

## FROM THE DESK

### SUB HEAD Trade, disease, brining and organisational development

The maize industry held an emergency meeting on 15 January to debate how best to feed South Africa in trying times, with all the main logistics stakeholders, DAFF, the NAMC and other key parties present. The good news is that all concerned are trying hard to make sure we utilise our importing capacity as efficiently as possible. Since yellow maize is freely available around the world, our industry concern is about logistics and price. For users of white maize, there are major issues relating to availability.

The bad news is that all users of maize will have paid at least R16 billion extra over the current maize marketing season and the one to come. That means close to R4 extra cost for an average weight live bird and about R1.70 extra cost per dozen eggs simply to cover the increase in feed ingredient costs. One mustn't forget that many other costs have gone up as well over the last while.

The even worse news is that GrainSA are persisting with their attempt to set a tariff on maize based on a \$233 reference price. If they were to succeed, they would ruin this industry and largely negate the effect of SAFEX as a price forming mechanism. Our rebuttal of their application is with ITAC. We are also of the view that the preliminary estimate of the current season harvest is likely to be overstated; our view is that a harvest of around 6,6 million tonnes is more likely.

Then of course we have our economy, becalmed in a dirty sea of unwanted commodities and with no alternate engine to get us to a happy sunset. Ah well, at least we have something to worry about before going to bed at night.

### New Organisations

Dr Charlotte Nkuna has been hard at work trying to grow the membership base of the Egg Organisation, and I'm hopeful that with her energy and skill, it won't be long before the Egg Organisation becomes the national body it used to be. In the interim, we continue in 'caretaker mode' as time washes away the emotive dust of the past.

We've responded to the Department of Labour's request for a submission on a sectoral determination for abattoirs, which if approved, will lead to increased costs for the broiler industry and a collapse of collective bargaining at plant level. There's a good chance that a national minimum wage will be promulgated as part of the 2016 municipal election noise and befuddlement campaign, so it's quite possible that this determination, if approved, will become moot. More likely, many producers will be mechanising, and our national loss of employment opportunities will continue.

DAFF have made some progress with the plan to institute Independent Meat Inspection this year. The Broiler Organisation would want that our proposal to implement this through an independent third party is expedited, as it seems as if some meat types have concerns that could really slow down the passage of the legislation. The Transformation Committee will meet in February, with an important part of the agenda to develop the provincial structures within SAPA. If we don't do this, we'll find it difficult to keep the provincially based smaller producers actively involved in SAPA. We need more of you as members so we can do more for you. Know us and we can know you.

### Trade

January began with two media briefings by Ministers Davies, Zokwana and Motsoaledi on the 'last minute' negotiations re the three meats. The final protocols on the three meats were signed on 6 January although we understand that a part of the pork protocol is still outstanding. Minister Zokwana took the time thereafter to discuss AGOA with all the key meat stakeholders from the beef, pork and poultry industries in mid-January. We appreciate his sharing of the rationale behind some of the decisions made by DAFF. Such candour doesn't make any of these decisions better ones, and while it isn't for me to speak on the pork and beef matters, I do on the poultry issues.

The more we find out about US Salmonella standards, the more we understand why they forced South Africa to lower the import standards. Simply put, our standards aren't simply different; they're better. The US currently has no Salmonella testing and performance standards for portions - the largest part of their market. Bizarre. It isn't for us to care if they export potentially contaminated chicken portions to many parts of the world; the recipient countries can make their own assessment of the risks involved. We care that such contaminated product can't enter South Africa. The power of South Africa to safeguard the health of its citizens has been severely compromised at the altar of appeasement. As Neville Chamberlain found out, appeasement is often not a successful strategy to follow.

The March deadline for confirmed access of these three meats is looming so perhaps the matter will find its own resolution. We have an additional concern about the ability of DAFF to control the quota effectively as it seems as is the first period quota has been an unseemly rush to the sweets counter with little record keeping in place. Our commitment was to a specific volume, in a specific way, with specific controls and conditions in place. Others might think it is their turn to eat - and we grant them that - but with proper table manners required.

