

South African Poultry Association

Annual Report 2019

Efficient, Duty, Transformation, Eggs, Development, **Strong Today**, PDMA, Training, Exports, Avi Africa, Fair Trade, Hatcheries, Bio Security, Nutrition, IPC, Competitive, Broilers, Packaging, Stronger Tomorrow, Dumping, Protein, Surveys, Welfare, Members, Chicks, Feed, Poultry Bulletin, Agricultural development Agency, Government Relations, History, Association, Opportunity, Board, Congress, Offset Agreements, Allied Members, Study Groups, Competitive,

Masterplan, Commercial, **Stronger Tomorrow**, Producers, Growth, Business, Together, Growth, Members, Impact, Regulation, Committed, Support, Regulations, Statistics, Imports, Growth Plan, Feed, Support, EIA, Studies, Food Safety, Consumer Awareness, Eggs, Local Product, Consumption, Accreditation, I Speakers, Education, Information, Community, Viability, Mentorship, Action, Constitution, Efficient, Duty, Transformation, Development, PDMA, Training, Exports, Avi Africa, Fair Trade, H Series, Bio Security, Nutrition, IPC, Competitive, Broilers, Packaging, Protein, Surveys, Welfare, Members, Chicks, Feed, Poultry Bulletin, Development Agency, Government Relations, History, Association, Board, Congress, Offset Agreements, Allied Member, Competitive, Commercial, Growth,



Small footprint.

Big impact.

Efficient, Duty, **Strongest Together**, Transformation, Development, PDMA, Training, Exports, Avi Africa, Fair Trade, Hatcheries, Bio Security, Nutrition, IPC, Competitive, Broilers, Packaging, Dumping, Protein, Surveys, Feed

Annual Report 2019

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Broiler Organisation - Foreword

The Broiler Organisation was restructured in October 2018 after it separated from the Egg Organisation. The two organisations had vastly different challenges to address and a number of the big broiler producers signed an agreement to remain members of the organisation for a period of three years.

The new Broiler GM joined the organisation in January 2019 with an explicit mandate to improve the hostile macro environment that was characterised by imports that enter the country in contravention of World Trade Organisation rules.

One year later the organisation has a well-thought-through strategy and is well on its way in executing the agreed objectives.

The backbone of the strategy to put the industry on a growth path is the Poultry Industry Master Plan, that was agreed and co-signed by very significant stakeholders namely the DTIC, DALRRD, FAWU, AMIE and EBIESA. The inclusive nature of this arrangement will certainly assist in the implementation of the Master Plan, since all parties agreed to the removal of the one and only stumbling block, namely unfair trade.

Not only was the Master Plan negotiated and signed in 2019, but implementation is well on its way. The industry committed a R1.5bn investment to grow local production and the long-awaited MFN duty was granted at a level of 42% for boneless portions and 62% for bone-in portions.

As part of the Master Plan the industry is developing a financial model that will be key in sourcing funding for emerging independent farmers. Training has been a Broiler Organisation priority, and it has trained up more than 1 000 farmers in the last three years.

Transformation is another pillar of the Master Plan, which detailed various B-BBEE initiatives. SAPA has already assisted with and financed the business studies and/or environmental-impact studies for 19 emerging farmers.

As 2019 was the year of planning, 2020 will be the year of implementation of the Master Plan.

Izaak Breitenbach
Broiler Organisation - Chairperson

Egg Organisation - Foreword

During the year 2019 the Egg Organization (EO) was an integral part of the domestic and global lobby groups influencing the development and adoption of various standards and practices affecting the egg industry. First, through the International Egg Commission (IEC)'s Avian Influenza Expert Group, a Biosecurity Checklist was developed to help egg businesses to develop and improve their overall level of biosecurity. In addition to the Biosecurity Checklist, on-farm toolkits were designed for use by individual egg businesses on their production establishments. The EO has been publicising and promoting the use of the Checklist and its Toolkits among its members and SAPA went further to organize and fund a Practical Biosecurity training course for smaller farmers.

The main contentious issue during 2019 has been disagreements regarding cage sizes and caging in the wake of enormous pressure from animal welfare groups lobbying for increased space per hen, or a complete change to cage-free production systems. In order to adequately address the matter, the EO worked collaboratively with the IEC to submit substantive inputs and comments into the OIE Chapter on Layer hen housing standards through the government's Chief Veterinary Officer. Additionally, the EO participated actively in the drafting and development of a local/domestic chicken welfare standard by being part of the Working Group established by the South African Bureau of Standards (SABS).

On the regulatory front, the EO worked collaboratively with the Food Safety & Quality Assurance division of the Department of Agriculture, Land Reform and Rural Development to provide inputs and conclude the review of the R725 regulations on grading, marking and labelling of table eggs.

The 30th Galliova Awards Ceremony was held at the Tokara Restaurant in the Western Cape during October 2019. The awards are aimed at honouring food writers for their excellence in food writing and promotion of South African food culture, specifically promotion of consumption of poultry products. Margie Els-Burger of *Your Family* was awarded the 2019 Galliova Food Writer of the year.

Willie Bosoga
Egg Organisation - Chairperson

Agendas



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**SAPA BROILER ORGANISATION
47TH ANNUAL GENERAL MEETING
VIRTUAL AGM
TUESDAY 9 th JUNE 2020
AT 10:00**

Agenda

1. Notice convening meeting (notified to members in the February 2020 SAPA Poultry Focus)
2. Roll call of voting delegates
3. Competition disclaimer
4. Formal adoption of the minutes of the 2019 Annual General Meeting
5. Election of committee members
6. Financial statements
(NB: The audited accounts of the SA Poultry Association for 2019 as published herein, are open for discussion only at this meeting. The audited financials of the Levy and the Poultry Bulletin are available if desired and the notes to the SAPA Financials).
7. Report by the Broiler Organisation Chairperson Mr Gary Arnold
8. Resolutions submitted by members or the committee
9. General
(Note: Any item on the agendas of the Egg Organisation or Congress may be raised at this meeting.)
10. Closure
11. Special meeting of newly elected committee members to select office bearers for the Broiler Organisation, as well as their representatives to the SAPA Board including their two alternates.

**SAPA EGG ORGANISATION
47TH ANNUAL GENERAL MEETING
VIRTUAL AGM
TUESDAY 9 th JUNE 2020
AT 11:00**

Agenda

1. Notice convening meeting (notified to members in the February 2020 SAPA Poultry Focus)
2. Roll call of voting delegates
3. Competition disclaimer
4. Formal adoption of the minutes of the 2019 Annual General Meeting
5. Election of committee members
6. Financial statements
(NB: The audited accounts of the SA Poultry Association for 2019 as published herein are open for discussion at this meeting. The audited financials of the Levy and the Poultry Bulletin are available if desired and the notes to the SAPA financials).
7. Report by the Egg Organisation Chairperson Mr Willie Bosoga.
8. General
(Note: Any item on the agendas of the Broiler Organisation or Congress may be raised at this meeting.)
9. Closure
10. Special meeting of newly elected committee members to select office bearers for the Egg Organisation, as well as their representatives to the SAPA Board including their two alternates.

114TH SAPA CONGRESS

VIRTUAL AGM

TUESDAY 9 th JUNE 2020

AT 12:00

Honorary Life Members

The following are the present Honorary Life Members of the SA Poultry Association

CF Saunders, Dr E Brock, R Brown, Dr JJ Joubert, W Maree
Prof R Gous, O Horstmann, Dr J du Preez, M Walne, Dr F Buys
MGF le Sueur, R Koen, A Saunders, Prof J Hayes, C du Toit, N Malan, Z Coetzee
Dr Munro Griessel, K Nel, C Rossouw Sr, G Passerini, C Steenhuisen, J Murray, Marco Torsius, Dr Faan Greyling,
Bob Barnes, Derick Hodgson

SAPA Board

The following are the present members of the SAPA Board

Broiler Organisation: Aziz Sulliman (Chairman), Marthinus Stander, Gary Arnold (Executive Member), Nomia Biko, Jake Mokwene (1st Alternate), Stephen van der Merwe (2nd Alternate)

Egg Organisation: Willie Bosoga, Adel van der Merwe (Vice Chairman), Colin Steenhuisen and Vincent Sharp, Francinah Teffo (1st Alternate), Amos Selaledi (2nd Alternate)

Agenda

1. Notice of convening of Congress and roll call
2. Competition disclaimer
3. Formal adoption of the Minutes of the 113th Annual Congress (2019)
4. Report by the Chairperson of the Management Committee
5. Financial statements
 - 5.1 That the SAPA Financial Statements for 2019 be accepted
 - 5.2 That the financial statements of the Poultry Bulletin have been approved by the Auditors and are available.
 - 5.3 That the Levy Administrator of the SAPA Financial Statements for 2019 be accepted
6. Report on decisions taken at the Broiler Organisation and Egg Organisation
7. Resolutions of the SAPA Board
8. Awards
9. General
(Note: Any item on the agendas of the subsidiaries may be raised at this meeting)
10. Closure
11. Special meeting of SAPA Board representatives to select office bearers for the SAPA Board

Organisations Reports



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THE SAPA BOARD CHAIRPERSON'S REPORT 2019

Aziz Sulliman

INTRODUCTION

It gives me great pleasure to welcome you to the 114th AGM of SAPA and to present an overview of our association's activities in 2019.

Hopes of a bumper maize crop faded when late rainfall in December 2018 delayed planting and heat waves in January affected crop growth patterns. The uncertainty caused an increase in maize prices which had a subsequent effect on poultry feed prices. In the end 11.28 million tonnes were harvested before the autumn frosts, an amount that is considered sufficient for domestic requirements. Towards the end of the year, persistent drought in Northern Cape and KwaZulu-Natal left crop and livestock farmers in dire straits and urgently appealing to government for financial assistance. Botswana and Namibia also experienced devastating droughts which stunted crops and affected livestock numbers.

South Africa's unfavourable macroeconomic climate continued to negatively affect the profits of small and medium-sized farms as well as large agribusinesses. The practice of load shedding by Eskom severely hampered production efficiencies and decreased profitability, particularly for intensive systems. The nationwide problem of water scarcity and poor water sanitation accentuated the hardships in many areas, for businesses and communities alike.

Several poultry businesses reported significant drops in earnings as a result of the tough trading conditions that prevailed. The increased cost of feed and other inputs could not be recovered in the selling prices of chicken and eggs. Furthermore, the relentless flood of imports of poultry meat continued to threaten the survival of many local broiler producers.

The government's eagerly anticipated sectoral master plans have the potential to boost the agricultural economy and help to halt rising rural unemployment. The fact that both government and the private sector were fully engaged in drafting the poultry sector (broiler) master plan is encouraging because joint ventures are expected to succeed in boosting production and promoting transformation. The egg sector master plan is a work in progress. What is needed in addition to the plans is an enabling environment, including drastic improvements to municipal infrastructure.

SAPA'S VISION

To create a viable and sustainable industry contributing to economic growth and development, employment and food security, based on successful producers adhering to environmental and ethical production norms and generating sustainable profits.

SAPA'S MISSION

To create an enabling environment to achieve sustainable producer profits in the domestic and global village market. As a representative association, SAPA serves the interests of the poultry industry in a number of ways. SAPA acts as a medium and catalyst for any matter the industry wishes to collectively address. It acts as the face of the industry, addressing and maintaining a presence in society, without which opposing groups could play havoc with the industry's interests – without opposition.

SAPA'S OBJECTIVES

The association's objectives are:

- To establish and maintain national divisions of the association in South Africa, namely the Egg Organisation (EO) and the Broiler Organisation (BO);
- To enable the members to cooperate effectively for the development and benefit of the broader poultry industry;
- To coordinate the views, aims and efforts of the national organisations in the interests of the broader poultry industry;
- To advance and improve the broader poultry industry by embracing and coordinating the objectives of the national organisations and particularly by:
 - o Protecting the broader poultry industry from adverse legislation and any other aggression and by initiating, promoting and assisting with the promulgation of legislation and regulations which are beneficial to the broader poultry industry;
 - o Encouraging broader poultry education, conducting and/or assisting in investigational work of a practical and scientific nature and organising seminars and courses;
 - o Facilitating and providing guidance in respect of transformation of the broader poultry industry in line with applicable government policies, objectives and legislation;
 - o Forming public-private partnerships with government bodies and other public bodies as may be required from time to time;
 - o Representing the broader poultry industry on appropriate international bodies and forums for purposes of developing global regulatory and trade frameworks which are to the benefit of the broader poultry industry;
 - o Publishing literature, journals, pamphlets and circulars dealing with all matters pertaining to the broader poultry industry, and conducting communications on behalf of such industry;
 - o Establishing codes of practice in relation to the broader poultry industry;
 - o Promoting the consumption of poultry products in South Africa;
 - o Assisting in the opening up and maintaining of export markets for South African egg and poultry meat products;
 - o Procuring the compilation of statistics using information received from members and the broader poultry industry, for purposes of maintaining suitable databases for use in the furtherance of the aims of the association;
 - o Acting as arbitrator in the settlement of any dispute between members which may arise in any matter pertaining to the broader poultry industry, in accordance with and subject to the rules;
 - o Dealing with any matter which may be in the interest of the broader poultry industry, the association and/or its members.

MEMBERSHIP

The membership of SAPA's two direct industry organisations is as follows:

Broilers	57
Eggs	128

It is encouraging to note an annual increase of 19.4% in total membership.

BOARD

The members of the Board were:

Aziz Sulliman (Chairperson)
Adel van der Merwe (Vice-Chairperson)
Gary Arnold
Nomia Biko

Izaak Breitenbach (General Manager: broilers)
 Willie Bosoga
 Mogala Mamabolo (General Manager: eggs)
 Vincent Sharp
 Marthinus Stander
 Colin Steenhuisen

With alternates to the Board being:

Leon de Villiers
 Jake Mokwene
 Amos Selaledi
 Francinah Teffo

SOUTH AFRICAN ECONOMIC OVERVIEW

In its January 2020 *World economic outlook update*, the International Monetary Fund (IMF) estimated global growth for 2019 at 2.9%; a downward revision because of the negative economic activity in some emerging markets, and social unrest. The global growth projections for 2020 and 2021 are 3.3% and 3.4% respectively. Favourable progress on the trade negotiations between the United States of America (USA) and China, as well as reduced fears of a no-deal Brexit, helped to boost market sentiment. Growth in sub-Saharan Africa was estimated to be 3.3% in 2019, increasing to 3.5% for the next two years. The initial IMF estimates for this region were affected by downward revisions to South Africa, where 'structural constraints and deteriorating public finances are holding back business confidence and private investment'. South Africa's projected economic growth for 2020 is 0.8%.

The annual inflation rate for 2019 was 4.4%, down from 4.6% in 2018 (source: Statistics SA (Stats SA)). The inflation rates for 2020 and 2021 are forecasted to be 5.2% and 5.3% respectively. The average food inflation rate dropped from 3.6% in 2018 to 3.4% in 2019.

Official and expanded unemployment rates are shown in Table 1 (source: Stats SA). South Africa's official unemployment rate in the fourth quarter of 2019 (4Q2019) was 29.1%, up from 27.1% in 4Q2018. The expanded unemployment rate (which includes discouraged work-seekers) increased from 37.0% in the 4Q2018 to 38.7% in the 4Q2019. The percentage of young people (15–34 years of age) not in employment, education or training was found to be 40.1% in the 4Q2019. In total, 6.726 million people were unemployed in South Africa, up from 6.139 million the previous year (+9.6%).

TABLE 1: Provincial unemployment rates (source: Stats SA)				
Province	Official unemployment rate (%)		Expanded unemployment rate (%)	
	Oct–Dec 2018	Oct–Dec 2019	Oct–Dec 2018	Oct–Dec 2019
Eastern Cape	36.1	39.5	46.8	47.7
Free State	32.9	35.0	39.3	42.3
Gauteng	29.0	30.8	33.6	35.3
KwaZulu-Natal	25.6	25.0	41.3	41.9
Limpopo	16.5	23.1	38.8	44.0
Mpumalanga	32.0	33.6	41.1	43.8
Northern Cape	25.0	26.9	38.6	39.2
North West	26.6	28.8	42.9	43.0
Western Cape	19.3	20.9	23.1	24.1
South Africa	27.1	29.1	37.0	38.7

Of the 16.420 million people employed in 4Q2019, 11.331 million were in the formal sector, 2.918 million in the informal sector, 0.885 million in agriculture, and 1.286 million in private households. Year-on-year employment in the agricultural sector increased by 36 000 jobs or 4.2%. The majority of the agricultural jobs were located in Western Cape (236 000), KwaZulu-Natal (162 000) and Limpopo (140 000) (source: Stats SA).

GLOBAL INDUSTRY OVERVIEW

Rabobank's publication *Global animal protein outlook 2020* forecasts total animal production growth in Brazil, China, North America, Europe and Southeast Asia. African swine fever (ASF) is expected to reduce pork production and overall growth, and introduce uncertainty to the meat markets.

Broiler production in the USA is expected to hit record levels following expansion of facilities and improvements in productivity. The USA will be looking to increase exports to Asia and Mexico. Production in Brazil is expected to expand by 2% due to increased domestic consumption and a recovery in exports. China is the main importer of Brazilian poultry meat.

European Union (EU) exports are forecasted to grow by 4.2% owing to strong growth in the demand for dark chicken meat, particularly in Africa and Asia. A weaker demand for breast meat in the EU should slow down production expansion.

In China, poultry production will increase by more than 10% year-on-year, driven by the opportunities created in the market by reduced pork production and high pork prices. Poultry imports increased by 51% in the first nine months of 2019, and the trend is likely to continue in 2020. In Southeast Asia, pork shortages caused by ASF are expected to lead to increased poultry output in Thailand and Indonesia. Poultry production in the region may increase by 4.0% in 2020 (source: Rabobank, November 2019. *Global animal protein outlook 2020*.).

A detailed summary of the global egg industry can be found in the EO chairperson's report.

LOCAL INDUSTRY OVERVIEW

1. Gross value of animal products

Table 2 shows the gross value of primary agricultural production for 2018 and 2019 (source: Department of Agriculture, Land Reform and Rural Development (DALRRD)). The combined farm income for poultry meat and eggs for 2019 was R57.27 billion compared to R59.04 billion in 2018; a 3.0% decrease.

In rand value, the poultry industry remains the largest sector of South African agriculture at 20.0% of all agricultural production (down from 20.5% in 2018), and 41.3% of all animal products (down from 42.2%). The beef industry, its nearest rival, contributed 12.4% to turnover of all agricultural production and 25.6% of all animal products (Figure 1). Total animal products contributed 48.4% to the gross value of total agricultural products in 2019.

TABLE 2: Gross value of agriculture (R billion) (source: DALRRD)					
SECTOR	2018	2019	Annual % change	% of animal products (2019)	% of grand total (2019)
Total field crops	60.64	62.59	+3.2		21.9
Total horticulture	87.36	85.17	-2.5		29.7
Wool	5.02	4.92	-2.0	3.5	1.7
Mohair	0.74	0.67	-9.1	0.5	0.2
Karakul pelts	0.01	0.00	-100.0	0.0	0.0
Ostrich feathers and products	0.27	0.34	+23.9	0.2	0.1
Poultry meat	47.61	46.97	-1.3	33.9	16.4
Eggs	11.43	10.30	-9.9	7.4	3.6
Cattle and calves slaughtered	35.97	35.51	-1.3	25.6	12.4
Sheep and goats slaughtered	7.33	7.57	+3.3	5.5	2.6
Pigs slaughtered	5.84	6.84	+17.1	4.9	2.4
Milk	16.51	16.58	+0.4	12.0	5.8
Other livestock products	9.12	8.95	-1.9	6.5	3.1
Total animal products	139.85	138.64	-0.9	100.0	
Grand total	287.85	286.41	-0.5		100.0

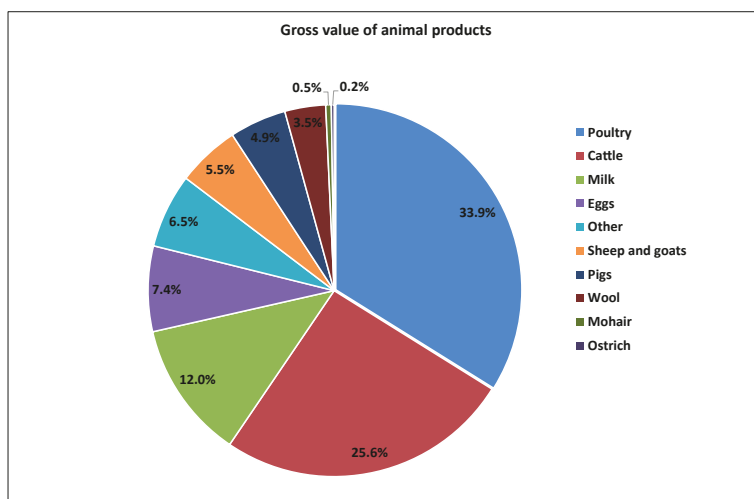


Figure 1: Gross value of animal products (source: DALRRD)

2. Production growth of industries

Approximately 75% of the birds in the South African poultry industry are used for meat production, while the remaining 25% are used in the egg industry. The following are summaries: more details are given in the separate chairperson's reports of the BO and EO.

• Egg industry

In 2019, day-old pullet production and layer replacement numbers increased by 7.0% and 8.8% respectively.

The national layer flock increased by 17.4% in 2019 and is expected to increase by a further 5.9% in the first four months of 2020. The average number of cases of eggs per week for the first four months of 2020 is expected to be 491 700; a 5.9% increase on the average weekly egg production for 2019.

• Broiler industry

The number of day-old female parents placed during 2019 increased by 4.9% compared to 2018. The broiler breeder flock is expected to increase by 2.3% in the first four months of 2020, from 6.72 million in 2019 to 6.88 million hens.

There was a 3.0% annual increase in day-old chick production in 2019, with a total hatch of 1.079 billion chicks. The number of broilers slaughtered for the year was 1.017 billion; a 3.5% increase compared to 2018.

3. Consumption of animal protein sources

The poultry industry continues to feed the nation, as consumption of poultry products exceeds the consumption of all the other animal protein sources (Figure 2). The poultry sector provided 65.6% of animal protein (excluding milk) consumed in the country; up from 65.3% in 2018 (source: DALRRD).

In 2019 consumption of poultry meat and meat products amounted to 2.328 million tonnes and of eggs and egg products 0.551 million tonnes, giving a total of 2.879 million tonnes. In comparison, 1.511 million tonnes of beef, pork, mutton and goat were consumed (source: DALRRD).

The per capita consumption of poultry meat in 2019 was 39.30 kg (an annual decrease of 0.1%) and of eggs 8.90 kg (+15.6%), with a combined per capita consumption of 48.20 kg (+2.5%). Per capita consumptions of beef, pork, and mutton and goat were 17.20 kg (+1.4%), 5.12 kg (+1.0%), and 3.14 kg (+3.2%) respectively (source: DALRRD).

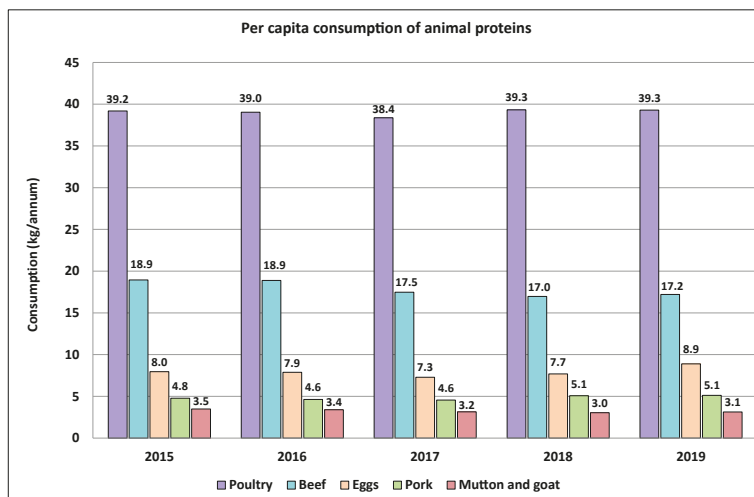


Figure 2: Per capita consumption of protein sources (source: DALRRD)

4. Price comparison of animal protein sources

On a rand-per-kg basis, broiler meat and eggs remain the most affordable of all protein sources, as shown in Figure 3. Beef prices escalated in 2017 owing to lower slaughter numbers as herds were rebuilt following the drought years. Outbreaks of foot-and-mouth disease led to a ban on beef exports at the start of 2019, which increased local supply.

