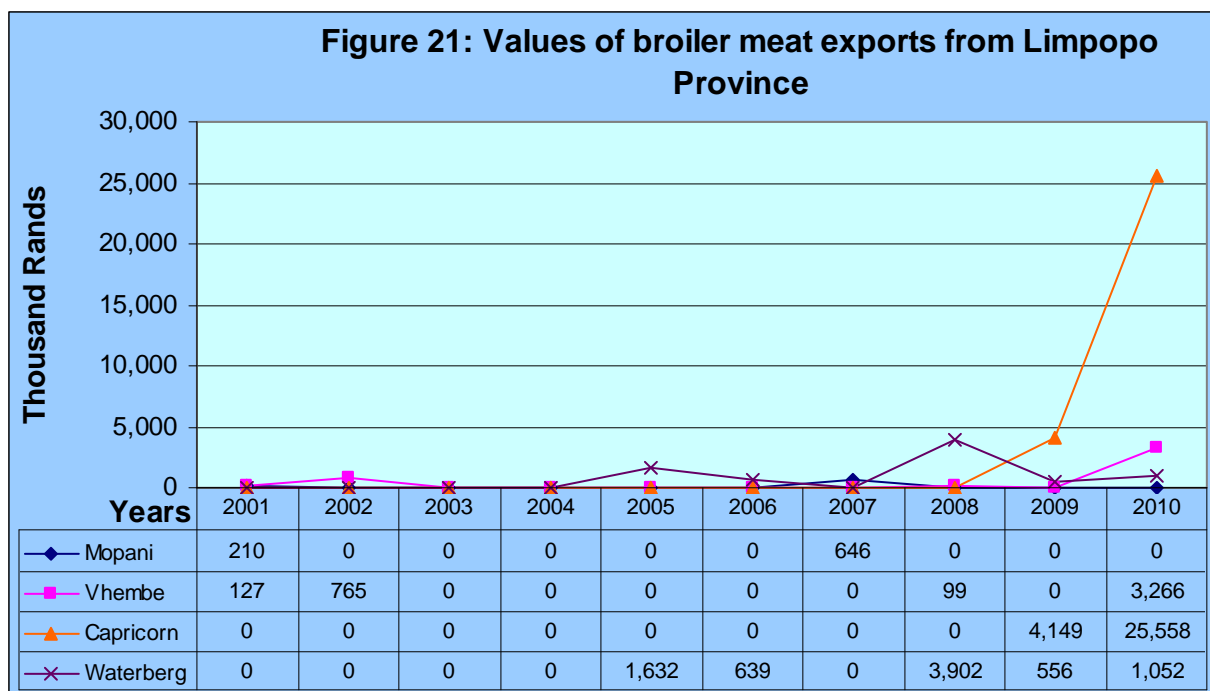
Source: Quantec EasyData.

In Gauteng province, broiler meat exports arose mainly from Ekurhuleni, City of Johannesburg, City of Tshwane and West Rand district municipalities. City of Johannesburg dominated the export market of broiler meat in Gauteng province. It commanded the greatest values during the periods 2001, 2003 to 2003 and 2008 to 2010. Ekurhuleni commanded the highest value during 2002 only.. Sedibeng and Metsweding district municipalities showed some irregularities throughout the decade.



Source: Quantec EasyData.

In Mpumalanga Province, the values of broiler meat exports from the Ehlanzeni district municipality were fluctuating between the periods 2001 and 2010 with high values recorded in 2001, 2003, 2006 and the highest in 2010. Gert Sibande and Nkangala district municipality recorded fractional exports during the period under review.



Source: Quantec EasyData.

Figure 21 indicates that Limpopo Province experienced fractional exports of broiler meat from 2001 to 2010. Mopani district municipality recorded exports during 2001 and 2007; Vhembe recorded during 2001 to 2002, 2008 and 2010; Capricorn recorded during 2009 to 2010; Waterberg recorded during 2005 to 2006 and 2008 to 2010.

2.2.2. Share Analysis.

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

Years Province	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Western Cape	59.69	66.19	63.36	66.09	63.97	76.65	72.79	70.13	29.80	17.48
Eastern Cape	17.45	10.74	12.14	11.42	16.79	14.78	18.69	6.96	0.00	0.00
Northern Cape	1.16	1.01	2.57	1.38	0.00	0.00	0.00	0.00	0.00	0.00
Free State	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.41	46.23	22.81
Kwazulu-Natal	2.24	2.45	8.59	12.23	2.58	0.70	1.43	5.80	1.12	4.43
North West	1.65	0.92	0.06	0.00	0.12	0.10	0.06	0.11	0.03	0.14
Gauteng	17.28	18.49	12.64	8.58	15.01	6.56	6.91	14.96	17.06	37.45
Mpumalanga	0.48	0.11	0.63	0.30	0.74	1.10	0.02	0.47	4.79	11.82
Limpopo	0.04	0.08	0.00	0.00	0.78	0.11	0.09	1.16	0.98	5.86
Total	100	100	100	100	100	100	100	100	100	100

Source: Calculated from Quantec EasyData.

From Table 2 above, Western Cape Province commands the greatest share of South African broiler meat exports followed by Eastern Cape and Gauteng 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. 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	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
City of Cape Town	24.88	34.58	13.58	12.04	12.54	4.80	12.31	14.19	98.77	98.39
West Coast	0.11	0.04	0.00	0.18	9.49	3.32	3.04	0.00	0.00	0.00
Cape Winelands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.84	0.53
Overberg	0.00	0.04	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Eden	75.00	65.34	86.42	87.79	77.98	91.88	84.65	85.81	0.40	1.08
Total	100	100	100	100	100	100	100	100	100	100

Source: Calculated from Quantec EasyData.

Eden district municipality has commanded the greatest share of broiler meat exports in Western Cape Province during the period between 2001 and 2010. During the same period, City of Cape Town commanded the second highest level. West Coast, Cape Winelands and Overberg district municipalities recorded intermittent exports of broiler.

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

Years District	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Cacadu	88.42	93.93	41.46	18.21	17.40	21.57	18.23	100.00	0.00	0.00
Amathole	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Nelson Mandela	11.58	6.07	58.54	81.79	82.60	78.43	81.77	0.00	100.00	100.00
Total	100	100	100	100	100	100	100	100	100	100

Source: Calculated from Quantec EasyData.

From Eastern Cape Province, the export shares of broiler meat fluctuated between Cacadu and Nelson Mandela district municipalities. Amathole district recorded irregular exports during the period under review.

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

Years District	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Pixley ka Seme	100.00	100.00	100.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	100	100	100	100	0	0	0	0	0	0

Source: Calculated from Quantec EasyData.

Northern Cape recorded exports of broiler meat inform 2001 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	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Motheo	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100.00	100.00	100.00
Thabo Mofutsanyane	0.00	0.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	0	0	100	0	0	0	0	100	100	100

Source: Calculated from Quantec EasyData.

From Free State Province exports of broiler meat occurred from Motheo and Thabo Mofutsanyane district municipalities in 2003, 2008 to 2010.

