

EGG ORGANISATION COMMITTEE CHAIRPERSON'S REPORT 2016

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PRESENTED BY WILLIE BOSOGA

"Beyond the Barriers." Small footprint. Big impact

INTRODUCTION

- 2016 was a very difficult year.
- Maize had to be imported.
- Poultry feed prices soared.
- Farm-gate egg prices remained low.
- Retail margins increased.

Impact on producers

- Disease outbreaks, mainly salmonella, caused devastation amongst laying flocks, forcing some egg producers to cull early.
- Many small-scale to medium-sized farmers exited the industry.

Sustainability of EO

- ▶ One of the biggest challenges faced by the EO was to garner member support.
- ▶ Dr Nkuna worked hard to promote communication between producers and SAPA.
- ▶ Many egg producers remained disengaged from SAPA.

New entrants

- ▶ Government continued to assist small-scale farmers.
- ▶ Success stories reported in the press.
- ▶ Innovative approach needed to source quality inputs at reasonable prices, and to obtain access to markets.
- ▶ Establishment of Agri-parks may help.

OBJECTIVES OF EO

- "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."

MEMBERSHIP

- ▶ The EO consisted of 38 individual producers and 49 members of co-operatives, making a total of 87 producers.

INDUSTRY STATISTICS:

Producer price (avg all sizes)

STATS SA

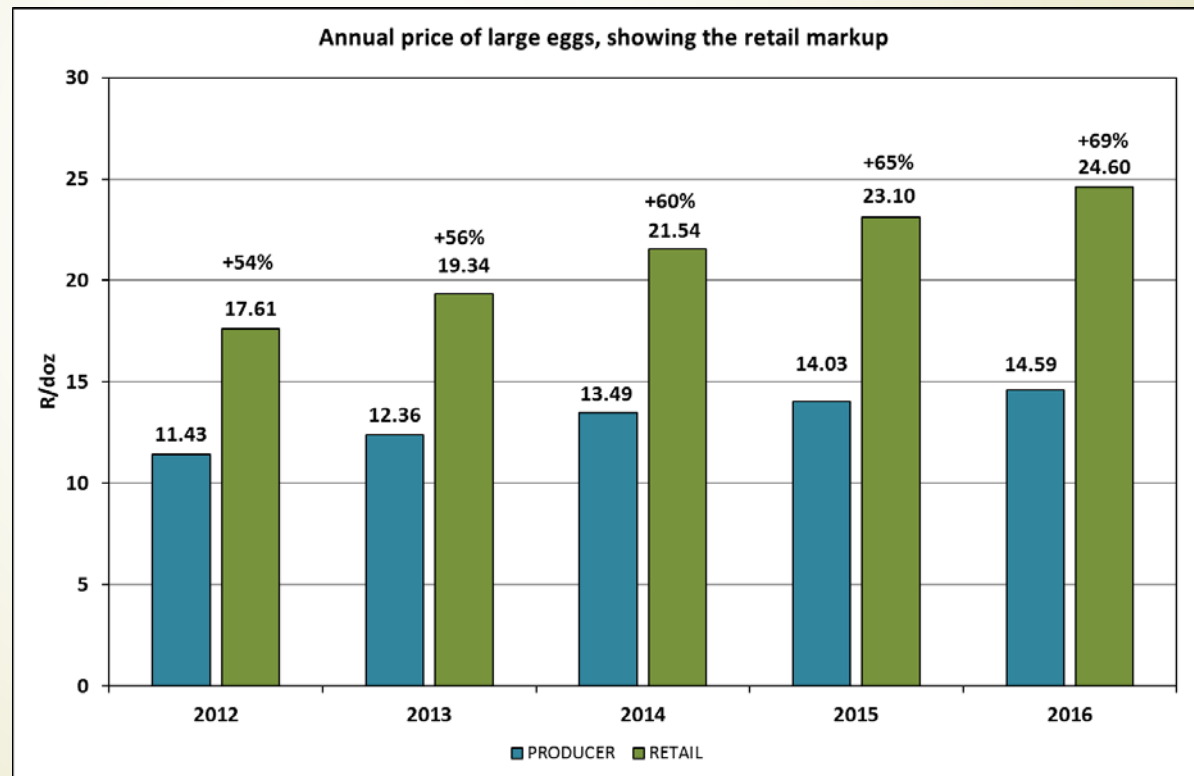
- R15.34/doz (+3.7% y/y)
- Rebates are not taken into account.

