State of Play 2021

A FairPlay Special Report on the Fight Against Predatory Trade in South Africa's Poultry Industry

Contents

FairPlay Special Report

Four years in, FairPlay remains committed to fighting predatory trade

A message from François Baird, founder of the FairPlay movement.

In October 2020, the FairPlay movement celebrated four years of fighting against predatory trade practices such as dumping, and fighting for the jobs and livelihoods of the workers and communities impacted by dumping. We are not done yet, but we see progress.

In those four years FairPlay has grown from a small organisation to an influential and international not-for-profit NGO that has mounted campaigns on a number of issues in industries affected by trade dumping and unfair trade practices.

In addition to a consistent and concerted focus on the damage done by dumping, we have highlighted issues such as food safety, food security and the potential for sugar as an energy source. FairPlay has become a credible voice in South Africa, Africa and increasingly, internationally. From cement to potatoes, more industry sectors are also talking to FairPlay about the need to stop predatory trade.

FairPlay will aggressively continue to press the case against predatory trade across the world and industry sectors. For four years we have told South Africa and the world that dumping kills South African jobs. That message has changed the debate about chicken imports, particularly as FairPlay has broadened the discussion to expose the predatory nature of unfair trade.

At FairPlay's Social Support Summit in 2017, our patron Justice Richard Goldstone said that the government should act to prevent predatory dumping, which he defined as dumped imports designed to kill the local industry.

We have built alliances locally and internationally, including with other countries such as Ghana and Cameroon where local industries have been devastated by EU trade dumping. These issues can only be resolved by joint action of all involved in an industry sector.

That is why we have advocated task forces and master plans to involve government, unions and industries in seeking solutions to unfair trade practices that pose existential threats. A master plan for South Africa's poultry sector is already yielding results, the sugar industry master plan was signed last November, and a number of other industries are also currently formulating similar plans.

FairPlay exposed the fallacies behind accusations of chicken importers that imports are necessary because the local industry is inefficient and cannot supply the market.

In fact, it is dumped imports that have held back a highly efficient industry, and the master plan aims to rectify that by limiting imports and expanding local production. Importers, perhaps to their regret, signed the master plan and should be held to account for their responsibility in achieving its objectives.

The master plan also seeks to combat unfair trade and contain imports to allow the South African chicken industry to stabilise, grow and create jobs. FairPlay therefore fully supports the application just launched by the SA Poultry Association for anti-dumping duties against chicken imports from Brazil and four European Union countries – Denmark, Ireland, Poland and Spain.

This is an important development and we encourage you to join in this support by signing up at: stopdumping.fairplaymovment.org

FairPlay, supported by its respected Expert Panel, is active on both traditional media and social media platforms. Hundreds of articles have focused on the damage done by trade dumping and the need for food safety and other reforms, while our social media team is active on these issues across multiple platforms.

After four years, the FairPlay Movement is more committed than ever to stand on the side of the people.

François Baird
Founder of the FairPlay movement

Our campaigns and projects

Our objectives for the next year include:

- Pushing for a more effective **clampdown on unfair trade practices**, including dumping, underdeclaration of imports and round-tripping which can result in tax evasion.

- A renewed focus on **combating the effects of dumping on the food chain**, through value chain traceability and a national food safety agency, and importantly, **measures to increase food security to end child stunting.** For instance on food safety, while some progress has been made on the labelling of imported products, we believe consumers have the right to require imports to be subject to the same labelling and traceability requirements that apply to local chicken.

- Advocacy for measures requiring government departments and state owned entities to buy local chicken for their catering. This would support **the "buy local" campaign** in the government's economic recovery plan.

- Support for **the rapid implementation of the poultry sector master plan**, following delays due to the impact of the coronavirus pandemic. The plan calls for the containment of imports and industry expansion which could create 5 000 jobs over the next three years. Given the unemployment crisis in South Africa, this is urgent.

- Support for **the renewal of anti-dumping duties** against three European Union countries – Germany, the Netherlands and the United Kingdom – and the application of new anti-dumping duties against Brazil and four other EU countries where the local industry has found evidence of trade dumping.

- Advocacy for food security measures to include the **removal of VAT on sales of local chicken products** to promote access to protein, a campaign that was started in 2018.

- **A continued focus on the threat that dumping and predatory trade poses to numerous industries** in South Africa, including poultry, sugar, steel, cement and dairy. Job losses in these industries can be stemmed, and new jobs created, through the localisation promoted by the government economic recovery plan.

- Critically, we will be embarking on outreach to promote an initiative for taking hands in the interests of an **#SAComeback** campaign, to help people survive the ravages of the Covid-19 impact, by **ensuring every legitimate business flourishes for the sake of jobs, and extending food and health support everywhere it is needed,** while levelling the trade playing field.

Facts and figures

Industry moves to stop dumping

The SA Poultry Association (SAPA) has just launched an anti-dumping application on predatory chicken imports from Brazil and four European Union countries – Denmark, Ireland, Poland and Spain.

The application is the result of a detailed investigation into imports of chicken portions from these countries.

The additional duties SAPA is seeking are 35% on Brazil, 146% on Denmark, 136% on Ireland, 35% on Poland and77% on Spain. These are based on what is known as the "dumping margin" – the difference between what producers sell for in their home countries and the price at which the same products are imported into South Africa.

The application is now open for public comment, and supporters and opponents will make representations to South Africa's International Trade Administration Commission (ITAC), which in turn will make a recommendation to the South African government.

This is a lengthy process and could take between a year and 18 months before a decision on the applications is announced.

South Africa already has anti-dumping duties in place on chicken imports from Germany, the Netherlands, the United Kingdom and the United States, which is allowed to bring in an annual quota free of these duties.

We encourage you to show your support for this application by signing up at: stopdumping.fairplaymovment.org

Local chicken production

1.7

million tonnes

Imported chicken (excluding MDM)

383

thousand tonnes

STATISTICS COURTESY OF THE SOUTH AFRICAN POULTRY SECTOR MASTER PLAN.

Size of market lost to imports

19%

market share

Poultry imports have a larger share of the South African market than any individual local producer.