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

Years District	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Umgungundlovu	0.00	0.00	0.00	0.00	0.00	0.00	17.25	0.00	0.00	0.05
Uthukela	0.00	0.00	0.05	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Umzinyathi	0.00	0.00	0.00	2.42	45.26	0.00	0.00	0.00	0.00	0.00
Uthungulu	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
eThekwini	100	100	99.95	97.58	54.74	100	82.75	100	100	99.95
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 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	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Bojanala	100	100	100	0	0	1.53	0	0	100	0
Southern	0	0	0	0	100	98.47	100	100	0	100
Total	100	100	100	0	100	100	100	100	100	100

Source: Calculated from Quantec EasyData.

Bojanala district municipality has commanded the greatest share of broiler meat exports in North West Province during the period between 2001 to 2003 and 2009. Southern district municipality recorded the highest exports of broiler meat during 2005 to 2007 and 2010.

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

Years District	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Sedibeng	0.00	0.00	18.52	9.50	10.52	9.49	0.00	0.00	0.00	0.24
Metsweding	0.00	0.00	6.84	0.00	0.00	0.00	0.00	0.00	6.19	0.00
West Rand	27.61	6.48	4.76	7.42	18.17	30.95	17.38	0.14	0.42	1.29
Ekurhuleni	25.18	71.02	30.97	19.25	6.47	12.17	45.27	4.48	4.83	4.03
City of Johannesburg	34.84	17.92	38.56	60.70	61.38	45.89	36.07	88.70	84.30	90.09
City of Tshwane	12.38	4.58	0.35	3.12	3.47	1.50	1.28	6.67	4.26	4.36
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, City of Tshwane and West Rand municipalities. Intermittent exports of broiler meat were recorded in Sedibeng and Metsweding district municipalities.

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

Years District	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Gert Sibande	0.12	75.31	1.91	67.98	0.00	0.00	47.71	0.00	2.58	0.00
Nkangala	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ehlanzeni	99.88	24.69	98.09	32.02	100.00	100.00	52.29	100.00	97.42	100.00
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 2006, 2008 and 2010. This makes Ehlanzeni district municipality to be the main exporter of broiler meat in Mpumalanga Province. Gert Sibande district municipality experienced fractional exports and Nkangala recorded less than a percent of broiler meat exports during 2010.

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

Years District	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Mopani	62.40	0.00	0.00	0.00	0.00	0.00	100.00	0.00	0.00	0.00
Vhembe	37.60	100.00	0.00	0.00	0.00	0.00	0.00	2.48	0.00	10.93
Capricorn	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	88.18	85.55
Waterberg	0.00	0.00	0.00	0.00	100.00	100.00	0.00	97.52	11.82	3.52
Total	100	100	0	0	100	100	100	100	100	100

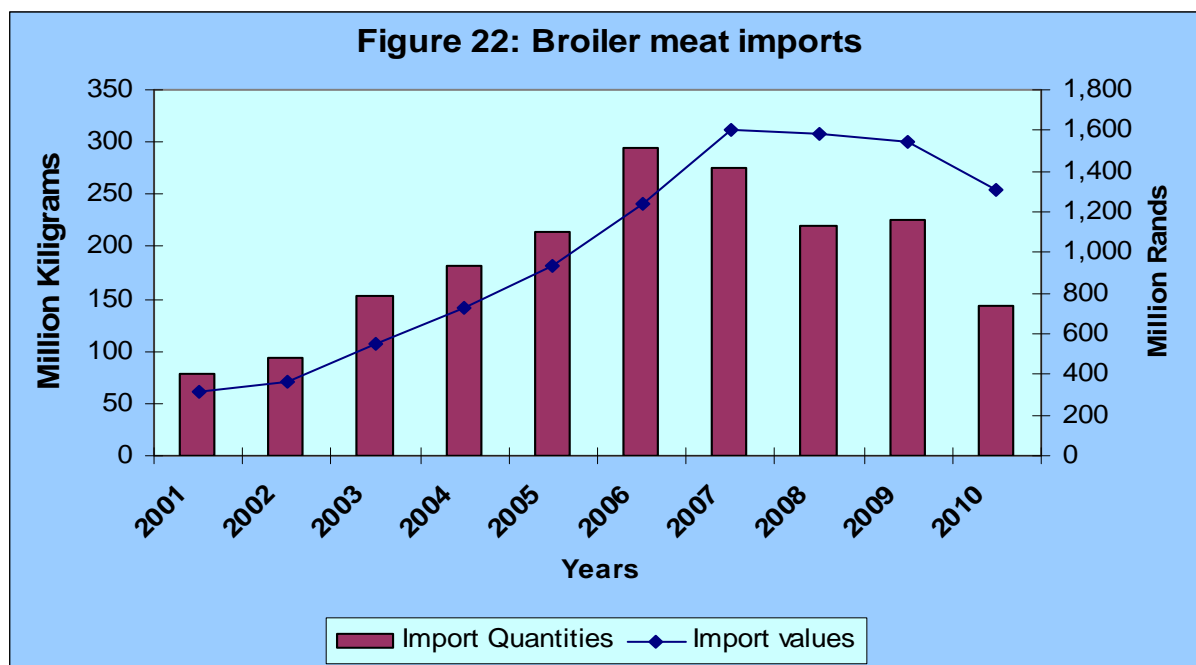
Source: Calculated from Quantec EasyData.

From Limpopo Province, exports of broiler meat were irregular during the period under analysis. Mopani recorded 100% of broiler meat during 2007; Vhembe recorded its 100% in 2002 then Waterberg in 2005 to 2006. There were no records for broiler meat exports from Limpopo Province during the periods 2003 to 2004.

2.2.3. Imports.

South Africa imported approximately 144 million kilograms of broiler meat in 2010 at an estimated value of R 1.3 million. The import value showed a significant decline of 51% compared to 2006 but increased by 85% compared to 2001. 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 2000 to 2010.

