

FROM THE DESK

SUB HEAD Transformation begins at home as SAPA sets the tone

Introduction

Another Avi Africa has passed. Attendance was more or less the same as last year and it seemed as though the lecture sessions were well attended. We've been given some suggestions for next year to add more practical, hands-on type sessions and will start planning for these quite soon. The exhibition had good energy running through it, so overall we're pleased with the events. Hopefully you all feel the same, and as always, we welcome all comments, criticisms and advice so that next year we can perform better.

We held this Avi Africa during a time of deep distress for the industry. Often it's said that we aren't able to supply the needs of South Africans. That is simply not true. If it wasn't for imports, we'd do so - and we'd also then have more success in getting decent prices for our products. The egg industry tracks the broiler industry and both feel this pain. I wish I could say that the illness of imports will pass, but without a re-think of trade policy by government, this is likely to persist.

Committees

Although the intention was to keep the Committee and Board structures constant for a further year, practical demands of farming life made this impossible. This led to a momentous event – the first black chairman of SAPA in 112 years. We welcome Achmat Brinkhuis to the chair and hope he'll find the hard work the position entails both stimulating and rewarding.

Willie Bosoga also took up the position as Chairman of the Egg Organisation, our first black Chairman of the EO. Our thanks to Robin Barnsley and Marthinus Stander for their respective Chairmanship of the EO and SAPA.

The new SAPA Board members are Achmat Brinkhuis (Chair, EO); Theo Delpont (Vice-Chair, BO); Willie Bosoga (Third Executive Member, EO); Adel van der Merwe (EO); Marthinus Stander (BO); Justice Zotwa (BO); Aziz Alie Suliman (BO); Vincent Sharp (EO); Jake Mokwene (Alternate, BO); Gary Arnold (Alternate, BO); Colin Steenhuisen (Alternate, EO); and Jimmy Murray (Alternate, EO).

The Egg Organisation Committee consists of Willie Bosoga (Chair, small producers); Colin Steenhuisen (Vice-Chair, large producers); Nic Elliot (Third Executive Member, large producers); Adel van der Merwe (large producers); Jimmy Murray (rearing); Achmat Brinkhuis (small producers); Gawie Rossouw (large producers); Vincent Sharp (layer breeders); Christo Visser (large producers); Professor Thabo Masihleho (small producers); Marco Torsius (large producers); Dorothy Joseph (small producers); and Petrus Saal (small producers).

The Broiler Organisation Committee consists of Marthinus Stander (Chair, large producers); Aziz Alie Sulliman (Vice-Chair, abattoir); Jaco Viljoen (Third Executive Member, hatchery); Blaine van Rensburg (abattoir); Theo Delpont (large producer); Peter Phaahla (small producer); Cathy Phatsoane (small producer); Ajallon Zondi (small producer); Justice Zotwa (small producer); Jimmy Murray (contract grower); Jake Mokwene (contract grower); Gary Arnold (hatchery); and Mable Motlhale (small producer).

There was nothing controversial decided on at the various AGMs. A formal decision to apply for the establishment of an evergreen trust to be formed using the remaining levy money has been made and we intend to make this application before the end of the year. A summary of the discussions during the strategic review session will be circulated to members once available. It's currently our intention to undergo a more vigorous strategic review process next year. The first step in this regard will be a special Board meeting that Achmat has called where we'll be setting clear targets and milestones for the next year. As at the date of writing this, a date hasn't been finalised although I expect near end July. We'll communicate these targets to you all so you can track our progress in meeting your needs. It'll help us all if members let the secretariat or a Committee/ Board member in your region know what it is that you want from us.

Brining

As mentioned last month, our court case against DAFF has been lodged. DAFF indicated they'll oppose the application, which is in two parts - an interdict to prevent the regulations coming into force, as well as a review of the regulations under the auspices of the court so better regulations can be created. We're expecting other parties to want to join the court case. In our view, a court date for the end of August is still on the cards for the interdict part of the matter.