Pork prices dropped in the first quarter of 2018 in response to the listeriosis outbreak. Uncertainty about the spreading of ASF, after an outbreak in North West, affected the pork price in the first half of 2019.

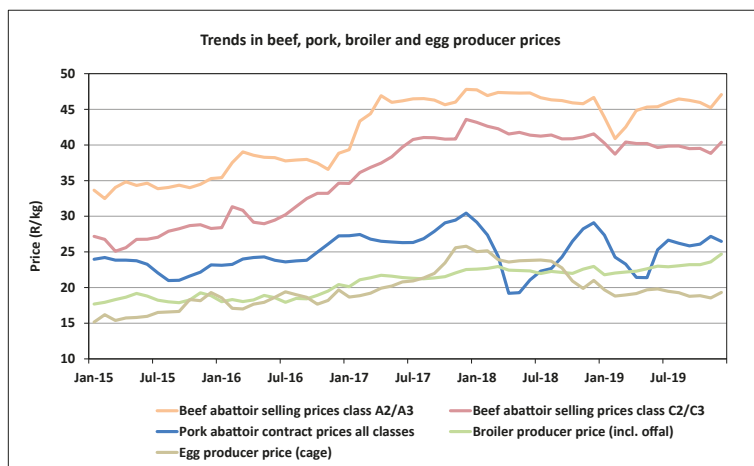


Figure 3: Monthly beef, pork, broiler and egg producer prices (source: AMT, SAPA)

5. Consumption of maize

Maize production in South Africa is concentrated in Free State, Mpumalanga and North West. About 80% of the recent maize crop was grown in these three provinces.

Grain SA reported that the total maize crop for 2018/19 was 11.28 million tonnes; a 9.8% decrease when compared to the 12.51 million tonnes produced the previous season. White maize amounted to 5.55 million

tonnes (49.2%) and yellow maize 5.73 million tonnes (50.8%) of the total production.

The estimated crop for the 2019/20 season (26 February 2020 assessment) was 14.56 million tonnes; a 29.1% annual increase (source: Crop Estimates Committee). The production forecast for white maize was 8.29 million tonnes and for yellow maize 6.27 million tonnes.

The total South African consumption of maize for 2018/19 was 10.69 million tonnes, of which 6.28 million tonnes was white maize and 4.41 million tonnes was yellow maize. A total of 5.51 million tonnes (51.5%) was used for animal feed (source: South African Grain Information Service). This comprised 1.68 million tonnes of white maize (30.5%) and 3.83 million tonnes of yellow maize (69.5%).

In 2019 maize production contributed R28.12 billion to the gross value of agricultural products compared to R24.45 billion the previous year (source: DALRRD).

6. Feed sales and usage

The poultry industry continues to be the largest customer of the Animal Feed Manufacturers Association (AFMA). A total of 6.645 million tonnes of feed was sold in the period from April 2018 to March 2019. Poultry consumed 4.057 million tonnes, of which 2.618 million tonnes (64.5%) was broiler feed, 0.901 million tonnes (22.2%) was layer feed, 0.528 million tonnes (13.0%) was breeder feed and 0.011 million tonnes (0.3%) was ostrich feed (Figure 4). In total, 61.1% of AFMA’s animal feed sales (up from 60.7%) went to the poultry industry (including ostrich).

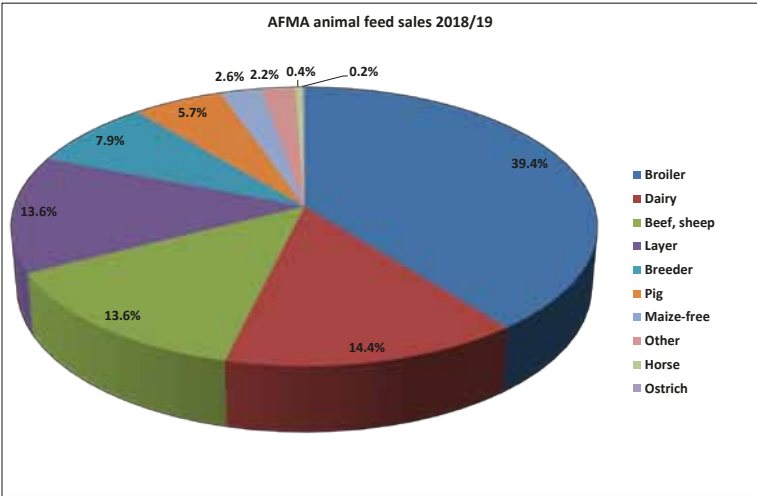


Figure 4: Animal feed sales from April 2018 to March 2019 (source: AFMA)

National feed production during 2018/19 was estimated to be 11.509 million tonnes; a 4.4% annual increase. AFMA sales (6.992 million tonnes including feed derived from concentrates) therefore represented 60.8% of the national feed produced (source: AFMA).

• Feed prices

Figure 5 shows the trends in poultry feed prices for the past five years (source: H. Koster). At the end of 2019, based on raw material prices and a standardised formulation, broiler feeds were costing about R4 064 per tonne, pullet rearing feed about R3 560 per tonne and layer feed about R3 241 per tonne. These prices exclude delivery, additives and mixing costs. The annual increases in raw material costs were estimated to be 11.2% for broiler diets, 16.1% for pullet diets, and 14.2% for layer diets.

Feed prices are covered in more detail in the chairperson’s reports of the BO and EO.

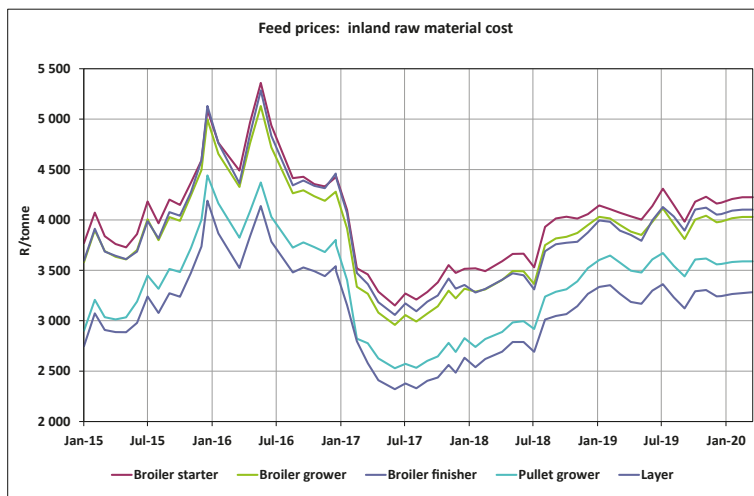


Figure 5: Monthly trends in poultry feed prices (source: H. Koster)

TRADE

1. Imports

Total chicken meat imports for 2019 amounted to 511 317 tonnes; a 5.2% annual decrease. Chicken imports represented 94.8% of the total poultry imports of 539 567 tonnes. Almost all of the imported meat was frozen (99.9%).

Frozen chicken imports totalled 510 805 tonnes; a decrease of 5.1% compared to the previous year. Frozen bone-in portion imports decreased by 21.6% and amounted to 224 999 tonnes, making up 44.0% of frozen imports. The value thereof was R3.055 billion. Mechanically deboned meat (MDM) imports increased by 23.2% and totalled 190 380 tonnes, contributing 37.3% to frozen import volumes. The value of the MDM imports was R1.242 billion.

Details about Brazilian, US and EU imports are presented in the BO chairperson's report.

Total chicken egg imports shrunk by 55.2% to 702.5 tonnes, with a value of R59.8 million. The imported volume consisted of 696.5 tonnes of dried and liquid egg product and 6.0 tonnes of fertilised eggs. More details can be found in the EO chairperson's report.

2. Exports

Poultry meat exports totalled 53 641 tonnes in 2019; a 4.4% year-on-year increase. A total of 50 229 tonnes were chicken exports at a free on board value of R1.141 billion. More details can be found in the BO chairperson's report.

Total chicken egg exports amounted to 14 457.8 tonnes with a value of R337.5 million. These exports consisted of 9 941.5 tonnes of shell eggs, 4 391.0 tonnes of fertilised eggs, and 125.3 tonnes of egg product. More details on the product mix and the destination countries can be found in the EO chairperson's report.

POULTRY HEALTH AND DISEASE

The primary objective of the PDMA is to coordinate and facilitate the implementation of poultry disease management strategies and plans, animal welfare policy and practice guidance through collaboration and partnerships.

Disease monitoring and surveillance

1. Avian influenza surveillance

The PDMA continued with improvements to the avian influenza (AI) surveillance programme in 2019. Since migrating the reporting of AI from submission of an Excel spreadsheet to a digital platform, there has been

improved compliance and easier analysis of the results. The PDMA now aggregates AI data on a monthly basis for export compartments and bi-annually for non-export compartments. All surveillance submissions are now completed online and the PDMA quality assures the data, consolidates it, and then reports to the industry and other stakeholders. This framework has enhanced risk analysis and developed an early reporting system.

The number of samples tested increased exponentially from the second semester report of 2017, going up from 17 497 in the 2H2017 to 46 445 in the 1H2019. The PDMA would like to thank participants for their continued support of the programme.

The PDMA also continued to improve the digital platform used for this surveillance and is in the process of moving the database to a web-based application. This will allow the setting up of multiple security levels allowing for different users with different security clearances to access the database. It will also enable the expansion of the database to other diseases, which will start in earnest in the first quarter of 2020.

During the period under review, there were no cases recorded of H5N8 in chickens. Based on the 28 November 2018 to 5 February 2020 reports from the DALRRD, 16 cases of H5N8 were recorded in ostriches during this period, and one in wild birds between weeks 80 and 130 (Figure 6).

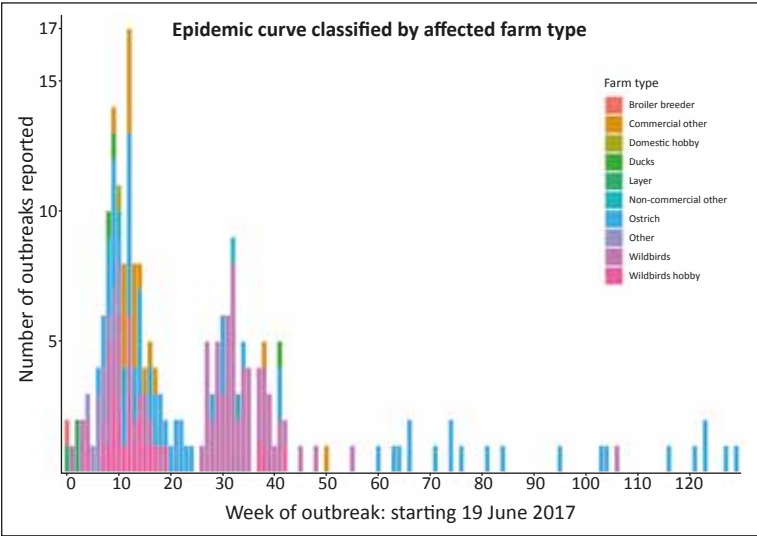


Figure 6: H5N8 epidemic curve by farm type

Most of these outbreaks occurred in Western Cape, although sporadic cases were reported in Free State, Eastern Cape as well as Northern Cape provinces (Figure 7).

Two outbreaks of H6N2 were reported, in North West and KwaZulu-Natal provinces. A total of 26 000 birds were potentially involved with 20 diagnosed cases reported.

Another 8 low pathogenic AI outbreaks were also reported during this period in Northern Cape (7) and Western Cape (1).

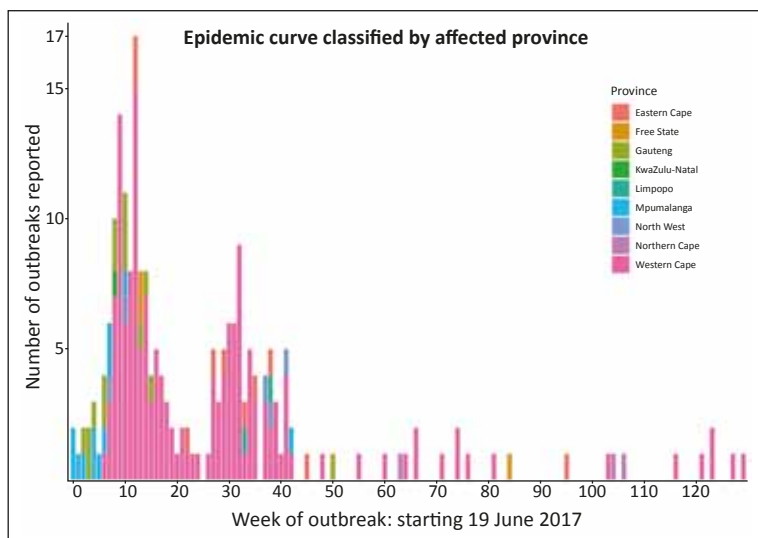


Figure 7: H5N8 epidemic curve by province

2. Tracking of the sale of live birds

An online database to enable this tracking was completed and is in use. This database is being migrated, like the other databases, to a web-based application, which will enable improved data analysis and quality assurance.

This tracking is fairly new and uptake has been slow. The PDMA will continue to encourage producers and cull traders to upload information onto the system.

INDUSTRY TRANSFORMATION

During the year there were numerous reports in the press of opportunities given to black farmers, and several transformation success stories. The story of the empowerment of black women, in terms of job promotions, skills enhancement and achievements in tertiary education, in a large processing plant is particularly noteworthy.

Seventy black farmers are benefiting from the poultry industry's assistance model. Through contract grower agreements with large integrated companies, they have become profitable broiler farmers and land owners.

SAPA is participating in a public-private partnership in Western Cape run by the provincial Department of Agriculture. Land reform beneficiaries are being given support in the form of funding for infrastructure and equipment, training and mentorship, and market access. The commodity approach of this development programme has transformed many of these small farmers into commercial successes.

During 2019 SAPA worked collaboratively with the DALRRD to assist with the revitalisation of 19 existing land reform poultry farms identified by the department as part of the government's economic stimulus package. SAPA utilised its transformation levy to assist the identified farms with business development services, which included business planning and financial modelling, water use license applications, and environmental impact assessments, as all of these farms need to expand their operations. The completed documents were then submitted to the department to process and determine the level of support they would provide to the entrepreneurs in terms of infrastructural investments and costs of operations. These producers were then encouraged to join as members of SAPA so that they can benefit from other support measures offered by the association. Additionally, SAPA utilised funding sourced from AgriSETA to roll out a capacity building programme on biosecurity for these farms and SAPA members. A total of 62 producers and their technical personnel participated in the programme, which was rolled out in 4 separate groups during the year.

In order to upscale transformation initiatives during 2020, SAPA received an offer from the National Agricultural Marketing Council (NAMC) to second one of their officials to the association, for a period of three years, to serve as a transformation officer and provide the required capacity and technical support.

SAPA STRATEGY

A decision has been taken by the Board to employ an agricultural economist who will assist with the compilation of industry statistics and economic interpretation of reports, and also help to liaise with producers and representatives from government and allied industries.

TRAINING AND DEVELOPMENT

Two separate amounts were secured from AgriSETA for training: these were R497 600 for poultry meat examiner (PME) and poultry meat inspector (PMI) training, and R498 800 for small farmer biosecurity training.

AgriSETA-funded PME and PMI training

A call was made by SAPA for producers to take part in this initiative and a total of 57 PME candidates and 15 PMI candidates were registered for training. All of the candidates successfully completed the courses and were deemed competent by the service provider, the Academy for Continuous Professional Development.

AgriSETA-funded biosecurity training

Through this initiative, a total of 62 farmers attended the training held at the KwaZulu-Natal Poultry Institute. The delegates were from Gauteng (16), KwaZulu-Natal (16), Limpopo (16) and North West (14). The final two courses will be offered in March 2020.

A funding application amounting to R500 000 has been submitted to AgriSETA for training initiatives in 2020 and SAPA awaits the outcome of this application.

STAKEHOLDER ENGAGEMENT

SAPA continued to participate in global organisations such as the International Poultry Council, the International Egg Commission and the Animal Welfare Working Group of the World Organisation for Animal Health.

SAPA also promoted collaboration with the NAMC, Proudly South African, the NAHF and other agricultural commodity organisations.

EMPLOYMENT

The estimated total number of direct employees in the broiler industry for 2019 was 51 612. This includes hatcheries, rearing, processing and distribution. If support industries are taken into account, another 61 935 employees can be added, amounting to a grand total of 113 547. The poultry share of employees in the related field crops was estimated at 18 817.

In the egg industry, the total number was estimated to be 8 527 direct employees in 2019. This includes grandparent rearing and laying, parent rearing and laying, pullet rearing, commercial egg production, packing and processing.

SAPA'S producer database contains records of 953 small-scale farmers (up from 815 last year) who are currently not members. In addition, there are 148 commercial egg producers and 80 commercial broiler producers of varying sizes who are not members.

A small commercial egg farmer is defined as having between 500 and 50 000 hens. A small commercial broiler farmer is one who produces between 1 500 and 40 000 birds per cycle.

FINANCES

SAPA's financial year runs from January to December. It is a non-profit organisation as well as a voluntary member one.

SAPA was given another clean audit by auditors BVA Auditing and Assurance. The audited financials will be presented to members for approval.

The Egg Organisation is gradually repaying the loan it received from SAPA.

While SAPA's financial position has improved considerably, the organisation finds itself short of funds for additional projects. A number of options are being explored. These include charging a fee for non-members to access industry statistics, promoting associate membership of SAPA for suppliers to the poultry industry, and the introduction of a broiler statutory levy to increase contributions across the board. Of particular concern is how the implementation of sanitary and phytosanitary measures will be funded, and one possibility is to seek financial assistance from the role players in the value chain that would benefit from growth in the poultry industry.

KEY SUCCESSES

- The important work done in building bridges by the broiler and egg general managers;
- The completion and signing of the poultry sector (broiler) master plan;
- Increased membership of SAPA;
- The avoidance of HPAI infections on broiler and layer farms;
- Enhancements to the PDMA's AI surveillance database;
- AgriSETA-funded training of PME's and PMI's and biosecurity training for small farmers;
- Continued support of and communication with smaller producers that have been trained by SAPA;
- Improving the efficiency and viability of small-scale producers.

CHALLENGES

These are some of the challenges the industry faced in 2019:

- Growing national unemployment and depressed consumer spending;
- Higher poultry feed prices and constrained producer prices;
- The ongoing fight against unfair trade practices;
- Shifting from a defensive mode to a positive approach when counteracting criticisms in the media;
- Unlocking the industry value chain for small producers and new entrants.

PROSPECTS GOING FORWARD

- Lower maize and feed prices;
- The appointments of a transformation coordinator and an agricultural economist;
- Further small commercial farmer training funded by AgriSETA;
- The completion and signing of the egg sector master plan;
- Effective implementation of the action points outlined in the sectoral master plans.

CONCLUSION

Despite all the challenges facing South African poultry producers, there are still opportunities to be had as chicken and eggs remain affordable sources of good quality animal protein. We look forward to collaborating with government and all stakeholders to create an environment conducive to growth and profitability.



THE EGG ORGANISATION CHAIRPERSON'S REPORT 2019

Willie Bosoga

INTRODUCTION

The year 2019 proved to be another challenging one for egg producers. It was characterised by rising feed prices, which put margins under pressure, and heightened competition in the market place. The imbalance in supply and demand, due to the burgeoning national laying flock, continued to aggravate trading conditions. In the face of large surpluses, egg prices were depressed – although the gap between producer and retail prices widened substantially.

There was a very big collective sigh of relief at the end of the winter season when, for the second year in a row, highly pathogenic avian influenza (HPAI) did not rear its head. Nevertheless, commercial producers continued to safeguard their businesses by improving farm biosecurity. At the same time, in the interests of the industry as a whole, SAPA organised and funded practical biosecurity training for smaller farmers.

During the year, the Egg Organisation (EO) was part of domestic and international lobby groups influencing the development of chicken welfare standards both in South Africa and globally. The main contentious issue during this process has been disagreement regarding cage size in the wake of enormous pressure from animal welfare groups lobbying for increased space per hen, or a complete change to free-range or barn production systems. In order to adequately address this matter, the EO has commissioned a scientific study by the University of Pretoria to compare various layer hen production systems (considering a range of variables) and consumer preferences coupled to price paid. The outcomes of this study are expected to objectively inform and influence the welfare standard currently under development.

This report contains a comprehensive review of events and statistics pertaining to the egg industry in 2019.

OBJECTIVES

The objective of the EO is to establish and maintain an organisation in South Africa for the promotion, development and guidance of the commercial egg industry as an independent subsidiary branch of SAPA, equal in status to that accorded other subsidiary branches of the poultry industry.

The purpose of the EO (and its committee) is to improve the egg industry and promote it at a national level. This entails a critical evaluation of the methodology of regulatory structures; supporting an industry code of practice; liaising with government and consumer bodies; collecting, compiling and distributing statistics; supporting training; and building brand awareness to grow the market for the egg industry through a successful generic marketing campaign.

MEMBERSHIP

The EO consisted of 74 individual producers and 54 members of co-operatives, making a total of 128 producers. Membership increased by 21% from 53 individual producers and 53 members of co-operatives in 2018.

BOARD REPRESENTATION

The EO Board during the period under review consisted of the following individuals:

Willie Bosoga (Chairperson)
Adel van der Merwe (Vice-Chairperson)
Achmat Brinkhuis
Tawfeeq Brinkhuis
Nic Elliot
Annelie Fischer
Mogala Mamabolo (General Manager)
Prof. Thabo Masihleho
Ndimiso Mazibuko (National Agricultural Marketing Council)
Dr Naude Rossouw
Amos Selaledi
Vincent Sharp
Colin Steenhuisen
Francinah Teffo
Marco Torsius

INDUSTRY STATISTICS

1. Egg prices

Producer prices – average of all sizes – published by Statistics SA (Stats SA) and SAPA are summarised in Table 1. Stats SA prices do not take all the rebates into account but allow for discount offered off the list price. The difference between the two prices is therefore an indication of the additional rebates taken by the retailers. The average percentage representation of SAPA's survey decreased from 23.0% in 2018 to 19.4% in 2019.

TABLE 1: Producer prices (R/doz) for table eggs, average of all sizes			
Year	Stats SA	SAPA	Difference
2018	20.06	16.69	-3.37
2019	15.86	14.10	-1.76
% change	-20.9	-15.5	

The average retail price for large eggs reported by Stats SA was R27.17/dozen; an annual decrease of 7.6%. Stats SA's producer price for large eggs was R14.29/dozen; the retail mark-up for 2019 was therefore 90.1%. During the past five years, the average mark-up on eggs was 69.3% (Figure 1).