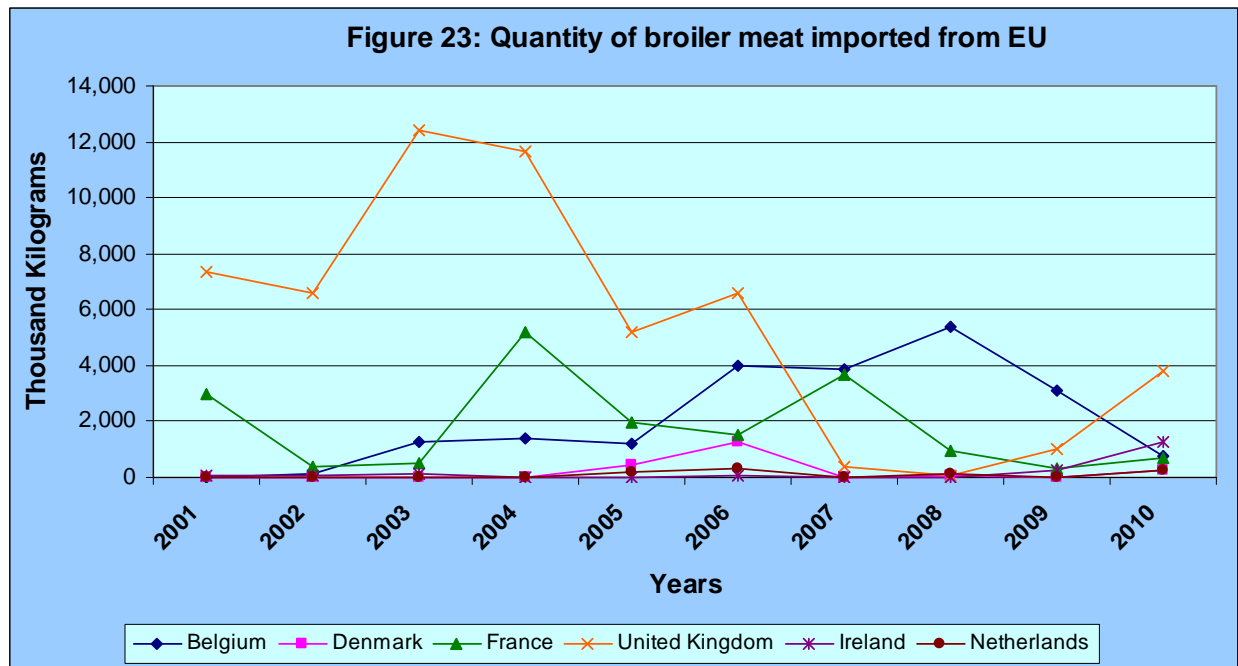


Source: Quantec EasyData.

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 2006 before decreasing though fluctuating from 2007 to 2010. 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.

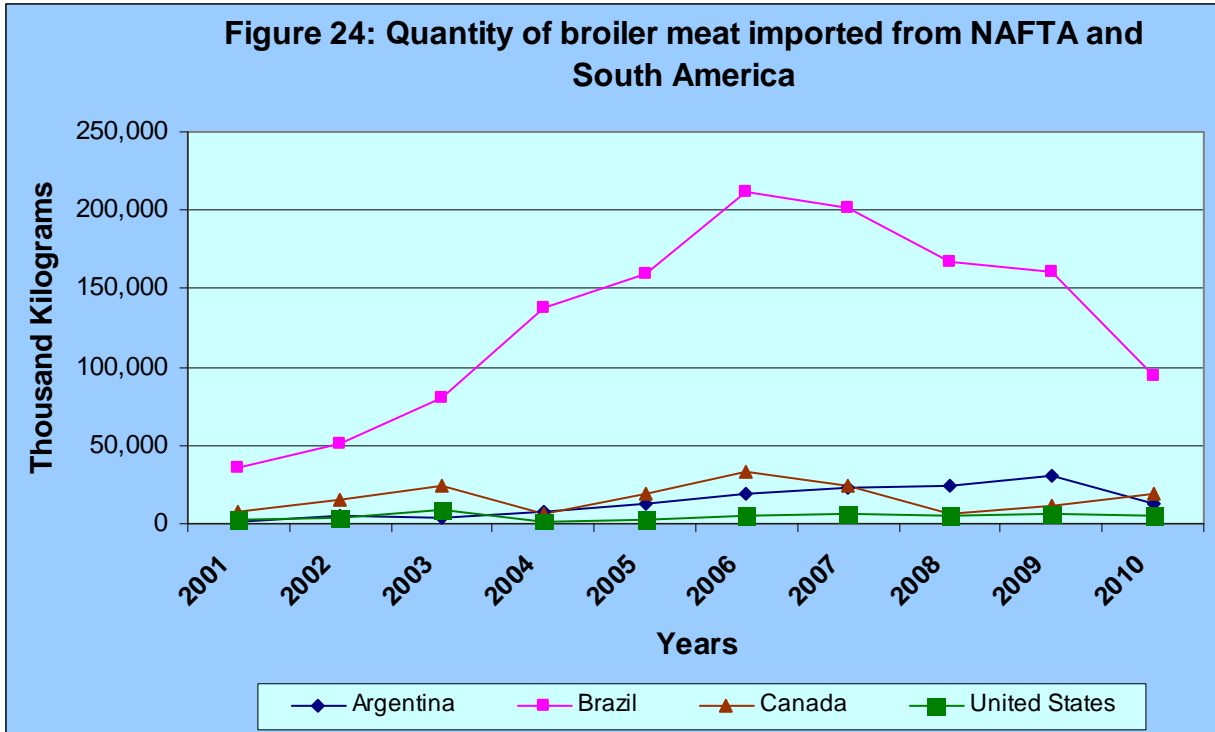
During 2007 to 2010, it was more expensive to import broiler meat as less quantity was imported at a higher value. This may be due to the depreciation of South African Rand against US\$.

Figure 23 below show the main suppliers of broiler meat to South Africa during the period 2001 to 2010.



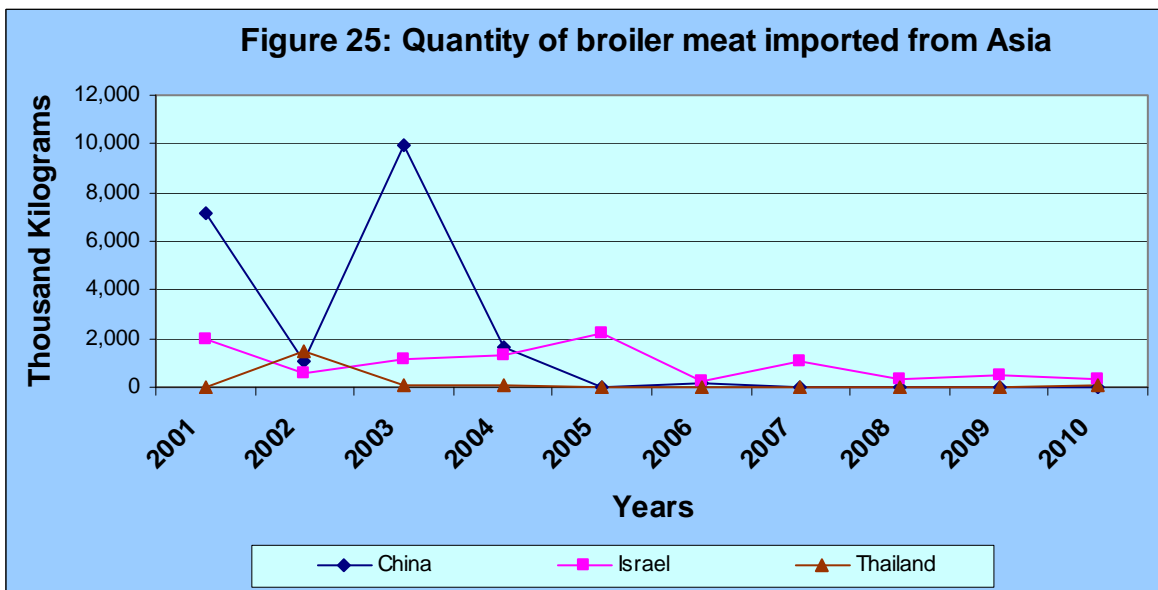
Source: *Quantec EasyData*.

Figure 23 clearly indicates that the highest quantity of broiler meat imports from 2001 to 2006 and 2010 originated from United Kingdom followed by Belgium and France. Belgium experienced greatest share of broiler meat import from 2007 to 2009. There were some fluctuations among Belgium, France, Netherlands, Denmark and Ireland throughout the period under analysis.



