

## FROM THE DESK

SUB HEAD Standing together, stronger together, in difficult times

In my ten years with SAPA, other than at a time of great personal tragedy, I have never had to write this with such a great a sense of sadness. Our brining review application failed in Court, and at the time of writing this, I don't know whether we can, or should, appeal the decision. I'm no lawyer, but can say that the Judge got a number of the facts quite wrong and made some unsupported correlations. Perhaps this is understandable when he had to process nearly 4 000 pages of documents and in a matter so technical. Whether such errors will give us legal reason to appeal is for lawyers to determine and members to decide.

What does this mean? It means that imports, never before so high, will now become an even greater flood, washing away the trees of hope we have tried to root in our industry and society. Jobs will be lost, companies will close or scale back, our national economic output will reduce and agriculture will be weaker. Government has succeeded in promoting negativity and delivered a crushing blow to our national hopes. How sad is this - a government of the people, after all these years, acting against the needs of the people.

What can we do? Well if we stay mired in misery, we'll be no better off than trying to pick up the pieces. What there is to pick up will less than before, but there'll still be a space for a smaller poultry meat industry in South Africa. I am not sure what the impact, if any, will be on the layer industry. This is going to have a negative impact on all our efforts, including that of transformation, as resources, both emotional and financial, will be in shorter supply. The lack of unity among broiler producers continues to play out as some producers keep their focus on narrower interests and divide the efforts of industry, creating noise when government is dealing with us. If we are to move on, we're going to need to do this together. This comment applies equally to the egg industry, as many egg producers remain outside of the fold: get together, debate, disagree, and find common purpose if you want a better chance of common success.

I hope you will all read the obituary to Dr Louis Theron whose funeral was held last month. In the last few months, we have sadly lost two very influential people in our industry.

### IEC

I attended the annual IEC conference in Malaysia this month. Almost two-thirds of the global layer population is in Asia, so it was a good place to discuss the wonderful egg. The ability of delegates from so many countries to come together - and work together - makes me envious as I return home. There are some really exciting ideas on egg marketing that were discussed and which I'll present to the Committee for further discussion. The various talks are available to all members; if you send me an email, I'll forward them.

Following discussions with Dr Peter van Horne of the LEI institute, which is attached to the University of Wageningen in the Netherlands, he's agreed to include South African egg production cost in his global egg production model. This'll help all egg producers understand how competitive they are when measured against their global peers. To do the exercise properly, it'll be done as a combined effort with BFAP from the University of Pretoria. Any producer who wants to participate is invited to contact Charlotte who'll explain what's needed. Although BFAP will need confidential information to perform their part of the process, we have a confidentiality agreement with them that protects all parties. The previous work done on broilers was very useful as it allowed us to prove that we are a cheaper producer than most of the people exporting to us - and to explain what causes those differences in production costs. The broiler work will be updated this year for its second iteration and once we're included in the egg survey. We can track our production cost trajectory over time.

A detailed discussion on the approach to take at the first *ad hoc* layer welfare working group meeting of the OIE was held on the margins of the conference. As you know, I'll be representing the interests of the producers of the world at this working group that will establish official standards for global layer welfare. Please take the time to let me know of your needs and feelings so that I'm as best prepared as possible for the group's first meeting this November.

I attended the AI expert group meeting at the OIE in early September on behalf of the IEC. We're hopeful this initiative, driven by the IEC, will soon include other parts of the feathered family as the disease doesn't choose which sector of the industry to infect and which to avoid. The practical steps that'll come out of this meeting are to prepare a full, public analysis of the status of vaccination as part of a disease management strategy and the work that'll need to be done to make vaccination a more useful tool in AI management. If vaccination is more effective, then it's less likely to lead to trade restrictions, although there's no guarantee that this will happen. The scientists preparing the analysis, namely Doctors Brown, Swayne and Stegeman, are world-renowned in the field of AI research.

An industry document on compartmentalisation is to be prepared for submission to the OIE, and once approved by them, will be placed as supplementary information on their website. The only realistic way to manage the risk of breeding stock availability is to have compartments established between the veterinary authorities of willing partners with industry doing the required work to give certainty to the processes required. The group intends to work on regionalisation once the compartmentalisation project is complete.

### *Brining*

Well, apart from the Court case what else is news? The first thing to note is that the regulations will now come into effect, in their current form, on 22 October this year. All producers need to decide how they'll deal with these regulations, either by simply complying or by separating out their processing and slaughtering plants to create a different class of products. It is our understanding that these regulations will not be able to be applied to imported products or to any re-worked products by whichever party. Neither can they be measured in a way that will stand legal scrutiny as none of the methods published has, in our view, sufficient certainty for enforcement purposes.

As part of the Broiler Organisation ideas for a PR campaign, I met with an agency that've had some success in driving public discussions on matters like the sugar debate. Once we've determined whether we'll be appealing the judgement or not, I think using something like this to try to re-set our relationship with the broader body politic could be useful. More details will follow in the next while.