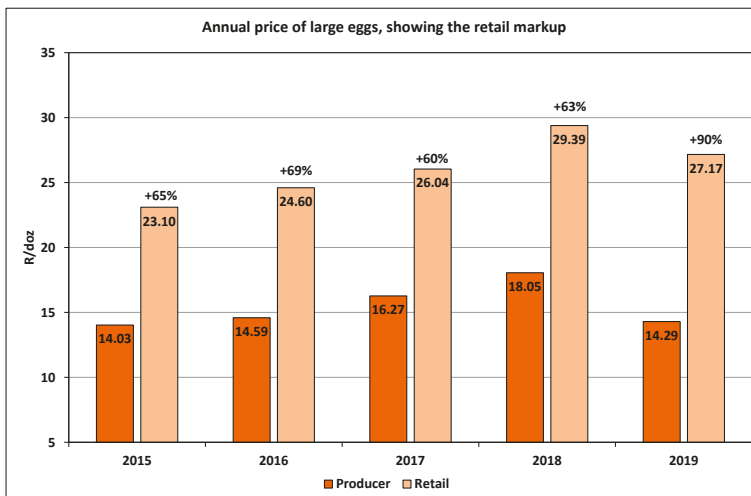


Figure 1: Annual producer and retail price of large eggs (source: Stats SA)

2. Price comparison with other protein sources

In 2019 eggs regained their position as the cheapest source of animal protein, costing on average R19.20/kg (Table 2).

TABLE 2: Producer price comparison of animal protein sources (R/kg) (source: AMT, SAPA)					
Year	Beef A2/A3	Beef C2/C3	Pork	Chicken	Eggs
2018	46.79	41.65	24.47	22.44	23.12
2019	44.98	39.78	25.13	22.89	19.20
% change	-3.9	-4.5	+2.7	+2.0	-16.9

3. International price comparison

Urner Barry and the United States Department of Agriculture (USDA) track producer prices in the northeast region of the United States of America (USA). Table 3 gives the average prices per dozen of the different grades for 2019 and annual percentage changes. These prices are also expressed in rands using the average exchange rate for the year 2019 of R14.44 to the US dollar.

TABLE 3: USA producer prices				
Source	Extra large	Large		Medium
	White-shelled	White-shelled	Brown-shelled	White-shelled
Urner Barry		\$0.99	\$1.17	\$0.78
% change		-30.4	-30.4	-26.3
Expressed in rands		R14.35	R16.88	R11.19
USDA	\$0.91	\$0.88		\$0.64
% change	-32.0	-32.6		-30.2
Expressed in rands	R13.15	R12.67		R9.22

Figure 2 shows the movement in egg prices in the USA over the past five years. The relatively high prices in 2015 were caused by egg shortages following mass culling due to HPAI. Apart from a spike in March 2018, resulting from adverse weather conditions, egg prices have remained low.

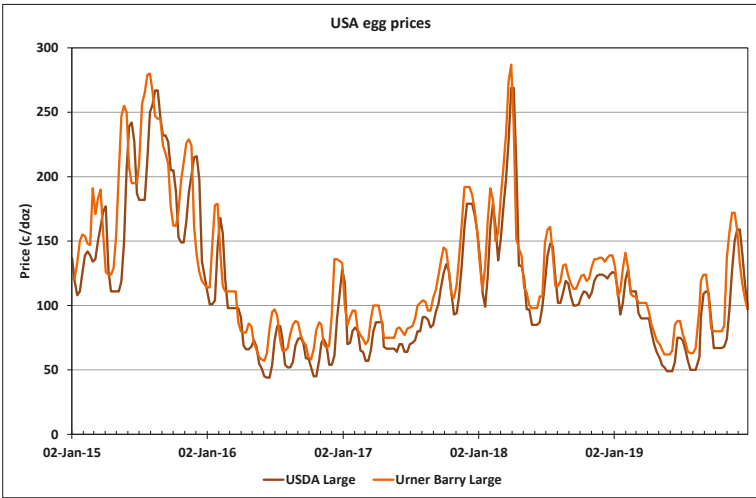


Figure 2: USA egg prices (source: USDA, Urner Barry)

4. Layer breeders

In 2019 there were an estimated 7 900 breeding hens in the grandparent operations producing layer parents, and between 222 000 and 309 000 breeding hens in the parent operations producing layers. There are no pure lines or great-grandparents in South Africa.

5. Day-old pullets

The forecasting model used to predict bird numbers and egg volumes was adjusted in response to feedback from the EO and industry role players. The laying cycle was extended from 74 to 78 weeks of age, which resulted in an increase in the estimated size of the national laying flock. The average egg weight also increased because of the growth in the proportion of older birds laying bigger eggs. In addition, new breed standards were applied to the model. These changes were phased in from November 2017 so as to be fully implemented by January 2019. The new breed standards resulted in an increase in the national number of cases of eggs produced and in the mean egg weight. The model was further adjusted to exclude the quantity of day-old pullets that were being exported to neighbouring countries. The number of point-of-lay pullets being exported by pullet rearers was not available to SAPA.

Day-old pullet placements increased by 7.0% in 2019 compared to the previous year, reaching a total of 27.12 million (Figure 3); an average of 519 800 per week. The relatively large growth in day-old pullet production in 2018 occurred in response to the massive loss of laying hens during the HPAI outbreak of 2017. This upward trend continued into 2019.

In terms of feather colour, 57.7% of the day-old pullets hatched were silver strains and 42.3% were brown strains. The silver (white-feathered) strains include Amberlink and Hy-Line Silver Brown birds, while the brown strains include Lohmann Brown Lite, Hy-Line Brown and Amberlink Brown birds.

An estimated 25.46 million point-of-lay pullets were transferred to laying farms during 2019, amounting to an 8.8% annual increase.

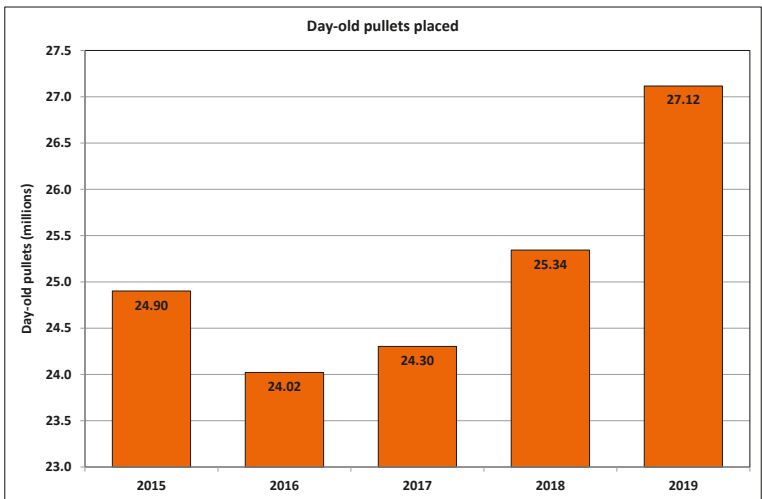


Figure 3: Trend in day-old pullets placed

6. Layer flock

In 2019 the average number of laying hens in the national flock was 27.61 million; a 17.4% increase compared to the previous year (Figure 4). The industry made a remarkable recovery from the devastating HPAI outbreak of 2017. Hen numbers increased from 21.34 million hens at the end of December 2017 to 25.97 million hens at the end of December 2018; a 21.7% increase.

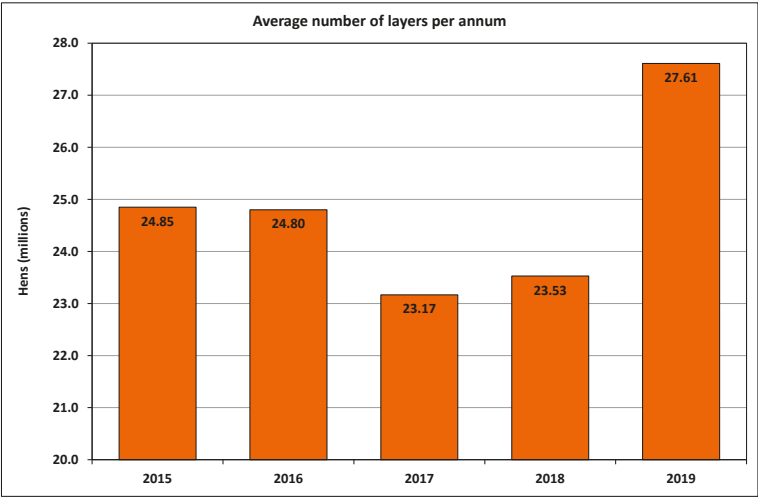


Figure 4: The size of the national layer flock

7. Egg production

In 2019 egg numbers escalated in line with hen numbers (Figure 5), leading to an oversupply of eggs in the market. The average number of cases produced per week was 464 300; an increase of 70 800 cases (+18.0%) per week. Total egg production amounted to 24.21 million cases, or 726.4 million dozen eggs; an increase of 18.0% over 2018 volumes.

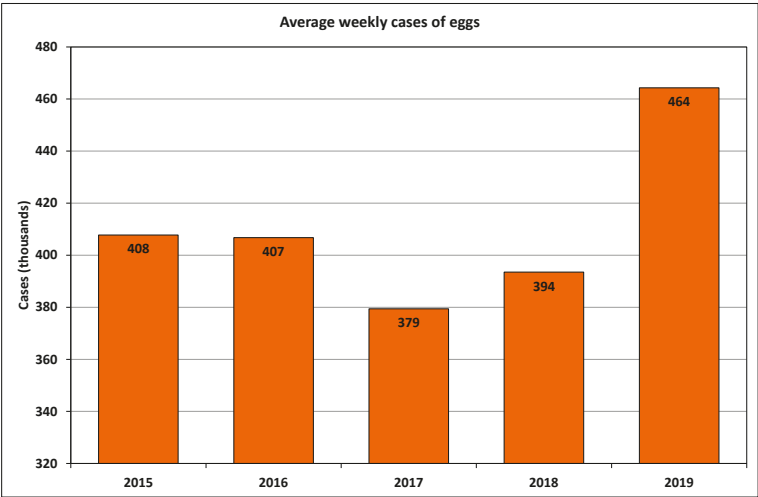


Figure 5: Cases of eggs produced

Table 4 summarises bird numbers and egg production and shows the annual percentage change. The relatively low number of hens depopulated during 2018 was a consequence of mass culling in 2017.

TABLE 4: Bird and egg numbers for the egg industry (millions)					
Year	DOP placed	LRP placed	Laying hens		Cases of eggs
	Per annum	Per annum	Avg. no.	Depop.	Per annum
2018	25.343	23.414	23.528	17.405	20.526
2019	27.117	25.465	27.610	21.570	24.214
Change	1.774	2.050	4.082	4.165	3.688
% change	7.0	8.8	17.4	23.9	18.0

DOP = day-old pullets

LRP = layer replacement pullets

Figure 6 illustrates the relationship between egg volume and producer price. The Producer Price Index (PPI) deflated price represents the change in egg price without the effects of inflation. The effect of egg shortages, due to the HPAI outbreak, is clearly seen towards the end of 2017 and in the first half of 2018. In contrast, the positive growth in egg volumes in the second half of 2018 (augmented by imports) and throughout 2019 caused negative growth in egg prices.

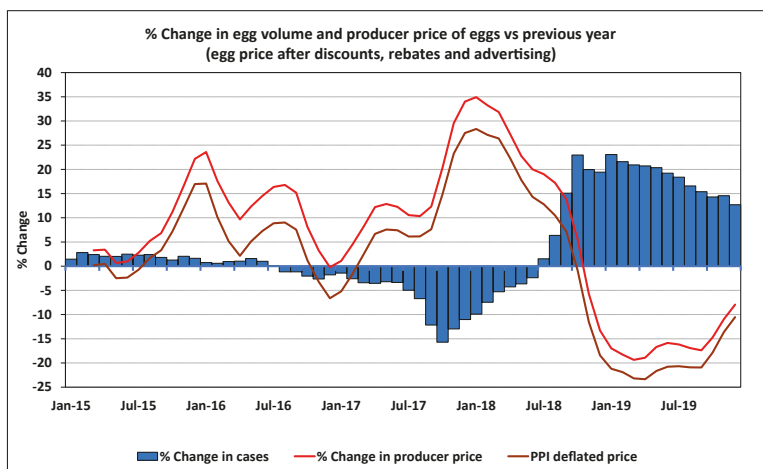


Figure 6: Percentage change in egg volume and producer price

Figure 7 shows the trends in the official PPI and Consumer Price Index (CPI) since 2015. It also shows the abnormal movement in the PPI for eggs toward the end of 2017, as a result of the HPAI outbreak. In the second half of 2018 and in 2019 the PPI for eggs plummeted as growth in supply outstripped demand. Eggs are still used by retailers as a loss leader.

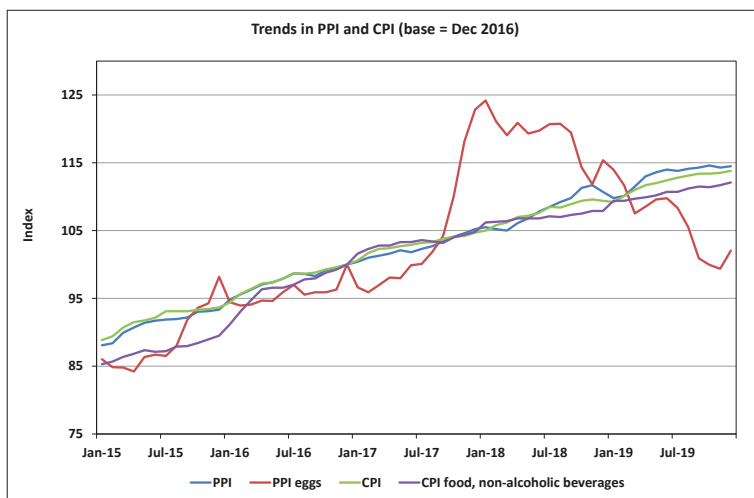


Figure 7: Trends in PPI and CPI (source: Stats SA)

8. Prospects for 2020

The number of point-of-lay pullets placed is expected to increase by 7.2% during the first four months of 2020 compared to the same period in 2019.

An average flock of 29.2 million layers is projected for the first four months of 2020. This will be an increase of 2.4 million layers (+8.9%) compared to the same period in 2019. Consequently, egg production is expected to increase by 9.0% (an average of 40 400 cases per week) to an average of 491 700 cases per week in the first four months of 2020.

9. Gross value

With a gross turnover of R10.30 billion at producer level, eggs remain the fourth largest animal product sector in agriculture in South Africa, after poultry meat, beef and milk (source: Department of Agriculture, Land Reform and Rural Development (DALRRD)). The turnover decreased by 9.9% compared to 2018, after an annual increase of 15.6% the previous year. Eggs' share of the gross value of animal products was 7.4% and of all agricultural production 3.6%, down from 8.2% and 4.0% respectively the previous year.

The total value at retail level was estimated to be R19.74 billion for 2019. About 726 million dozen eggs were sold in 2019 through various channels.

10. Input costs

The average price for layer feed in 2019 was R3 830/tonne; an annual increase of 17.4%. The layer feed price includes distribution cost but excludes medication, additives and VAT. The movement in the feed price is shown in Figure 8.

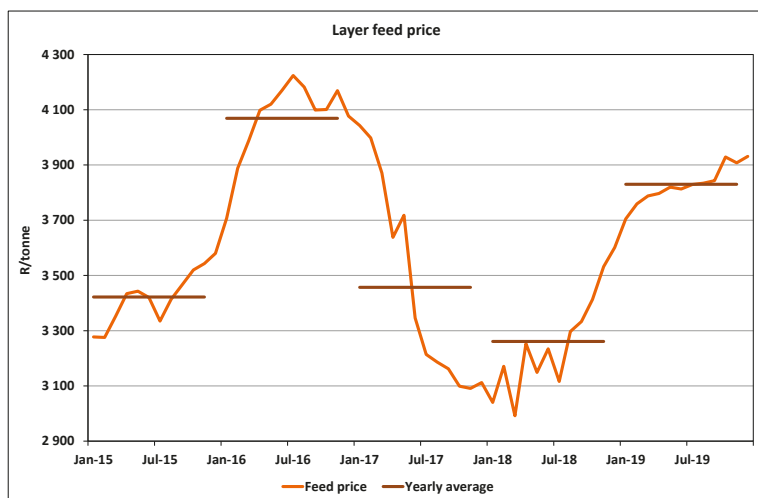


Figure 8: Movement in the layer feed price

11. Feed usage

The estimated feed usage for layers and pullets is summarised in Table 5. These figures exclude breeder rations. The demand for feed increased in line with the escalation in bird numbers.

Year	Rearing	Laying	Total feed usage	
	Per annum	Per annum	Per annum	Per week
2018	145 040	956 550	1 101 590	21 126
2019	157 284	1 115 512	1 272 796	24 410
Change	12 244	158 962	171 205	3 283
% change	8.4	16.6	15.5	15.5

According to the Animal Feed Manufacturers Association (AFMA), total feed sales for the layer industry from 1 April 2018 to 31 March 2019 amounted to 900 668 tonnes; a 14.8% annual increase. This includes 55 722 tonnes manufactured in other SADC countries. The breakdown is shown in Table 6.

Province/region	Tonnes	%
Eastern Cape	35 712	4.0
Free State	176 667	19.6
Gauteng	289 821	32.2
KwaZulu-Natal	72 296	8.0
Limpopo	16 190	1.8
Mpumalanga	88 694	9.8
North West	53 386	5.9
Northern Cape	0	0.0
Other SADC countries	55 722	6.2
Western Cape	112 181	12.5
Total	900 669	100.0

In addition, 29 339 tonnes of layer concentrates were sold, making a total of 974 013 tonnes of balanced layer mash. Their estimate, including feed manufactured by non-AFMA members, was 1 244 683 tonnes. AFMA members are therefore believed to have 78.2% of the layer feed market.

SAPA’s forecasting model predicted a feed consumption of 1 147 024 tonnes for pullets and layers for the same period; AFMA’s estimate is therefore 97 659 tonnes (+8.5%) more than the industry estimate. If the tonnes manufactured in other SADC countries are removed from the calculations, the difference reduces to 3.7%. Furthermore, AFMA concedes that some feed manufactured in South Africa may be transported to poultry producers in neighbouring countries.

12. Consumption

The per capita consumption for 2019 was 152 eggs or 9.30 kg, compared to 132 or 7.95 kg in 2018 (Figure 9). While the population increased by a midyear estimate of 1.8% (source: Stats SA), the per capita consumption of eggs increased by 15.2%. The reduced wholesale and retail prices due to the oversupply of eggs helped to stimulate consumption.

The DALRRD estimated the per capita consumption for 2019 as 145 eggs or 8.90 kg, allowing for a 5% loss.

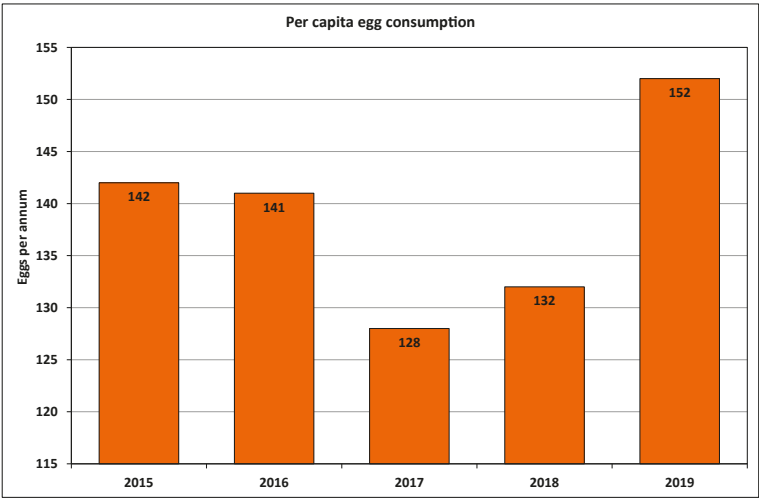


Figure 9: Per capita egg consumption in South Africa

The annual per capita consumption of eggs for the world’s top egg-eating nations is shown in Figure 10. Mexico and Japan remain in the lead, with per capita consumptions of 368 and 337 eggs respectively. China dropped from third position in 2017 to eighth position in 2018. South Africa ranked 33rd out of the 34 countries that submitted data to the International Egg Commission (IEC) for 2018.

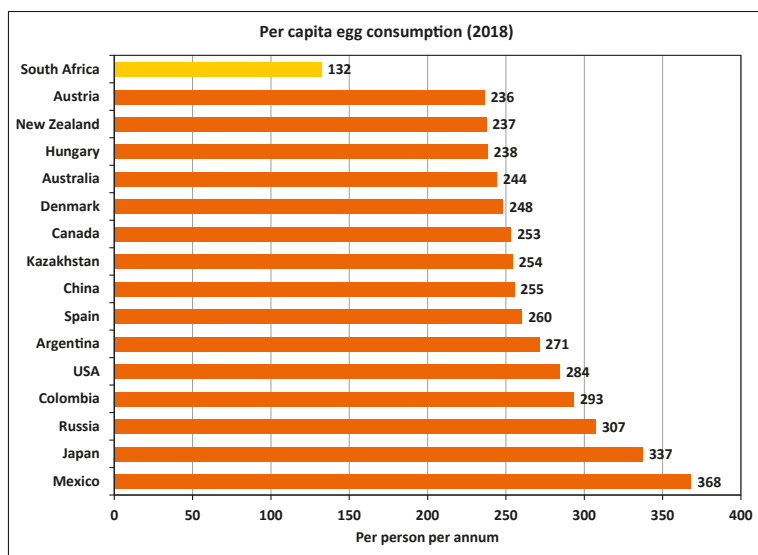


Figure 10: Global per capita consumption (source: IEC)

13. Industry turnover

The estimated turnover from the egg industry is shown in Table 7. Point-of-lay sales are not included. Day-old pullet prices were not available from a sufficient number of producers to be able to publish an average price. The turnover from egg sales was affected by the large drop in price, despite increased volumes of eggs.

Year	DOP industry		Egg industry				Total
	Price (R/dop)	Turnover (R million)	Producer price (R/doz)	Turnover (R million)	Cull price (R/bird)	Turnover (R million)	
2018			16.69	10 277.6	26.56	462.3	10 739.9
2019			14.10	10 242.7	25.68	553.9	10 796.6
Change			-2.59	-34.9	-0.88	91.6	56.7
% change			-15.5	-0.3	-3.3	19.8	0.5

DOP = day-old pullet

SMALL-SCALE EGG FARMERS

These statistics summarise detailed quarterly surveys conducted by Silverpath Consulting on behalf of SAPA. All prices exclude transport and VAT.

• Hatcheries

For the reason that there were only two hatcheries that took part in the survey, it was not possible to report on the volumes and prices.

• Day-old pullets

Twelve pullet rearers from five provinces responded to the survey in 2019. The farms were located in Gauteng, Limpopo, Mpumalanga, Free State and Eastern Cape. On average, 31% of the businesses were owned by females and 69% by males.

The average number of pullets being reared across all farms was 43 100; a 16.5% increase from 2018. The weighted average purchase price per day-old pullet was R10.74 compared to R9.16 in 2018; a 17.3% increase. In 2019, 50.6% of the capacity of the rearing facilities was used.

• Pullet feed

All producers purchased their feed in bags. The average price paid per 50 kg bag for starter mash was R236.84

(+1.5%) and for grower mash R230.00 (+3.6%). The total quantity of bagged feed purchased during 2019 by pullet rearers was 1 019 tonnes, that is, an average of 1 699 bags per farmer. The total value of bagged feed purchases was R4.661 million.

• Point-of-lay sales

An average of 31.7% of the pullet rearers sold point-of-lay birds; the remaining producers kept the hens for their own laying operations. This was a 45.7% decrease in the percentage of respondents selling point-of-lays when compared to 2018. The total sales amounted to 139 100 birds for 2019. The weighted average selling price was R83.37 per bird; a 15.2% annual increase.

• Point-of-lay hens

An average of 78 egg producers from eight provinces responded to the survey each quarter in 2019. A total of 34 farms were located in Gauteng, 15 in Limpopo, 8 each in Northern Cape and North West, 6 in Free State, 4 in Mpumalanga, 2 in Western Cape, and 1 in Eastern Cape. On average, 52% of the businesses were owned by females and 48% by males.