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The far off level playing field

By Paul Dillon

Paul Dillon is a FairPlay activist.

The European Union (EU) has emphasised once again its commitment to fair trade. One of South Africa's new year hopes would be that it lives up to this commitment in 2021. For some in South Africa, and particularly its poultry industry, the EU has a history of saying one thing and doing something completely different.

The latest commitment came in a speech on 20 January by the President of the European Council, Charles Michel, welcoming the inauguration of Joe Biden as United States president.

Addressing the European Parliament, he highlighted "fair trade" as one of five priorities for on future relations between the EU and the US. The emphasis on trade being fair is critically important to South Africa.

The EU is Africa's biggest trading partner accounting for more than a third of Africa's trade in goods worth some €248 billion and the EU currently has trade agreements in place with some 37 African nations. Official Development Assistance to Africa in 2016 by EU member states amounted to €22.66 billion.

These huge sums of money indicate that a cooperation and partnership approach between the EU and Africa is mutually beneficial, and the rewards are potentially great including sustainable jobs, prosperity, equal opportunity, market access, mutual respect and booming trade.

THE HEMICYCLE OF THE EUROPEAN PARLIAMENT IN STRASBOURG DURING A PLENARY SESSION IN 2014.PHOTO BY DAVID ILIFF. LICENSE: CC BY-SA

But big pictures can serve to deceive. The story on the ground is the one that impacts the daily lives of ordinary people as they go about the business of trying to make a living. Trying to get jobs, house their families, generate business and work opportunities in their local communities and to do so in an atmosphere of opportunity and hope.

And here we have a persistent, pernicious problem. It's called dumping and when it comes to poultry, it threatens one of South Africa's key strategic agricultural industries employing some 110,000 people directly and indirectly. Dumping undermines the entire relationship between South Africa and the EU.

Dumping, if not stopped, will not just wipe out an entire industry, it will destroy South Africa's capacity to guarantee food security for its citizens. Dumping is an existential threat to South Africa, it's as serious as that.

The SA government recognises the threat and has responded to it with the creation of the Poultry Sector Master Plan. This is a coherent, strategy that if fully implemented will counter the threat of dumping, bring stability to a distressed industry and generate opportunities for growth, job creation and new export market development.

It's interesting to observe how the EU, a culprit of dumping in SA, fights to protect itself against dumping at all costs.
In four years of negotiations with Britain over its departure from the EU, the EU insisted resolutely that a post-Brexit trade deal must result in what it called "the level playing field". They wanted rules and standards to ensure that businesses in Britain or the EU could not gain unfair advantage. In other words, the EU was insisting on fair competition in any future trade deal and protecting itself against predatory trade and dumping.

There is a great irony in this. All too often, SA is condemned by the EU, Brazil and others for implementing necessary trade defence measures against unfair competition yet at the same time these same places fight tooth and nail to protect their interests from unfair competition.

Last May the EU set this out in a Trade Defence report. The then EU Commissioner for Trade, Phil Hogan said: "A strong and effective trade defence is of key importance to protect our companies and jobs against unfair trading practices and to ensure diversity of supply. Making sure our companies operate in fair market conditions will be even more crucial in times of post-corona crisis recovery. While imports offer more choice at a competitive price for our consumers and businesses, we need to make sure they come to Europe on fair terms, not dumped or subsidised, and that they do not make us overdependent."

South Africa can agree fully with those policy sentiments, it is equally determined to ensure that imports come to SA on fair terms and are not dumped or subsidised. It is equally opposed to unfair trade, including from the EU.

Trading partnerships are not just about economies, they are about people, real people.

When the EU's trade defence legislation was introduced in 2017, the then Commissioner for Trade, Cecilia Malmstrom, said "The EU is open for business. But we must also protect our industry from unfair competition from imports, particularly from countries whose economies are significantly distorted owing to state interference."

In October last year, the new EU trade commissioner referred to the EU's "tool box to combat unfair trade."

The EU would appear to have one rule for the 27 member states with its trade defence policies and instruments, including its" tool box" and quite another set of expectations when it comes to its behaviour towards South Africa.

Two EU countries – Germany and the Netherlands – and a former member, the UK, have since 2015 been subject to anti-dumping duties on chicken imported into South Africa. The local chicken industry says it has evidence of dumping by a further four EU states, and expects to launch an application for anti-dumping duties in the near future.

The EU's economic partnership agreements, which have resulted in floods of chicken imports that have crippled local industries in Africa and elsewhere, may also flout its own rules. Concord, the European Confederation for relief and development made up of member organisations representing more than 2,600 NGOs, pointed out last year that Policy Coherence for Development (PCD) is a legal obligation for all EU Institutions.

"This means that the EU cannot implement policies that may have a negative impact on partner countries as it could undermine development, the organisation said.

Trading partnerships are not just about economies, they are about people, real people.

Meaningful trading partnerships put the right emphasis on the importance of building societies, adding to their strengths, not seeking out their weaknesses and exploiting them. Meaningful and lasting relationships must be built on trust and a rules based system that provides a common framework for doing business and building relationships.

We cannot continue to live in a duplicitous world of predatory trade, a world of EU Trade Defence "toolboxes" and importer "war chests".

None of this is for the good or benefit of the citizens of our collective nations. Its time to change and to bring that change into 2021. ●

How the tax-hungry state plays chicken with the poor

By Mike Schussler

Schussler is an award-winning and globally recognised economist, chief economist at economists.co.za and a FairPlay expert panel member.

First published BusinessLive on 3 April 2018

When VAT was raised to 15% in 2018, and this feature was originally published, FairPlay campaigned for the revision of the basket of zero-rated food items to include chicken, the most widely consumed protein source.

Two years later, the call for VAT-free chicken has taken on even more urgency, as Covid-19 has plunged growing numbers of South Africans into poverty and hunger. With talk during 2020 of VAT possibly being increased again, to 16%, there has never been a more critical time to review the outdated zero-rated food basket and include the basic food that poorer South Africans actually prefer, such as fresh chicken.