SAPA

- Cage, barn and free range: R13.32/doz
- Cage R12.84 (+10.2% y/y)
- 2016: sample size increased from 13% to 19% of hens.

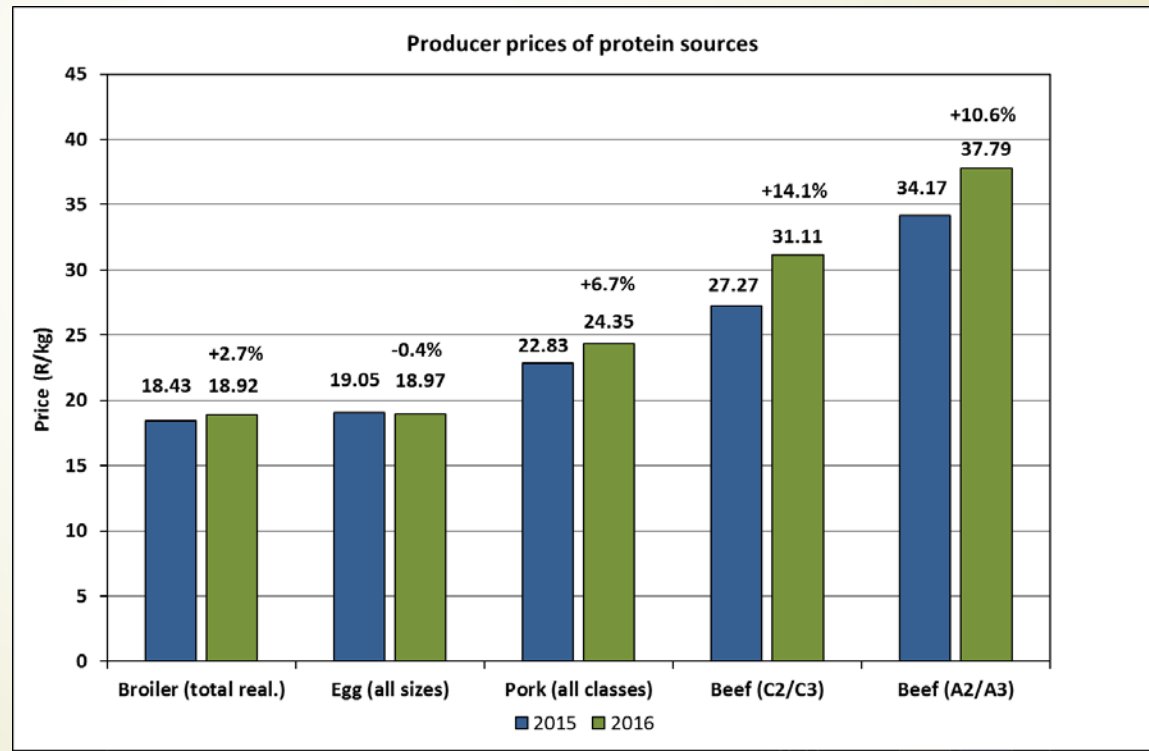
INDUSTRY STATISTICS: Producer v. retail prices (large eggs)

Retail margins continue to increase. 2016: 69% mark-up!