AGOA has been of sufficient interest for Ambassador Ismail and I to be invited to a discussion session by a local business school to develop material for an MBA programme. So chicken knowledge will be fed into some new MBA graduates over the next few years. Cluck cluck.

Both AgBiz and the South African Institute of International Affairs held AGOA seminars in early February with visiting US officials who have been part of the negotiations and who were both involved in the poultry discussions in Paris last year. The theme of both seminars was – what follows AGOA? Well it is a good question because relying on a concession for economic growth seems like a risky strategy. The lack of a bilateral trade relationship between the US and SA is telling when you consider that we have been able to negotiate two such agreements with the EU – firstly the Trade, Development and Cooperation Agreement (TDCA) and more recently, the Economic Partnership Agreement. Not that I think these are wonderful agreements but we were able to find sufficient consensus to sign them into law. For us to do the same with the US will require that the US understands our needs and our capacities. We are neither a big country nor a developed one. My apologies to those who live in the Karoo but geographical size does not automatically translate to economic size.

When it comes to the HPAI protocol the experience of the EU is pertinent. As common sense requires, the EU expects that freedom from disease is proved before trade can take place. The SA-US HPAI protocol assumes freedom from disease and data which may support such a claim might be delivered well after trade has taken place. That is very unwise. The new HPAI outbreaks in Indiana give the lie to the US-SA protocol. Surveillance of farms after the recorded outbreak showed a number of LPAI positive farms. Put another way the virus had probably been circulating in Indiana for some time before it sero-converted into HPAI and killed some turkeys. One of the benefits of HPAI diagnosis is that the birds are dead and die rather quickly so it is relatively easy to know you have a problem even if you don't know what that problem might be. Not having good surveillance data freely available means you can't assume freedom - and that you must prove it.

The ad hoc SAPA team brought together to respond to the Salmonella and NAI issues met in January and will no doubt meet again soon to refine our understandings of these issues. The important point for readers to note is that South Africa - a small country at the tip of a continent far away from the developed world - actually has rather good animal health and disease standards. I believe that DAFF and our veterinarians should be congratulated for the work they have done and are continuing to do.

As you should be able to determine, we believe that, as your representatives, we need to be sure that we'll not give posterity cause to curse us, so we're considering how best to safeguard the national flock and the consumer base from unnecessary disease and health risks.

By the time you read this, ITAC will've gazetted the initiation of an investigation into the use of a safeguard in terms of the TDCA between the EU and SA. This application seeks to return the EU to the position where they are charged the same tariff levels as all other major exporters to us, for it's clear that without the tariff free access they enjoy, we'd not be as attractive a market to them as current data shows.

Imports last year in total were more than 478,000 tonnes - an increase of almost 22 percentage points over last year. When it comes to bone-in portions, the main product of concern, imports were at more than 192,000 tonnes - an increase of almost 22,5% percentage points over last year. The EU makes up more than 81percentage points of those bone-in portion imports whereas it was not long ago that their exports were less than one percentage point. Shows you what trade agreements can do to an industry.

### Brining

DAFF held a stakeholder meeting on 27 January to discuss brining. It was a less than successful meeting with the agenda being altered by DAFF at the initiation of the meeting. The rather bizarre idea that participants should vote on the desired outcome, as was attempted in 2012, came to the fore in this meeting as well. A regulator needs to apply his or her mind and weigh up competing factors. Voting does not come into this. It's clear the instruction by Minister Zokwana to his officials to properly consult with us hasn't been met. One can but speculate as to why the officials want to pass a regulation which is invalid, unenforceable and if followed, will cause unnecessary harm to consumers, producers and retailers - but it seems we're past the point of reason. Perhaps some last minute common sense will be found in a dusty cupboard.

In any event we continue with our work to provide DAFF with a complete and well researched regulation, properly supported, that can meet the needs of all parties. The only area which is still uncertain is the testing

of product at the point of retail purchase. All other requirements for a decent regulation can be met in a short period of time. Our interest in having regulation remains. We simply don't want what's currently on offer.