Point-of-lays were bought by 75% of egg producers, while 16% were sponsored by the DALRRD and 9% reared their own pullets. In terms of the production system, 79% of the hens were kept in battery cages and 21% were free-range.

Small-scale farmers responding to the survey owned a total of 305 900 hens on average during the year; a 107% annual increase. The weighted average purchase price per point-of-lay pullet was R77.55; an increase of 5.1% compared to the previous year. In 2019, 48.5% of the capacity of the laying facilities was used.

• Layer feed

Of the respondents, 88% bought their feed in bags in 2019 while 12% purchased in bulk. The average price for layer mash, excluding VAT and transport, was R249.37/50 kg bag. Compared to 2018, the feed price for the respondents increased by 6.5%. In total, 4 336 tonnes of bagged layer feed were purchased during the year; approximately 1 115 bags per farmer. The average feed intake for these producers was 128 g/hd. The total value of bagged feed purchases was R20.906 million for the year.

The respondents buying in bulk bought 7 008 tonnes at a weighted average price of R4 234/tonne for layer mash. The average feed intake for the year was estimated to be 112 g/hd. The total value of bulk feed purchases was R28.156 million.

• Egg sales

Total sales amounted to 7.160 million dozen in 2019, at a weighted average egg price of R14.89/dozen; a 6.6% annual decrease. The average rate of lay, based on information provided, was estimated to be 74.8%; a 2.7% improvement on the previous year. The total value of eggs sold amounted to R108.486 million.

• Cull hen sales

In total, 667 900 culls were sold during the year at a weighted average selling price of R40.97 per hen; an annual decrease in price of 5.5%.

• Challenges

Below is a summary of the challenges encountered by some of the small-scale egg farmers during the year:

- The high cost of feed, transport, medication and point-of-lays;
- Poor quality of facilities and lack of proper equipment;
- Lack of financial support;
- Problems with the supply and cost of water and electricity;
- Insufficient knowledge of flock management;
- Reduced production during winter and shell quality problems in summer;
- Rats, disease and high mortality;
- Difficulty implementing effective biosecurity;
- Struggling to find buyers for cull hens;
- Lack of market for eggs;
- High crime rate in the area.

TRADE

1. Exports

During 2019, exports of chicken eggs totalled 14 458 tonnes compared to 10 593 tonnes in 2018; a 36.5% increase (Table 8). The value of the exports increased by 20.3%.

Product (<i>Gallus domesticus</i>)	Value (R million)	Quantity (tonnes)	% of exports
Fertilised eggs for incubation	177.625	4 391.03	30.37
Shell eggs (fresh and preserved)	157.153	9 941.47	68.76
Egg product (yolks, raw pulp, albumins)	2.733	125.305	0.87
<i>liquid egg product</i>	0.418	42.208	
<i>dried egg product</i>	2.315	83.097	
Total exports	337.511	14 457.803	100

The destinations of these exports were Mozambique (85.1% of the total), followed by Swaziland (11.9%), and Botswana (2.2%). These three countries received 99.1% of South Africa's exports.

2. Imports

Total imports of chicken eggs, including shell eggs and egg products, decreased from 1 568 tonnes in 2018 to 703 tonnes in 2019 (-55.2%). Imports of shell eggs were recorded at only 1 kg, compared to 488.1 tonnes the previous year (Table 9). In 2018 large volumes of shell eggs were imported from Brazil in response to the shortage created by the HPAI outbreak. The bulk of the imports were dried egg products, which underscores the need for investment in egg processing facilities domestically.

The total value of the chicken egg imports was R59.79 million; a 44.7% decrease compared to 2018.

Product (<i>Gallus domesticus</i>)	Value (R million)	Quantity (tonnes)	% of exports
Fertilised eggs for incubation	0.363	6.050	0.86
Shell eggs (fresh and preserved)	0.001	0.001	<0.001
Egg product (yolks, raw pulp, albumins)	59.425	696.468	99.14
<i>liquid egg product</i>	0.153	6.871	
<i>dried egg product</i>	59.272	689.597	
Total exports	59.789	702.519	100.0

The Netherlands was the main country of origin (274.4 tonnes, or 39.1% of egg imports), followed by France (23.9%), Italy (20.7%), Denmark (9.7%), Argentina (3.6%) and Belgium (1.6%).

THE GLOBAL EGG INDUSTRY

The IEC increasingly represents egg producers and processors across the globe. This became apparent when it successfully led the opposition to the plan by the World Organisation for Animal Health (OIE) to eliminate conventional battery cages from their standard. Bowing to enormous pressure from stakeholders, primarily the main egg-producing countries of the world, the OIE withdrew their first version of the chapter on laying hen housing standards which effectively outlawed cage systems. The revised version of the chapter, released in November 2019, accommodates various laying hen production systems.

This year the IEC formed a strategic partnership with the Institute of Grocery Distribution, with the aim to analyse customer and supermarket megatrends.

The IEC's *Annual review* for 2019 summarised per capita consumption, production cost, and farm and retail prices of eggs for the member countries for the year 2018. In Europe, Spain, Denmark, Hungary and Austria topped the list with per capita egg consumptions of 260, 248, 238 and 236 eggs respectively. Brazil, Canada, Colombia, Cyprus, Hungary, India, Ireland, Peru, Portugal and Turkey reported annual growth in per capita consumption in excess of 4%. In contrast, China and Kazakhstan reported decreases of 20.4% and 5.5% respectively.

Table 10 shows feed and production costs as well as producer and retail egg prices for some of the contributing countries. Prices are quoted in US dollars; changes to the local exchange rate would therefore have an impact on the figures (source: IEC *Annual review*). Retail margins are extremely high in many of the European countries, possibly owing to relatively expensive retail property. Several countries have high feed costs but low farm-gate prices, indicating that the farmers most likely receive governmental subsidies. In some instances, the relatively high production cost may be partly attributed to the proportion of alternative housing systems. For example, in Italy 45.5% of its egg production is barn, free range or organic. Austria and Denmark do not provide information on production costs, but the high retail egg prices could be a consequence of their low percentages (0.8% and 16%) of cage systems. In Switzerland, 100% of the hens are housed in alternative systems.

TABLE 10: Production costs and egg prices for IEC member countries (2018)					
Country	Costs		Prices		
	Feed \$/tonne	Production \$/doz	Farm-gate \$/doz	Retail \$/doz	Mark-up %
Argentina	270.67	0.93	0.93	1.18	27
Australia				2.32	
Austria	359.21			3.26	
Canada	311.63	1.59	1.58	1.98	25
China	360.26	0.80	0.89	1.12	26
Colombia	248.25	0.66	1.38	1.08	-22
Cyprus	352.82	1.12	1.48	2.74	85
Denmark	329.35		0.80	3.33	316
Finland	342.20	1.09	0.85	2.83	233
Germany	315.77		1.16	1.94	67
Hungary	271.05	0.84	0.89	1.90	113
India	285.64	0.59	0.64	0.78	22
Iran	169.20	0.42	0.39	0.46	18
Ireland	292.25		0.93	2.54	173
Italy		1.06	1.20	3.68	207
Japan	593.88	1.23	1.33	2.36	77
Kazakhstan	196.51	0.51	0.50	0.66	32
Mexico	373.71	0.75	0.79	1.10	39
Netherlands	295.59	0.90	1.03	2.76	168
New Zealand	369.30			2.77	
Peru	245.00	0.66	0.83	1.08	30
Poland	309.80	0.83	1.06	2.23	110
Portugal	290.87	0.81	0.82		
Russia	238.96	0.72	0.74	1.06	43
Slovakia	274.94	1.08	1.15	2.21	92
South Africa	246.36		1.26	2.22	76
Spain	306.80		0.91	1.72	89
Switzerland	577.57	3.07	2.91	6.38	119
Turkey	290.00	0.67	0.82	1.17	43
United Kingdom	374.71	1.08	0.95	1.60	68
USA	221.50	0.60	0.98	1.74	78

Table 11 summarises the egg production statistics for the 10 emerging market countries (EMC) with the highest production (source: Windhorst, Hans-Wilhelm, 2019. *Dynamics and patterns of the egg industry in the emerging market countries*. [IEC special economic report]). The 37 countries classified as EMC represented 68.2% of the world's population, and had 68.1% of the laying hen inventory and 73.4% of global egg production in 2017.

TABLE 11: The ten emerging market countries with the highest egg production					
Country	2007		Country	2017	
	1 000 t	Share (%)		1 000 t	Share (%)
China	21 833	36.6	China	27 022	36.3
India	2 947	4.9	India	4 848	6.5
Mexico	2 291	3.8	Mexico	2 772	3.7
Russia	2 122	3.6	Brazil	2 547	3.4
Brazil	1 779	3.0	Russia	2 484	3.3
Indonesia	1 175	2.0	Indonesia	1 527	2.0
Ukraine	807	1.4	Turkey	1 205	1.6
Turkey	795	1.3	Ukraine	887	1.2
Iran	703	1.2	Malaysia	858	1.2
Nigeria	553	0.9	Argentina	813	1.1
10 countries	35 005	58.8	10 countries	44 963	60.4
All EMC	41 934	70.4	All EMC	54 661	73.4
World	59 581	100.0	World	74 489	100.0

Table 12 shows the five leading countries of origin for egg imports by the United Arab Emirates (UAE) and Qatar in 2016. The Middle East countries of Oman and Saudi Arabia imported 16 239 tonnes and 16 143 tonnes respectively (source: Windhorst, Hans-Wilhelm, 2019. *Dynamics and patterns of the egg industry in the emerging market countries*. [IEC special economic report]).

TABLE 12: The five leading countries of origin exporting to UAE and Qatar in 2016					
Country of origin	United Arab Emirates		Country of origin	Qatar	
	Imports (t)	Share (%)		Imports (t)	Share (%)
Ukraine	19 713	27.7	S. Arabia	7 381	25.1
Poland	11 359	15.9	Kuwait	6 771	23.0
Turkey	9 036	12.7	Turkey	4 951	16.8
USA	7 914	11.1	Ukraine	3 283	11.1
Brazil	6 568	9.2	UAE	3 144	10.7
5 countries	54 590	76.6	5 countries	25 530	86.7
All countries	71 275	100.0	All countries	29 451	100.0

The IEC continues to focus on the challenges created by avian influenza (AI) and the importance of improving farm biosecurity standards. During 2019 the organisation's Avian Influenza Global Expert Group developed a practical biosecurity checklist that is supplemented by on-farm biosecurity toolkits. The goal is to assist egg businesses to review and strengthen their biosecurity measures, which are critical in helping to prevent a wide range of avian diseases. The checklist and toolkits are a valuable part of internal auditing processes to ensure that minimum standards of biosecurity are adhered to. They are furthermore a reminder to both employees and site visitors that biosecurity must be taken seriously at all times.

The checklists and toolkits are in English and have been distributed to all members of the EO; they are also being used during biosecurity short course training. To enhance their use on farms, they are currently being translated into other South African official languages.

HEALTH AND DISEASES

1. World

In 2019 there were reported cases of H5N8 HPAI in Bulgaria, Iran, Iraq, Israel, Kuwait, Namibia, Nigeria, Pakistan, Russia, and South Africa. Cases of H5N6 were reported from Cambodia, China, Denmark, Nigeria and Vietnam. In addition, Bhutan, China, India, Nepal, Nigeria, Togo and Vietnam reported the H5N1 strain. Chinese Taipei and Egypt reported H5N2; Chinese Taipei H5N5; and Mexico H7N3. Afghanistan, Bangladesh, Bulgaria, Chinese Taipei and Russia reported unspecified H5 AI (source: OIE).

2. South Africa

Avian influenza

Following the catastrophic outbreak of HPAI among commercial poultry flocks in 2017, and a period of recovery the following year, the egg industry managed to evade the virus in 2019.

Nine outbreaks of HPAI H5N8 were reported in commercial ostrich flocks in 2019. These outbreaks occurred in Eastern Cape (1), Letsemeng, Free State (1), Dr Beyers Naude district, Karoo Hoogland, Northern Cape (1) and in the districts of Hessequa (4) and George (2), Western Cape. In addition, in July six Egyptian geese tested positive for H5N8 in Karoo Hoogland, Northern Cape (source: OIE).

The Onderstepoort Veterinary Institute hosted a workshop in August to review the disastrous HPAI outbreak of 2017 and to discuss the associated challenges. It was attended by animal health experts from Angola, Botswana, Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mozambique, Namibia, South Africa, Zambia and Zimbabwe. Dr Mpho Maja, the Director of Animal Health at the DALRRD, admitted that the lack of funding for compensating producers who had been forced to cull birds had been a problem. Representatives from the OIE and the USDA were present. Delegates were informed that the South African government was reviewing its diagnostic protocol with the aim to improve control measures to prevent further outbreaks. Of great importance are the ongoing surveillance of both wild birds and poultry, and the improving of farm biosecurity.

In an interesting development, scientists in the United Kingdom reported using gene-editing techniques to prevent the spread of AI in chicken cells grown in a laboratory. While the main objective of the research is to find ways to stop the virus mutating into a form that can be transmitted to humans, it is postulated that this technology may ultimately lead to the development of gene-edited influenza-resistant chickens.

ANIMAL WELFARE

In June a German court ruled that the slaughtering of male chicks by the egg industry be allowed to continue until a suitable method of mass sexing embryos is found. In Germany approximately 45 million male chicks are killed annually in a practice that has angered politicians and members of the public.

SAPA and the IEC continued to work with the OIE to develop global standards for laying hen housing. Following a meeting of the OIE Code Commission in September, detailed comments were submitted by the EO (through the Chief Veterinary Officer of South Africa) and the IEC on the chapter entitled 'Animal welfare and laying hen production systems'. In particular, the recommendation was made that the chapter takes into account the social, economic and cultural diversity of OIE member countries, and issues of food security. The draft wording is to be put forward for adoption at the OIE General Session in May 2020.

Criticisms about battery cage systems were published intermittently through the year in the press. Spokespeople from Beauty Without Cruelty, the Southern African Faith Communities' Environment Institute and United Front 4 Animals raised concerns about the treatment of caged laying hens, the consequent effect on bird health, and the inability of the caged hens to express natural behaviour. Producers remain sensitive to public opinion but the change to alternative housing systems will have financial implications for both small-scale and commercial egg farmers.

The organisation Compassion in World Farming expressed disappointment and concern that the cage floor allowance of 450 cm² per hen will remain in use until 2039. This followed the announcement of the resolution, which was passed at Congress in June 2018, to keep feed trough space at 8.5 cm per hen and cage floor space at 450 cm² per hen until 1 January 2039. For new cage installations after 1 January 2019, the feed trough space should be increased to 10 cm per hen and the floor space to 550 cm².

SAPA has engaged Dr Thobela Nkukwana and Prof. Esté van Marle-Köster from the University of Pretoria to conduct scientific research into the effect of different housing systems on bird welfare and health, and consumer demand patterns for the various systems. The research aims to inform decision-makers regarding amendments to the poultry welfare legislation of South Africa. The literature review and preliminary results of the trials will be presented at Congress in June 2020.

EMPLOYMENT

The estimated number of employees in the egg industry for 2019 is shown in Table 13. The employment model bases its predictions on the average number of laying hens in South Africa, calculating the number of layer breeders required to produce the commercial layer flocks. Assumptions are made on the staffing requirements per unit in the vertically integrated industry. Total employees increased by 11.6% compared to 2018.

TABLE 13: Employment in the egg industry				
Number of employees	Workers	Supervisors	Managers	Total
Grandparent rearing	14	4	2	20
Grandparent laying	6	6	3	15
Parent hatching	33	6	3	42
Parent rearing	105	20	5	130
Parents	57	16	5	78
Pullet hatching	192	24	6	222
Rearing	1 553	148	37	1 738
Laying	1 565	184	92	1 841
Packing	2 546	372	124	3 042
Processing	98	22	11	131
Support staff	1 087	0	181	1 268
Total	7 256	802	469	8 527

The members listed in SAPA's database have 6 704 direct employees.

MARKETING

1. World Egg Day

The 24th occasion of World Egg Day was celebrated on 12 October 2019. Established by the IEC at its 1996 Vienna conference, the purpose of World Egg Day is to educate consumers on the versatility and health benefits of eggs, thereby promoting egg consumption. Several countries around the globe marked the occasion in various ways.

Australians voted for their favourite restaurant egg dishes and a cook-off ensued. Austria took a different angle, holding a press conference to discuss the impact of the egg industry on the climate. Bangladesh held a consumer gathering to promote eggs and 10 000 boiled eggs were donated to low-income citizens. Brazil's media campaigns focussed on the nutritional benefits of eggs, recipes containing eggs, as well as career opportunities in poultry production. Canadian egg farmers were given exposure on television and social media. The Colombians broke the Guinness World Record for the largest scrambled egg which contained 59 758 eggs! This vast nutritious meal was fed to local vulnerable people. A children's theatre festival was hosted in Croatia to educate school children on the health benefits of eggs. Denmark ran an egg awareness campaign, while in Ghana large quantities of eggs were donated to hospitals and other centres. India focussed on educational rallies in addition to distributing free boiled eggs to school children and old age homes. Indonesia hosted a national seminar on nutrition, biosecurity, and poultry business for farmers and students. The Irish used social media to run a campaign emphasising eggs as 'fuel', while in Nepal the versatility of eggs in cooking was demonstrated. New Zealand ran a promotional campaign offering World Egg Day prize packs, which included copies of Dr Seuss's *Green eggs and ham*. A cooking competition took place in Pakistan, while seminars focussed on debunking myths and misconceptions surrounding eggs. A large race was organised in the Philippines with the runners being treated to egg dishes en route. Poland released a top-quality recipe book using eggs as the main ingredient. Finally, in Spain a prize of 10 000 euros was awarded to a team of researchers for a project entitled 'Improving the quality of the shell and the food security of the egg in an extended production cycle of 100 weeks'.

In South Africa, the EO sponsored a television advertorial on *Expresso* to commemorate the day. Various ways of using eggs in recipes were presented and there were discussions about the health benefits of eggs. These were supported by a range of fun activities such as an egg-and-spoon race.

Once again, egg producers are encouraged to use the upcoming World Egg Day on Friday, 9 October 2020 to promote egg consumption in South Africa.

2. The Galliova Food and Health Writers' Awards

The Galliova Awards continue to honour food writers for excellence in food writing, food styling, and the overall promotion of South Africa's local food culture. Health writers are also recognised for their writing excellence and balanced reporting on health and nutrition issues. The annual awards are jointly sponsored by the Egg and Broiler organisations.

The winners for 2019 were revealed on 18 October at the prestigious 30th annual Galliova Awards ceremony, which fittingly took place at the award-winning Tokara Restaurant on the Tokara Wine Estate in Stellenbosch.

Margie Els-Burger of *Your Family* took top honours as the Galliova Food Writer of the Year, while freelance writer, Glynis Horning, was honoured as the Galliova Health Writer of the Year. Nomvuselelo Mncube of *Your Family and Food & Home Entertaining* was awarded the title Egg Champion, and the Broiler Champion was won by Esther Malan of *Huisgenoot*, *YOU* and *Drum*. Chiara Turilli of *My Kitchen*, *Getaway* and *Equinox* scooped Up & Coming Writer of the Year.

The judges were pleased to see a positive growth in entries this year, commenting that the Up & Coming category had attracted a number of first-time entrants. The panel also noted that the health articles and entries in the Egg Champion category were of an exceptionally high standard, resulting in a hotly contested 2019 Egg Champion competition.

INTERACTION WITH GOVERNMENT

A formal request was lodged with the Office of the new Minister of Agriculture, Land Reform and Rural Development, Ms Thoko Didiza, to negotiate reasonable compensation or a payment model for producers who were forced to implement mass culling following the 2017 HPAI outbreak.

SAPA continued to engage with the South African Bureau of Standards (SABS) to develop local standards for the welfare of laying hens. A technical committee from SAPA formed part of a working group established by the bureau. Suggestions were submitted for the South African National Standard entitled 'Welfare of chicken (*Gallus Gallus domesticus*)' (SANS 1758:201X). A working group meeting was held in October at the SABS offices primarily to discuss the concerns raised by Compassion in World Farming.

The EO has been collaborating closely with the DALRRD in finalising amendments to regulation R725 ('Regulations regarding the grading, packing and marking of eggs destined for sale in the Republic of South Africa') relating to the Agricultural Product Standards Act, Act no. 119 of 1990. The EO was afforded various opportunities to provide input into both the working drafts and the published regulations. There was grave concern that the assignee was mandated to do inspections at distribution centres (farms and pack stations) and not 'in the trade' (the consumer point of purchase). Towards the end of 2019, the department formally notified the World Trade Organization of the amendments in order to solicit any objections from member states. The regulations are to be gazetted for implementation during the first quarter of 2020.

The implementation of farm and pack station inspections by the government assignee (the Agency for Food Safety and Quality) reached a stalemate, pending the outcome of a court case involving four egg producers and the DALRRD.

SAPA is partnering with the Department of Trade, Industry and Competition (DTIC), on a cost-sharing basis, in the development of a master plan for the egg sector value chain, which will provide strategic intervention areas for the egg industry. The EO relayed its displeasure with both the DTIC and the appointed research firm regarding the first analytical chapter of the master plan, given that it did not provide an accurate analysis of the egg value chain in South Africa. Stakeholders in this process are embarking on remedial action to correct the situation.

FUNDING MODEL

The introduction in 2018 of a statutory levy on table eggs guarantees the sustainability of the EO until 2022.

In 2019 the levy income was spent on the following: administration (10%); industry liaison (funding the EO's technical committees); collection and dissemination of egg statistics; attendance of the IEC conference;

support for new entrants (skills development and business plans); the Galliova Awards ceremony; and consumer education (World Egg Day marketing and publication of health articles on the benefits of consuming eggs).

Regular newsletters are to be published by the EO, starting in the new year, in order to enhance communication with members and keep them updated on industry events. In addition, a generic marketing campaign is to be rolled out in 2020 with the aim to improve consumer awareness and increase egg consumption.

The EO ended the year with a balance of R2.2 million, excluding the loan granted to it by SAPA.

SUCSESSES

The successes may be summed up as follows:

- A strengthening of the EO arising from increased membership;
- The EO's stabilised financial position due to an increase in levy collection;
- The repayment of more than 50% of the loan received by the EO from SAPA;
- The avoidance of HPAI outbreaks in the egg industry;
- The biosecurity skills development sessions presented to new-entrant farmers;
- Measurable expansion in size of smaller farming operations;
- Growth in employment opportunities within the industry;
- The sizable increase in per capita consumption;
- Positive media exposure on World Egg Day;
- The successful hosting of the Galliova Awards;
- The completion of the amended regulation R725;
- The finalisation of SANS 1758:201X;
- Meaningful contributions to the OIE laying standards document;
- Increased egg exports to other SADC countries.

CHALLENGES

There were a number of challenges facing the EO and producers in 2019:

- The inability to conclude the egg sector master plan, as envisaged;
- Dissatisfaction with the protocol for implementing inspections by the government assignee;
- Unrestrained expansion in the size of the national laying flock;
- Dealing with a surplus of eggs and the resultant suppressed producer prices;
- The extremely big retail mark-up on eggs;
- HPAI-affected egg producers not yet compensated for hens that were culled;
- Increased layer feed prices which squeezed margins;
- Dealing with criticisms of battery cage systems by welfare groups.

FUTURE PROSPECTS

The prospects for 2020 may be summed up as follows:

- A deteriorating economy and growing unemployment;
- Ongoing surveillance for H5N8 HPAI in the country;
- The continued provision of targeted support to small and new-entrant farmers;
- Increased government support and cooperation upon completion of the egg sector master plan;
- The launch of a regular newsletter to EO members;
- A generic advertising programme to promote egg consumption;
- The results of the comparative study on laying hen production systems;
- The implementation of the amendments to regulation R725;
- The conclusion of the process of revising the welfare standards.

CONCLUSION

The sustainability of the EO looks promising as membership expands and financial contributions grow. We encourage more producers to join us in shaping the future of our egg industry.



