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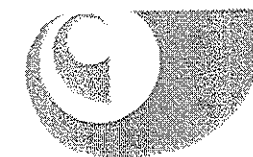
The impact of poultry tariffs on competition

Parliamentary Portfolio Committee on Agriculture, Forestry and Fisheries

10 September 2013

**Competition Commissioner
Shan Ramburuth**

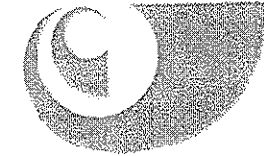
The major players



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Market	Rainbow	Astral	Pioneer	Country Bird	Afgri
Animal feed	Epol	Meadow Feeds	Nova Feeds	Nutri Feeds	Afgri Animal Feeds
Broiler breeding and stock breeding farm/layer	Cobb	Ross Poultry Breeders, Elite Breeding Farm, National Chicks	Cobb Avian 48 Bellevue Chix (Tydstroom division)	Arbor Acres, Country Bird, Supreme Poultry	Cobb, Midway Chicks
Broilers	Rainbow	Country Fair	Tydstroom	Country Bird	Daybreak Farms
Processing plants/farm	Rainbow Farm	Earlybird Farm	Golden Grove Tydstroom	Country Bird	Daybreak Farms
Poultry products	Farmer Brown Rainbow	Country Fair, Goldi, Festive Supa Star Mountain Valley	Tydstroom Groovy Range, Happy Hen ; Kekkel en Kraai	Supreme	Daybreak Superior

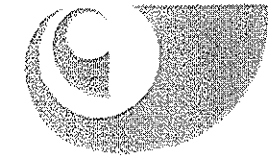
Competition Commission investigations



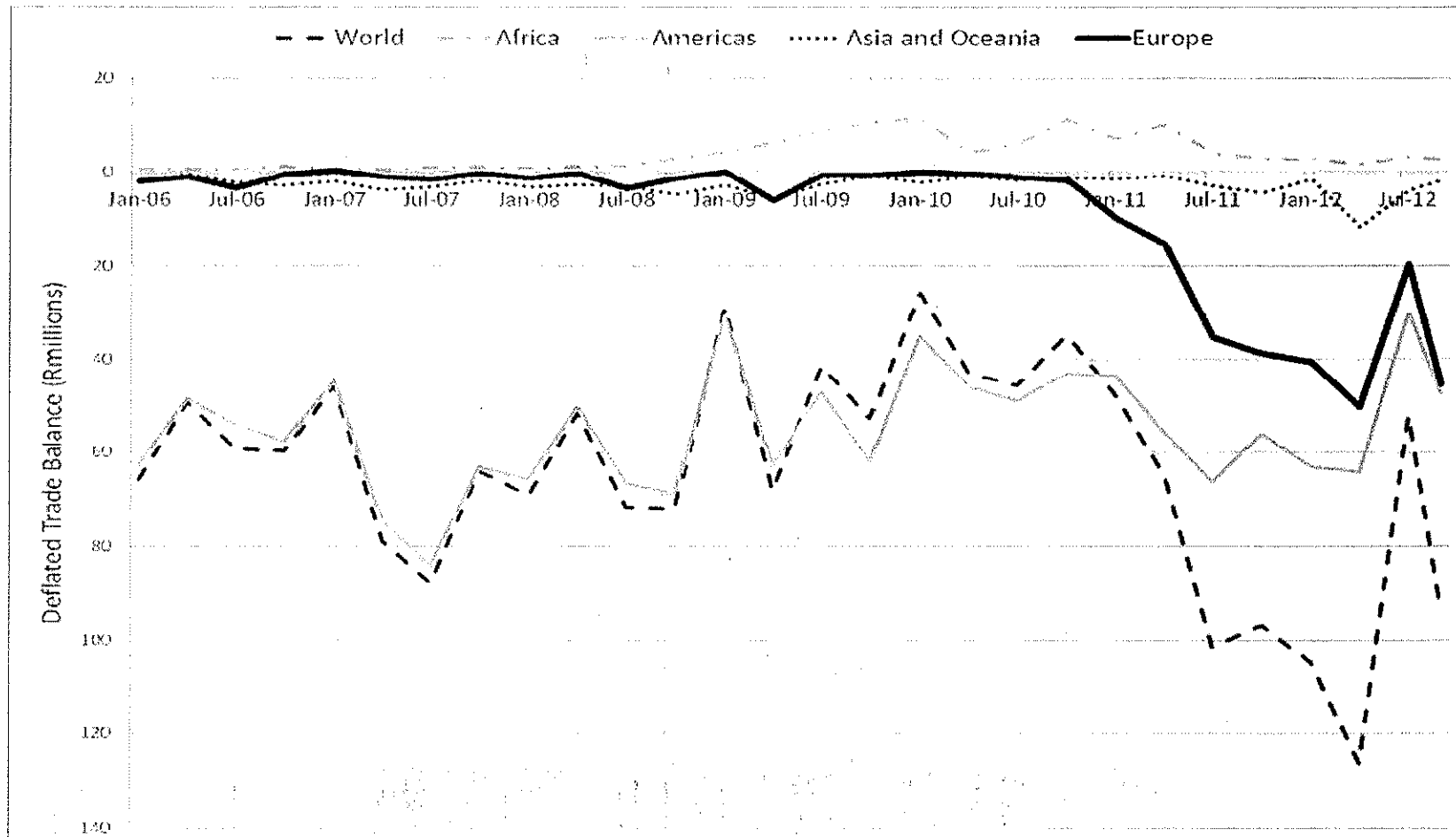
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- In 2009, the Commission launched investigations into the three markets of the industry (Breeding stock and broiler market, feed market and ^{consume} products market) after a scoping exercise in the industry.
- The investigations were around the alleged contraventions of:
 - Possible market allocation.
 - Exclusive supply agreements in terms of breeding stock with contract growers.
 - Day old chicks not made available to independent growers unless it is tied to feed supply
 - Information exchange (Animal Feed Manufacturers Association and South African Poultry Association)