#### International Egg Commission (IEC)

In time, Dr Charlotte Nkuna will be taking over from me as your representative at the IEC. In the meantime, I continue with the work and visited both Mozambique and Swaziland on behalf of the International Egg Foundation (IEF), a charitable part of the IEC family, with the Secretary General of the IEC. The Mozambique trip provided some useful insights for the broiler transformation work that we are trying to do in South Africa. The key point is a mind shift change which will allow for smaller farmers to supply safely and cost effectively into an integrated supply chain.

The Mozambique IEF work will be mostly focussing on the development of small scale egg farming, which can be sold through a centralised pack station operation or - and this is an important distinction - sold directly into the community. If this works as intended it could be a useful model for some of the smaller egg farmers in South Africa.

The IEF work in Swaziland focusses mostly on using eggs to improve the nutrition of disadvantaged children and thereby improving their futures. Through my work with the Food and Agricultural Organisation of the United Nations (FAO) on behalf of the IEC, we're trying to get the FAO to develop a book on the nutritional benefits of egg consumption (and production) which can guide development funding decisions. The FAO have done such a book on dairy, so this is more about copying than trail blazing. From a developed world perspective, high protein diets give the egg a new sheen. From a developing world perspective though, a better understanding of the benefits of higher protein childhood nutrition is still not common knowledge. It is well understood in scientific circles that diet determines long term growth and performance outcomes. Viva Professor Noakes, Viva.

I had another telephone conference as a member of the OIE animal welfare working group and also have, on behalf of the global egg industry, participated in a producer driven forum to raise welfare matters proactively rather than reactively. This initiative is both a meat and egg activity, and it'll be of use to all producers wherever they are in the world to try be ahead of the political pressure that'll come to change practices. Within the OIE, the perspective is not to try to change people to become omnivores but rather to ensure that the standards promoted for the benefit of the worlds' existing omnivores are aligned to the best possible knowledge. I'll be attending the OIE general session in May on behalf of the IEC to keep driving the interests of the global egg industry.

#### DAFF Veterinary Strategy

Many of you are aware that DAFF invited the OIE to review the status of our veterinary services some time back. We lauded them then for having the courage to do so, and we laud them again. The OIE followed up the initial assessment with a further set of visits and a report to provide a gap analysis. DAFF is now consulting around the country on how best to address the gaps identified and SAPA, through the good offices of Dr Charlotte Nkuna, has participated in this process. Once all provincial consultations have taken place, DAFF will be in a position to advise the Minister as to what changes Treasury and Parliament will need to make to improve the depth and quality of veterinary services available to the nation. As our diets change and as our population grows, veterinary services are going to become more needed than they are now. If we do succeed in our drive to become a significant exporter, then the need for additional veterinary services will increase.

#### General

We're hard at work with the planning for Avi Africa this year. The draft programme is on our website and we invite you to go onto the SAPA website and view it. We've made some further changes to the format to try make it more appealing to all delegates. For the first time, discounted registration fees for members will be on offer for those who register on-line. Please take advantage of this offer so that we can continue to be of service to you. Any suggestions and ideas as to how to make things better are, as always, welcome.

The SAPA auditors are hard at work preparing the 2015 annual reports, which we hope to be able to circulate to the Board within the next month or so. So far, all appears in order - as it has for the last nine years. Our reserve position has weakened with all of the post levy period troubles and we look forward to a stable, inclusive, funding model that is acceptable to the great majority of producers.

Many a time we have mulled over how to make consumers more interested in identifying with the South 'Africaness' of our egg production and the mostly South 'Africanness' of our broiler meat production. Proudly South African has come to offer to help and we'll be making a case for eating local with key stakeholders at a

Proudly South African day in March. It's easy to not take these sorts of things seriously, but I think we need to feel and show pride for who we are and what is that we wish to be. Be proudly South African - and many of our troubles will seem less threatening.

Regards,  
Kevin Lovell  
CEO