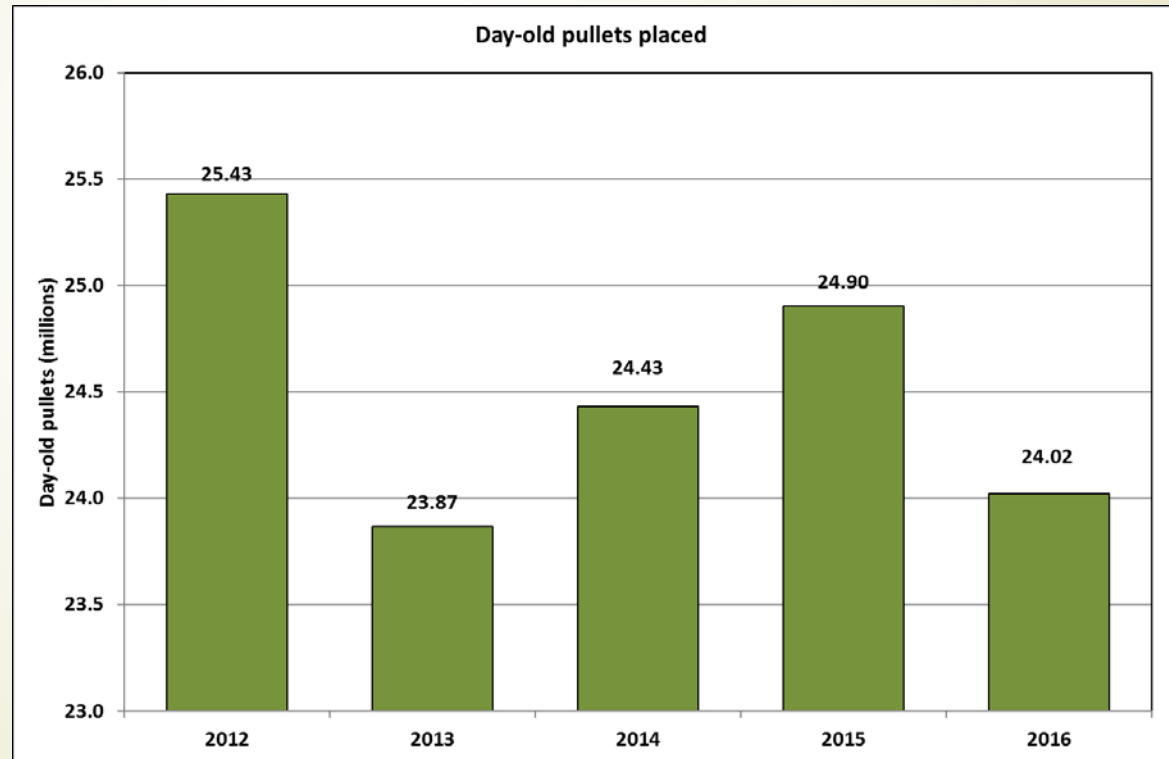
INDUSTRY STATISTICS: Prices of protein sources (R/kg)

