

Middleman still exploiter of consumers



“The processors and traders of food products produced by the agricultural industry have always been the ‘middleman’ who exploited the consumers,” says Fanie Brink, an independent agricultural economist.

Brink responded to the nonsensical statements by EBieSA, the organisation representing emerging black importers and exporters, which is by no means based on the facts as the increased import tariffs on chicken will in no way affect their profitability.

He says their profits are always based on their total production costs plus a profit margin that is passed on to the consumers. The import tariffs to protect the local poultry industry and certain other agricultural industries from subsidised and unfair imported competition were negotiated

between countries years ago and implemented by the World Trade Organisation (WTO) of the United Nations.

It is, however, very correct for EBieSA to say that it is very “clear that these tariff increases will lead to price increases for consumers.” No one disagrees with this statement because the members of the organisation simply pass on the increases to the consumers! So, for what reasons does it bother them and why are they so upset about it?

The fact that the local poultry industry cannot produce enough to meet the local demand for chicken is precisely the result of the government not wanting to implement the full import tariffs approved by the WTO in 2011 as a result of its political objectives which has almost finally destroyed the economy.

Agricultural producers often have to absorb their cost increases themselves because the prices of their products are determined by supply and demand, and as a result, there are necessarily many more agricultural producers than black poultry importers who “struggle to stay afloat and are forced” to leave the industry.

The reasons for the fact that the poultry industry can supply only 70% of the local demand for chicken meat are exactly the same as in the case of the wheat industry which in the 1980's was still able to produce sufficient wheat for the country, but which subsequently can only supply half the domestic demand. However, the wheat industry's import tariff have never been fully implemented because wheat producers do not qualify for the government's Black Economic Empowerment policy.

The reaction of EBieSA is exactly the same as the long-standing practise of the millers of wheat and maize who pass on all cost increases, including

import tariffs, to the consumer – a mechanism and luxury which is not available to producers of agricultural products. In addition, the ANC government has legislated these processors, millers and traders into the recommendation and setting process of import tariffs for agriculture to protect their profits. In fact, it has nothing to do with them because they only pass the tariffs in their prices on to consumers anyway. That is not why the WTO has approved the import tariffs on agricultural products for all the countries in the world.

In times of agricultural product shortages, processors, millers and traders will never hesitate to pass their increased input costs on to consumers immediately, but they will further exploit consumers by not lowering their prices again as quickly when surpluses are produced. In agriculture, no one's profits are guaranteed as in the processing, milling and trading industries.

There can be nothing further from the truth than the EBieSA statement that "it now comes down to the fact that consumers will have to pay because the 'production sector' is not effective." According to the organisation, this includes "a lack of transformation," while the political transformation policy of the government is precisely the main reason why we now face a bankrupt government and a failed state!!

The manufacturers, millers and dealers succeed in concealing their inefficiencies by passing all their cost increases and profit margins on to the consumers. Agricultural producers have always had no choice but to significantly increase their efficiency through the application of the latest and greatest technological developments in order to survive financially.

“In fact, the statements of this organisation representing emerging black importers and exporters are nothing else but to try to hide their own inefficiency and constant exploitation of consumers,” said Fanie Brink.