

Foulplay



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In response to Carte Blanche's one-sided and incomplete representation of the problems affecting the poultry industry in South Africa, I would like to raise the following points or concerns.

The show was very one-sided and edited in such a way that the local poultry industry was made to look like crooks who are hell bent on cheating the South African poultry consumer. The complete story was not in my mind presented to the viewers, and it would appear as though the smaller chicken farmers and their dependants were not even considered.

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It is important to note that of the total chicken produced in South Africa, 9% is produced by developing farmers, commercial smallholder farmers and subsistence farmers. These producers are more focused on producing for the live sales market and the niche markets that exist in smaller towns and villages.

Brining (injecting of water into poultry meat after slaughter) is not a consideration for these producers, who tend to sell a chicken as is. The little guys therefore are in competition not only with the locally produced IQF (individually quick frozen) products, but also the cheaper imported product that is being dumped in

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South Africa. The irony of it is that the little guy's product is in many cases far better than anything you can get in the supermarket (whether produced by the local giants or imported from overseas).

The justification and explanations for brining of IQF products are not the focus of this letter. My concern is the impact that imports of foreign meat have on our economy and the financial wellbeing of our citizens.

The questions that have to be asked are:

1. Will imports be beneficial to the consumers and the country in the long run?
2. Why are foreign imports cheaper than locally produced products?

To answer the first question one has to understand how a country's wealth or economic health is influenced by its GDP (gross domestic product) and thus the consumer's ability to afford to buy anything, may it be chicken, clothes or cars.

To create wealth and the ability for consumers to spend money, one has to create sustainable jobs. You cannot keep importing cheap products and think consumers will be able to buy it. It is guaranteed that the country will be bled dry and many jobs will be lost, and as a result we will become slaves to other countries.

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Our GDP is greatly affected by our net imports, which are reflected in our growing trade deficit. To solve this problem we have to step up our game and produce as much of our own product as possible in as efficient a manner as possible.

The second question requires an understanding of the main costs that go into producing a finished poultry product, such as:

- **Feed costs:** mostly grains and oilseed cake (which are mainly driven not by local factors, but mostly by what is happening on the Chicago Board of

Trade and other foreign markets out of local producers' hands);

- **Transportation costs:** fuel costs that are influenced by overseas markets and the rand/dollar exchange rate, as well as South African government levies;
- Electricity costs, which are constantly on the rise even though the reliability thereof is never what it should be;
- The cost of borrowing.

What are the foreign producers or their governments doing differently that allows them to effectively dump their product on our shores at such low prices?

- The production of feed and other agricultural processes is heavily subsidized in countries such as Brazil (who are responsible for a large amount of dumping in South Africa).
- Fuel costs are lower in Brazil (we all know that a large amount of South Africa's fuel price consists of government levies, so this cost is not only a factor of world markets and exchange rate conditions).
- Electricity costs are also lower in Brazil.
- The Brazilian government subsidises farming and lends billions of dollars to farmers and all other players in the entire production and marketing line at interest rates of 5% or lower.

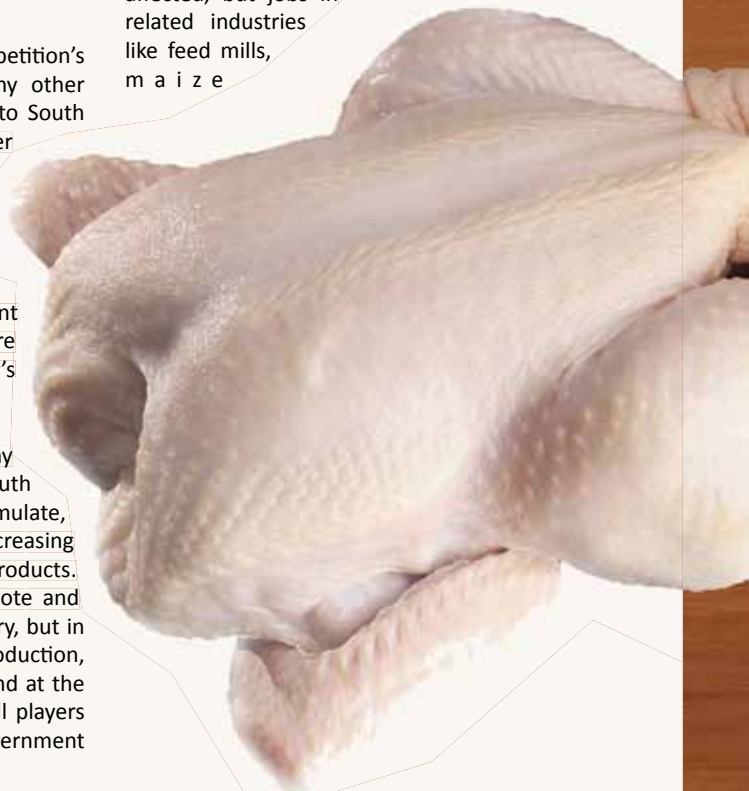
From the above it is clear that the competition's government (and the governments of many other countries importing a variety of products into South Africa – Ed.) is squarely behind its consumer citizens by subsidising its producers and doing everything in its power to stimulate its agricultural sector to keep the consumer prices low and provide a steady income to the consumers by creating wealth through its GDP. They also make themselves the dominant players on the world's agricultural 'field' and are now able to take the South African consumer's money to enrich their own citizens.