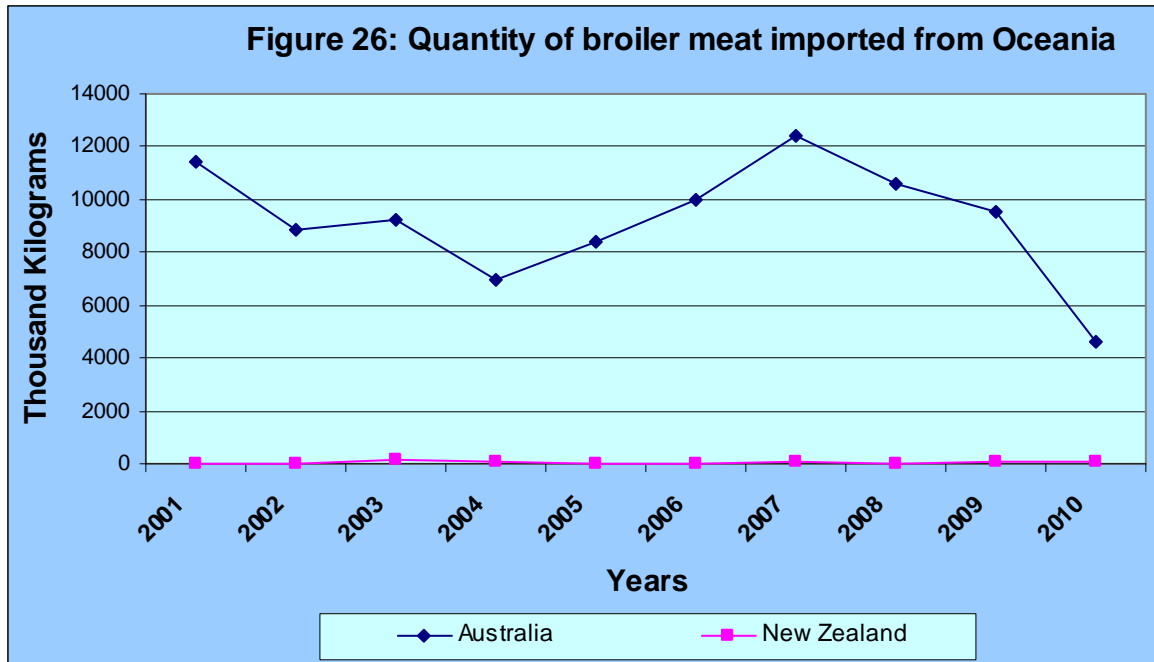
Source: Quantec EasyData.

During the past decade Brazil commanded the highest South Africa's import market of broiler meat. Its quantity increased drastically from 2002 to 2006 and dropped significantly from 2007 to 2010. 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 from 2001 to 2007 followed by Argentina from 2008 to 2009. Generally, Brazil is the net exporter of South African broiler meat imports.



Source: Quantec EasyData.

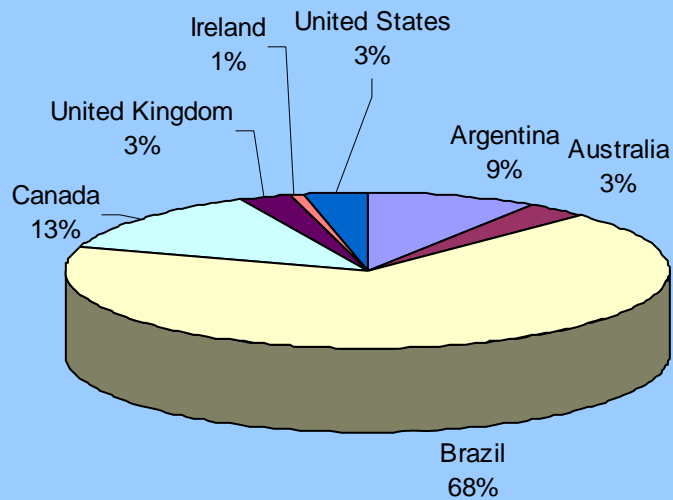
Figure 25 shows that China was the main supplier from 2001 to 2003 and diminished from 2009 to 2010. Israel has been South Africa's regular importer of broiler meat over the past decade and it obtained the highest market share from 2005 to 2010. Thailand recorded intermittent supply of broiler meat to South Africa.



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. There are some increases throughout the decade with some little fluctuations. Oceania reached the highest levels in 2007, which might be due to decreased imports from other countries.

Figure 27: Countries of origin of broiler meat in 2010

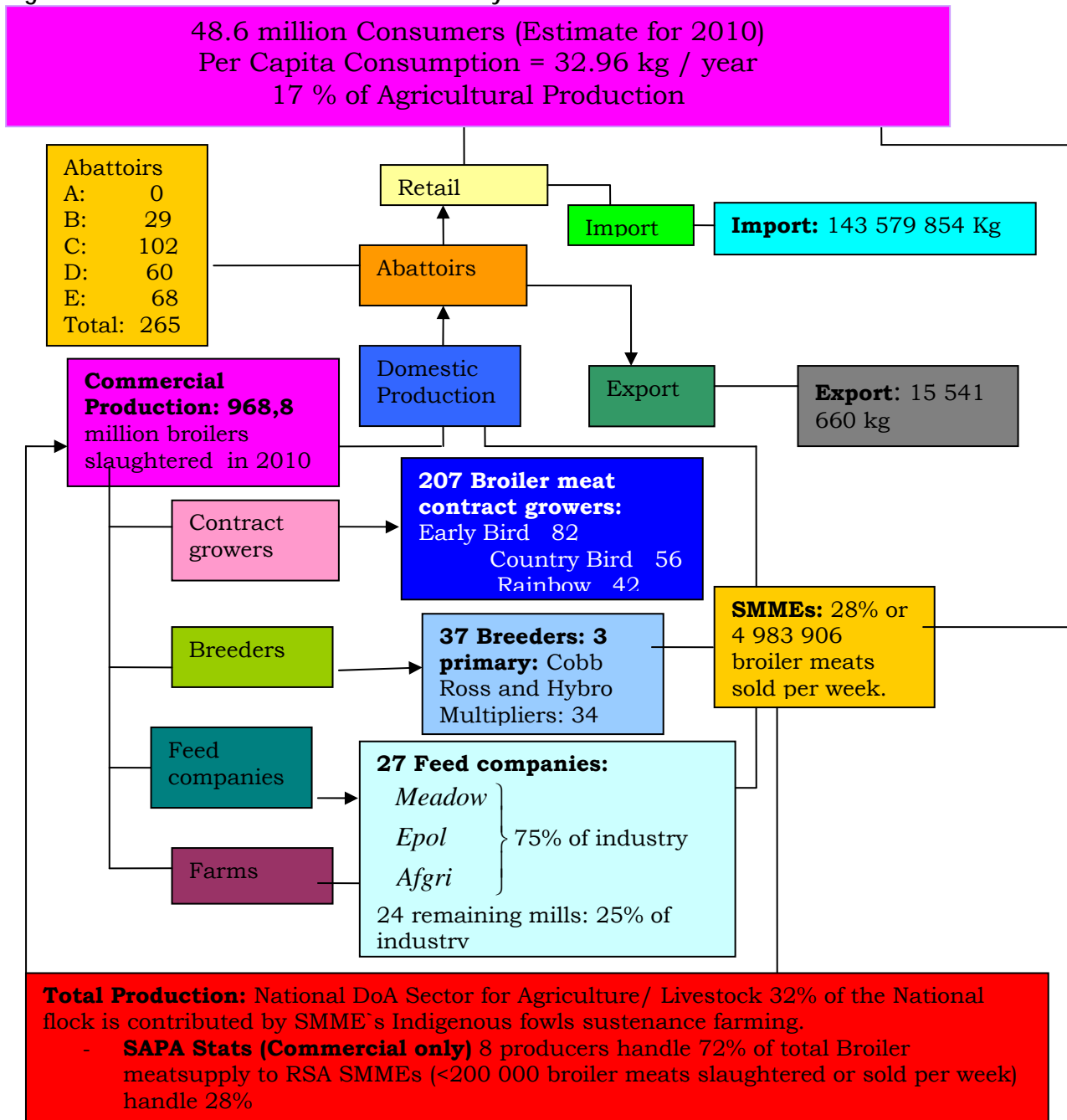


Source: Quantec EasyData.