Since the zero-rated basket was born in 1991 consumer consumption patterns have changed and some of the foodstuffs in the basket have lost their appeal, such as the only animal protein currently in the basket: tinned pilchards. The most widely consumed protein in South Africa today is chicken, which also happens to be the cheapest meat. It is cheaper than tinned pilchards, and it is what South Africans already prefer feeding their families.

It would make simple economic sense that chicken be added to the zero-rated food basket – at the very least fresh whole and fresh half chickens, as well as cheaper parts such as livers and giblets. In fact, to continue excluding chicken from the zero-rated basket when 20% of the population is living under the poverty line and chicken is their preferred and in some cases only source of protein, is morally ambivalent

and economically ill judged. "Let them eat pilchards" has a discomfiting ring to it, does it not?

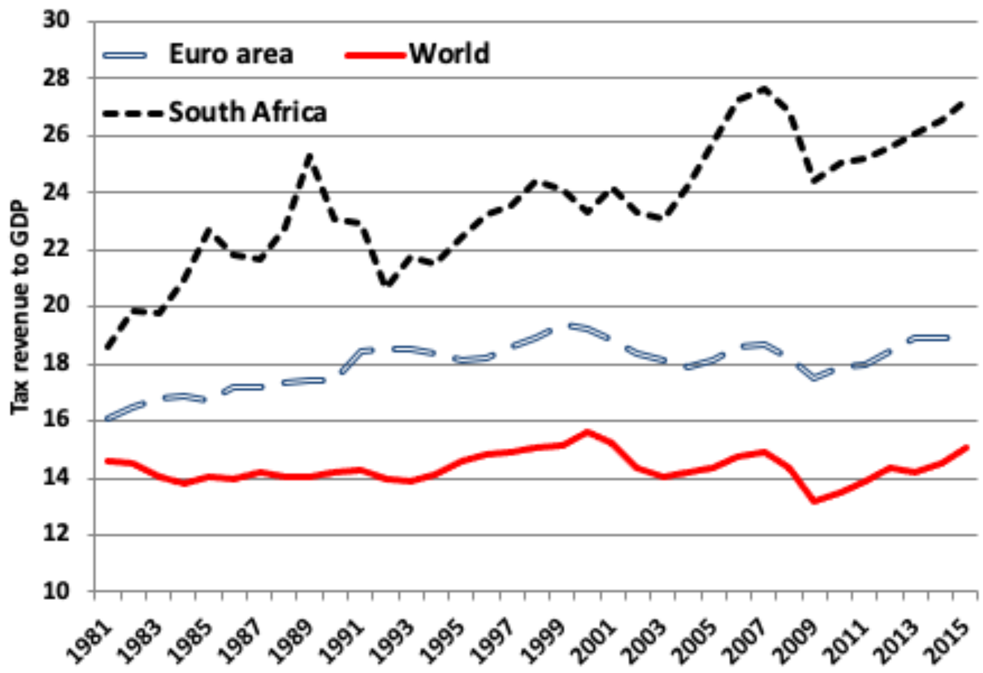
When it comes to taxation of its citizens, South Africa is a unique case study. We are a developing country but we have one of the highest tax burdens in the world, with hard data showing that the ratio of tax we pay compared to our GDP has just been increasing over the last four decades (And while our private tax and company tax burdens are very high, the indirect, consumption taxes, which hit the poor and the middle classes hardest, are also of the top third in the world. This burden is unsustainable, undesireable and indeed is the bedrock of social and economic instability.

Consider this: with sugar tax, increased VAT and carbon tax adding yet more tax revenue to the state coffers, South Africans, in effect, pay as much tax as some of the wealthiest countries in the world, without giving our citizens the same benefits those wealthy states deliver to theirs.

In the UK, for instance, your takeaway chicken sandwich is completely VAT free, as is all the food in your shopping basket. In Belgium the standard VAT rate is 21%, but on food, you pay only 6% VAT. Many wealthy nations charge lower VAT rates on foodstuffs, if they are not completely exempted. Lower VAT rates apply to medicines, to education, to books – all essentials to human dignity and upliftment.

Meanwhile in South Africa, a middle-income country where approximately one quarter of our population – that's 13.8 MILLION people – live below what Stats SA call the Food Poverty Line (FPL), and where we have one of the highest unemployment rates in the world at over 28%, we have a miserly 19 foodstuffs that are VAT free. The miserly list of 19 has remained unchanged since VAT was implemented in 1991, but over the years that allowance has become even narrower, with certain subcategories of the 19 foodstuffs being disqualified. It used to be that "bread" was VAT-free, meaning, all bread. But some official decided somewhere along the way that the very poor are not allowed low-GI or any bread that is remotely fancy, because the category has shrunk to now only exempt government brown bread… "Let them eat government brown bread" has the same discomfiting ring as the pilchards.

Eggs too are a major source of protein and have a low price when measured on a per kilogram basis. Eggs are zero-rated but should they be the only animal protein source other than tinned pilchards, which are mostly imported fish packaged in imported tins these days? It just makes sense to replace pilchards with the nation's most popular, most affordable meat. And it makes even more sense considering that the chicken industry provides significant employment in rural areas, contributing to rural development.



SOURCE: WORLD BANK

While it is clear that South Africa has a massive budget hole to fill, the solution has been sought in increasing taxes, rather than identifying ways to save. This method of raising revenue is hurting consumers and many so-called middle-class people are worse off today than a few years ago. According to Poverty Trends, published by StatsSA in 2017, about 55% of South Africans live below the upper poverty line, and, worryingly, the numbers are increasing.

In addition, it is well established that poverty leads to malnourishment and shocking figures by the South African Demographic Health Survey show that 27% of children under five are stunted as a result of chronic malnutrition. Just hold fast on that figure for a minute; 27% of our children under five are stunted as a result of malnutrition.

Our National Development Plan has lofty ideals of ensuring that all children can reach their full potential, but a nutritionally stunted child stands no chance, which impacts on the economy as a whole, and adds to and accelerates the cycle of poverty and deprivation. Getting a balanced and nutritious meal every day is something most of us take for granted, but the reality in South Africa is that millions of people do not have that luxury, and on top of that, are burdened with indirect taxes. The current zero-rated list includes most fresh vegetables and fruit and some milk and bread products, but many basic proteins, and all meat, are excluded. A helping hand in the form of a VAT exemption for an affordable protein such as chicken is not just a logical step, it is the right step.