THE BROILER ORGANISATION CHAIRPERSON'S REPORT 2019

GARY ARNOLD

INTRODUCTION

During 2019 SAPA was able to position itself to effectively execute matters of beneficial interest to the local poultry industry, following a restructuring exercise undertaken in 2018. Membership of both the broiler and egg organisations improved markedly, and industry representation in the association rose significantly. The Broiler Organisation (BO) General Manager, Izaak Breitenbach, has been able to focus on areas of importance to the local broiler industry, specifically tackling the issue of predatory dumping of chicken into the local market, and unfair trade practices.

The year 2019 kicked off with grave concern for the wellbeing of the local industry as broiler producers faced an uncertain future with adverse weather conditions and related higher feed prices, together with a flood of cheap poultry imports from Brazil.

The BO had to focus all efforts on its applications for tariff measures to stem the tide of dumping of poultry meat into South Africa. These were met with fierce resistance from various trade associations, who claimed that chicken would become unaffordable for low-income consumers. The fact is that imported chicken is no cheaper than locally produced chicken in supermarkets and food outlets, as middlemen continue to profit and, at the same time, act irresponsibly in the face of best practice guidelines for food safety standards.

During the year Ebrahim Patel, Minister of Trade, Industry and Competition (DTIC), was quoted as saying that tariffs would not necessarily solve the industry's challenges, and that a broader competitiveness programme was needed. Producers acknowledge that protectionism on its own does not ensure the long-term survival of an industry, and therefore they committed to the poultry sector master plan concluded in November 2019.

A Bureau for Food and Agricultural Policy (BFAP) report summarising recent research done by the Netherland's Wageningen University confirms that South Africa is an efficient producer, placed in joint 6th place with Russia out of 16 major chicken-producing countries. The cost of producing a chicken in South Africa is 10% to 20% lower than in most European Union (EU) countries, and yet some EU countries export to South Africa at prices 300% below their own. The top two chicken-producing countries, the United States of America (USA) and Brazil, have the lowest production costs, due to their surplus production of grains and oilseeds leading to lower input costs. Notably, the BFAP report commented that poultry imports into South Africa did not reduce chicken prices to the consumer.

An enormous amount of work was accomplished behind the scenes on the poultry sector master plan during the year. The plan, which was brokered by ministers Ebrahim Patel and Thoko Didiza (of the Department of Agriculture, Land Reform and Rural Development (DALRRD)), aims to put the local poultry industry back on a growth path. It is to the credit of government, poultry producers, trade and labour organisations, and the importers that a workable solution to the benefit of the broader poultry community and the country was developed.

A review of aspects that dominated the broiler agenda in 2019 is presented in this report, along with industry statistics.

OBJECTIVES

The BO represents commercial broiler producers with the intention to serve the interests of the broiler industry at a national level. The objectives of the BO are to establish and maintain a national organisation in South Africa for the promotion, development and guidance of the broiler industry, as an independent subsidiary of SAPA.

The purpose of the organisation is to promote and advance all matters tending towards the improvement of the broiler and allied industries including production, grading, packing, transportation, storage and marketing by:

- Securing profitable production to provide adequate supplies of broiler products to the consuming public;
- Protection of the broiler producer and/or industry from adverse legislation and any other aggression, and initiating, fostering and assisting in obtaining legislation and regulations beneficial to the broiler and allied industries;
- Improvement of production, testing, grading, packing, transportation, storage, marketing and export of broiler productions, and the means in this regard;
- Setting and revising of marketing standards;
- Encouragement of poultry education and training, conducting and/or assisting in investigational work of a practical and scientific nature, and the organisation of seminars or courses;
- Publishing literature, journals, pamphlets and circulars dealing with all matters pertaining to the broiler industry and conducting propaganda on behalf of this industry;
- Acting as arbitrators in the settlement of any dispute in the interests of members which may arise in any matter pertaining to the broiler or allied industries;
- Dealing with any matter which may be in the interest of the industry, the organisation and its members;
- Submitting individual data to the SAPA office for establishing a suitable statistical system to further the aims of SAPA.

MEMBERSHIP

There are 57 current members of the BO, representing approximately 73% of all broilers processed in the country. This number includes small-scale, medium and large producers. Membership increased from 49 in 2018.

The BO Board during the period under review consisted of the following individuals:

Gary Arnold (Chairperson)

Aziz Sulliman (Vice-Chairperson)

Nomia Biko

Izaak Breitenbach (General Manager)

Andy Crocker

Leon de Villiers

Deon Fourie

Sas Kasselmann

Jake Mokwene

Tumisang Mokwene

Jimmy Murray

Marthinus Stander

Stephen van der Merwe

Cobus van Niekerk

INDUSTRY OVERVIEW

1. Poultry sector master plan

The much-anticipated poultry sector master plan was signed on 6 November 2019, in the presence of President Cyril Ramaphosa, Minister Patel and Minister Didiza. Close collaboration between government entities, the poultry industry, organised labour, the importers, and various other stakeholders led to a framework for increasing local production as a percentage of consumption, growing the local poultry industry

and the creation of jobs. Those that participated in the process included amongst others: the DTIC; the DALRRD; SAPA and local broiler producers; the Association of Meat Importers and Exporters (AMIE); the Emerging Black Importers and Exporters of South Africa (EBIESA); the South African Meat Processors Association; the Department of Health (DoH); the Trade and Industrial Policies Strategies; the Industrial Development Corporation (IDC); the Land Bank; and the International Trade Administration Commission (ITAC).

The plan acknowledges the fact that chicken meat is an affordable source of protein for low-income households and that the poultry industry is a major contributor to South Africa's agricultural economy. Over the past decade local production has stagnated while a flood of cheap poultry imports has risen substantially. Tariffs have largely been unsuccessful – because they were too low – in stemming the flow of dumped chicken, which threatened the very existence of the poultry and allied industries.

Some urgent challenges have continued to face the sector. These are: the relatively high cost of feed; the relatively small scale of production (which makes the industry vulnerable to exporting countries); the segmented production of white and brown meat; South Africa's inability to export chicken due to international sanitary and phytosanitary barriers; and the slow pace of transformation.

The master plan outlines several strategic objectives:

- To expand the industry by increasing capacity at all stages of the value chain;
- To increase per capita consumption of chicken meat;
- To ensure that, over time, locally produced product makes up an increasing proportion of total consumption;
- To increase exports;
- To increase the level of black participation.

In line with the strategic objectives, five pillars have been established. These are:

1. Expanding and improving production, with defined targets to be met by 2023.
2. Driving domestic demand and promoting affordability.
3. Driving exports.
4. Enhancing the regulatory framework and ensuring compliance.
5. Trade measures to support the local industry.

The ultimate goal is to increase the level of local production as a proportion of consumption: poultry imports have made up approximately 30% of local consumption, a figure way higher than global benchmarks (such as the EU at approximately 7%). It is noted that in order for the plan to be successful, sustained implementation and ongoing commitment are required. Monitoring of progress and oversight of implementation will be performed by an appointed poultry oversight committee, led by the ministers of the DTIC and DALRRD and including representatives of all stakeholders.

As part of the plan SAPA members have committed to expand broiler production by approximately 1.7 million birds per week, investing upwards of R1.5 billion in processing facilities, and at the same time creating an additional 3 600 jobs. Moreover, an investment of R1.7 billion into 50 new contract grower farmers will be required along with the creation of a further 1 000 jobs. Producers have been asked to develop strategic plans for skills enhancement, focussing on career paths and employment equity to aid transformation, and at the same time SAPA and AMIE have been tasked with exploring mechanisms for increasing black participation and ownership throughout the sector.

SAPA will develop frameworks to enhance skills development, with particular reference to animal health, and will offer enhanced support to independent farmers. This will be done in collaboration with AMIE, EBIESA, AgriSETA, the trade unions and employers. In addition, SAPA is to partner with the IDC and Grain SA with the aim to expand maize and soya production and potentially reduce costs.

As mentioned earlier, BFAP has undertaken research into the cost drivers for poultry production, and this will continue to be updated in order to assist SAPA and the DTIC in monitoring the efficiency of the local industry. A task team consisting of SAPA, the DTIC, AMIE and the DALRRD is to work with retailers to promote locally produced poultry products.

SAPA is also part of a task team set up under the master plan to develop an export framework for the local poultry industry. Work will be undertaken in conjunction with AMIE, the DoH, DTIC and the DALRRD to establish the import requirements of different countries, and the improvements required for the implementation of a sanitary and phytosanitary plan aligned with the objective of receiving accreditation from these importing nations.

Responses to the contents of the master plan were largely positive, and it is worth mentioning that, at least, the value of the poultry industry to the economy has received recognition by government. If successfully implemented, the plan has the capacity to meet its objectives and create jobs; however, the real challenge will be tackling the complexities of international trade.

2. Imports from the EU

Following discussions in 2018 between the Department of Trade and Industry, SAPA, SADC and other stakeholders, a SADC–EU economic partnership agreement (EPA) safeguard duty of 35.3% on bone-in chicken was proposed. The safeguard duty, with progressive reduction, was agreed to by all parties. The final safeguard was gazetted on 28 September 2018 and imposed from that date. The safeguard duty decreased to 30% from March 2019, as gazetted, and applies to bone-in portion imports from all EU countries. All other poultry products from the EU enter South Africa duty-free.

In 2019 the EU declared a dispute in terms of the EPA and called for the safeguard duty to be removed. The DTIC opposed the application. A lengthy process of discussions that may take a year to complete has been initiated. The process involves consultation, mediation and arbitration. This is a government-to-government process that excludes poultry industry representatives; however, SAPA and its legal team support the DTIC when requested to supply information.

Sunset reviews were initiated on anti-dumping duties against companies in the Netherlands, United Kingdom (UK) and Germany. The aim is to determine whether the absence of the duty would lead to the recurrence of dumping, and subsequent injury to the local industry. The duties expire on 26 February 2020 and are the subject of a sunset review application to ITAC. In a recent study by law firm Webber Wentzel, the dumping margins for Germany, the UK and the Netherlands were calculated to be 307%, 92% and 176% respectively.

3. Imports from Brazil

In recent years Brazil has taken advantage of the gap in poultry exports to South Africa created by EU trade bans relating to highly pathogenic avian influenza (HPAI) outbreaks in certain exporting countries, and ramped up its exports to South Africa. In response, SAPA applied to ITAC for an ad valorem most favoured nation (MFN) tariff of 82% to be imposed on Brazil and other non-EU countries. In March 2019 the DTIC announced that government had increased the import duty on whole birds to 82%, the maximum allowed by the World Trade Organization (WTO). Existing Southern Common Market (MERCOSUR, the South American trade bloc) tariffs on imports of bone-in and boneless frozen portions were 37% and 12% respectively. The application for an 82% tariff was supported by the Food and Allied Workers Union and Proudly South African.

The Brazilian Association of Animal Protein reacted fiercely, denying allegations of dumping and arguing that higher tariffs would hurt consumers by driving prices up. Trade organisations AMIE and EBIESA as well as the South African National Consumer Union strongly criticised the industry, asserting that the food security of the poor would be threatened as prices could increase in supermarkets by up to 32%. This was countered by the BFAP study, which found that local producers had spare capacity and could step up production in order to meet the demand for chicken if imports were to stop. The benefits derived from economies of scale could, in fact, drive prices down. Brazil's predatory trade practices have already been identified by China, Japan, Mexico and Russia and been dealt with by the introduction of tariffs in excess of 100%. In the midst of the argument, a Brazilian food producer was forced to recall 500 tonnes of chicken due to concern over possible contamination with salmonella bacteria. SAPA and FairPlay urged the government to ban chicken imports from Brazil when it was announced that 11 former employees of the meat processor BRF SA were formally charged with allegedly evading food safety checks.

In an unexpected move, Minister Patel urged SAPA and AMIE to reach consensus on a reasonable MFN tariff

that would be acceptable to both parties. This was not achieved. The Minister was quoted as saying that if the parties could not come to an agreement, they would have to accept his recommendation. In SAPA's opinion, any tariff granted would have to be effective enough to level the playing field. Although not part of the period which this report covers, it cannot be neglected to mention that on 13 March 2020 the DTIC announced that new tariffs will apply to frozen bone-in chicken portions and boneless chicken cuts: they will increase from 37% to 62% and 12% to 42% respectively. As mentioned, the industry had applied for tariffs of 82% under both categories of product. Local producers supply about 70% of consumption in South Africa, and the new tariffs will apply to around 30% of all imported chicken, with imports from the EU not being affected. The reaction of exporting countries may very well negate the desired impact of these tariffs, and only time will tell if the new tariffs work as intended.

SAPA will apply to ITAC for anti-dumping duties on imports from Brazil, and from some European countries that have been found to be dumping.

During the year Brazil started dumping chicken into Namibia, a move which threatened the existence of the country's six-year-old fledgling industry. SAPA expressed alarm at this tactic and came out in support of Namibia's efforts to curb unrestrained imports.

4. African Growth and Opportunity Act (AGOA)

In October the US federal government announced plans to review South Africa's eligibility for duty-free imports under the generalised system of preferences (GSP). The review was triggered by a complaint that South Africa had not been doing enough to protect the intellectual property of the American entertainment and software industries. If South Africa is found to be ineligible under GSP rules, exports to the USA under the AGOA agreement would fall away.

The AGOA agreement will only be reviewed by South Africa if the country loses export benefits to the USA.

The full quota of 65 417 tonnes of duty-free imports was used for the period April 2018 to March 2019, as imports of frozen bone-in portions totalled 73 149 tonnes. Imports from April 2019 to December 2019 amounted to 56 149 tonnes, indicating that the new quota of 68 590 tonnes is likely to be reached for the period ending March 2020.

5. Trade with other SADC countries

In line with the master plan's commitment to grow exports, the SADC and the Southern African Customs Union (SACU) agreements are to be revitalised. The new African Continental Free Trade Area (AfCFTA) agreement is to be implemented, although there remains some dispute on the 15-year phasedown period for existing tariffs. This agreement requires member countries to remove tariffs from 90% of goods, promoting free access to commodities, goods and services across the continent.

The DoH and DALRRD have expressed concern that they do not have the capacity to handle export accreditation in full. The shortcomings of these government departments have been identified and will be addressed through the action points of the master plan. Crucial here is that the same sanitary and phytosanitary standards and protocols are applied to both imports and exports of poultry meat. The Poultry Disease Management Agency (PDMA) will have a central role to play in disease surveillance.

The practice of round-tripping is allowing imported chicken to find its way illegally into SADC countries. Chicken that is imported into South Africa is thawed and repackaged and exported to neighbouring countries. Unscrupulous exporters and importers are slipping through the cracks owing to the poor functioning of the SACU and inadequate enforcement of regulations. Once the AfCFTA comes into full effect, round-tripping and other tax-evading practices will cause immeasurable damage unless they are stamped out.

The Namibian court case is still pending. Before 2013 Namibia imported all of its poultry products, with 95% sourced from South Africa. Since then the country has been committed to growing its own poultry sector by restricting imports. SAPA is opposed to the use of a quota system (which is against WTO rules) by the Namibian government to restrict imports, but is prepared to support other trade measures that do not violate the SADC

and SACU agreements. The Namibian Ministry of Industrialisation, Trade and SME Development and Namib Poultry Industries have conceded that a revival of the SACU agreement could be of benefit to both countries.

INDUSTRY STATISTICS

1. Price comparison of protein sources

In 2019 the weighted average producer price for total broiler sales realisation (less all discounts, rebates and secondary distribution) was R22.89/kg. Eggs were cheaper at R19.20/kg. Chicken meat remained competitive in relation to beef and pork abattoir prices (Table 1). Pork prices recovered slightly following the oversupply caused by the listeriosis outbreak in 2018. The producer prices and the annual percentage changes are shown in Figure 1.

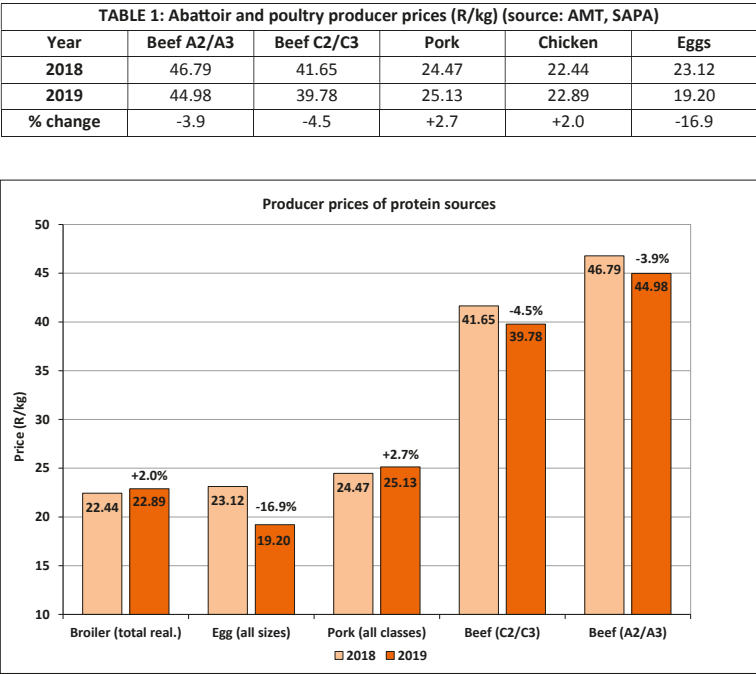


Figure 1: Comparison of the producer prices of different protein sources (source: SAPA, AMT)

2. International price competitiveness

The United States Department of Agriculture (USDA) figures show that the average price in the northeast region of the USA for leg quarters was 34.24c/lb (an 8.5% annual increase) and for skinless, deboned breast 118.28c/lb (a 2.7% annual decrease). Using the average exchange rate of R14.44 to the US dollar for the year 2019, the leg quarter price equates to R10.90/kg and the skinless, deboned breast price to R37.65/kg. The South African price for mixed individually quick-frozen portions was R21.83/kg and for fresh and frozen filleted breast R43.24/kg and R36.82/kg respectively.

Figure 2 shows the trends in three of the portion prices. Although the breast and wing prices have gradually decreased since 2015, the substantial gap between them and the price of leg quarters is still evident. Average prices (c/lb) for the various portions are given in Table 2.

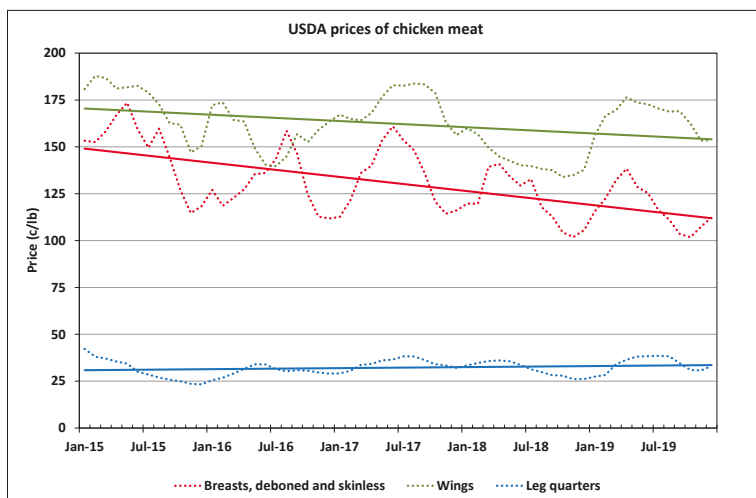


Figure 2: Chicken prices in the USA (source: USDA)

Portion	2018	2019	% change
Whole broiler	97.75	88.86	-9.1
Breasts, deboned and skinless	121.60	118.28	-2.7
Tenderloins	148.96	158.73	+6.6
Breast with ribs	103.39	100.72	-2.6
Breast (line run)	97.38	93.25	-4.2
Legs	41.86	52.19	+24.7
Leg quarters	31.55	34.24	+8.5
Drumsticks	37.21	35.61	-4.3
Thighs	47.95	56.63	+18.1
Thighs, deboned and skinless	114.13	117.06	+2.6
Wings	142.85	166.32	+16.4

3. Volume and growth

Two methods are used to predict broiler production volumes and growth:

- **Model 1:** The broiler forecasting model uses the number of day-old female parent placements supplied by the industry to predict the size of the breeder flocks, the number of day-old broiler chicks hatched and the number of broilers slaughtered;
- **Model 2:** A simpler model uses the number of day-old broiler chicks hatched supplied by the industry to predict the number of broilers slaughtered.

Both models are reliant on accurate and regular statistics being submitted by the industry.

4. Broiler breeders

A total of 9.455 million female parent pullets were placed in 2019. The average number of parent males and females in rearing during 2019 was 3.855 million per week; an increase of 220 600 birds (+6.1%) compared to 2018. Using a genetic pyramid, the estimated number of grandparent and great-grandparent stock (males and females) in South Africa was 205 100.

An average broiler breeder laying flock of 6.724 million hens was estimated for 2019; with annual growth of 298 400 hens (+4.6%). Figure 3 shows the changes in the size of the national broiler breeder laying flock since

2015. Figure 4 illustrates the total number of day-old broiler chicks hatched annually. In 2019 a total of 1.079 billion day-old chicks were hatched; a 3.0% annual increase.

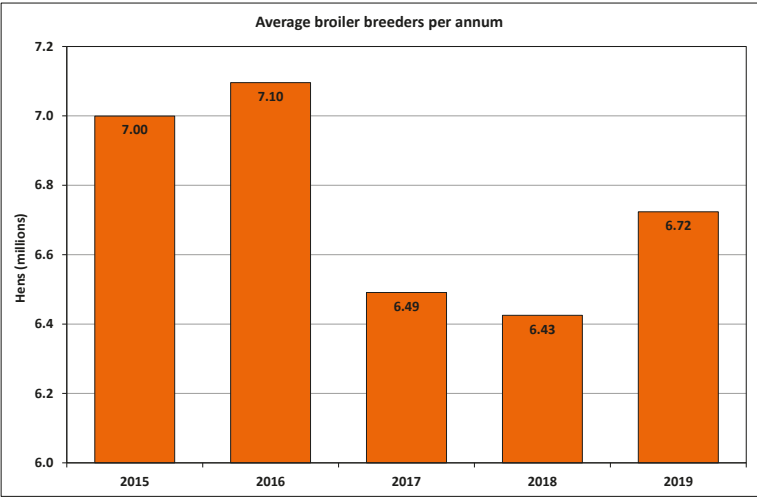


Figure 3: The size of the broiler breeder flock

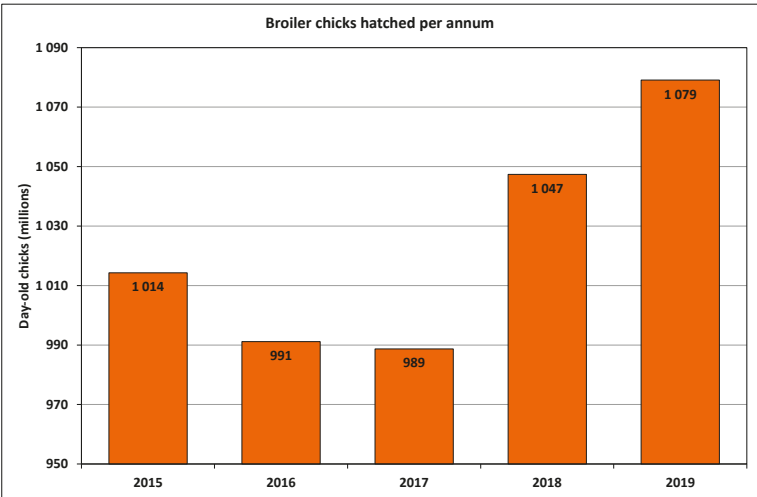


Figure 4: Annual day-old chick production

5. Broiler production

A total of 1 017.4 million broilers were slaughtered in 2019; an increase of 34.4 million (+3.5%) compared to the previous year. Bird numbers are summarised in Table 3.