**2016:
Chicken
slightly
cheaper
than eggs!**



INDUSTRY STATISTICS: Day-old pullets

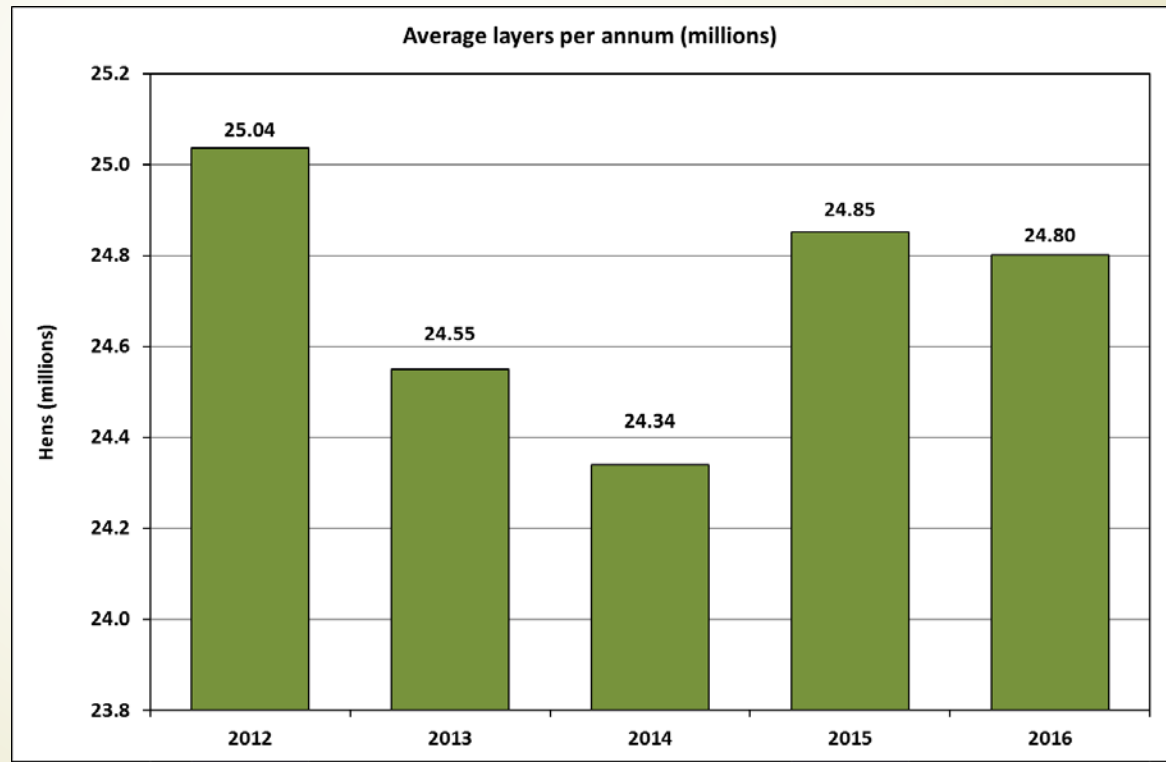
**2016:
Annual
decrease
of 3.5%**



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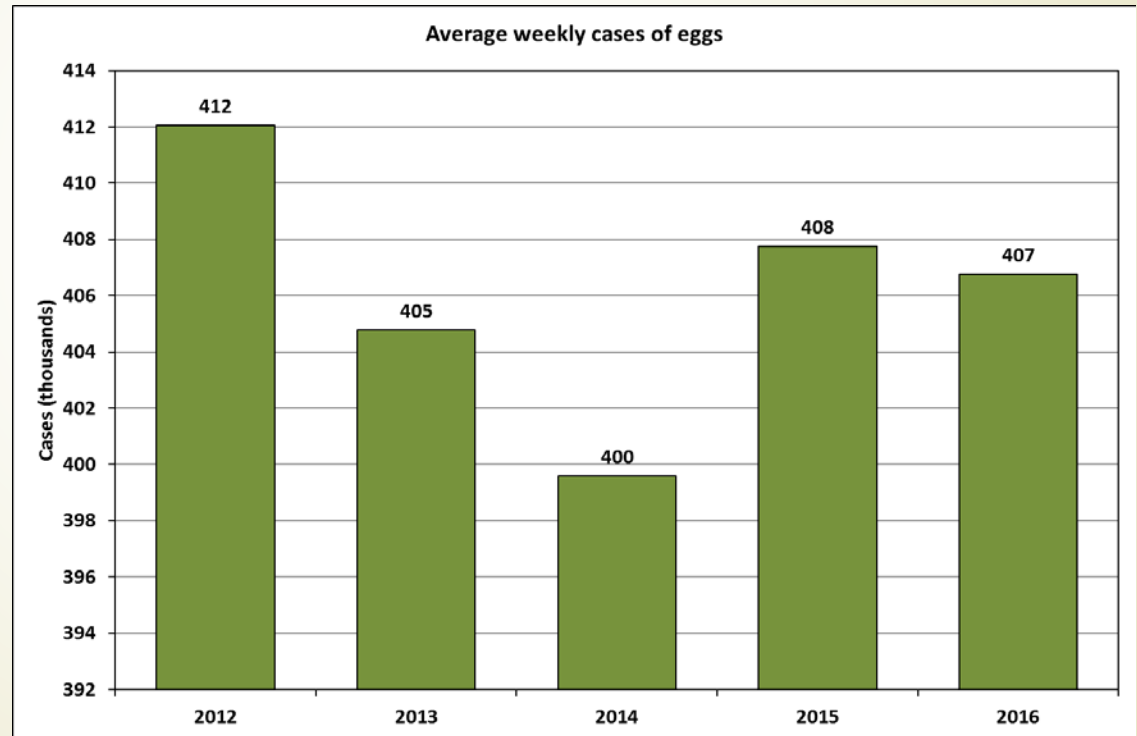
INDUSTRY STATISTICS: Layer flock