There's no doubt the time has come to change and increase the number of zero-rated products to bring South Africa more in line with other countries, and to accommodate the needs of the most vulnerable members of society. It is time for government to act with more sense and allow for more items to be VAT-free – especially cheaper protein sources such as chicken, which would also boost South African industry and fulfil the president's mandate to create employment. It would be a win-win situation all round.

Tax facts, and implications:

- In 2015, South Africa's ratio of total tax to GDP was 27.3% – so the amount of tax paid by South Africans made up about a third of the total value of all the goods and services produced in the country that year. This is close to double the world average, of 15%. Even Sweden and the UK now have lower tax burdens than SA.

- In terms of personal income tax, South Africans pay the 11th highest tax globally.

- In terms of company tax, South Africa is 5th highest, after Cuba, Cyprus, Hong Kong and Malaysia.

- South Africa's indirect (consumption-based) taxes such as VAT, excise and fuel levies, which are paid by EVERYONE in SA, are 49th highest in the world, a ratio of 10,8% of the GDP. That was in 2015.

- We estimate that the increase in VAT, and the implementation of consumption taxes such as the sugar tax may have generated around 11.6% more in indirect taxes for the government. This might place SA in the top 30 countries with the highest consumption tax burdens in the world. ●

Help make chicken VAT-free

27% of children in #SouthAfrica are #stunted due to chronic #malnutrition. We need to make nutritious #food more affordable to break the cycle of #foodpoverty. I support VAT-free chicken. #BudgetTips2021

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I support VAT-free chicken. #BudgetTips2021 @tito_mboweni @TreasuryRSA

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South African government and industry should buy local sugar and chicken

By Michael Acott

Michael Acott is a journalist, communications consultant and FairPlay activist.

FairPlay welcomes the "buy local" commitment in the new sugar industry master plan, and we hope that similar provisions will be added to the chicken industry master plan to stimulate local production and job creation.

The sugar master plan, signed by government, the sugar industry and other stakeholders, will help protect and revitalise another South African industry that has been ravaged by years of cheap and dumped imports.

This is the second agricultural master plan put into operation, and comes a year after the poultry sector master plan was signed in November 2019. Other master plans are at the implementation or development stages.

FairPlay will support the sugar plan as we have supported the poultry master plan. While their objectives are similar, the sugar master plan contains an important provision not contained in the chicken industry plan – a commitment by wholesalers and retailers to buy local rather than imported product.

According to a statement by the SA Canegrowers Association, retailers and wholesalers have committed to procuring 80% of their sugar locally, rising to 95% in the third year of the master plan.

This is exactly what FairPlay is proposing for the chicken industry, in line with government's "buy local" drive as part of the economic recovery plan.

The poultry master plan envisages a government requirement that government departments and state owned entities buy local chicken for their catering. FairPlay hopes this announcement will be made in the near future, as part of the "buy local" emphasis.

A very welcome addition would be a commitment by wholesalers, retailers and the catering industry to buy up to 95% of their chicken from local suppliers. This would help the recovery of an industry that is in distress because of predatory and dumped imports, and has lost thousands of jobs.

This is an important aspect of FairPlay's "Buy Local Chicken" campaign, launched in December 2020 with the support of other stakeholders including trade unions. ●

Tweet this

Wholesalers, retailers and caterers should commit to buying 95% of their chicken from local suppliers. #buylocal

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This is why South Africa needs a food safety agency

By François Baird

François Baird is the founder of FairPlay.

Now that the coronavirus pandemic has brought public health to the top of the agenda, it is time for government to revisit its promises to establish a food safety agency.

After the deadly listeriosis outbreak in 2018, President Ramaphosa said the process to establish a food safety agency was underway. It would include a regulatory framework to ensure the highest levels of health and safety.

Unfortunately, nothing has happened. No agency, no regulations setting out its powers or how this would result in the promised "appropriate enforcement" by the government.

As the coronavirus and listeria outbreaks showed, disease can strike suddenly and with deadly force. Countries must prepare for the unexpected and take steps to protect themselves. In the case of food safety, one of those essential steps is a statutory agency with the power to spot weaknesses in laws and regulations as well as identifying offenders and recommending disciplinary steps.

The International Poultry Council noted in a statement in October 2020 that "there is no food security without food safety". The Council said the global poultry supply chain had a responsibility to minimise risks and to ensure food safety "from the farm to the consumer".

A food safety agency is a key element in achieving this. FairPlay called for the establishment of a food safety agency after the listeriosis outbreak in 2018 and again a year later when nothing was done.

In the interests of public health and safety we are repeating that call now.

The core function of such a body would be to protect public health by ensuring that the country has the highest possible food safety standards in place, and that these standards are constantly reviewed and enforced.

How this would be done would be up to government to decide, but it should be more than an advisory body. FairPlay recommends an organisation with teeth – the ability to investigate lapses and recommend the prosecution of companies and individuals, and the closure of food establishments. These powers would concentrate the minds of all those involved in the import, manufacture, processing or handling of food in this country.

The body should be independent, but include representatives of both the public and private sectors - scientists, food safety experts, food industry representatives and senior officials from the various government departments responsible for good safety, including the customs department. In addition, it would be useful to have civil society consumer and food safety bodies serving on the agency's board.

The fractured nature of food safety enforcement in South Africa is one of the strongest reasons why oversight should be concentrated in one central body. At the moment various aspects of food safety are governed by the Department of Health, the Department of Agriculture and the Department of Trade and Industry. Municipalities also exercise delegated powers.

A good example to study is Ireland's Food Safety Authority, established by an act of parliament in 1998 (www.fsai.ie). The Irish body does not include government department representatives, but it has significant powers of enforcement.

One area where food safety standards need to be tightened is the inspection of imported meat. South Africa imports significant amounts of meat, particularly from Brazil which has a history of inadequate food safety measures and the evasion of regulations by food producing and exporting companies. The result has been a number of scandals and several countries, including South Africa, have temporarily banned the import of Brazilian meat. This is happening again now.