So by now we have a fairly good idea as to why South African poultry producers want the South African government to help protect, if not stimulate, the local economy through significantly increasing the import duties on imported chicken products. Such protection is sought not only to promote and protect jobs in the poultry production industry, but in many other industries including grain/feed production, transportation, processing and packaging - and at the end of the day to improve the margins of all players within the food production chain. If our government

is not willing to assist in this manner, then one would expect them to assist local producers in the entire food chain by addressing the five points mentioned above for them to put food on the table at a competitive price.

As things stand, and considering the low margins in the commercial broiler industry, it is clear that commercial producers will have to start laying off staff and closing down production facilities. The knock-on effect will be massive as people working in the poultry industry provide for between five and seven persons within their households, depending on the province within which they work. It is also not only the people who are working directly in the chicken industry who will be affected, but jobs in related industries like feed mills, m a i z e

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It is also not only the people who are working directly in the chicken industry who will be affected, but jobs in related industries like feed mills, maize and other farmers, construction, transport, manufacturing of equipment and a lot more will be effected by lower or no income. A loss of 50 000 jobs would therefore leave around 420 000 people wondering where their next meal will come from.

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The argument that jobs working for the importers will be affected is lame, as those people are also packing and handling locally produced products.

So where does this leave the smaller producers?

The smaller producer is serving the rural

areas, small towns and niche markets, and although only contributing 9% of the country's total broiler production - most of which is not subjected to brining - the small producer's main pressure is coming from the price of chicken feed and cheap imports. So, although they have a market for their products and are contributing a fair share to the economy, they still rely on the fact that their customers have money to buy their products in the first place.

I call on government to help stimulate all local production. I call on Carte Blanche and other media houses to do proper research, to fully understand all the market and government forces at work and to report without sensationalism.

South Africa has a large trade deficit, which is growing every month. With the weakening of the rand we will see the deficit grow until our local products start finding their way overseas and bringing in much needed foreign exchange. My question is: why should we have to rely on a weak rand to boost our

local manufacturing and agricultural sectors when there are clearly things we can do to minimise our reliance on foreign products?

"Local is lekker" so they say. I call on government to help stimulate all local production, no matter what industry. I call on Carte Blanche and other media houses to do proper research, to fully understand all the market and government forces at work and to report without sensationalism.

The brining issue and the cheap imports need to be addressed separately, and the one issue should not distort the realities of the other. At the end of the day we also need to maintain a good relationship with other countries. Maybe the Brazilians should come and build some poultry production and processing infrastructure here with all that cheap money at their disposal and in so doing create work in South Africa and hopefully make a decent return on their investment.

I hereby appeal to every chicken farmer or anyone else who understands how wealth creation works, to complain to Carte Blanche and to ask them to put this matter in perspective.

The production company behind Carte Blanche is Combined Artistic Productions and they can be contacted on:

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(kindly copy gilla@poultryfocus.co.za in any mail sent to Carte Blanche so that we can keep track of correspondence for follow-up articles on this matter - Ed.)

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You can also e-mail us at wecare@alfachicks.co.za and state how many people are dependent for a meal from your chicken farming business. We will let the right people get this information. 📧