2016: 0.2%
decrease.
(Early
culling due
to disease
not taken
into
account)



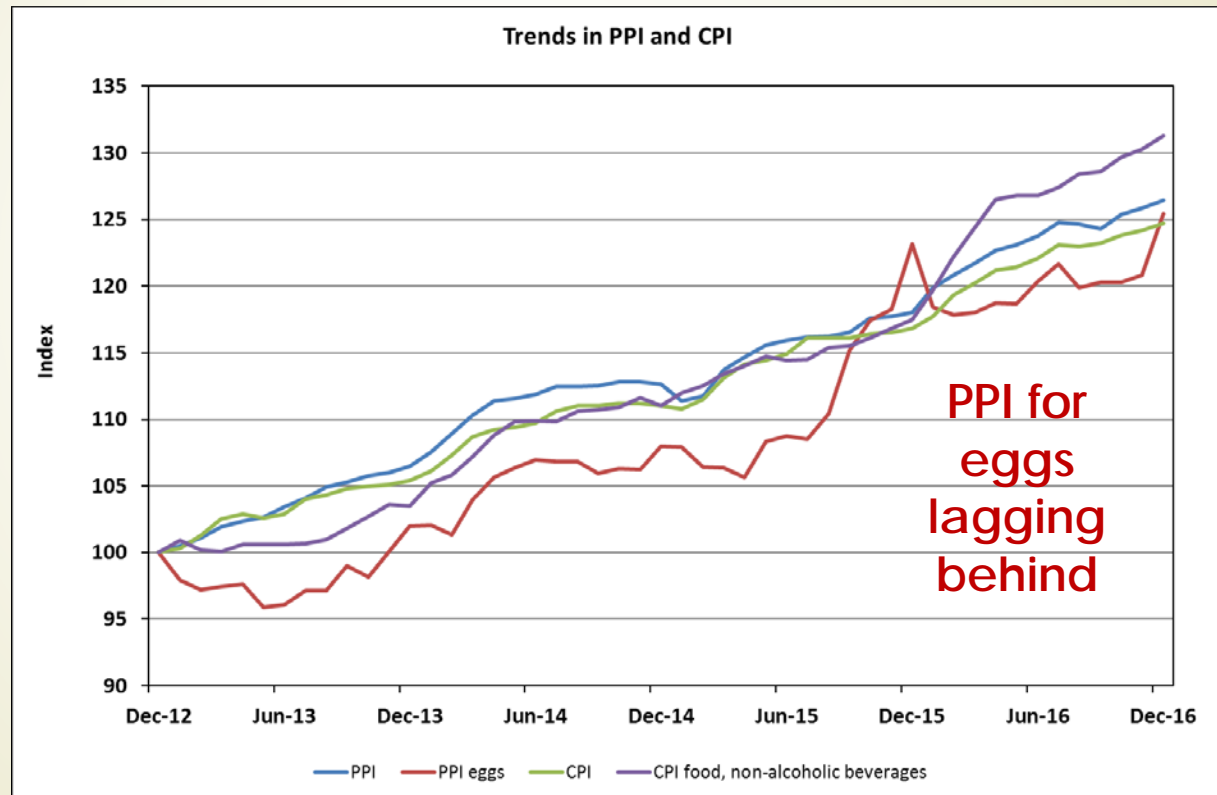
INDUSTRY STATISTICS: Egg production

**2016: 3.4%
increase in
X-large
and jumbo
eggs**



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INDUSTRY STATISTICS: PPI eggs v. CPI and PPI