Increasing amounts of chicken are being imported, and these imports are not subject to the same levels of inspection and phytosanitary requirements as locally produced chicken.

Chicken is the most consumed animal protein in the country especially in lower income households, and these are the vulnerable consumers who are most at risk should food be unsafe. A food safety agency would be able to recommend steps to ensure more thorough testing of incoming meat. The agency would also be able to set the requirements for labelling of imported products to ensure consistency with the regulations South African producers adhere to.

Detailed labelling is essential to trace the source of any food if there is contamination and consumers' lives are at risk. The requirements for South African products are strict, and compliance is ensured. Not so for imports – imported chicken, for instance, can still be sold in South Africa labelled vaguely as the product of any one of nine countries on three continents. This is a risk to public health, and we are relieved that Government has cancelled the dispensation that allowed that. Now it has to be enforced.

The urgent need for such a body of experts to protect the public against all food-borne diseases, including listeriosis and salmonella poisoning, cannot be stressed enough. They would review all food safety legislation, recommend improvements and ensure that regulations are enforced. It would bring under one roof the food safety policies and regulations currently exercised by a number of government departments. It would ensure uniform application of the most up-to-date food safety standards.

It should be a statutory body, established by an Act of Parliament which provides for continuous updating of food safety standards in South Africa based on regular monitoring of local and international regulations.

Apart from protecting the South African public, a food safety agency is essential if the country's agricultural sector is to develop and expand through the export drive foreseen in the Poultry Sector Master Plan which is currently being rolled out. It's critical for South Africa to have an internationally credible resource such as this if we are to increase food exports significantly, particularly to the European Union, which sets stringent health standards on food imports.

Until action is taken, public health remains at risk. It is time for President Ramaphosa to step in and ensure that the food safety agency he has promised, becomes a reality. ●

Increasing amounts of chicken are being imported, and these imports are not subject to the same levels of inspection and phytosanitary requirements as locally produced chicken.

Co-ops and business creativity in the time of Covid

By Charmain Lines

Charmain Lines is an author, journalist and FairPlay activist.

Covid-19 wreaked destruction on the economy, but it also created unexpected opportunities for people like Ellen Mokau – a chemical engineer who discovered a talent and passion for chicken farming and created an innovative empowerment model to boot.

When Covid-19 forced South Africa into lockdown in March this year, Ellen found herself at home with the luxury of time on her hands. Unlike many others who turned to baking or binge-watching, Ellen decided to learn about chicken farming.

“I’ve always been interested in poultry,” she says, “but there was never time to learn about it.” Ellen grew up with chickens in the backyard and her father, who is a salesperson of veterinary products, used to say that she would be good at agriculture. Having pursued a career in engineering, it took a global pandemic to return Ellen to that long-held interest.

She did an online course with a friend, watched loads of YouTube videos on the subject, joined social media groups and took the plunge. “I applied for payment holidays on my mortgage and other loans, and, in partnership with my uncle Piet Sithole, invested the money in 200 day-old chicks that I put into a tin house in my granny’s backyard in Pretoria.”

The experiment was a success: “It went well. I’m a big talker and can sell just about anything!” laughs Ellen. She knew this about herself, having run an online company, La Elle Creatives, that trades in a variety of products since 2017. These days, customers can also order chickens through La Elle’s website.

Buoyed by her success, Ellen embarked on a second cycle, this time with 500 chicks. But she knew that this was the limit to what she could do in Granny’s backyard. To grow the business she needed access to land.

PHOTO: ELLEN MOKAU (CENTRE) WITH MEMBERS OF HER POULTRY STOKVEL

In the meantime, Ellen's social media prowess attracted a following of chicken farmers. "As I was posting, people asked me for advice," she says. The entrepreneur spotted the opportunity and put an online course together. It was nothing fancy, just a few slides that answered people's questions and set the scene for a Zoom session. But at R100 per person, she had unlocked a welcome way to put money in the bank. "As questions came out, I amended my presentation," she says. The burning topics were sales and marketing, and how to start without land.

Ellen quickly realised that she was not the only one tired of raising a few hundred chickens. Like her, many other farmers wanted to grow their businesses but couldn't because they didn't have land.

The answer, she decided, lay in bringing people together in a model inspired by stokvels. The concept is simple and sustainable: a group of farmers pool their resources to rent land, set up infrastructure, and get the necessary working capital together. In this cooperative structure, they all contribute equally and share equally in the profits.

Ellen's first co-op has 20 members. Each contributed R10 000 to establish the broiler business near Hammanskraal. In its first cycle, which started on 3 August, the co-op raised and sold 1 000 chickens. Its second batch was ready for the market towards the end of October.

The second co-op followed a slightly different model with 31 members who each contributed R4 500 over a period of three months, and the land being rented from one of the members. On 6 October they placed their first 1 000 day-old chicks, which were ready for selling by mid-November.
Ellen acts as operations manager for the co-ops, taking care of governance matters such as putting procedures and policies in place, registering the businesses with the CIPC, obtaining accreditation for her training courses and, through her existing company, registering the co-ops for learnerships with the AgriSETA in future. She also plans to join the SA Poultry Association, both to "do things by the book" and to influence the industry she is now a part of.

"Our strategy is to build a reputation and a track record, including financial records, so that we have everything we need to apply for public or private funding in future," explains Ellen. The funding will be needed to realise her dream of raising 80 000 broilers per cycle on co-op farms across the country.

At the moment, the co-ops sell live chickens to households and to resellers in the townships, but their goal is to supply small businesses, such as shisanyamas and supermarkets. This, however, introduces new complexities. Chief among these are securing slaughter time with registered abattoirs, adhering to commercial food safety requirements, and delivering broilers that meet the exacting standards of the catering industry.

Fortunately these are the type of challenges on which Ellen thrives. "We are on a learning curve, and it is exciting. I learn new things every day and business opportunities unfold all the time."