It was to be expected that there'd be lots of noise in the media about this; we weren't disappointed! Simple logic tells you that if you produce less product with a static infrastructure, your costs go up. How much they go

up depends on how consumers will respond to the change in terms of pack sizes they'll buy. This is the major food product in South Africa and feeds the mass market. Not all the media stars who are punting their case are serving this market, or serving it fully. I hope you all realise that this action is about more than about the percentage of brining. The regulations as they stand won't be able to deal with dodgy behaviour by any party, and as that has always been a major concern, I'm not sure we should simply accept second rate drafting that'll probably last for many years if not corrected now.

For those interested in the matter, we can supply the court papers - which are voluminous - as and when they're received from the parties.

Namibian court case

We were able to, at last, get to court in Namibia to have the matter of the quota and IQF ban heard, which has hugely diminished our market access. The court focused its attention on technical details of our application, and committed to deliver a ruling in late July. Thereafter we'll have to go back to court - either the High Court or the Supreme Court - depending on the outcome. No doubt whichever party feels aggrieved will appeal this first ruling and that'll slow the matter down further. If proper Infant Industry Protection had been applied, none of this would have come to pass.

After the hearing, we did a little window shopping in supermarkets. Namibian IQF prices are more than 60% higher than the non-promotion prices at the same supermarket chain in South Africa. Were we to compare the Namibian prices - which were supposedly on promotion - to South African promotion prices, the difference would have been closer to 100%, even allowing for the extra transport costs in getting the product to Namibia. This is not a good deal for Namibian consumers. Other than as a supplier of fresh poultry, I wonder if the local company will be sustainable in the long term as Infant Industry Protection, properly applied, is a support measure with a limited period of operation.

Egg Organisation

Planning for Galliova is now continuing and it will once again be held in the Western Cape at the request of the Committee since this reduces the costs of the event. It's strange to think that a Western Cape venue is less expensive, but the real answer is that the journalists are mostly Western Cape based so we save on travel costs by having it there.

OIE

I participated in the meeting of the Animal Welfare Working Group (AWWG) of the OIE. We dealt with issues affecting a range of species and I was able to help prepare the Terms of Reference for a standard on the mass depopulation of animals during a disease outbreak. This is particularly topical as the recent HPAI outbreaks in the US exposed the difficulties of rapidly depopulating large animal housing units. The OIE has updated its broiler welfare standards and will be embarking on the development of layer welfare standards later this year. The International Standards Organisation is close to completing a Technical Specification which will make it easier for local bodies like the SABS to make these OIE standards local standards. There's quite a lot of work involved being a member of the AWWG, although this is useful to SAPA members as we're now able to present a moderating voice to some of the predominant welfare views. Further comments on water bath stunning will be needed before end July. This is to develop an improved standard that'll cover the needs of the great majority in the world that uses this method of stunning at slaughter.

Trade

ITAC announced that they'll be reviewing the increase in the tariffs granted in 2013. This'll involve collecting data from companies that participated in the 2013 review and then interviewing them. SAPA prepared the scene, as it were, by presenting to ITAC and discussing the general industry perspective on the matter which, to be blunt, is that the tariffs have had no effect for three main reasons. These are firstly that they are too low; secondly that they don't apply to the EU; and thirdly that dumping MDM in South Africa causes far reaching distortion of the whole value chain. Over the last few years, the highest average level of protection we've enjoyed is about 5% - not high by any standards. What we need is tariffs high enough, and widely applicable, to stop dumping of waste in our country. There is no need for South Africa to be a 'top ten' global destination for poultry imports other than greed - and greed is hopefully not something that belongs in our national aspirations.

It's also time to start the renewal of our anti-dumping duties against bone-in portions from the US. The concession granted to the US for AGOA was conditional on them not using the concession against us in any review of the duties. They can attack us on any other grounds and I'm curious to see if they can find new

angles of attack. Their great difficulty is that if they contest these duties in a court or at the WTO, and lose such an action, it'll have far reaching effects on their total trade in waste products. As you know, a slaughtered whole bird is a finished product, not a raw material, so it has a real cost. Portions cost more to make than a whole bird. The US isn't so keen on such obvious truths.