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INDUSTRY STATISTICS: Prospects for 2017

- ▶ During the first four months of 2016:
 - ▶ POL pullets to decrease by 4.4%.
 - ▶ Layer flock to decrease by 2.8%.
 - ▶ Egg volumes to decrease by 2.8%.

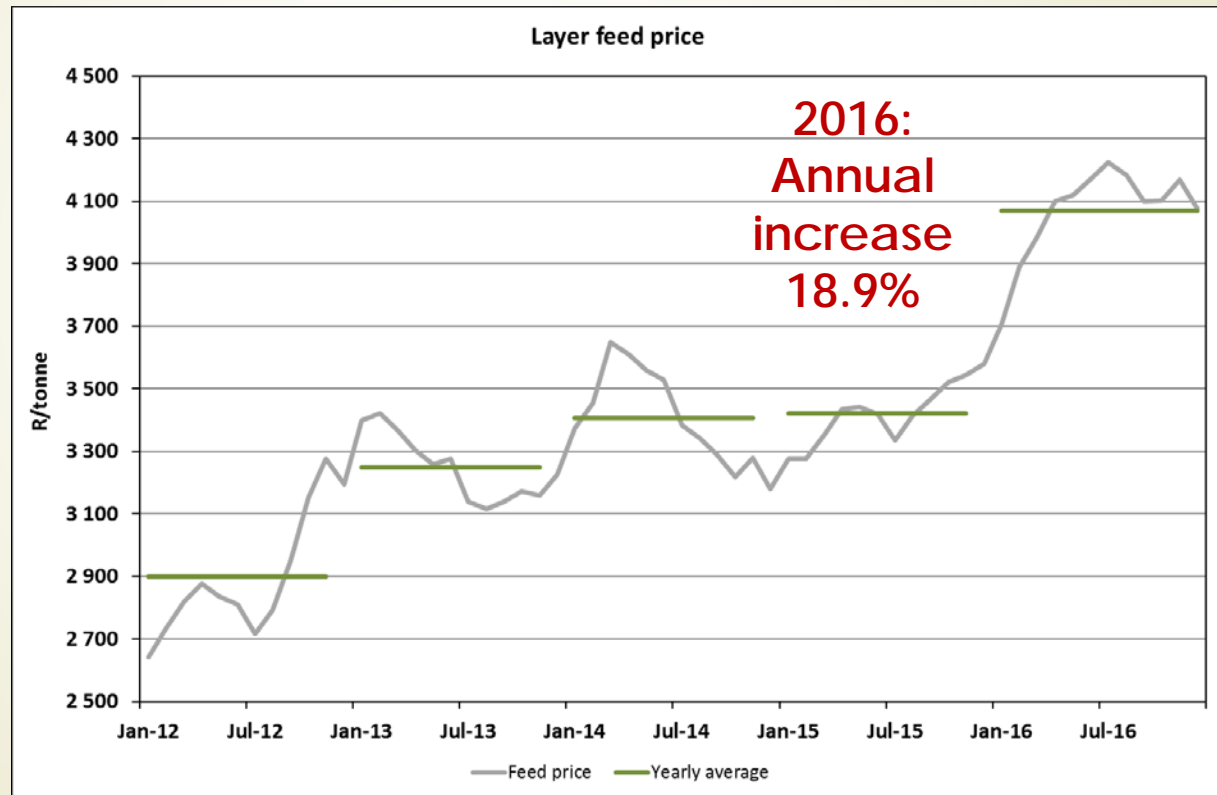
INDUSTRY STATISTICS:

Gross value (producer level)

- R10.19 billion (+3.6% y/y)
- Eggs are the 4th largest animal product sector in agriculture.
- Share of animal products:
 - 8.5% (2015: 8.6%)
- Share of all agricultural production:
 - 3.9% (2015: 4.2%)

INDUSTRY STATISTICS:

Input costs - feed



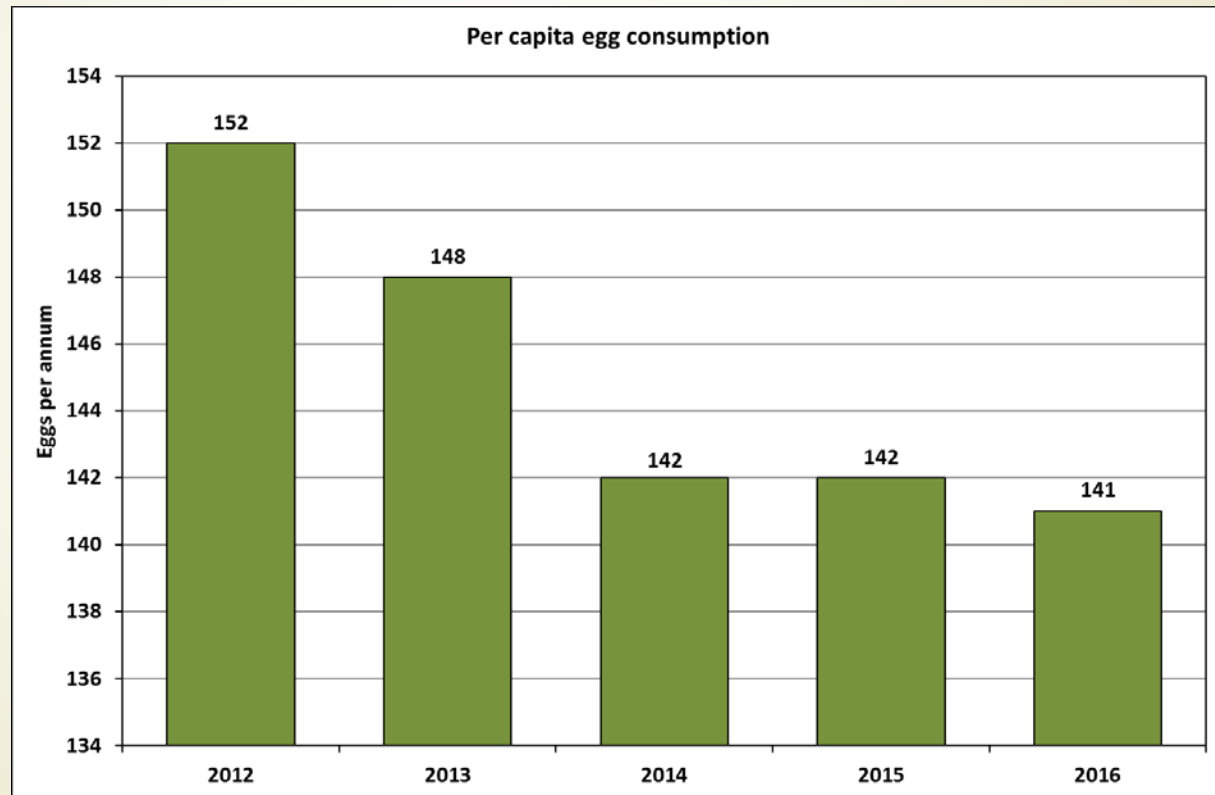
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INDUSTRY STATISTICS: Feed usage (tonnes)