Figure 27 above shows the share of various suppliers to South Africa's broiler meat in 2010. Brazil commanded the highest market share of broiler meat in South Africa with 68% share followed at a distance by Canada with 13% and Argentina by 9%. t

3. BROILER MEAT MARKET VALUE CHAIN

Figure 24: Structure of the broiler meat industry.

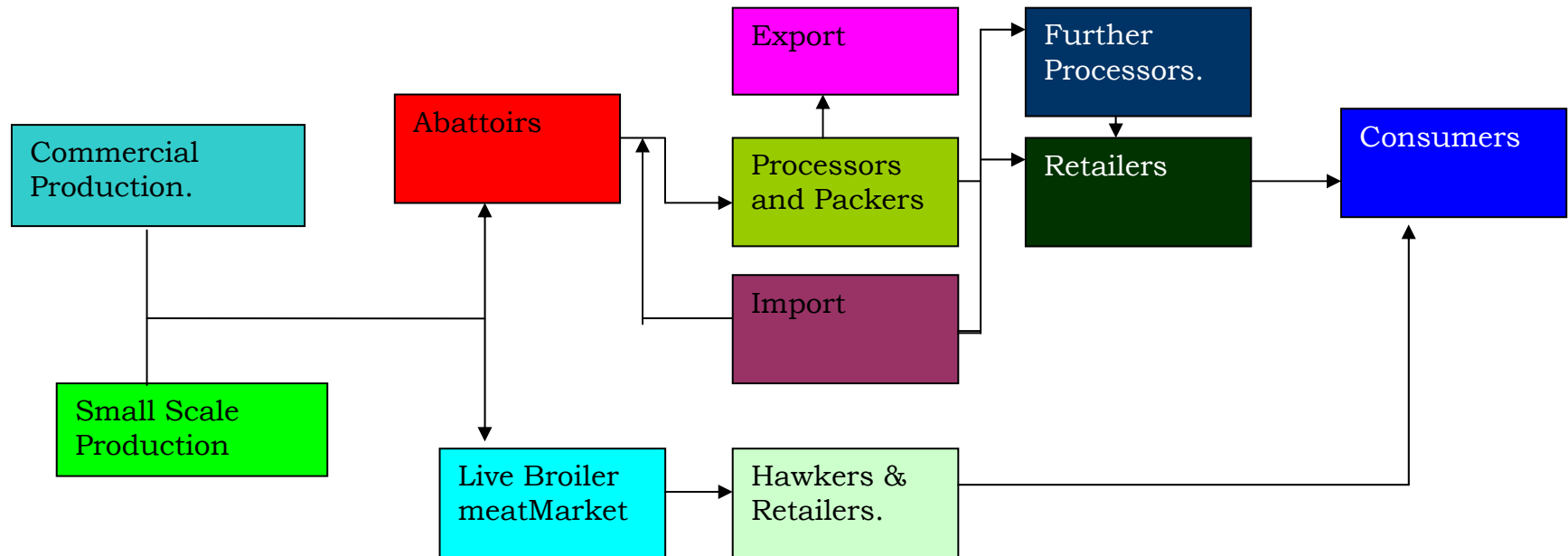


Source: Adapted from NAMC.

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 31.83%. Production in kilograms is around 1 349 million, Consumption around 1 551 million, Imports 225 million and Export 18.7 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 Themban'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.
 - Feed Costs are high.
 - 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.

7. OPPORTUNITIES AND WEAKNESSES.

The per capita consumption increased from 19.7 kilograms in 2001 to 32.96 kilograms in 2010. 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 that different importing countries applied to broiler meat originating from South Africa in 2010 are shown in Table 12.

Table 12: Broiler meat export tariffs

Country	Product Code	Trade Regime Description	2010	
			Applied Tariffs.	Total Ad Valorem Equivalent Tariff (estimated)
Angola	02071100 (Fresh or chilled Broiler chicken)	MFN Applied	0.00%	0.00%
	02071290 (Frozen Broiler chicken)	Preferential tariff for SADC	0.00%	0.00%
		MFN Applied	27.00%	27.00%
Democratic Republic of Congo	02071100 (Fresh or chilled Broiler chicken)	MFN Applied	0.00%	0.00%
	02071290 (Frozen Broiler chicken)	Preferential tariff for SADC	0.00%	0.00%
		MFN Applied	27.00%	27.00%
Ghana	02071100 (Fresh or chilled fowls of the species Gallus domesticus)	MFN Applied	0.00%	0.00%
	02071290 (Frozen fowls of the species Gallus domesticus)	MFN Applied	27.00%	27.00%
Mozambique	02071100 (Fresh or chilled cuts and edible offal of fowls of the species Gallus domesticus)	MFN Applied	0.00%	0.00%
		Preferential tariff for	0.00%	0.00%

Country	Product Code	Trade Regime Description	2010	
			Applied Tariffs.	Total Ad Valorem Equivalent Tariff (estimated)
	02071290 (Frozen cuts edible offal of fowls of the species Gallus domesticus)	SADC MFN Applied	27.00%	27.00%
Zimbabwe	02071100 (Fresh or chilled fowls of the species Gallus domesticus)	MFN Applied	0.00%	0.00%
		Preferential tariff for SADC	0.00%	0.00%
	02071290 (Frozen fowls of the species Gallus domesticus)	MFN Applied	27.00%	27.00%

Source: MacMap.

Most of South Africa's broiler meat is exported to SADC and receives a preferential tariff of 0%. Table 12 indicates that exports tariff of frozen broiler meat from South Africa receives the highest tariff rate of 27% from Ghana, which is in the Western Africa.

8.2. Import tariffs for broiler meat.

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

Table 13: Broiler meat import tariffs

Country	Product Code	Trade Regime Description	2010	
			Applied Tariffs	Total Ad Valorem Equivalent Tariff (estimated)
Argentina Australia Belgium Brazil Canada United Kingdom United States of America	02071100 (fresh or chilled fowls of species Gallus domesticus, not cut in pieces)	MFN Applied	0.00%	0.00%
	02071290 (frozen fowls of species Gallus domesticus, not cut in pieces: Other)	MFN Applied	27.00%	27.00%
	02071300 (Fresh or	MFN Applied	0.00%	0.00%

Country	Product Code	Trade Regime Description	2010	
			Applied Tariffs	Total Ad Valorem Equivalent Tariff (estimated)
	<p>chilled cuts and edible offal of fowls of the species Gallus domesticus)</p> <p>02071410 (Frozen cuts edible offal of fowls of the species Gallus domesticus: Boneless cuts)</p>	MFN Applied	5.00%	5.00%

Source: MacMap.