TABLE 3: Bird numbers for the broiler industry (millions)								
Year	Broiler breeders		Breeders Per week	Broiler chicks hatched		Broilers Per week	Broilers slaughtered	
	Rearing	Laying		Per week	Per annum		Per week	Per annum
2018	3.635	6.425	10.060	20.066	1 047.391	97.213	18.851	983.028
2019	3.855	6.724	10.579	20.660	1 079.094	100.445	19.503	1 017.386
Change	0.221	0.298	0.519	0.593	31.703	3.232	0.652	34.358
% change	+6.1	+4.6	+5.2	+3.0	+3.0	+3.3	+3.5	+3.5

6. Prospects for 2020

Based on the number of day-old parent pullets placed to December 2019, the size of the breeder laying flock is expected to increase by 2.3% to 6.882 million during the first 4 months of 2020. The forecasting model predicts a potential hatch to June 2020 of 20.98 million chicks per week and a potential production of broilers to July 2020 of 19.94 million per week.

7. Input costs

The average broiler feed price for 2019 was R5 618/tonne (+9.5%) and for broiler breeder feed R4 705 (+15.2%). The prices include distribution cost, but exclude medication, additives and VAT. The movement in the broiler feed price over a five-year period is shown in Figure 5.

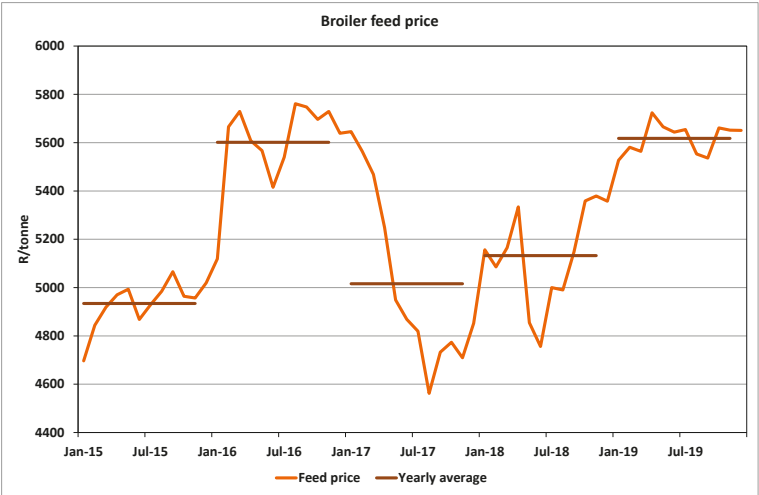


Figure 5: Movement in broiler feed price

The year-on-year percentage changes in the broiler feed price and the producer price are shown in Figure 6. Margins have been under pressure in the past two years as feed prices increased at a faster rate than producer prices.

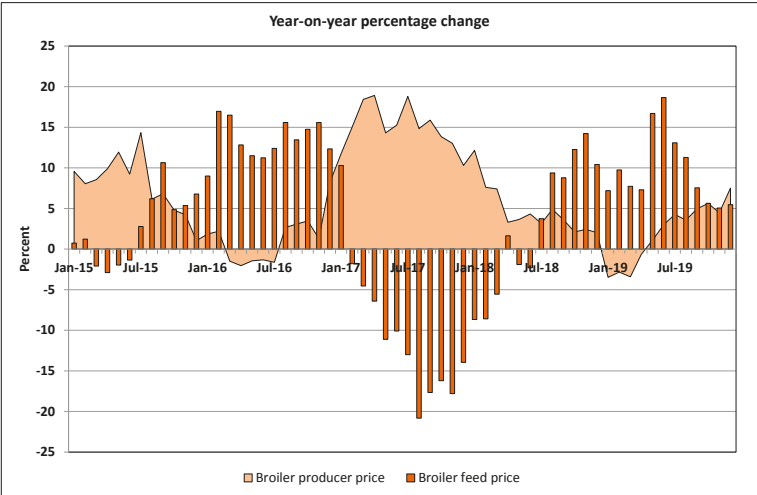


Figure 6: Yearly percentage changes in producer price and broiler feed price

8. Feed usage

The feed usage for broiler breeders and broilers is summarised in Table 4.

Year	Broiler breeders		Total breeding stock		Broilers		Total broiler industry	
	Rearing	Laying	Per annum	Per week	Per annum	Per week	Per annum	Per week
2018	92 732	398 728	491 459	9 425	2 943 071	56 442	3 434 530	65 868
2019	98 545	417 229	515 774	9 892	3 044 364	58 378	3 560 138	68 277
Change	5 814	18 501	24 314	466	101 293	1 936	125 607	2 409
% change	+6.3	+4.6	+4.9	+4.9	+3.4	+3.4	+3.7	+3.7

According to the Animal Feed Manufacturers Association (AFMA), national feed sales from 1 April 2018 to 31 March 2019 for breeders and broilers amounted to 3.146 million tonnes; a 2.8% annual increase. If feeds derived from concentrates are included, the total becomes 3.151 million tonnes. The national broiler and breeder feed sales is estimated to be 3.293 million tonnes, which means that AFMA members have 95.7% of the market. For the same period, SAPA estimated feed consumption at 3.464 million tonnes; 171 000 tonnes (+5.2%) more than actual feed sales.

9. Meat production

Total production of poultry meat (all saleable products) for 2019 was 1.814 million tonnes. This was made up of 1.743 million tonnes (96.1%) from commercial production, an estimated 70 223 tonnes (3.9%) from subsistence farming, and 800 tonnes (<0.1%) from ducks (source: SAPA).

Commercial production (including offal) can be further broken down into:

- Broiler meat (all saleable products): 1.672 million tonnes;
- Cull broiler breeder males and females: 32 688 tonnes;
- Cull layer hens: 38 402 tonnes.

The DALRRD estimated the total production of poultry meat at 1.808 million tonnes, up 3.7% from 2018. The department's estimate is 0.3% less than SAPA's production estimate.

10. Consumption

According to SAPA's calculations, poultry consumption amounted to 2.300 million tonnes in 2019, equating to a per capita consumption of poultry meat of 39.13 kg, compared to 39.17 kg (-0.1%) in 2018. This includes the sale of spent hens from the broiler breeder and commercial layer industries, the sale of all the edible offal, imports, as well as other poultry species.

The DALRRD's estimates of poultry consumption for 2019 amounted to 2.328 million tonnes; an annual increase of 1.8%. The per capita consumption of poultry meat was 39.30 kg, compared to 39.32 kg (-0.1%) in 2018. The department uses trade statistics from a source other than the South African Revenue Service (SARS). The DALRRD's estimate of poultry meat consumption is 1.2% larger than SAPA's estimate.

Consumption of chicken meat (all saleable products) amounted to 2.274 million tonnes in 2019; a 1.7% annual increase. The per capita consumption of chicken meat for the year was 38.70 kg, compared to 38.73 kg in 2018; a 0.1% decrease (source: SAPA).

Poultry imports made up 23% of poultry meat consumption, compared to 25% in 2018.

11. Gross value

The gross value of primary agricultural production from poultry meat (inclusive of all types of poultry) for the year 2019 was R46.97 billion, reflecting an annual decrease of 1.3% (source: DALRRD). Poultry meat contributed 33.9% to the gross value of animal products (down from 34.0% in 2018) and 16.4% to all agricultural production (down from 16.5% in 2018).

INDUSTRY TURNOVER

The estimated turnover from the broiler industry is shown in Table 5. Average day-old chick prices for 2018 and 2019 were not available.

TABLE 5: Turnover of the broiler industry							
Year	DOC industry		Broiler industry				Total
	Price (R/doc)	Turnover (R million)	Producer price (R/kg)	Turnover (R million)	Cull price (R/bird)	Turnover (R million)	Turnover (R million)
2018	0.00	0.0	22.44	37 774.6	42.59	317.0	38 091.6
2019	0.00	0.0	22.89	39 878.9	41.30	322.3	40 201.1
Change			0.45	2 104.3	-1.3	5.3	2 109.6
% change			+2.0	+5.6	-3.0	+1.7	+5.5

DOC = day-old chick

SMALL-SCALE BROILER FARMERS

These statistics summarise quarterly surveys conducted by Silverpath Consulting on behalf of SAPA. All prices exclude VAT.

1. Hatcheries

There were too few respondents to be able to report on hatchery volumes and prices.

2. Broiler producers

An average of 234 broiler farmers (up from 204 in 2018), from all 9 provinces, responded to the survey in 2019. The average provincial representation of small-scale broiler farms across the quarters was in Limpopo (82), Gauteng (53), KwaZulu-Natal (35), Mpumalanga (26), Free State (13), Eastern Cape (9), North West (9), Northern Cape (7), and Western Cape (1). On average, the farms had greater female (62%) than male (38%) ownership.

• Day-old chicks

The average purchase price of a day-old chick in 2019 was R7.73; a 5.9% increase compared to 2018. The sum of chicks placed per cycle in each quarter was 1.027 million (+4.1%), and the average across the quarters of chicks placed per cycle was 1 100. The average utilisation of the broiler farms was 30.6% of capacity; the same as the previous year. The average mortality rate per cycle was 6.2%, an improvement over the 6.8% mortality rate recorded in 2018.

• Broiler feed

Of the respondents, 99% bought feed in bags in 2019, while 1% manufactured their own feed. The prices are summarised in Table 6 and exclude VAT and transport. The annual percentage changes are reflected in brackets.

TABLE 6: Feed prices	
Feed	R/50 kg bag
Broiler starter	291.68 (+4.9%)
Broiler grower	277.39 (+4.9%)
Broiler finisher	266.67 (+4.5%)

Total bagged feed purchased by small-scale broiler farmers amounted to 7 544 tonnes, which equates to approximately 645 bags per farmer for the year. The annual total value of bagged feed purchases was R33.885 million; a 22.1% year-on-year increase.

• Broiler sales

The average cycle length (from placement to placement) was 10.8 weeks, and the average age at which broilers were sold live was 5.9 weeks (41 days).

The sales figures for 2019 are summarised in Table 7.

TABLE 7: Broiler sales figures				
Marketing channel	% of producers	Quantity	Weighted avg. price	Total value (R million)
Live sales	83.2%	1 227 035	R54.87/bird	R67.176
Abattoir	16.8%	266 874	R32.00/kg R69.27/bird	R16.362

The average slaughter fee charged by abattoirs was R5.48 per bird. The average weight at slaughter was 2.07 kg.

3. Contract growers

• Day-old chick and broiler production

An average of 36 (up from 27) contract growers, from 4 different provinces, responded to the survey in 2019. These farms were located in Mpumalanga (12), Limpopo (10), North West (8), and Gauteng (6). On average, the farms had greater male (81%) than female (19%) ownership.

A total of 22.244 million chicks were placed per cycle during the year, with a farm average of 155 600 chicks placed per cycle in each quarter of 2019. The total capacity utilisation of the broiler farms was 96.7%. The average mortality rate on the contract growers' farms was 3.8%. The average age at slaughter was 4.8 weeks (33.4 days).

• Broiler feed

An average of 2.66 kg of feed was consumed per bird placed in 2019.

4. Abattoirs

An average of four abattoirs per quarter responded to the survey in 2019. These businesses were located in Northern Cape (2), Gauteng (1), and Western Cape (1). On average, more of the abattoirs were owned by males (53%) than females (47%).

The average number of birds slaughtered per day was 908, up from 866 in 2018. The four abattoirs operated on average four days per week. Their average slaughter fee was R5.98 per bird and the weighted average selling price for dressed birds was R37.07/kg; an annual increase of 4.4%.

5. Challenges

The most common complaints of respondents for 2019 were:

- Issues with land ownership or size of land;
- Difficulties sourcing fertile eggs and good quality day-old chicks;
- High mortality due to poor quality chicks, inclement weather and disease;
- Controlling rats and snakes in poultry houses owing to poor biosecurity;
- On-going theft of stock;
- Require funding for maintenance of facilities, equipment purchases or expansion;
- Poor or erratic supply of water and electricity and the cost thereof;
- The high cost of feed, medication and transport;
- Inability to locate a functional abattoir nearby;
- The high cost of processing at the abattoir;
- Poor market conditions;
- Having to sell birds on credit and subsequent non-payment of accounts;
- Difficulty managing cash flow, and low profitability;
- Require further training in poultry husbandry.

TRADE

1. Annual poultry imports

For the year 2019 poultry imports totalled 539 567 tonnes (source: SARS); this was a decrease of 26 643 tonnes (-4.7%) in comparison with 2018. Chicken imports amounted to 511 317 tonnes; 27 980 tonnes less (-5.2%) than 2018 and represented 94.8% of total poultry imports. Of the total chicken meat imported, 99.9% was frozen.

For the third year in a row, Brazil was the main country of origin of poultry imports, accounting for 49.8% (down from 61.5% in 2018) or 268 869 tonnes. The USA was the second largest country of origin, with 16.6% or 89 598 tonnes; followed by Poland (9.3% or 50 419 tonnes); Argentina (7.0% or 37 939 tonnes); Ireland (5.8% or 31 221 tonnes); Denmark (4.3% or 23 325 tonnes); and Spain (3.5% or 18 824 tonnes). As a whole the EU contributed 23.1% to total poultry imports, compared to 12.6% in 2018 and 14.0% in 2017.

Poultry imports were equivalent to 30% of domestic poultry production.

2. Frozen broiler meat imports

Frozen chicken imports totalled 510 805 tonnes; a decrease of 27 630 tonnes (-5.1%), compared to the 2018 imports of 538 434 tonnes (Figure 7).

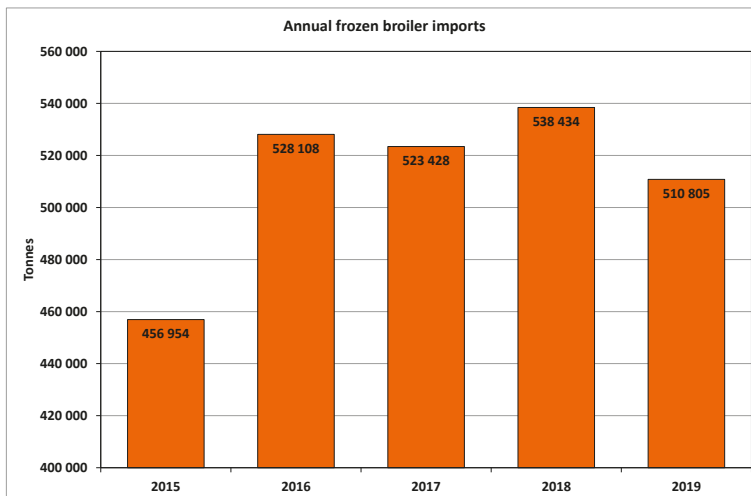


Figure 7: Annual frozen broiler meat imports from all countries

Table 8 reflects the different products in terms of volume and value, and their percentage changes, compared to the previous year. Of the 224 999 tonnes of bone-in portions, 68.2% were leg quarters, 14.9% drumsticks, 11.0% wings, 2.8% thighs, and 3.6% other bone-in cuts.

Product	Volume (tonnes)	% change	Value (R million)	% change
MDM	190 380	+23.2	1 242.3	+32.6
Bone-in portions	224 999	-21.6	3 054.5	-20.6
Whole frozen birds	16 169	+57.7	272.7	+64.0
Carcasses	7 093	-45.5	36.4	-47.8
Boneless portions	21 693	-9.7	566.3	+4.6
Offal	50 471	+1.8	385.4	-13.2
Total	510 805		5 557.6	

Frozen broiler imports from Brazil decreased from 337 731 tonnes in 2018 to 262 618 tonnes (-22.2%) in 2019 (Figure 8). Brazil’s contribution to total frozen chicken imports decreased from 62.7% in 2018 to 51.4% in 2019. These imports were mostly mechanically deboned meat (MDM) (168 078 tonnes; 64.0% of total) and frozen bone-in portions (46 027 tonnes; 17.5% of total). The average price of frozen imports landing in South Africa was R9.05/kg, while MDM and frozen bone-in portions landed at R6.57/kg and R13.60/kg respectively.

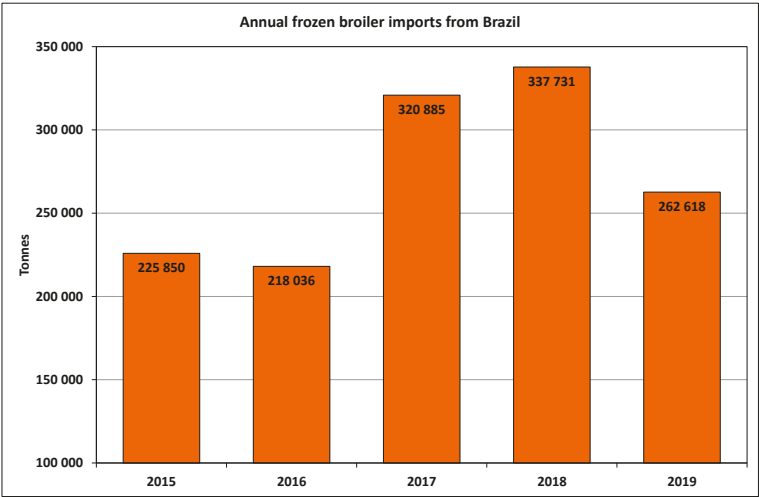


Figure 8: Frozen broiler imports from Brazil

EU imports of frozen chicken amounted to 120 301 tonnes in 2019, compared to 69 325 tonnes in 2018; a 73.5% increase (Figure 9). These imports landed in South Africa at R14.22/kg and accounted for 23.6% of total frozen chicken imports. Imports from the EU were impacted by the trade bans enforced in reaction to outbreaks of HPAI. In addition, anti-dumping duties remained in place against Dutch, German and UK exporters. Only Ireland, Denmark, Poland and Spain exported significant quantities to South Africa. Several other EU countries have now applied for export status.

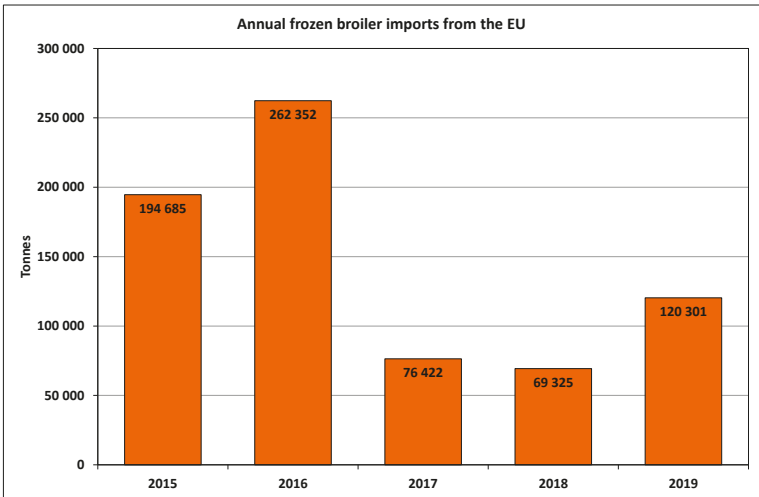


Figure 9: Frozen broiler imports from the EU

Frozen bone-in portions (87 803 tonnes) made up 73.0% of the EU imports and 60.5% thereof was frozen leg quarters. The frozen bone-in portions landed at an average price of R15.07/kg.

Imports of frozen chicken from the USA amounted to 78 794 tonnes in 2019, compared to 86 059 tonnes in 2018; an 8.4% decrease. These imports accounted for 15.4% of total frozen chicken imports. Imports of frozen bone-in portions totalled 73 973 tonnes at an average price of R11.49/kg.

In 2019 the EU and the USA were the two biggest contributors to frozen bone-in portion imports (39.0% and 32.9% respectively), followed by Brazil (20.5%) (Figure 10).

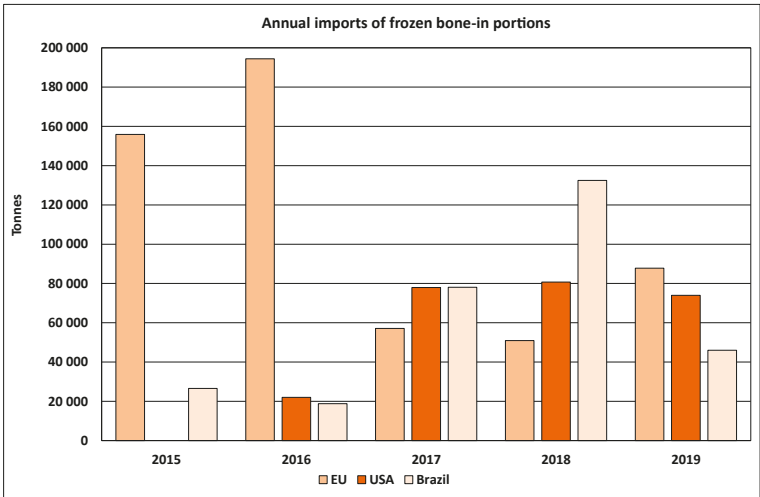


Figure 10: Frozen bone-in portion imports

3. Value of imports

In 2019 the free on board (FOB) value of poultry imports amounted to R6.14 billion; a decrease of R382.6 million (-5.9%) in comparison with the previous year.

The value of chicken imports amounted to R5.575 billion; a 7.6% annual decrease. The main contributors were frozen bone-in portions at R3.054 billion and frozen MDM at R1.242 billion; 54.8% and 22.3% of the value of chicken imports respectively. Total frozen chicken imports had a value of R5.558 billion; an annual decrease of 7.5%.

4. Poultry exports

Poultry meat exports totalled 53 641 tonnes in 2019; an increase of 2 269 tonnes (+4.4%) over the previous year. The FOB value of these exports was R1.247 billion, up from R1.155 billion (+8.0%) in 2018.

A total of 50 229 tonnes was chicken meat exports; an increase of 1 381 tonnes (+2.8%) compared to 2018. The FOB value of these exports was R1.141 billion, up from R1.087 billion (+5.0%) in 2018. According to SARS, chicken meat exports were 93.6% of total poultry exports, with turkey contributing 2.8%, and duck, geese and guinea fowl making up the remaining 3.6% (Figure 11). Figure 11 also demonstrates the effect of South Africa's HPAI outbreak in 2017 on exports.

Poultry exports made up 3.0% of poultry production in 2019, up from 2.9% in 2018.

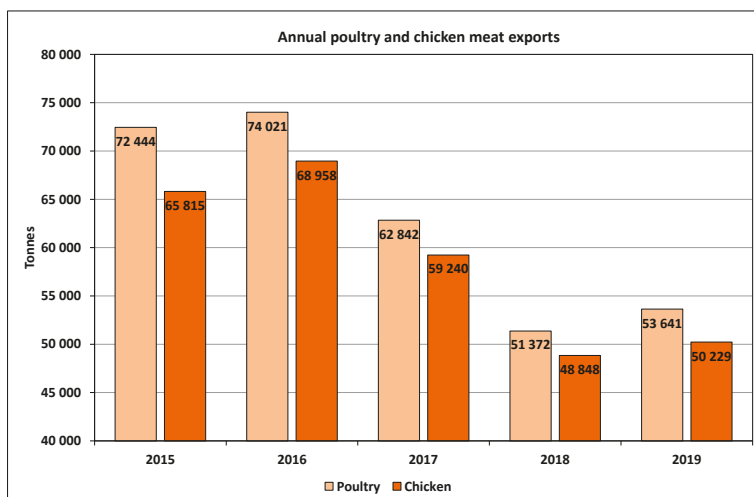


Figure 11: Annual exports

The main destination countries for poultry exports were Lesotho (44.9%), Mozambique (27.8%), Namibia (10.7%), Botswana (5.3%), Swaziland (4.9%), and the United Arab Emirates (3.9%). The remaining 42 destination countries collectively received 2.5% of the exports. Exports to Lesotho increased from 21 486 tonnes in 2018 to 24 074 tonnes in 2019 (+12.0%). The value of the exports to Lesotho was R462 million.

