The impact of poultry tariffs on competition

Parliamentary Portfolio Committee on Agriculture, Forestry and Fisheries
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Competition Commissioner
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# The major players

<table>
<thead>
<tr>
<th>Market</th>
<th>Rainbow</th>
<th>Astral</th>
<th>Pioneer</th>
<th>Country Bird</th>
<th>Afgrid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Animal feed</td>
<td>Epol</td>
<td>Meadow Feeds</td>
<td>Nova Feeds</td>
<td>Nutri Feeds</td>
<td>Afgrid Animal Feeds</td>
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<tr>
<td>Broiler breeding and stock breeding farm/layer</td>
<td>Cobb</td>
<td>Ross Poultry Breeders, Elite Breeding Farm, National Chicks</td>
<td>Cobb Avian 48 Bellevue Chix (Tydstrom division)</td>
<td>Arbor Acres, Country Bird, Supreme Poultry</td>
<td>Cobb, Midway Chicks</td>
</tr>
<tr>
<td>Broilers</td>
<td>Rainbow</td>
<td>Country Fair</td>
<td>Tydstrom</td>
<td>Country Bird</td>
<td>Daybreak Farms</td>
</tr>
<tr>
<td>Processing plants/farm</td>
<td>Rainbow Farm</td>
<td>Earlybird Farm</td>
<td>Golden Grove Tydstrom</td>
<td>Country Bird</td>
<td>Daybreak Farms</td>
</tr>
<tr>
<td>Poultry products</td>
<td>Farmer Brown Rainbow</td>
<td>Country Fair, Goldi, Festive Supa Star Mountain Valley</td>
<td>Tydstrom Groovy Range, Happy Hen; Kekkel en Kraal</td>
<td>Supreme</td>
<td>Daybreak Superior</td>
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</tbody>
</table>
Competition Commission investigations

- In 2009, the Commission launched investigations into the three markets of the industry (Breeding stock and broiler market, feed market and 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

Source: Quantec Import and Export Data (H0207)
Note: Rand values deflated by PPI
Trade figures

- 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

The implications of the proposed industry tariff increase on poultry imports

• 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

- 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
- Input costs increases must be considered (animal feed, fuel, electricity, labour).
- Tariffs will reduce choice and result in higher prices for consumers
THANK YOU