Ellen is very clear about sharing resources to benefit as many people as possible. The many small-scale farmers she has met online and through her training courses, are already blossoming into the country-wide network Ellen foresees. When customers contact her through social media, she puts them into contact with a farmer close to them. "I assure people they will get the same quality chickens from people in our network because we all follow the same process." The networked farmers can also order feed and vaccines through the co-ops, thus benefitting from bulk buying's lower prices. "Collectively we can knock on all the doors we need to," says Ellen.

Ellen is aware of the threat of cheap imports, but believes that taste and quality drive demand for locally produced chicken. Equally, she is aware of but not fazed by local competition: "I believe in being visible and the power of social media, and being reliable in these times when too many suppliers don't keep the promises they make to customers." ●

Stand with small farmers

#Mzansi's chicken farmers, who receive no government subsidies, should not have to compete with heavily subsidised imports from the #EU or #Brazil.

CLICK TO TWEET

I support #antidumping #tariffs to end predatory #chicken #imports to #SouthAfrica. I support fair trade.

CLICK TO TWEET

Insights into predatory trade and dumping in South Africa's poultry industry

According to the poultry sector master plan, South Africa's chicken industry has experienced a 400% surge in chicken imports over the past two decades.

This chapter provides a short introduction to, and history of, the scourge of dumping and predatory trade in South Africa's poultry industry.

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1 A history of chicken imports and why tariffs are needed

Brazil and the EU have become a major threat to the South African chicken industry, and by extension the grain industry which supplies huge volumes of poultry feed. They are a threat to the Southern African region, where the poultry industry is a major employer and a significant contributor to local economies and food security.

Poultry imports from Brazil climbed steeply in recent years, particularly when EU countries could not export because of bird flu. Official import statistics from the SA Revenue Service show that in 2017 South Africa imported 524 000 tonnes of chicken, worth R5.9 billion. By 2018 this had risen to 539 000 tons, worth more than R6 billion. In both years, more than 60% came from Brazil, which is the world's largest exporter of chicken meat.

South Africans consume some 25 million chickens per week. Of this, 19 million come from local producers. The balance – equivalent to 6 million chickens per week – is imported. Imports make up nearly a quarter of local consumption, and exceed the output of any local chicken producer.

South African imports rose to 30% of the local market (including mechanically deboned meat or MDM) and 20% (excluding MDM), thanks to a predatory onslaught led first by the European Union and then by Brazil as EU imports declined because of bird flu bans.

Chicken imports reached record highs in 2018. Although they dropped slightly the following year, imports in 2019 were 5.5% higher than the five-year average from 2013-2017. Imports in 2019 were 5.5% higher than the five-year average from 2013-2017.

This is poultry that could and should be produced in South Africa, in local facilities creating local jobs. Instead, local production is being squeezed and jobs are being lost. Chicken is South Africa's cheapest and most popular form of animal protein, and demand is rising. However, increased demand is being taken up by imports, and local producers are suffering as importers grab market share.

The SA Poultry Association (SAPA) is vigilant about monitoring import statistics and applying for relevant duties when trade rules are bent or broken. South Africa already has anti-dumping duties in place against the US, and is seeking a further renewal of anti-dumping duties against Germany, the Netherlands and the UK. In addition, the SA industry has just applied for anti-dumping duties against Brazil and another four EU countries – Denmark, Ireland, Poland and Spain.

Safeguard duties, which protect countries against import surges, were approved against all EU countries in 2018. The rate was set at 35.3%, reducing to 30% in March 2019, 25% in March 2020 and 15% in March 2021. It falls away entirely in March 2022.

In March 2020 the South African government granted tariff increases on chicken portions from non-EU countries, such as Brazil, the US and Argentina. The new tariffs are 62% for frozen bone-in chicken portions (up from 37%) and 42% for frozen boneless portions (up from 12%). These tariffs apply to non-EU countries such as Brazil, the US and Argentina.

This action taken by the South African government implies the recognition of predatory and unfair trade in the importation of chicken to South Africa, particularly from Brazil and the EU.

Imports declined in 2020, due to a combination of higher tariffs, the impact of Covid-19 and exchange rate changes. Brazilian imports are dropping, but the EU share of chicken imports into South Africa is rising steadily as EU exports recover. However, bird flu is spreading once again in Europe, and Brazil has shown it will quickly take over when EU chicken exports falter.

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2 The rapid rise in predatory chicken imports from Brazil

The focus is on Brazil because it has supplanted the EU as the major source of dumped chicken imports into South Africa. Up to 2016, the EU dominated imports, particularly of the frozen portions which account for nearly 60% of the South African imported chicken market.

Then EU imports were halted by outbreaks of bird flu at the end of 2016, and have not yet recovered. However, Brazil quickly stepped up supplies and as a result total chicken imports registered only a slight dip in 2017. Brazilian poultry imports rose by 50% in the two years after the EU ban, more than filling the gap left by EU producers.

Poultry imports, mostly chicken, reached a new record high in 2018, led by this huge increase in supplies of frozen chicken from Brazil.

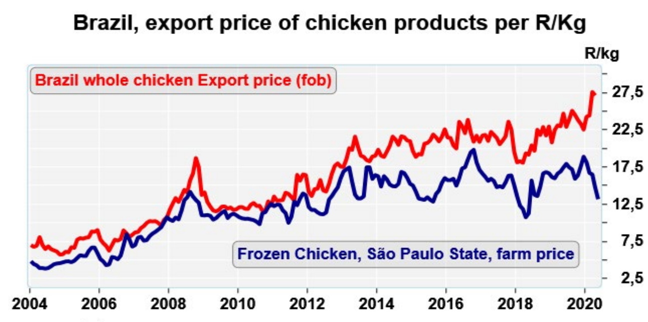
The increase is illustrated by imports of frozen bone-in chicken portions, the popular cuts including leg quarters. This is the market segment where imports have done most damage to South African producers and local jobs. EU countries had for years dominated these imports, accounting for up to 90% of bone-in chicken imports before the bird flu bans at the end of 2016. By 2018 the EU contribution had dropped to 18% of total bone-in imports worth R3,85 billion.