THE GLOBAL BROILER INDUSTRY

Global production of poultry meat is forecasted to increase by 4.7% in 2019, from 124.6 to 130.5 million tonnes (source: Food and Agriculture Organization (FAO), 2019. *Food outlook: biannual report on global food markets: November 2019.*). Total meat production is expected to reach 335 million tonnes; 1% less than in 2018. The unexpected drop is mainly due to the impact of African swine fever in China and East Asia. China's anticipated 20% contraction in pig meat output and 8% drop in overall meat production will be offset by increases in production in other countries such as Argentina, Brazil, the EU and the USA (source: FAO, 2019. *Food outlook: biannual report on global food markets: November 2019.*).

Global trade in poultry meat is forecasted to increase by 4.4% to 14.1 million tonnes. China's imports of all meat categories are expected to rise by 35%, while the USA and Angola will import less meat. Increased exports for 2019 will be seen from Argentina, Brazil, Canada, the EU, Thailand and the USA (source: FAO, 2019. *Food outlook: biannual report on global food markets: November 2019.*).

The USDA predicts that US broiler production will increase by 3.6% to 20.615 million tonnes in 2020. Domestic consumption is estimated to be 17.271 million tonnes. Imports of 62 000 tonnes are forecasted, while exports are anticipated to increase by 4.4% to 3.404 million tonnes (source: USDA, 10 January 2020. *Livestock and poultry: world markets and trade.*).

Figure 12 shows the trend in global meat prices since 2010 (source: FAO, 2019. *Food outlook: biannual report on global food markets: November 2019.*). Poultry meat prices have plateaued in recent years.

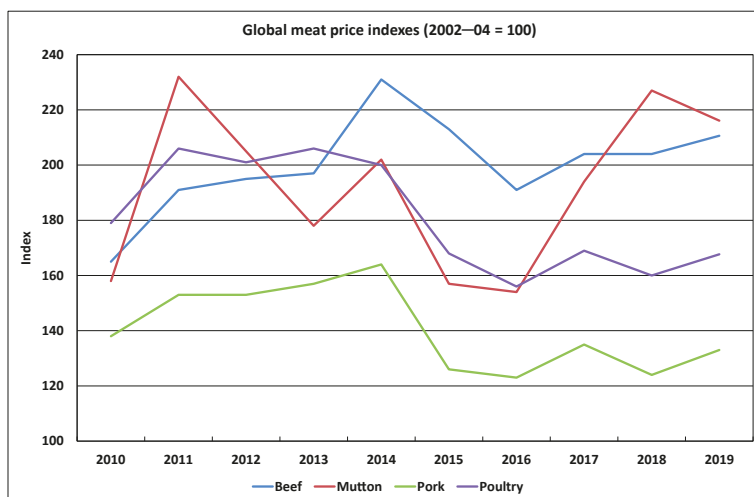


Figure 12: Global meat price indexes (source: FAO)

EMPLOYMENT

Estimated employment numbers for 2019 are summarised in Table 9.

TABLE 9: Employment in the broiler industry (2019)			
Number of employees (including contract workers)	Junior staff (Paterson A and B grades)	Supervisory and senior staff (Paterson C grade and above)	Total
Broiler breeder, hatchery and rearing	13 825	1 708	15 533
Broiler processing	27 388	2 177	29 565
Broiler distribution	4 792	1 722	6 514
Total for direct employees	46 005	5 607	51 612
Support industries – indirect employees			61 935
Grand total of direct and indirect employees			113 547
Related field crops (maize, sunflower and soya)			50 292
Poultry share of related field crops			18 817

The members listed in SAPA's database have 34 029 direct employees.

MEAT SAFETY ACT

The meat inspection scheme was published by the then Minister of the Department of Agriculture, Forestry and Fisheries Senzeni Zokwana in the government gazette dated 7 July 2017, in terms of the Meat Safety Act, Act 40 of 2000. The scheme serves as a policy and procedure manual for the assignment of service providers to perform meat inspection at abattoirs across the country.

The meat inspection scheme is compulsory and applies to all abattoirs in South Africa. It serves as a foundation for the national residue monitoring programme and the national microbial monitoring programme, both of which are required for exports to several countries.

Following producers' dissatisfaction with the work done by assignee Agency for Food Safety and Quality (AFSQ), monthly meetings between SAPA and the AFSQ took place. Several undesirable processes have been identified; namely: imported meat is being thawed and sold as fresh (meat should only be thawed for further processing); thawed meat is being brined by importers; and imported meat is repackaged and is subsequently not traceable. A reporting system has been set up and the AFSQ is now giving feedback on transgressions.

Discussions took place with SARS after it came to SAPA's attention that product is not always being declared at the correct price or tariff code at the ports and border controls. The capacity constraints within SARS are to be addressed as part of the master plan.

Meanwhile AMIE called for risk-based sampling of meat imports at the country's ports, instead of across-the-board or random sampling. Delays in sampling, due to the DALRRD being under-staffed, were leading to a build-up of product at the harbours.

FUNDING

A voluntary contribution funding model is in place to sustain the important work being done by SAPA on behalf of the industry. However, it is not sufficient to support all the activities undertaken by the organisation.

A number of options are being investigated. These include charging a fee for non-members to access industry statistics, promoting indirect membership of SAPA for suppliers to the poultry industry, and the introduction of a statutory levy to increase contributions across the board. Of particular concern is how the implementation of sanitary and phytosanitary measures will be funded, and one possibility is to seek financial assistance from the role players in the value chain that would benefit from growth in the poultry industry.

Smaller independent broiler producers are encouraged to join SAPA so that they can be represented at government level and their concerns can be addressed.

SUCCESSSES

- A good working relationship with government, in particular with ministers and officials from the DTIC, DoH and DALRRD;
- The publication of the long-awaited poultry sector master plan;
- The establishment of the poultry oversight committee to oversee the implementation of the plan and monitor progress;
- BFAP's findings on the global competitiveness of the local broiler industry, including that imports did not reduce poultry prices;
- Last but not least, an increase in the MFN tariffs on imported frozen bone-in portions and boneless cuts in March 2020.

CHALLENGES

- Increasing financial contributions to SAPA;
- The flood of cheap imports of bone-in portions;
- Improving communication between the BO and smaller farmers;
- Persuading smaller broiler farmers to become members of the BO;
- Increasing the per capita consumption of chicken meat;
- Conforming to global sanitary and phytosanitary requirements.

FUTURE PROSPECTS

- Reduced levels of imports of bone-in portions as a result of the higher tariff (time will tell);
- Proper implementation of the independent meat inspection scheme;
- Working with the PDMA and DALRRD to meet global sanitary and phytosanitary standards;
- Working with AMIE and EBIESA for the benefit of the poultry industry;
- The development of new export markets;
- Working with Proudly South African to increase local demand;
- Securing designated supply contracts with government;
- Expanded membership of the BO in 2020;
- Increased black participation in and ownership of poultry farms and businesses;
- Feedback from the quarterly meetings of the master plan council;
- Adequate labelling and traceability of imported product;
- Coherence and stability in the industry as a result of the effective implementation of the master plan.

CONCLUSION

The South African poultry industry has the capacity to create jobs all through the value chain, thereby providing a major boost to the economy. We should look forward with confidence to the execution of the master plan having a positive impact on our industry and its microenvironment, but this hinges on all the pillars of the master plan being properly implemented by all the stakeholders, thereby setting the broiler industry on a path of sustained growth.

Financial Statements



“Strong today, stronger tomorrow, strongest together”
Small footprint. **Big impact.**

THE SOUTH AFRICAN POULTRY ASSOCIATION

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	A non-profit farmers association for commercial poultry farmers
Board Members	A Sulliman A van der Merwe W Bosoga C Steenhuisen V Sharp G Arnold M Stander N Biko A Brinkhuis (Alternate) N Elliot (Alternate) J Mokwene (Alternate) S van der Merwe (Alternate)
Registered office	Wild Fig Business Park, Block C 1494 Cranberry Street Honeydew Ext 19 2194
Postal address	P.O. Box 1202 Honeydew 2040
Auditors	BVA Gauteng Inc Chartered Accountants (S.A.) Registered Auditors
PBO number	9300014951

THE SOUTH AFRICAN POULTRY ASSOCIATION
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Level of assurance	These annual financial statements have been audited in compliance with the applicable requirements of the Constitution of the South African Poultry Association
Preparer	The annual financial statements were independently compiled by: Synedrio Consulting Service Proprietary Limited Mr GJ Viviers CA (SA)
Issued	15 May 2020

THE SOUTH AFRICAN POULTRY ASSOCIATION
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Contents

The reports and statements set out below comprise the annual financial statements presented to the board:

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Board's Report	63
Independent Auditor's Report	66
Statement of Financial Position	69
Statement of Comprehensive Income	70
Statement of Changes in Equity	71
Statement of Cash Flows	72
Accounting Policies	73
Notes to the Annual Financial Statements	84
The following supplementary information does not form part of the annual financial statements and is unaudited:	
Detailed Income Statement	95
Summary of cost per broiler organisation	97
Summary of cost per egg organisation	98

THE SOUTH AFRICAN POULTRY ASSOCIATION

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Board's Responsibilities and Approval

The board is required by the Constitution of the South African Poultry Association, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the International Financial Reporting Standard for Small and Medium sized Entities ("IFRS for SME"). The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium sized Entities ("IFRS for SME") and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The annual financial statements comprise of:

- the statement of financial position;
- the statement of profit or loss and other comprehensive income;
- the statement of changes in equity;
- the statement of cash flows; and
- the accounting policies and notes to the annual financial statements.

The board acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the board to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

THE SOUTH AFRICAN POULTRY ASSOCIATION

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

The board is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The board is satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on pages 69 to 95.

The annual financial statements set out on pages 69 to 95, which have been prepared on the going concern basis, were approved by the board on 15 May 2020 and were signed on its behalf by:



A Sulliman



A van der Merwe

THE SOUTH AFRICAN POULTRY ASSOCIATION

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Board's Report

The board has pleasure in submitting their report on the annual financial statements of South African Poultry Association for the year ended 31 December 2019.

1. Incorporation

The entity was incorporated in 1904 and obtained its certificate to commence business on the same day.

2. Nature of business

South African Poultry Association was incorporated in 1904 in South Africa as a public benefit organisation. The entity is a non-profit farmers association for commercial poultry farmers which discusses and decides on matters of mutual interest and communicates on behalf of the industry.

There have been no material changes to the nature of the entity's business from the prior year.

3. Reporting

The annual financial statements have been prepared in accordance with International Financial Reporting Standards for Small and Medium sized Entities ("IFRS for SME") and the requirements of the Constitution of the South African Poultry Association. The accounting policies have been applied consistently compared to the prior year.

The entity recorded a loss after tax for the year ended 31 December 2019 of R5 144 429 (2018: R3 055 188 loss).

4. Board members

The board members in office during the year and at the date of this report are as follows:

Board members	Designation	Nationality
A Sulliman	Chairman	South African
A van der Merwe	Vice Chairman/Board member SAPA	South African
W Bosoga	Board member SAPA	South African
C Steenhuisen	Board member SAPA	South African
V Sharp	Board member SAPA	South African
M Stander	Board member - SAPA	South African
N Biko	Board member SAPA	South African
G Arnold	Executive member/Board member SAPA	South African
A Brinkhuis	Alternate member	South African
N Elliot	Alternate member	South African
J Mokwene	Alternate member	South African
S van der Merwe	Alternate member	South African

THE SOUTH AFRICAN POULTRY ASSOCIATION

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

5. Interests in controlled entities

Details interests in controlled entities are presented in the annual financial statements in notes 4.

There were no significant acquisitions or divestitures during the year ended 31 December 2019.

6. Events after the reporting period

The entity is aware that on the 5th of March 2020 South Africa recorded its first positive case of the coronavirus. On the 11th of March 2020, the World Health Organization ('WHO') declared the novel strain of coronavirus (COVID 19) a global pandemic and recommended containment and mitigation measures worldwide. On the 15th of March 2020, the South African President declared the pandemic a National State of Disaster and on the 23rd of March 2020, a national lockdown was ordered in terms of the Disaster Management Act, 57 of 2002 from the 26th of March 2020.

This order was subsequently extended to 30 April 2020. On 01 May 2020 limited restrictions were lifted based on publications.

Due to the uncertainty of the timeline as to when the lock down will be lifted completely, the entity was forced to postpone its major conference event to the year 2021. It is expected that the entity will be negatively impacted as a result. Furthermore, in light of the fact that the impact of the pandemic cannot easily be determined, management is assessing the ever changing landscape and its impact on the entity on a regular basis ensuring decisive actions are taken under these circumstances, and that the entity remains a going concern and it's expected to recover from the effects of the pandemic (COVID 19).

The board are not aware of any other material event which occurred after the reporting date and up to the date of this report.

7. Going concern

The board believe that the entity has adequate financial resources to continue in operation for the foreseeable future.

The board further assessed and prudently calculated the implications of a possible adverse impact of the Covid 19 pandemic on the entity's going concern assumption as far as possible as stated in note 6.

Accordingly, the board have satisfied themselves that the entity is in a sound financial position and that it has access to sufficient borrowing facilities and support from its holding entity to meet its foreseeable cash requirements. The board are also not aware of any material non compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the entity.

The annual financial statements have accordingly been prepared on the basis of accounting policies applicable to a going concern.

THE SOUTH AFRICAN POULTRY ASSOCIATION

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

8. Litigation statement

The entity is not currently involved in any claims or lawsuits, which individually or in the aggregate, are expected to have a material adverse effect on the business or its assets. Refer to the contingencies note 20 of the annual financial statements for further details of the pending litigations. The board is not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened that may have a material effect on the financial position of the entity.

9. Auditors

BVA Gauteng Inc. continued in office as auditors for the entity for 2019.

THE SOUTH AFRICAN POULTRY ASSOCIATION
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019



BVA Gauteng Inc
IRBA No: 948168
Reg No: 2015/239766/21
Directors: G Cornelissen CA(SA), LJ Fourie CA(SA)
L Edwards CA(SA)

Independent Auditor's Report

To the board of South African Poultry Association

Opinion

We have audited the annual financial statements of South African Poultry Association set out on pages 8 to 16, which comprise the statement of financial position as at 31 December, 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of South African Poultry Association as at 31 December, 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards for Small and Medium-sized Entities and the requirements of the Constitution of the South African Poultry Association.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the annual financial statements section of our report. We are independent of the entity in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of annual financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts 1, 3, 4A and 4B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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THE SOUTH AFRICAN POULTRY ASSOCIATION

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Independent Auditor's Report (continued)

Other Information

The board is responsible for the other information. The other information comprises the Board's Report as required by the Constitution of the South African Poultry Association, which we obtained prior to the date of this report. Other information does not include the annual financial statements and our auditor's report thereon.

Our opinion on the annual financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the board for the Annual Financial Statements

The board is responsible for the preparation and fair presentation of the annual financial statements of South African Poultry Association as at 31 December 2019 in accordance with International Financial Reporting Standards for Small and Medium-sized Entities and the requirements of the Constitution of the South African Poultry Association, and for such internal control as the board determines is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the board is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intends to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

THE SOUTH AFRICAN POULTRY ASSOCIATION

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Independent Auditor's Report (continued)

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board.
- Conclude on the appropriateness of the board's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

15 May 2020

BVA Gauteng Inc.
Chartered Accountants (S.A.)
Registered Auditors
Per: G. Cornelissen
Chartered Accountant (S.A.)
Registered Auditor

THE SOUTH AFRICAN POULTRY ASSOCIATION

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Statement of Financial Position as at 31 December 2019

Figures in Rand	Notes	2019	2018
Assets			
Non-Current Assets			
Property, plant and equipment	2	240 995	254 156
Intangible assets	3	2	2
		240 997	254 158
Current Assets			
Loans to group companies	5	-	400 000
Trade and other receivables	6	4 648 500	2 311 274
Cash and cash equivalents	7	3 914 311	9 582 695
		8 562 811	12 293 969
Total Assets		8 803 808	12 548 127
Equity and Liabilities			
Equity			
Special reserves	8	618 690	5 537 304
Accumulated funds		4 774 185	5 000 000
		5 392 875	10 537 304
Liabilities			
Current Liabilities			
Trade and other payables	9	3 410 933	2 010 823
		3 410 933	2 010 823
Total Equity and Liabilities		8 803 808	12 548 127

The accounting policies on pages 73 to 94 and the notes on pages 84 to 94 form an integral part of the annual financial statements.

THE SOUTH AFRICAN POULTRY ASSOCIATION

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Statement of Comprehensive Income

Figures in Rand	Notes	2019	2018
Revenue	10	20 362 077	21 625 456
Project related costs	11	(6 803 646)	(9 242 589)
Gross profit		13 558 431	12 382 867
Other income	12	7 033 367	8 986 650
Operating expenses	13	(26 115 222)	(24 947 902)
Operating loss	13	(5 523 424)	(3 578 389)
Investment revenue	14	378 995	523 201
Loss before tax		(5 144 429)	(3 055 188)
Tax	15	-	-
Loss for the year		(5 144 429)	(3 055 188)
Other comprehensive income		-	-
Total comprehensive loss for the year		(5 144 429)	(3 055 188)

The accounting policies on pages 73 to 94 and the notes on pages 84 to 94 form an integral part of the annual financial statements.

THE SOUTH AFRICAN POULTRY ASSOCIATION

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Statement of Changes in Equity

Figures in Rand	Special reserves	Accumulated funds	Total equity
Balance at 01 January 2018	6 903 231	6 689 261	13 592 492
Loss for the year	-	(3 055 188)	(3 055 188)
Transfer from special reserves	(31 356 969)	31 356 969	-
Transfer to special reserves	29 991 042	(29 991 042)	-
Balance at 01 January 2019	5 537 304	5 000 000	10 537 304
Loss for the year	-	(5 144 429)	(5 144 429)
Transfer from special reserves	(31 819 142)	31 819 142	-
Transfer to special reserves	26 900 528	(26 900 528)	-
Balance at 31 December 2019	618 690	4 774 185	5 392 875

The accounting policies on pages 73 to 94 and the notes on pages 84 to 94 form an integral part of the annual financial statements.

THE SOUTH AFRICAN POULTRY ASSOCIATION

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Statement of Cash Flows

Figures in Rand	Notes	2019	2018
Cash flows from operating activities			
Cash generated used in operations	16	(6 341 678)	4 215 767
Investment income		378 995	523 201
Net cash generated from operating activities		(5 962 683)	4 738 968
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(123 559)	(265 506)
Sale of property, plant and equipment	2	17 858	2 665
Loans advanced to group companies		-	(400 000)
Proceeds from loans from group companies		400 000	-
Net cash from investing activities		294 299	(662 841)
Total cash movement for the year		(5 668 384)	4 076 127
Cash at the beginning of the year		9 582 695	5 506 568
Total cash at end of the year	7	3 914 311	9 582 695

The accounting policies on pages 73 to 94 and the notes on pages 84 to 94 form an integral part of the annual financial statements.

THE SOUTH AFRICAN POULTRY ASSOCIATION

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Accounting Policies

1. Basis of preparation and summary of significant accounting policies

The annual financial statements have been prepared on a going concern basis in accordance with the International Financial Reporting Standard for Small and Medium sized Entities ("IFRS for SME").

These annual financial statements comply with the requirements of the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

These accounting policies are consistent with the previous period.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below.

The accounting policies detailed below have been consistently applied to the entity's financial statements.

Functional and presentation currency

These financial statements are presented in Rand, which is the fund's functional currency and presentation currency. All amounts are rounded to the nearest Rand.

Approval

The annual financial statements were authorised for issue by the director on 15 May 2020 and are subject to the approval of the board at the Annual General Meeting.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

THE SOUTH AFRICAN POULTRY ASSOCIATION

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Accounting Policies (continued)

Trade receivables

The entity assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for loans and receivables is based on the amounts outstanding, which management feel, will not be collected or only partially collected.

Impairment testing

The recoverable amounts of individual assets have been determined based on the higher of value in use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of assets.

Key sources of estimation uncertainty

Useful lives, depreciation methods and residual values

Useful lives, depreciation methods and residual values of the items of property, plant and equipment are reviewed annually. For residual values the estimate is made after taking into account the condition of the item, age and judgement relating to useful lives.

1.2 Control

Management considered the various elements, as set out in IFRS for SME section 9: Consolidated and Separate Financial Statements, on determining whether it controls and should consolidate the interests held in subsidiary and special purpose entity ("SPE") as listed in note 4.

Management has made considerations whether the entity:

- has power over the subsidiary and SPE;
- is exposed to, or has rights to, variable returns from its involvement with the subsidiary and SPE; and
- has the ability to affect those returns through its power over the entity.

The entity has the power to appoint and remove the majority of the board members of the subsidiary and SPE and has the power to direct the relevant activities of the subsidiary and SPE. Therefore, the board of the entity concluded that the entity has the practical ability to direct the relevant activities of the subsidiary and SPE unilaterally and hence the entity has control. Based on these indicators the subsidiary and SPE's are controlled by the entity.

relevant activities of the subsidiary and SPE unilaterally and hence the entity has control. Based on these indicators the subsidiary and SPE's are controlled by the entity.

THE SOUTH AFRICAN POULTRY ASSOCIATION

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Accounting Policies (continued)

1.3 Property, plant and equipment

Property, plant and equipment are tangible assets which the company holds for its own use and which are expected to be used for more than one period.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Cost includes costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

Depreciation

Depreciation is the systematic allocation of the depreciable amount of an item of plant and equipment over its estimated useful life. Plant and equipment are depreciated and is recognised in profit and loss on the straight line basis over their expected useful lives to their estimated residual value.

Depreciation is recognised on the depreciable amount, of an item of plant and equipment. The depreciable amount is the difference between the cost of an item of plant and equipment and its residual value.

Residual value is the estimated amount that the entity would currently obtain from disposal of an item of plant and equipment, after deducting the estimated costs of disposal, if the item were already of age and in the condition expected at the end of its useful life. The useful lives and residual values of the individual items of plant and equipment are reviewed on an annual basis and any revision to these are accounted for as a change in accounting estimate.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	4 years
Office equipment	Straight line	4 years
IT equipment	Straight line	3 years
Laboratory research equipment	Straight line	5 years

THE SOUTH AFRICAN POULTRY ASSOCIATION

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Accounting Policies (continued)

1.3 Property, plant and equipment (continued)

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised. Gains are not included in revenue.

1.4 Intangible assets

An intangible asset is an identifiable non monetary asset without physical substance.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

THE SOUTH AFRICAN POULTRY ASSOCIATION

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Accounting Policies (continued)

Amortisation is provided to write down the intangible assets, on a straight line basis, as follows:

Item	Useful life
Computer software	3 years

1.5 Financial instruments

Initial recognition and measurement

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument in another entity.

Financial instruments are recognised initially when the entity becomes a party to the contractual provisions of the instruments. The entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. Classification is re assessed on an annual basis.

Financial instruments are measured initially at fair value. Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Effective interest method

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received) that form an integral part of the effective interest rate, transaction cost and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at fair value through profit or loss.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

THE SOUTH AFRICAN POULTRY ASSOCIATION

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Accounting Policies (continued)

1.5 Financial instruments (continued)

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derecognition

Financial asset

The entity derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the entity neither transfers nor retains substantially all the risk and rewards of ownership and continues to control the transferred asset, the entity recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The company derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or they expire.

THE SOUTH AFRICAN POULTRY ASSOCIATION

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Accounting Policies (continued)

1.5 Financial instruments (continued)

Subsequent measurement

Financial assets

The subsequent measurement of financial assets depends on their classification as follows:

- **Loans to related entities**

These include loans to related entities and are recognised initially at fair value plus direct transaction costs. Loans to group companies are classified as loans and receivables.