Year	Per annum	Per week
2015	1 178 049	22 593
2016	1 174 996	22 534
% change	-0.26	-0.26

INDUSTRY STATISTICS: Per capita consumption

SA ranks 31
out of 33
countries.
Mexico:
357 eggs
Japan:
330 eggs



INDUSTRY STATISTICS: Turnover (R million)

Year	DOP* industry	Egg industry	Total
2015	209.9	601.2	9 319.2
2016	207.3	588.3	9 295.8
% change	-1.2	-2.1	-0.3

*DOP = day-old pullets

SMALL-SCALE FARMERS: Hatcheries

- ▶ Four hatcheries sold 50 971 day-old pullets @ R6.59 each.
- ▶ Turnover R303 745.

SMALL-SCALE FARMERS: Pullet rearers

- ▶ 11 farmers, average 15 000 birds.
- ▶ Using 42% of capacity.
- ▶ Bought 337 tonnes of feed.
- ▶ Value of feed: R1.85 million.
- ▶ Sold 28 200 point-of-lays @ R53.26 each.

SMALL-SCALE FARMERS: Egg producers

- ▶ 62 producers, 141 800 hens.
- ▶ Using 49% of capacity.
- ▶ Feed purchases: 5473 tonnes; value R25.83 million.
- ▶ Eggs sold: 2.1 million dozen @ R13.18/doz; value R27.5 million.
- ▶ Cull price R35.43/hen.

TRADE

EXPORTS

- ▶ 6410 tonnes; value R153.7 m.
- ▶ 8941 tonnes of fertile eggs; value R249.5 m.
- ▶ 68% to Mozambique.

IMPORTS

- ▶ 216.3 tonnes; value R26.9 million.
- ▶ Main countries of origin: France (46%), Italy (42%).

WELFARE

- ▶ Egg industry needs to comply with the Animal Protection Act.
- ▶ New code of practice being compiled by SAPA, including:
 - ▶ Proposed changes to cage dimensions.
 - ▶ Beak-trimming procedures.

EMPLOYMENT

Sector	Employees
Breeding	522
Pullet rearing	1 712
Laying	4 662
Support	1 112
Total	8 008

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MARKETING

- The 2016 Galliova Awards gave media exposure worth R3.2 million.
- The event focused on young and emerging food and health writers.
- 21st birthday of World Egg Day was celebrated on 14 October.

GOVERNMENT INTERACTION

- ▶ New regulations to APS Act came into effect on 15 April 2017.
 - ▶ Misleading trademarks are prohibited.
- ▶ Govt. to assist with:
 - ▶ Opening up Angolan export market.
 - ▶ Making eggs a designated product.

FUNDING

- ▶ Voluntary levy:
 - ▶ 1c/doz eggs sold
 - ▶ R400 basic membership fee.
- ▶ Insufficient members to sustain the EO.
- ▶ EO may be forced to dissolve.

SUCCESSSES

- ▶ Govt. and funding agencies collaborated to support several farming projects.
- ▶ Small-scale farmers created jobs in rural communities.
- ▶ Established egg producers mentored local farm projects.

CHALLENGES

- Sustaining the EO.
- Low profit margins.
- Creating space for small-scale farmers.
- Promoting egg consumption.
- Dealing with negative publicity.

FUTURE PROSPECTS

- Dissolving the EO.
- High food inflation.
- A drop in poultry feed prices.
- The revised SAPA Code of Practice.
- Fast-food outlets demanding cage-free eggs.

FUTURE PROSPECTS...

- Supplying eggs to school feeding programmes.
- The designation of eggs by the DTI.
- Exporting eggs to Angola.
- The BFAP study on the international competitiveness of our egg industry.

CONCLUSION

- The egg industry faces many challenges.
- Small producers are particularly vulnerable.
- We need to work together to transform our industry and supply the nation with relatively cheap animal protein.

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