A number of parties will make oral representations to ITAC in July on our EU safeguard application. We're one of those, and we hope that ITAC will be in a position to make a decision in July. ITAC has to communicate their intended decision to all parties in the form of an "essential facts" letter, so perhaps you'll all know what has happened before this letter appears in print. If we can't solve the EU problem, we're likely to see massive economic harm to this industry. One more medium-sized producer is shutting up shop with over 500 people already retrenched and almost 40 years of company history lost. There's nothing good about imports. Greed is not good.

Since this appears to be 'court action month' it's appropriate to inform you that by the time you've read this, we'd have launched an action to rectify the weakening of Salmonella testing standards that came with the AGOA deal. We aren't attacking AGOA itself, but rather the health risks that have arisen by DAFF being forced to agree to weaker standards for the US than applied to all other countries. If you understand the nature of this disease and the US track record in managing it, you'll know the US should probably be exposed to more stringent testing, not less, which is what's now in place. It's our view that DAFF did this against their better judgement. The court process will uncover the truth and hopefully correct the problem. The US can surely produce to our standards if they really want to; after all, the EU doesn't seem to have a problem in complying with these.

At the time of writing this, the export dossier for Saudi Arabia has still to go to the Saudi authorities for review. There were some corrections required and a few other delays, but we should expect that the road to becoming a bigger exporter will have a few potholes in it. Certainly worth the effort.

General

I mentioned last month that we're working with the NAMC and StatsSA to resolve the irregular pricing statistics. StatsSA advised that the problem arose when they changed the way they record pack size prices. They're now showing prices in some common pack sizes - and this has caused the distortion. Their data corresponds with our data in that average prices have not changed recently. With the new pack size data, eventually a useful new trend line will be established. In the meantime, rather look at average prices to get a better index of where consumer prices for chicken are going.

I visited the FAO on behalf of the IEC last month to try promote the idea of an FAO supported book on the value of the egg in human nutrition, and egg farming in the developing world. They are certainly keen on the idea, although I think there's a certain resistance to the amount of work required to write such a book. The FAO has done a similar exercise on dairy products. It's still not sufficiently known that the egg is, scientifically speaking, the best form of protein available to consume, with dairy products wearing the silver medal, and meat standing third wearing the bronze medal.

The Dutch bank, Rabobank, invited me to present to their key customers last month on the likely trajectory for growth in the African continent. There's no doubt the African market is going to grow. What's less certain is which countries will grow fastest and, more importantly, whether those countries will be able to develop and enforce trade policies that allow them to grow through their own production, rather than through imports from a range of potential countries. Most African countries do have the potential to produce their own grains for poultry production as well as the poultry itself. Are they going to be given the policy space to do this by their former colonial masters and other parties? The overhang in the global poultry market caused by the dietary preferences of the developed world has to disappear somewhere - and the developed world is not keen on putting their waste in a hole in the ground in their own markets. Rather, they prefer to put in a hole in the potential for an opportunity for the developing world to actually develop.

We've heard from DAFF that the legal opinion they obtained on the proposed system of Independent Meat Inspection (IMI) has required them to reconsider their plans. We've no more detail but I think it safe to assume that the legal opinion is not sufficiently favourable of the proposed DAFF scheme. This means that a delay in the implementation of IMI is to be expected. We're strongly supportive of IMI and hope that DAFF can find a practical solution sooner rather than later.

The final version of the DAFF veterinary strategy has been released. If anyone would like to read it, please let us know and we'll send it to you. This strategy has been informed by the visit of the OIE to South Africa to review our veterinary system and propose some changes. As we expect animal agriculture to be a growing sector in South Africa, our veterinary services are going to need to change and grow.

Regards until next month.
Kevin Lovell
CEO.