- **Trade and other receivables**

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

- **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at amortised cost.

THE SOUTH AFRICAN POULTRY ASSOCIATION

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Accounting Policies (continued)

1.5 Financial instruments (continued)

Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit and loss or at amortised cost, as appropriate. The entity determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value, and in the case of loans and borrowings at amortised costs, plus directly attributable transaction costs.

The entity's financial liabilities include trade and other payable.

Subsequent measurement of financial liabilities depends on their classification as follows:

- **Trade and other payables**

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

1.6 Income received in advance

Income received in advance comprises out of congress income received not recognised until such events has taken place. Congress income is recognised in profit and loss in the period in which these events take place.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases - lessor

Operating lease income is recognised as an income on a straight line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight line basis over the lease term.

THE SOUTH AFRICAN POULTRY ASSOCIATION

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Accounting Policies (continue)

1.8 Stated capital and special reserves

Special reserves

The entity has separate projects and disclose the funds for each project separate in special reserves. The board from time to time authorises the transfers between the relevant reserves as funds are received and used for the expenses relating to that particular project.

1.9 Government grants

Government grants are recognised when there is reasonable assurance that:

- the entity will comply with the conditions attaching to them; and
- the grants will be received.

Government grants are recognised as other income, and disclosed separately in special reserves projects. The costs incurred relating to the specific grant are recognised in the period in which the expense has occurred in project related costs, and is disclosed separately in the special reserves projects. When the grant has been received and the utilisation thereof stretch over a long period of time, the funds are deposited in an interest bearing investment, and the interest accrued is recognised in interest income, and disclosed separately in the special reserves projects.

The special reserves projects disclose the funds still available per project in the closing balance.

Grants comprises of:

- Department of Agriculture Emerging farmers training;
- Department of Agriculture Abattoir project;
- AgriSETA Poultry meat examiners training; and
- AgriSETA Grant Bio security training.

1.10 Revenue

Revenue comprises of:

- Membership fees;
- Congress income;
- Additional membership fees; and
- Bulletin allocated cost.

THE SOUTH AFRICAN POULTRY ASSOCIATION

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Accounting Policies (continued)

1.10 Revenue (continued)

Recognition

Revenue earned by the entity is recognised on the following basis:

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest received

Interest is recognised, in profit or loss, using the effective interest method.

1.11 Employee benefits

Short-term employee benefits

The cost of short term employee benefits, (those payable within 12 months after the service is rendered, such as leave pay and sick leave, bonuses, and non monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted. The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

THE SOUTH AFRICAN POULTRY ASSOCIATION

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Accounting Policies (continued)

1.11 Employee benefits (continued)

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense when incurred.

1.12 Contingent liabilities and contingent assets

A description of contingent liabilities and contingent assets are disclosed in the annual financial statements unless the possibility of the outflow or inflow of economic benefits is remote. Assessment of the likelihood of the economic outflows, and/or inflow taking place, is reviewed on a continual basis.

The contingent liabilities and contingent assets are disclosed by providing an estimate of the financial effect as well as any uncertainties in relation to the financial effects and the timing of the economic outflow/inflow that may take place.

1.13 Events after the reporting period

Should events after the reporting period but prior to authorisation of the annual financial statements be confirmation of circumstances existing prior to the end of the reporting period, the annual financial statements will be accordingly adjusted to include the effects of the events. However, should such events not have any bearing on circumstances that existed prior to the end of the reporting period, such events will be disclosed separately in the notes the financial statements. Such disclosure includes the nature of the event and its estimated financial effects.

1.14 Related parties

Related parties are considered to be related if one party has the ability to control or jointly control the other party or exercise significant influence over the party in making financial and operational decisions. Key management personnel are also regarded as related parties. Key management personnel are those persons having authority, control and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

THE SOUTH AFRICAN POULTRY ASSOCIATION

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Notes to the Annual Financial Statements

Figures in Rand

2019

2018

2. Property, plant and equipment

	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	366 427	(365 228)	1 199	428 781	(424 224)	4 557
Office equipment	455 523	(362 134)	93 389	458 489	(323 430)	135 059
IT equipment	476 268	(329 862)	146 406	404 856	(291 249)	113 607
Laboratory research equipment	28 000	(27 999)	1	28 000	(27 067)	933
Total	1 326 218	(1 085 223)	240 995	1 320 126	(1 065 970)	254 156

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Depreciation	Closing balance
Furniture and fixtures	4 557	-	(3 358)	1 199
Office equipment	135 059	52 147	(93 817)	93 389
IT equipment	113 607	71 412	(38 613)	146 406
Laboratory research equipment	933	-	(932)	1
	254 156	123 559	(136 720)	240 995

Reconciliation of property, plant and equipment 2018

	Opening balance	Additions	Disposals	Depreciation	Closing balance
Furniture and fixtures	8 555	-	(1)	(3 997)	4 557
Office equipment	16	166 680	(1)	(31 636)	135 059
IT equipment	63 786	98 826	(2 667)	(46 338)	113 607
Laboratory research equipment	6 533	-	-	(5 600)	933
	78 890	265 506	(2 669)	(87 571)	254 156

Contractual commitments

No current contractual commitments exist to purchase items of plant and equipment.

THE SOUTH AFRICAN POULTRY ASSOCIATION

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Notes to the Annual Financial Statements (continued)

Figures in Rand	2019			2018		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
3. Intangible assets						
Computer software	4 668	(4 666)	2	4 668	(4 666)	2

4. Investments in controlled entities

Name of entity	% holding 2019	% holding 2018	Carrying amount 2019	Carrying amount 2018
Poultry Bulletin Publications Proprietary Limited	100%	100%	-	-
The Levy Administrator of the SAPA (SPE)	100%	100%	-	-
The Table Egg Levy Administrator of the SAPA (SPE)	100%	100%	-	-

The Table Egg Levy Administrator of the SAPA (SPE)

In the prior year on the 27 July 2018 the table egg levy was imposed in terms of the Marketing of Agricultural Products Act (Act no 47 of 1996) as amended and as gazetted in the Government Gazette No 41796, which are administrated by the entity, SAPA.

Consolidated financial statements

The annual financial statements presented are not consolidated annual financial statements as the entity prepares separate consolidation financial statements in addition to these separate financial statements.

The consolidated annual financial statements can be obtained from the entity's registered address.

THE SOUTH AFRICAN POULTRY ASSOCIATION

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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5. Loans to group entity

Related entity

The Table Egg Levy Administrator of the SAPA	-	400 000
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The loan is unsecured, bears no interest and is repayable within 12 months.

6. Trade and other receivables

Trade receivables	4 463 589	2 045 926
Prepayments	97 611	42 967
Deposits	87 300	82 300
VAT	-	140 081
	4 646 500	2 311 274

Trade and other receivables past due but not impaired

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	989	614
Bank balances	1 399 921	1 084 544
Short term deposits	2 513 401	8 497 537
	3 914 311	9 582 695

Bank balances bear interest at rates linked to the prime lending rate. There are no other external restrictions on cash and cash equivalents.

ABSA Bank Limited facilities are as follows:

	Rand	Review date
ABSA account 730720 238 - credit card facility	20 000	20 Jan 2020

THE SOUTH AFRICAN POULTRY ASSOCIATION

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Notes to the Annual Financial Statements

8. Special reserves projects

2019 Reconciliation of reserves	Opening balance	Transfer in	Transfer out	Closing balance
AgriSETA Poultry meat examiners training	81 820	497 600	(208 913)	370 507
Broiler organisation	7 894 844	15 897 803	(21 867 221)	1 925 426
Egg organisation	(3 107 697)	4 505 125	(3 963 683)	(2 566 255)
Department of Agriculture Abattoir project	184 505	-	(184 505)	-
AgriSETA interns	13 763	-	-	13 763
New small member funding reserve	14 002	-	(14 002)	-
Fairplay Program	456 067	6 000 000	(5 552 827)	903 240
Department of Rural Dev & Land reform	-	-	(27 991)	(27 991)
	5 537 304	26 900 528	(31 819 142)	618 690

2018 Reconciliation of reserves	Opening balance	Transfer in	Transfer out	Closing balance
AgriSETA Poultry meat examiners training	116 057	94 241	(128 478)	81 820
Broiler organisation	10 705 373	19 066 204	(21 876 733)	7 894 844
Egg organisation	(4 480 605)	4 444 075	(3 071 167)	(3 107 697)
Department of Agriculture Abattoir project	772 580	38 794	(626 869)	184 505
AgriSETA interns	13 763	-	-	13 763
New small member funding reserve	14 002	-	-	14 002
Fairplay Program	(237 939)	6 347 727	(5 653 721)	456 067
	6 903 231	29 991 041	(31 356 968)	5 537 304

THE SOUTH AFRICAN POULTRY ASSOCIATION

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
9. Trade and other payables		
Trade payables	1 916 578	17 699
VAT	137 506	-
Accrued leave pay	391 671	264 887
Accrued expenses	965 178	1 728 237
	3 410 933	2 010 823

Trade payables are generally interest free and settled within 14 to 30 days.

10. Revenue

Broiler organisation	15 897 802	13 613 815
Egg organisation	4 464 275	4 390 651
Congress income	-	3 590 990
Allocation cost recoveries	-	30 000
	20 362 077	21 625 456

11. Revenue

Congress expenses	218 657	2 833 521
AgriSETA Poultry meat examiners training	208 913	128 478
Fairplay program	5 552 827	5 653 721
Department of Agriculture Abattoir project	192 201	626 869
Department of Rural Development and Land	27 991	-
AgriSETA Bio security training	603 057	-
	6 803 646	9 242 589

THE SOUTH AFRICAN POULTRY ASSOCIATION

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
12. Other income		
Administrator fees Abattoir	192 201	-
AgriSETA Poultry meat examiners training	497 600	94 241
AgriSETA Grant Bio security training	249 400	-
Broiler gratuity	-	2 484 366
Fairplay program	6 000 000	6 347 727
Silverpath rental income	74 035	60 316
Gains on disposal of assets	17 858	-
Recoveries	2 273	-
	7 033 367	8 986 650

Broiler gratuity

Broiler gratuity consist out of gratuities received during the year from non members, RCL Foods Limited and Astral Food Limited.

Government grants received

Government grants received relate to the funds received from the various institutes for training or research projects expenses, and the income are separately disclosed in special reserve projects note 8. The special reserves projects disclose the funds still available for utilisation per project.

Government grants received included in other income consist of AgriSETA Poultry meat examiners training of R 497 600 in 2019 (2018: R94 241), and AgriSETA Grant Bio security training of R 249 400 in 2019 (2018: R Nil).

THE SOUTH AFRICAN POULTRY ASSOCIATION

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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13. Operating loss

Operating loss for the year is stated after accounting for the following:

Auditor's remuneration external

Audit fees	147 938	257 307
Audit fee accrual	-	110 250
	147 938	367 557

Operating lease charges

Premises		
• Contractual amounts	555 445	674 568

Depreciation on property, plant and equipment	136 720	87 571
Employee costs	8 502 645	5 082 622
Broiler organisation expenses (refer to page 97)	12 013 842	13 348 675
Egg organisation expenses (refer to page 98)	-	306 357
PDMA expenses	485 484	700 729
Statistics	1 960 326	1 916 780
Travel and subsistence	413 673	352 858

14. Interest income

Interest income

Bank and other cash	12 619	20 924
Fixed term deposits	366 376	502 277
	378 995	523 201

THE SOUTH AFRICAN POULTRY ASSOCIATION

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
15. Tax		
The entity is exempt from tax in terms of Section 10(1)(d)(iv)(bb) of the Income Tax Act and has been approved by the South African Revenue Services.		
It is required that the entity should be re accredited as a tax exempt body by the South African Revenue Services on an annual basis upon receipt of the annual income tax return, and certain conditions being met.		
16. Cash generated used in operations		
Loss before tax	(5 144 429)	(3 055 188)
Adjustments for:		
Depreciation and amortisation	136 720	87 571
(Profit) loss on sale of assets	(17 858)	4
Interest received	(378 995)	(523 201)
Trade and other receivables	(2 337 226)	11 635 039
Trade and other payables	1 400 110	(2 512 892)
Income received in advance	-	(1 415 566)
	(6 341 678)	4 215 767

17. Contingencies

The Namibia case

This is an application by SAPA against the Namibian Government to set aside certain import restrictions. The companies involved have put up security for the costs of the case and the entity is now in the position, after the Namibian Supreme Court ruling, that the other parties have to pay the costs for the appeal and the entity have to pay the costs of the initial hearing. In any event the South African industry position is strong and the chances of winning on the facts has increased. This case is still in progress although there are attempts to settle the matter.

Brazil Anti Dumping

The entity is at the onset of initiating an anti dumping case against Brazil. This will be a protracted process.

THE SOUTH AFRICAN POULTRY ASSOCIATION

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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Tax

The entity has an exemption from tax in terms of Section 10(1)(d)(iv)(bb) of the Income Tax Act and has been approved by the South African Revenue Services. It is required that these entities should be re accredited as tax exempt bodies by the South African Revenue Services on an annual basis upon receipt of the annual income tax returns, and certain conditions being met.

There are no other known material contingent assets or contingent liabilities at year end.

18. Related parties

Relationships

Subsidiary	Poultry Bulletin Publications Proprietary Limited
Special purpose entity	The Levy Administrator of the South African Poultry Association The Table Egg Levy Administrator of the South African Poultry Association
Members of key management	M Mamabolo I Breytenback

Related party balances and transactions with entities over which the company has control or significant influence

(a) Related party balances

Amounts owing by related parties

The Table Egg Levy Administrator of the South African Poultry Association	-	400 000
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Amounts included in trade and other receivables regarding related parties

The Table Egg Levy Administrator of the South African Poultry Association	1 095 748	-
The Levy Administrator of the South African Poultry Association	43 800	-
	1 139 548	-

THE SOUTH AFRICAN POULTRY ASSOCIATION

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
(b) Related party transactions		
Cost recoveries from related parties		
Poultry Bulletin Publications Proprietary Limited	(22 529)	(30 000)
The Table Egg Levy Administrator of the South African Poultry Association	(179 249)	-
The Levy Administrator of the South African Poultry Association	(155 227)	-
	(357 005)	(30 000)
Revenue recieved from related parties		
The Table Egg Levy Administrator of the South African Poultry Association	(3 037 747)	-
Administration and consulting fees received from related parties		
The Table Egg Levy Administrator of the South African Poultry Association	(454 101)	-
The Levy Administrator of the South African Poultry Association	(400 950)	-
	(855 051)	-
Compensation to members of key management		
Short term employee benefits	4 765 672	2 119 948

THE SOUTH AFRICAN POULTRY ASSOCIATION

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Notes to the Annual Financial Statements

19. Going concern

The board believe that the entity has adequate financial resources to continue in operation for the foreseeable future.

The board further assessed and prudently calculated the implications of a possible adverse impact of the Covid 19 pandemic on the entity's going concern assumption as far as possible as stated in note 20.

Accordingly, the board have satisfied themselves that the entity is in a sound financial position and that it has access to sufficient borrowing facilities and support from its holding entity to meet its foreseeable cash requirements. The board are also not aware of any material non compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the entity.

The annual financial statements have accordingly been prepared on the basis of accounting policies applicable to a going concern.

20. Events after the reporting period

The entity is aware that on the 5th of March 2020 South Africa recorded its first positive case of the coronavirus. On the 11th of March 2020, the World Health Organization ('WHO') declared the novel strain of coronavirus (COVID 19) a global pandemic and recommended containment and mitigation measures worldwide. On the 15th of March 2020, the South African President declared the pandemic a National State of Disaster and on the 23rd of March 2020, a national lockdown was ordered in terms of the Disaster Management Act, 57 of 2002 from the 26th of March 2020.

This order was subsequently extended to 30 April 2020. On 01 May 2020 limited restrictions were lifted based on publications.

Due to the uncertainty of the timeline as to when the lock down will be lifted completely, the entity was forced to postpone its major conference event to the year 2021. It is expected that the entity will be negatively impacted as a result. Furthermore, in light of the fact that the impact of the pandemic cannot easily be determined, management is assessing the ever changing landscape and its impact on the entity on a regular basis ensuring decisive actions are taken under these circumstances, and that the entity remains a going concern and it's expected to recover from the effects of the pandemic (COVID 19).

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.

THE SOUTH AFRICAN POULTRY ASSOCIATION

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Detailed Income Statement

Figures in Rand	Notes	2019	2018
Revenue			
Broiler organisation		15 897 802	13 613 815
Egg organisation		4 464 275	3 590 990
Congress income		-	4 390 651
Allocated cost recoveries		-	30 000
	10	20 362 077	21 625 456
Projected related costs		(6 803 646)	(9 242 589)
Gross profit		13 558 431	12 382 867
Other income			
Broiler gratuity		-	2 484 366
Recoveries		2 273	-
Silverpath rental income		74 035	60 316
Administrator fees Abattoir		192 201	-
AgriSETA Poultry meat examiners training		497 600	94 241
AgriSETA Grant Bio security training		249 400	-
Fairplay program		6 000 000	6 347 727
Interest received	14	378 995	523 201
Gains on disposal of assets		17 858	-
		7 412 362	9 509 851
Expenses (Refer to page 96)		(26 115 222)	(24 947 906)
Loss for the year		(5 144 429)	(3 055 188)

THE SOUTH AFRICAN POULTRY ASSOCIATION

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Detailed Income Statement

Figures in Rand	Notes	2019	2018
Operating expenses			
Accounting fees		(24 717)	(4 492)
Auditors remuneration		(156 758)	(367 557)
Bank charges	14	(27 875)	(30 130)
Cleaning		(4 698)	(6 461)
Maintenance copiers		(39 305)	(62 205)
Transformation		(27 644)	(3 753)
Depreciation		(136 720)	(87 571)
Discount allowed		(13 021)	-
Employee costs		(8 502 645)	(5 082 622)
Data base maintenance		(153 794)	(226 148)
Video conferencing		-	(3 235)
Broiler organisation expenses		(12 267 753)	(13 348 675)
Egg organisation expenses		-	(306 358)
PDMA expenses		(485 484)	(700 729)
SADC expenses		(12 957)	(46 939)
Staff recruitment		(83 009)	(685 770)
General expenses		(35 909)	-
Small office equipment		(5 800)	(3 550)
Affiliation fees		(30 266)	(11 600)
IT licence fees (Accounting)		(5 728)	(5 269)
IT expenses		(137 856)	(102 829)
Leave pay provision		(197 016)	(66 188)
Insurance		(49 738)	(46 429)
Lease rentals on operating lease		(555 445)	(674 568)
Legal expenses		(86 604)	(104 235)
Municipal expenses		(83 275)	(84 155)
Communications		(50 440)	(62 810)
Code of practice		-	(4 500)
Postage		(30 902)	(16 197)
Printing and stationery		(52 776)	(57 289)
Profit and loss on sale of assets and liabilities		-	(4)
Web page management		-	(236 158)
Repairs and maintenance		(168 429)	(23 946)
Statistics		(1 960 326)	(1 916 781)
Security		(21 408)	(12 496)
Staff welfare		(24 506)	(18 084)
Subscriptions		(7 971)	(7 381)
Telephone		(180 242)	(177 934)
Training		(38 120)	-
Technical workgroups meetings travel sub		(42 412)	-
Travel and subsistence		(413 673)	(352 858)
		(26 115 222)	(24 947 906)

THE SOUTH AFRICAN POULTRY ASSOCIATION

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Summary of cost per organisation

Figures in Rand	2019	2018
1. Broiler organisation		
Own expenses		
AD application	151 346	409
AMIE & Merlog / Min trade & industry	9 963	456 403
Article 16 TDCA application	83 835	284 289
Brazil / Argentina threat	847 913	197 836
Brining COP incl research (partial)	-	(7 732)
Broiler bad debt	3 134	7 954
Committee expenses	259 154	197 136
Customs monitoring	517 043	483 072
FAWU march	-	50 000
Galliova	360 744	310 134
IPC	97 303	40 328
Independent meat inspection	-	1 034
Integrated illegal import	872 510	1 130 796
MFN applications	3 262 808	1 768 402
Namibian infant industries	1 947 284	2 969 627
New tariff review	41 858	68 090
Masterplan	521 739	-
Public Relations	955 992	-
Trade research	332 945	106 309
USA AD sunset review	1 661 750	1 799
USA AGOA	86 521	1 514 106
Vat free chicken project	-	3 768 683
Total	12 013 842	13 348 675
General projects		
Code of practice	-	3 510
Communications	39 343	48 992
Transformation	21 562	2 927
Data base maintenance	119 960	176 396
PDMA expenses	378 678	485 699
SADC expenses	10 106	36 613
Statistics	1 529 054	1 495 089
Workgroups meetings	33 081	-
Web page maintenance	-	184 202
Total	2 131 784	2 433 428
Salaries and administration share	7 721 596	6 094 630
Grand total	21 867 222	21 876 733

THE SOUTH AFRICAN POULTRY ASSOCIATION

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Summary of cost per organisation

Figures in Rand	2019	2018
2. Egg organisation		
Own expenses		
Committee expenses	-	105 703
Galliova	-	53 625
IEC	-	53 826
Madelein de Villiers	-	89 042
Egg bad debt	-	4 161
Total	-	306 357
General projects		
Code of practice	-	990
Communications	11 097	13 818
Transformation	6 081	826
Data base maintenance	33 835	49 753
PDMA expenses	106 807	215 030
SADC expenses	2 850	10 327
Statistics	431 272	421 692
Workgroups meetings	9 331	-
Web page maintenance	-	51 954
Total	601 273	764 390
Salaries and administration share	3 362 410	2 000 420
Grand total	3 963 683	3 071 167

Structures



“Strong today, stronger tomorrow, strongest together”
Small footprint. **Big impact.**

Egg Industry

Genetic material		Breeds	Dekalb	Lohmann
			Hy-Line	Indigenous
Grandparent operation		Rearing chicks	18 weeks	
		Hatching eggs set	6 weeks	
7 900*		Hatch parent	3 weeks	
		Laying cycle	47 weeks	
		Age depleted	65 weeks	
Parent operation		Parent rearing	18 weeks	
		Hatching eggs set	6 weeks	
265 000*		Hatch pullets	3 weeks	
		Laying cycle	47 weeks	
		Age depleted	65 weeks	
Egg operation		Pullet rearing	17 weeks	
9 021 100*		Laying cycle	61 weeks	
28 668 100*		Age depleted	78 weeks	
Egg processing		Grading		
		Packing		
		Storage		
Egg trade		Imports		
		Exports		
		Distribution		
		Customer		
		Consumer		

*Estimated on a census basis as at 31 December 2019

For more detailed information on the structure of the industry, please visit the SAPA website, www.sapoultry.co.za, or send a request to info@sapoultry.co.za

Broiler Industry

Genetic material

Chicks Imported

Abilene

COBB 500

Arbor Acres

ROSS 308

Great grand-parent operation (GGP - sometimes imported)

Rearing

23 weeks

Hatching eggs

5 weeks

Hatching GPs

3 weeks

Laying cycle

41 weeks

Age depleted

64 weeks

Grand-parent operation (GP)

205 100*

Rearing

22 weeks

Hatching eggs

6 weeks

Hatching parents

3 weeks

Laying cycle

39 weeks

Age depleted

61 weeks

Parent operation

3 828 000*

Rearing

22 weeks

Hatching eggs

4 weeks

Hatching broilers

3 weeks

7 527 500*

Laying cycle

41 weeks

Age depleted

63 weeks

Broiler in rear

104 915 500*

Growing

5 weeks

Broiler processing

Abattoirs

Storage

Broiler meat trade

Imports

Exports

Distribution

Customer

Consumer

*Estimated on a census basis as at 31 December 2019

For more detailed information on the structure of the industry, please visit the SAPA website, www.sapoultry.co.za, or send a request to info@sapoultry.co.za

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*Small footprint. **Big impact.***

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