During 2010 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.

9. PERFORMANCE ANALYSIS OF SOUTH AFRICAN POULTRY INDUSTRY IN 2010.

Table 14: List of importing markets for the Meat & edible offal of broiler exported by South Africa in 2010.

South Africa's exports represent 0.19% of world exports for Meat & edible offal of broiler, its ranking in world's exports is 30.

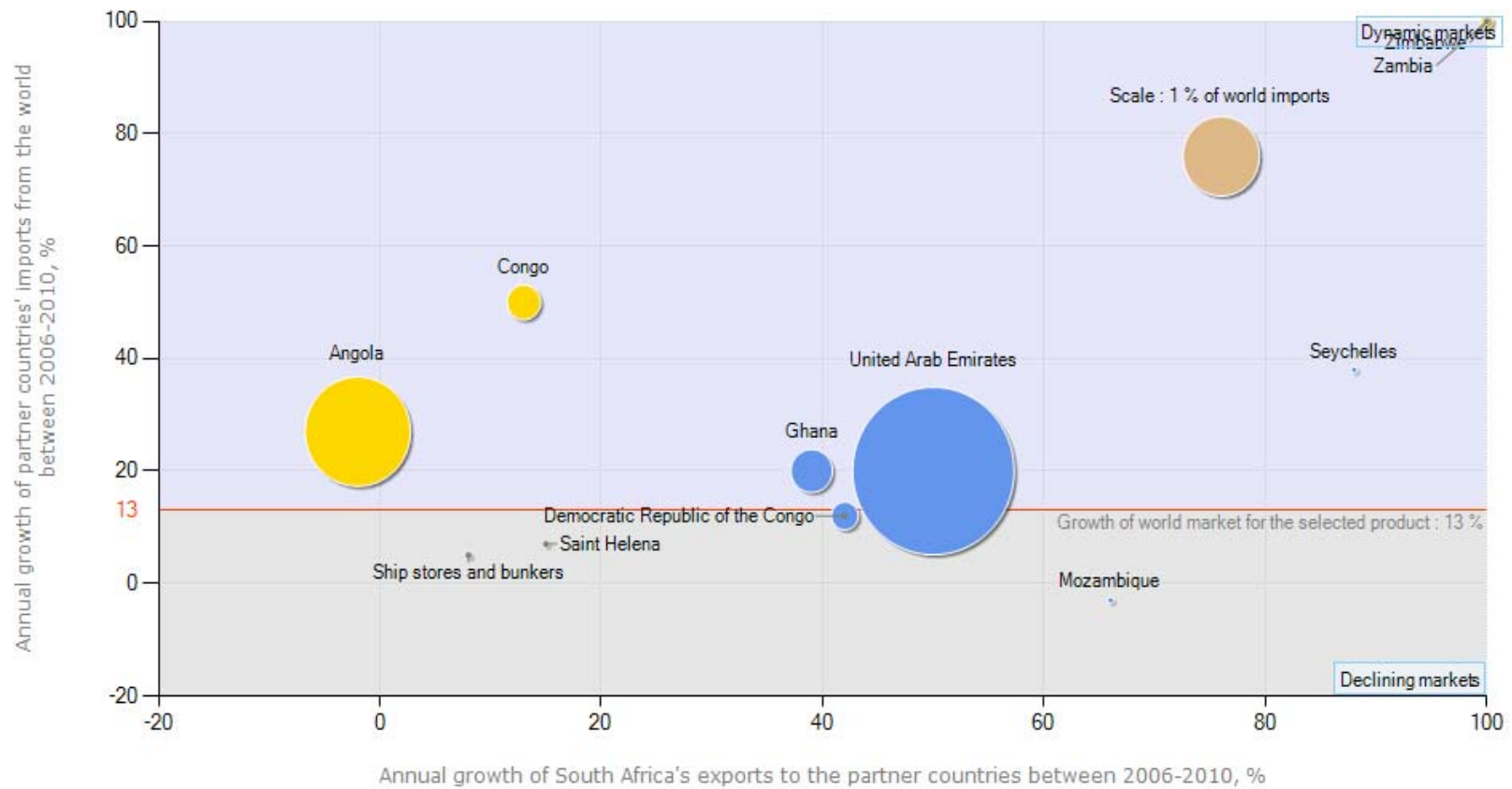
Importers	Trade Indicators												Tariff (estimated) faced by South Africa (%)
	Exported value 2010 (USD thousand)	Trade balance 2010 (USD thousand)	Share in South Africa's exports (%)	Exported quantity 2010	Quantity unit	Unit value (USD/unit)	Exported growth in value between 2006-2010 (% p.a.)	Exported growth in quantity between 2006-2010 (% p.a.)	Exported growth in value between 2009-2010 (% 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 2006-2010 (% p.a.)	
World	37980	-201991	100	17205	Tons	2207	82	83	31		100	13	
Zimbabwe	19514	19514	51.4	11273	Tons	1731	313	233	-10	82	0.1	315	n/a
Mozambique	15193	15193	40	4521	Tons	3361	66	44	337	121	0	-3	n/a
DRC	897	897	2.4	555	Tons	1616	42	22	-11	50	0.3	12	n/a
Angola	543	543	1.4	260	Tons	2088	-2	-5	30	18	1.4	27	n/a
Ghana	350	350	0.9	81	Tons	4321	39	43	19	44	0.5	20	n/a
United Arab Emirates	242	242	0.6	44	Tons	5500	50	32	75	12	2.2	20	n/a

Source: ITC calculations based on COMTRADE statistics.

Table 14 shows that during 2010 South Africa exported a total of 17 205 tons of meat & edible offal of broiler at an average value of US\$ 2 207/unit. The major export destinations for meat & edible offal of broiler originating from South Africa during 2010 were Zimbabwe, Mozambique, Democratic Republic of Congo, and Angola. The greatest share of South Africa's meat & edible offal of broiler exports were exported to Zimbabwe which commanded a share of 51.4% during the year 2010 followed by Mozambique which commanded 40%. South Africa's meat & edible offal of broiler exports increased by 82% in value and 83% in quantity between the periods 2006 and 2010. During the same period, exports for meat & edible offal of broiler to Zimbabwe increased by 313% in value while in quantity it increased by 233%; and exports to Mozambique increased by 66% in value while quantity increased by 44%.

Between the periods 2009 and 2010, South Africa's exports value of meat & edible offal of broiler increased by 31%. During the same period, exports value of meat & edible offal of broiler to Zimbabwe decreased by 10% and Mozambique experienced the highest growth of 337%. This shows that Zimbabwe and Mozambique are the net importer of South African meat & edible offal of broiler.

Growth in demand for the selected export product from South Africa in 2010
 Product : 0207 Meat&edible offal of poltry meat



● South Africa export growth to partner < Partner import growth from the world

● South Africa export growth to partner > Partner import growth from the world

● Reference bubble

Some bubbles may not be displayed due to lack of growth rate indicators

Bubble size is proportional to the share in world imports of partner countries for the selected product



The chart illustrates that between 2006 and 2010 South Africa's meat & edible offal of broiler exports to Congo, Angola, Zambia and Zimbabwe 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.