The EU share of imports is on the rise again, although on smaller volumes during the coronavirus pandemic. In October 2020, the EU contribution rose to 39.6 % of imported bone-in portions. Though still way below 2016 levels, the increase is underway.

In December 2016, when EU bird flu restrictions took effect, Brazilian imports comprised just 2.9 % bone-in chicken portions. Four years later, in December 2018, this figure had risen to 27.4 % (from a high of 46.5 % in February 2018).

Poultry imports from Brazil doubled from 2014, rising from 15 000 tonnes a month in October 2014 to 30 000 tonnes in October 2018. In some months in both 2017 and 2018, imports reached 35 000 tonnes.

By December 2017, Brazilian poultry imports were 44% higher than the previous year, rising a further 6% in 2018. In the first half of 2018, Brazil accounted for 63% of South Africa's poultry imports. By October 2018 this had topped 64%, dropping slightly to 61,5% for 2018 as a whole. Brazil remains SA's major supplier of chicken, although bone-in imports are dropping as the EU regains market share. Brazil showed in 2017 that it can react very quickly if things change.



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South Africa's poultry industry has experienced a 400% surge in chicken imports over the past two decades.

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3 Why the SA Poultry Association wanted higher tariffs on chicken from Brazil and elsewhere

The SA Poultry Association has just applied for anti-dumping duties on chicken imports from Brazil. This is in addition to the general (MFN) tariff increases granted in March 2020 against no-EU countries such as Brazil, Argentina and the US.

International trade statistics published on the UN Comtrade database show that Brazil prices its chicken exports differently for various markets. As prices for South Africa are lower than for nearly every other country, South Africa is clearly being targeted.

Unfortunately for the South African consumer, low import prices are not passed on to the consumer. Imported chicken is sold at just below the price of local chicken, ensuring market share growth and substantial profits for importers and middlemen.

Brazil and the United States castigated South Africa for the imposition of import tariffs, and warned of dire consequences for South African consumers, including the false claim that the retail price of chicken will skyrocket as soon as tariffs were imposed. The facts speak for themselves – tariffs have been in effect for months and there has been no commensurate rise in the retail price of imported chicken. The decision in March 2020 to impose tariffs of 62% for frozen bone-in chicken portions (up from 37%) and 42% for frozen boneless portions (up from 12%) on imports from non-EU countries was made by the International Trade Administration Commission (ITAC), the government body that oversees the application of tariffs and duties.

Central to their deliberations was the degree to which Brazil, as the major source of chicken imports, continues to harm the local and regional markets, causing job losses or preventing local expansion. The arguments and statistics produced by the SA Poultry Association (SAPA) in support of its tariff application showed the impact of the unrelenting flood of imports on local producers.

The application which resulted in the new 2020 tariffs stated that the SACU poultry industry faces enormous profitability challenges because of "increasing volumes of opportunistic imports" of frozen chicken which significantly undercut the SACU industry. The result had been "serious injury" to local poultry producers, including downsizing and job losses, and a deterioration in SACU's food security position.

Production cutbacks and decreased capacity utilisation denied producers the opportunity to achieve economies of scale, and thus improve efficiency and profitability. It also risked further job losses.

The industry hoped that additional duties would reduce imports, allow the local chicken industry to increase production volumes and improve capacity utilisation, improving profitability and ensuring the sustainability of their operations, the application stated.

Dismissing these arguments, the Brazilians have said the main reason for the South African industry's problems has been the impact of bird flu since 2017. In fact, there has been no bird flu in South Africa since 2017 and South African producers would be able to replace most of the imports with local chicken.

Local producers have invested significantly in plant, machinery and buildings to improve capacity and efficiency. However, the under-utilisation of production capacity

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means "reducing profits, losses and diminishing returns". Without significant tariff protection, import volumes and the consequent damage to the industry will increase, and industry investment will continue to drop off.

The tariff application said the South African poultry industry is a major economic contributor to the region:

1. The SACU poultry industry (meat and eggs) supplies more than 60% of the animal protein consumed in SACU and makes up almost 20% of South Africa's agricultural gross domestic product.
2. It is the single largest part of agriculture in SACU and is core to SACU food security.
3. The poultry industry is the second biggest user of maize in the region and by far the biggest user of soybeans. The South African government's soybean development strategy is dependent on the success of the local poultry industry.
4. The SACU domestic broiler industry directly employs at least 47,025 people with a further 58,383 people indirectly employed in support industries that are dependent on the broiler industry. The crops which are used as feed in the poultry industry account for approximately 17,738 workers in the crop farming sector.

The tariff application focused on the technical requirements and supporting data for such an application. It did not single out Brazil, as the tariffs affect all regions except the EU and SADC countries.

However, the steadily rising volume of chicken imports from Brazil is addressed in detail in SAPA's monthly import reports based on SARS verified statistics.

These are available on the SAPA website (www.sapoultry.co.za).

PHOTO: LAID-OFF RCL WORKER THOKOZANE THABETE ADDRESSES THE FAIRPLAY SOCIAL SUPPORT SUMMIT IN 2017

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4 The impact of agricultural subsidies on imports

Since 2006, the EU has allocated around €54 billion per year of public funds to the Common Agricultural Policy (CAP). Claims by the EU that subsidies have no impact on chicken exports to South Africa are both inaccurate and misleading.

The EU annually provides nearly 80 billion Euros in agricultural subsidies to producers in Europe, including chicken producers. In fact nearly 20 percent of farm income in Europe is derived from subsidies under the EU's Common Agricultural Policy (CAP).

The largest single expenditure in the EU budget is support for agriculture. Around 39 percent of the EU budget is spent on agriculture, with about 30 percent going directly to farmers and the agricultural market.

These subsidies are not tied to production levels. This means that massive unconditional subsidies to European producers under the CAP make dumping of surplus chicken into South Africa below the cost of production all the more financially viable.

The Brazilian attack on the South African chicken market has been facilitated primarily by two factors – years of substantial agricultural subsidies which have turned Brazil into a large and low-cost producer, and the northern hemisphere's preference for white meat, which sells at a premium and enables the dumping of the leftover brown meat (such as legs, wings and thighs) which are popular in South Africa.