South African trade balance on poultry



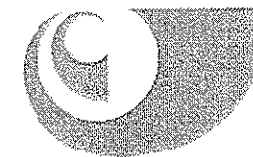
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Source: Quantec Import and Export Data (H0207)

TOWARDS A FAIR AND EFFICIENT ECONOMY FOR Note: Rand values deflated by PPI

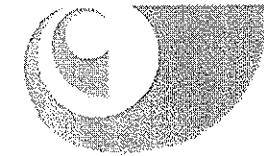
Trade figures



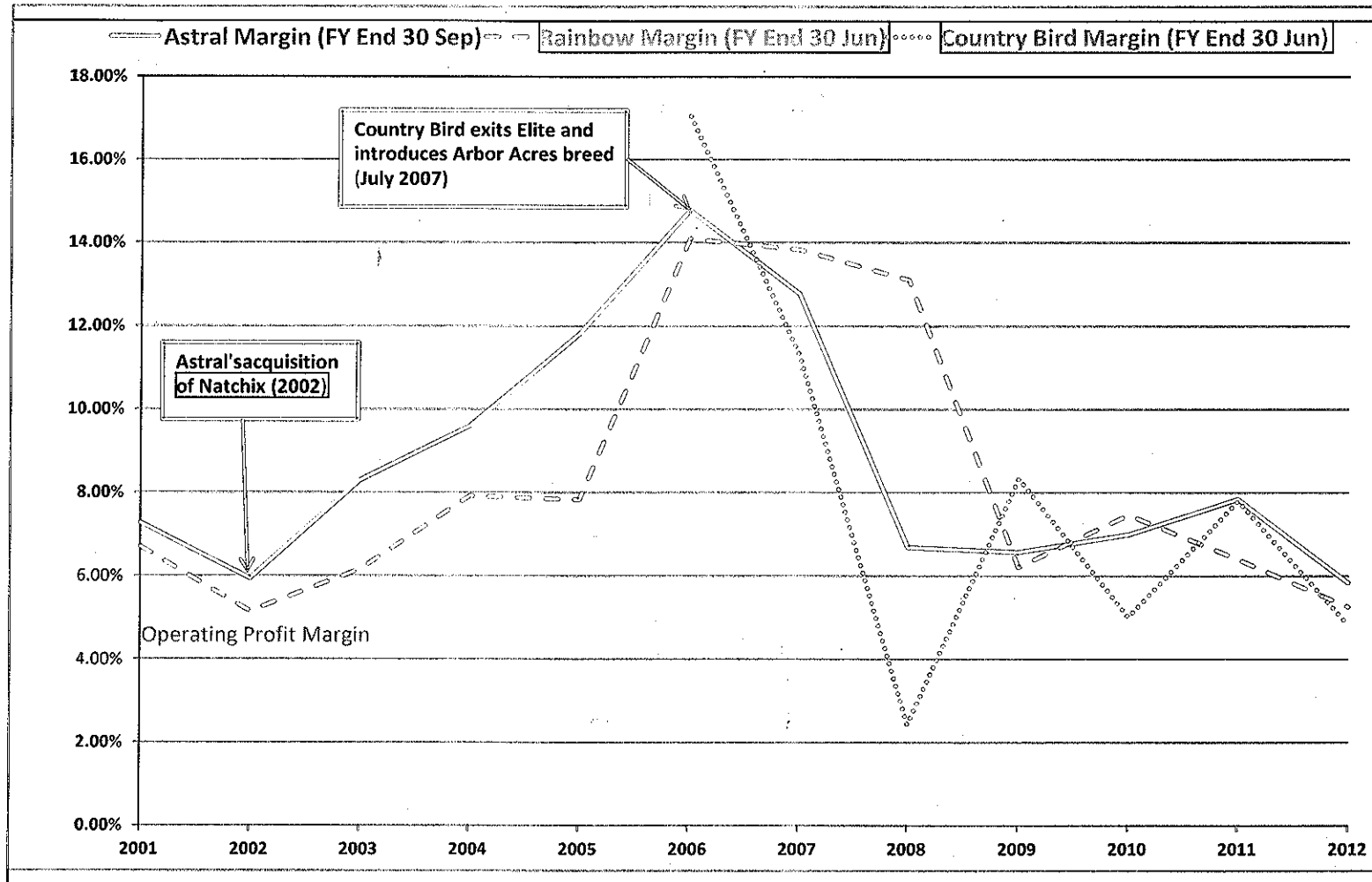
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- South Africa has maintained a small trade surplus with other African countries. Though trade with African countries is limited as many in the region have measures in place to protect their local industries.
- In 2012 ITAC imposed provisional anti-dumping measures on whole frozen poultry meat and boneless cuts from Brazil.
- Imports from Europe started to increase from the end of 2010.
 - Trade Law Centre states that imports of frozen chicken leg cuts from the EU increased by 72% in 2012. This could be linked to the increase in tariffs from Brazil
 - Imports from the EU enter duty free

Poultry Producers margins on turnover 2001-2012

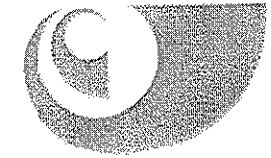


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Source: African Competition Forum Research taken from Annual Reports of JSE Listed Companies

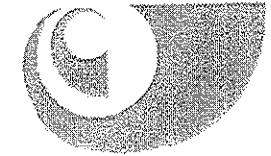
The implications of the proposed industry tariff increase on poultry imports



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- Import tariffs stifle competition from imports
- Imports might force the domestic producers to compete. This resulting in
 - lower prices for consumers.
 - product choices for consumers.
- Increasing import tariffs may mean:
 - the sustainability of inefficient (poor operational performance) poultry producers at the expense of consumers.
 - less product choice and high prices (impact on food security).
 - Consumers may be denied the benefits of import competition.

Conclusion



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- Vertically integrated sector with high barriers to entry
- Commission investigations found that imports are a competitive constraint
- The proportion of imports from Europe has increased
- Margins have decreased *why? import costs, other causes*
- Input costs increases must be considered (animal feed, fuel, electricity, labour).
- Tariffs will reduce choice and result in higher prices for consumers





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THANK YOU