During the same period, South Africa's meat & edible offal of broiler exports to United Arab Emirates, Democratic Republic of Congo (DRC), Ghana, Mozambique, Seychelles and Saint Helena were growing at a rate that is greater than their imports from the rest of the world. Further analysis shows that United Arab Emirates, Ghana and Seychelles represent gains in the dynamic markets while DRC and Saint Helena represent gains in the declining markets of South African export for meat & edible offal of poultry. Mozambique represent losses (-3) in the declining market.

The most growth in demand of South African meat & edible offal poultry is Zimbabwe and Zambia with annual import growth of 206% for both. The chart above shows the prospects for market diversification for meat & edible offal of broiler exports by South Africa in 2010. The analysis of the results as shown on the figure above shows that Mozambique commanded the greatest shares (40%) of South Africa's meat & edible offal of broiler exports during the year 2010, but the figure still shows that Mozambique's imports growth has decreased by 3% 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 Zambia. Although Zimbabwe has a share of 31.38% 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 (315%). Zambia is the small market but its import growth is at 347%, South Africa can therefore penetrate their market.

Table 14: List of supplying markets for Meat & edible offal of broiler imported by South Africa in 2010.

South Africa's imports represent 1.19% of world's imports of Meat & edible offal of broiler, its ranking in world's imports is 19.

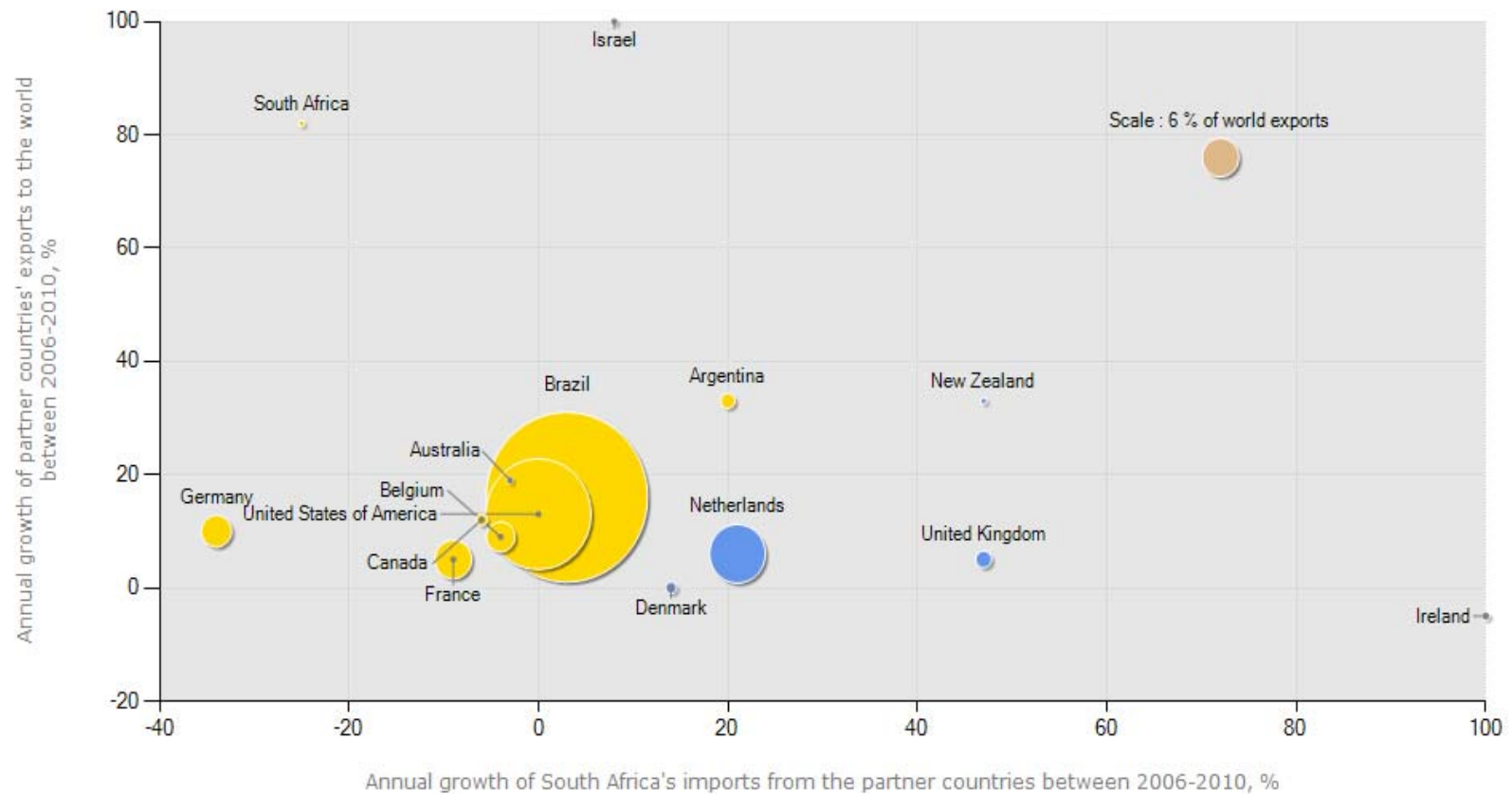
Exporters	Trade Indicators												Tariff (estimated) applied by South Africa (%)
	Imported value 2010 (USD thousand)	Trade balance 2010 (USD thousand)	Share in South Africa's imports (%)	Imported quantity 2010	Quantity unit	Unit value (USD/unit)	Imported growth in value between 2006-2010 (% p.a.)	Imported growth in quantity between 2006-2010 (% p.a.)	Imported growth in value between 2009-2010 (% 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 2006-2010 (% p.a.)	
World	239971	-201991	100	265137	Tons	905	3	-4	31		100	13	
Brazil	178604	-178604	74.4	193437	Tons	923	3	-4	35	1	29.3	16	20.6
Argentina	19851	-19825	8.3	27336	Tons	726	20	11	-6	12	1.8	33	20.6
Canada	18506	-18497	7.7	18818	Tons	983	-6	-17	72	13	1.2	12	20.6
United Kingdom	6148	-6147	2.6	7233	Tons	850	47	14	532	10	2	5	4
Australia	5150	-5150	2.1	4809	Tons	1071	-3	-14	-36	31	0.2	19	20.6
United States of America	4816	-4816	2	4587	Tons	1050	0	-3	-14	2	18.8	13	20.6

Sources: ITC calculations based on COMTRADE statistics.

Table 14 shows that during 2010 South Africa imported a total of 265 137 tons of meat & edible offal of broiler at an average value of US\$ 905/unit. The major origins for meat & edible offal of broiler imported by South Africa during 2010 were Brazil, Argentina, Canada, United Kingdom, Australia and United States of America. The greatest share of South African meat & edible offal of broiler imports were from Brazil which commanded 74.40% during 2010. There is an increase of 1.8% compared to last year (2009). South Africa's meat & edible offal of broiler imports increased by 3% in value and decreased by 4% in quantity between the periods 2006 and 2010. During the same period, imports of meat & edible offal of broiler from Brazil also increased by 3% in value and decreased by 4% in quantity while imports from Argentina increased by 20% in value and 11% in quantity. Broiler meat exports from Argentina decreased by 7% in value and 11% in quantity compared to the period 2005 and 2009.