Our second matter before the Courts, namely the exemption application, was conceded by DAFF before it was heard, with them agreeing to pay our costs and not opposed by AMIE *et al*. What DAFF conceded was that the exemption application appeal should be held lawfully and within a constrained time period. DAFF then missed the Court determined deadline for the appeal panel hearing to properly hear our application for exemption, so that products produced before the implementation date, whether in storage at producers or at retailers and wholesalers, can still be sold after the implementation date. DAFF chose a panel member who was unavailable in the required period and also chose, as Chairman, a person whose company is a SAPA service provider. Anyway, we agreed to a short-term postponement of the appeal, which will be held after this letter is written. Adding to the confusion is the fact that some companies, and at least one retailer, have now been given individual exemptions. This so after we were advised that as this is an industry-wide issue, there should be an industry submission. You are all invited to draw your own conclusions.

### *Salmonella court case*

There's been no further development in this case as we await a supplementary record from DAFF, as the record they supplied is incomplete. Without us having full disclosure of the documents they used to determine their concession to the USA, it's hard to properly assess the way forward. We'll keep talking to DAFF in this regard as we seek resolution wherever possible. The brining case decision might cause a hardening of viewpoints in regard to the matter. That would be unfortunate.

### *Organisational matters*

A special meeting of the Transformation Committee was held last month and a further meeting will be held after this letter has been written. With the change in structure there are a number of smaller farmers who are apparently asking "what about us?". These farmers feel that having national structures alone leaves them disconnected. A model for provincial forums is now to be tested, hopefully in November, to see if we can, at low cost, get closer to more producers. More on this in Charlotte's column.

Listening to the arguments raised when it comes to poultry industry transformation I realise that important misconceptions abound. The transformation trajectory of the egg and broiler industries should be seen differently when it comes to the two commodities. It is my view that, although not fact by any means, if egg distribution can be improved in underserved areas then sales growth is possible. If sales growth is possible then so too is transformation made easier.

It's fact that when you go to a supermarket, there's always chicken meat to buy. There's no shortage of chicken in South Africa and to think that new suppliers or the growth of current suppliers will easily find market space is misguided. This is not the same as roads, where it's easy to say that our country needs more roads that will be used once built, should we have the money to do so. The chicken meat market does not have volume space in it at present. If imports were heavily reduced and the bulk of that volume went to HDI producers using government procurement and retailer transformation activities, then a real chance of change exists. Until government takes steps to stop dumping in our market, or at least heavily reduces it, transformation of the broiler industry will be stalled. These are the facts, unpleasant as they may be.

We hope to present the levy surplus money trust deed to the next Board meeting for discussion and approval which, once passed, can form the basis of our application to the NAMC for the use of these funds for transformation purposes.

#### *Trade*

ITAC have issued a second essential facts letter in our EU safeguard action. Apart from repeating that they've found that we're suffering a threat of serious disturbance from the EU imports, that the main cause of the disturbance *is* from the EU imports, and that exceptional circumstances exist, they've indicated that a safeguard tariff of 13,4% is appropriate to correct the imbalances.

Such a tariff is anything but appropriate. Practical experience has shown that anything less than the normal tariff, known as the Most Favoured Nation (MFN) tariff, which is currently 37%, will not suffice. We're working very hard to try to persuade ITAC of the inappropriateness of their suggested solution. When you add this intention of theirs to the harm that'll follow the brining regulation implementation, there's little hope of a prosperous future - and for many producers, little hope of survival.

It should be noted that Minister Davies may disagree with ITAC when it comes to their proposed tariff, but it would be best for all if what ITAC recommends is what we believe in - and can ask to be supported by all relevant parties in the process.

ITAC have come up with a mechanism which should deal reasonably well with the transition from the current free trade agreement between the EU and us (the TDCA) to the new one (the EPA), which is shared with five other Southern African countries.

I met with a visiting US academic attached to UNISA to discuss the impact of AGOA and the trade rationale that sits behind it. Each time I run through the arguments used by the respective sides, I see how difficult it is for non-specialists to understand the distinction between fair trade and unfair trade; your viewpoint determines the outcome - rather like the famous Schrödinger's cat experiment on quantum mechanics. The only way to fix this is for more of the industry to be spreading the message that free trade does not automatically mean fair trade - and then explaining the distinction to as many audiences as possible.

A meeting of the Export Forum was held last month. Unfortunately, in the absence of Charlotte and me, it was not a very successful meeting as we weren't able to report on progress, of which there is some, and deal with issues still to be resolved. Quite clearly, we'll continually have to face obstacles placed in our path, some intentionally and others simply as a consequence of misunderstandings between all the parties involved – the two governments, producers, buyers and consumers.

#### *General*

I met with the Centre for Competition, Regulation and Economic Development (CCRED) last month. We've been working together for a while to try develop a clear understanding of the framework in which the local industry operates. CCRED are an advisor to the competition authorities and government in general. We're planning to do further work together, both in a South African context and in a regional context as for government to develop successful policy it needs the best possible understanding of the circumstances.

I think you're all aware how important the topic of Antimicrobial Resistance (AMR) is in both human and other animal medicine, SAPA was fortunate to have been represented at a global meeting on the topic held in Washington D.C. with Charlotte Nkuna and Marthinus Stander carrying the South African flag. Charlotte will report in due course on the deliberations and outcomes.

Regards until next month,  
Kevin Lovell  
CEO.