Between the period 2009 and 2010 South Africa's imports for meat & edible offal of broiler increased by 31% in value. During the same period, imports of meat & edible offal of broiler from Brazil increased by 35% and Argentina decreased by 6% in value. In addition, Denmark experienced the highest import growth value of 4 375% followed by Netherlands (1 749%) per annum during 2009 and 2010.

Competitiveness of suppliers to South Africa for the selected import product in 2010
 Product : 0207 Meat&edible offal of poltry meat



● South Africa import growth from partner < Partner export growth to the world

● South Africa import growth from partner > Partner export growth to the world

● Reference bubble
 Some bubbles may not be displayed due to lack of growth rate indicators

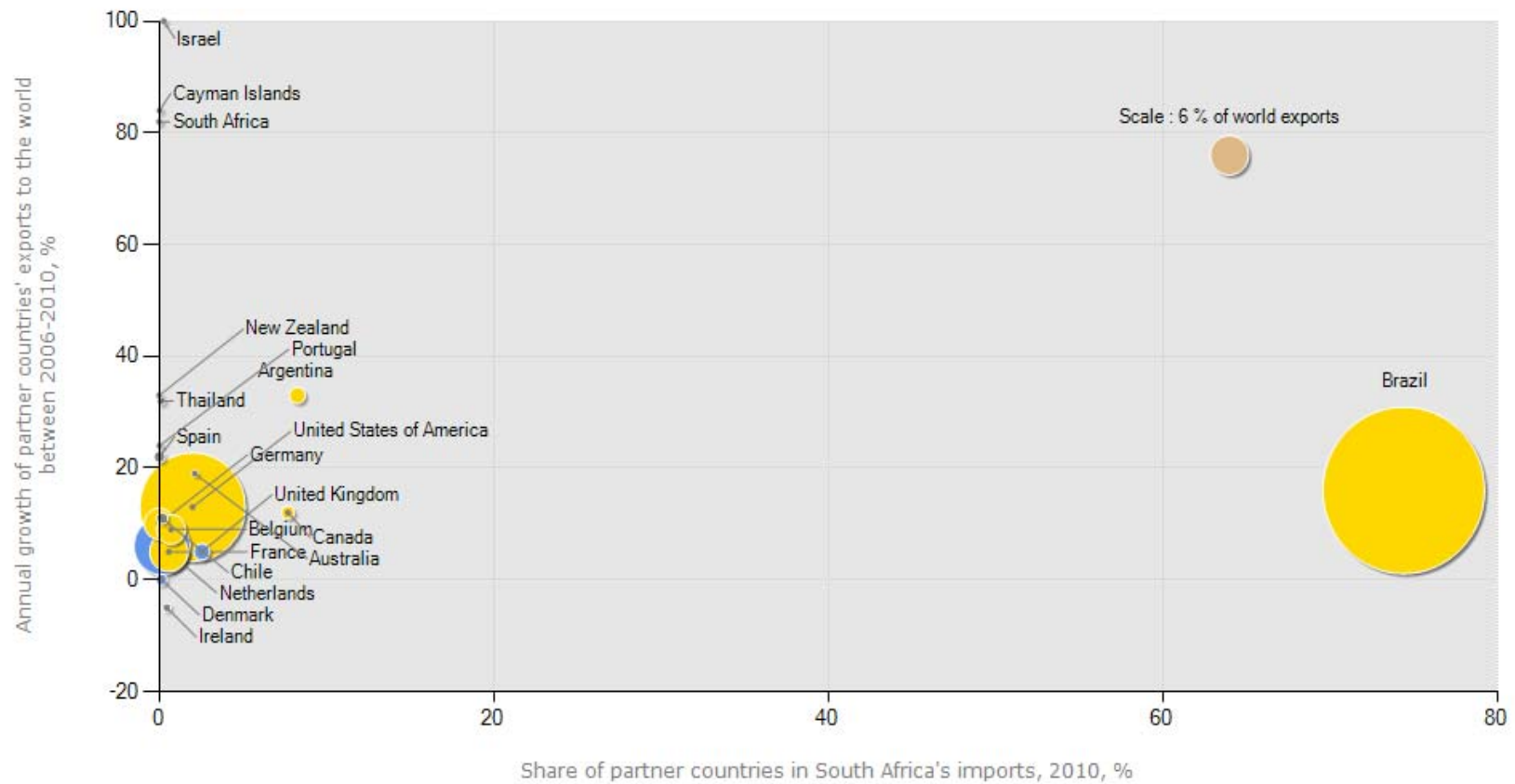
Bubble size is proportional to the share in world exports of partner countries for the selected product



The chart illustrates that between 2006 and 2010 South Africa's meat & edible offal of broiler imports from Argentina, Brazil, Canada, France, Australia, United States of America (USA), Belgium, Israel and Germany 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 Kingdom (UK), Denmark, New Zealand and Ireland 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 29.3% and 18.8% respectively and together they constitute a total of 48% of the world's meat & edible offal of broiler.

Prospects for diversification of suppliers for a product imported by South Africa in 2010
 Product : 0207 Meat&edible offal of poltry meat



● South Africa import growth from partner < Partner export growth to the world

● South Africa import growth from partner > Partner export growth to the world

● N.A.

● Reference bubble

Bubble size is proportional to the share in world exports of partner countries for the selected product



The chart above shows the prospects for diversification of suppliers for meat & edible offal of broiler imports by South Africa in 2010. The analysis of the results as shown on the figure shows that Brazil commanded the greatest shares (74.43%) in South Africa's meat & edible offal of broiler imports during the year 2010 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 Israel because its export annual growth of 1019% and the chart shows that Israel exports more of its meat & edible offal of broiler to the world than to South Africa. Therefore, Israel stands a chance to be South Africa's supplier of meat & edible offal of broiler.

10. ACKNOWLEDGEMENTS

Astral Foods Limited
Tel: 012 347 5077
Fax: 012 347 5308
www.astralfoods.co.za

Competition commission
Tel: 012 394 3300
Fax: 012 394 0169
www.comptrib.co.za

Agricultural Statistics
Tel: 012 319 8453
Fax: 012 319 8031
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.quantec.co.za

Rainbow
P.O. Box 2734
Westville, 3630
Tel: 031 242 8500
Fax: 031 242 8890
www.rainbowchickens.co.za

South African Poultry Association (SAPA), Zach
Coetzee
P.O. Box 1192
Honeydew, 2040
Tel: 011-795 2051
Fax: 011-795 3180
www.sapa.org.za

TradeMap
www.trademap.org

Tydstroom
Klipheuwel Road
Durbanville, 7550
Tel: 021 975 0162
Fax: 021 976 8987
www.tydstroom.co.za

Disclaimer:

This document and its contents have been compiled by the Department of Agriculture, forestry and fisheries for the purpose of detailing the broiler meat industry. The views expressed in this document are those of the Department of Agriculture, forestry and fisheries with regard to agricultural industry, unless otherwise stated and, therefore the Department of Agriculture, forestry and fisheries does not accept responsibility for any errors in such information and anyone acting on such information does so entirely at his or her own risk.