Unlike South Africa, the Brazilian government has steadily subsidised its agricultural industry, enabling the country to become a leading producer and exporter of poultry, beef, sugar, soyabeans and coffee.

In April 2018 the Brazilian government announced it was increasing a subsidised agricultural loan programme to $58bn for the 2018/19 season.

Like their EU counterparts, Brazilian poultry producers make their profits from high-priced white chicken breast meat. This leaves them with a surplus of unwanted brown meat – drumsticks and thighs – which they sell in frozen bulk packs to any market that will take them.

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39% of the EU's budget is spent on agriculture. These market-distorting subsidies encourage predatory trade.

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5 Bulk pack imports and food safety concerns

Chicken which contravenes packaging and labelling regulations photographed in a local supermarket. The South African chicken industry has long campaigned against bulk pack imports, which avoid the detailed labelling and traceability required of South African producers, and consequently are a potential health hazard.

The two issues are linked. Frozen bulk packs are thawed and broken up into smaller packs for distribution in the local market. Thawing and handling introduce health risks and, while major companies take great care to minimise these dangers, some smaller or unscrupulous operators are less hygienic, putting public safety at risk.

South African chicken products all carry detailed labels so that, in the event of contamination, the product can be traced back to the farm that produced it and the feed it was fed.

After extensive protests by FairPlay and others, an exemption that allowed imported chicken to be labelled vaguely as coming from any one of several countries is reportedly being phased out.

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6 Food safety scandals by Brazilian producers

The regulatory discrepancies described in the previous section are particularly important in the case of Brazil, which has been hit by food safety scandals.

Revelations in 2017 of bribery and corruption related to food safety inspections and the export of rotten meat, led a number of countries to enforce temporary bans on Brazilian meat and chicken products. This has became known globally as the "weak flesh" scandal.

Brazilian food safety issues continued in 2019, salmonella contamination leading to the recall of a batch of chicken destined for local and export markets. Saudi Arabia blocked imports from five Brazilian producers for "technical" reasons believed to be salmonella-related, and EU countries banned 20 Brazilian producers because of salmonella issues.
The EU has a zero-tolerance approach to salmonella, bacteria which cause a form of food poisoning that can be fatal.

Concerns about food safety in Brazil led to the SA Poultry Association calling for a ban on all Brazilian chicken imports until these safety issues were resolved. The issue also highlights the need for all frozen chicken sold in South Africa to carry labels enabling authorities to trace it back to source in the event of a public health scare.

During the coronavirus outbreak in July 2020, the Chinese government asked Brazil to halt exports from two Brazilian meat plants, one of them a poultry producer.

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20% of chicken produced in Brazil tests positive for salmonella. 50% of chicken imported into SA comes from Brazil. #buylocal

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7 Urgent actions we can take to save SA's chicken industry

Saving the South African chicken industry from the serious impact of dumped chicken and predatory imports requires four immediate steps:

1.An investigation into chicken dumping in South Africa, and following this investigation, the application of urgent anti-dumping duties. China has already imposed anti-dumping duties against Brazilian chicken. The South African Poultry Association (SAPA) has just applied for anti-dumping applications against Brazil and four additional EU countries, Denmark, Ireland, Poland and Spain.

2.Regulations requiring all imported chicken to be labelled according to the same standards applied to local chicken. This is in place and is being phased in over a year.

3.A ban on bulk pack imports, with all imports packed at source for South African customers.

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8 The Poultry Sector Master Plan

The Poultry Sector Master Plan, agreed at the end of 2019 by government, the local chicken industry, unions and chicken importers, specifically calls for reduced imports and for action against unfair trade, including dumping.

It notes that chicken imports had increased 400% over the past 20 years, that potential production growth had been displaced by imports and that the market share of South African producers has declined.

"As a result our industry is now vulnerable and faces significant threats to our existing capacity," the master plan says. "Imports of broiler meat (excluding MDM) have increased 73% over five years. "If this trend is not reversed, then the South African industry can be expected to stagnate and slowly decline, affecting jobs and livelihoods across the value chain from maize and soya farming to food processing. It would also threaten our food security in the longer term."

Under "Strategic Objectives", the master plan says South Africa needs to grow the poultry sector for both local and export production and to protect against potential loss of capacity.

"We need to expand our poultry sector and avoid losing local capacity. Our aim is therefore to contain imports. In addition, we should act decisively against unfair forms of trade and any attempts to dump products in our market," the master plan stated.

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Brazil's poultry industry employs 3.6m people. It's time to stop sending jobs overseas. #buylocal chicken.

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9 Notes: Why these steps are not protectionist

They are required, in terms of local and international trade law, to provide a level playing field where all countries can compete on equal terms.

South African chicken producers are among the most efficient in the world, producing chickens cheaper than most countries, including all EU countries.

They would compete effectively against all imports, including subsidised EU and Brazilian imports, provided steps are taken to counter the unfair advantage resulting from subsidies and the unequal impact of various regulations.

At stake is the survival of the Southern African chicken industry and the jobs of tens of thousands of workers in the region's poultry and grain industries. Brazil and the EU are the core of this existential threat.

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10 Notes: An introduction to duties and tariffs

The World Trade Organisation, which sets the rules on fair trade, says countries are entitled to charge additional import duties to compensate for damage caused by unfair trade.

These mainly fall into three categories:

1. Actions taken against dumping.
2. Countervailing duties to offset trade-distorting subsidies.
3. Safeguard duties to counter an imports surge and protect domestic industries.

Countries can also adjust the general tariffs that they charge all countries except those with whom they share preferential trading blocs. These are known as Most Favoured Nation or MFN tariffs. In South Africa's case, its MFN tariffs do not apply to its neighbours in the Southern African Customs Union (SACU) or to the EU, with which it has duty-free trade agreements.

Anti-dumping duties, MFN tariffs and safeguard duties are all in force against a number of South Africa's trading partners.

1. Anti-dumping duties

In addition to saying that dumping is "selling at an unfairly low price", the WTO also says that dumping is "exporting at below cost to gain market share". That is predatory trade, and it has devastated the chicken industry in South Africa. It also threatens others industries such as steel, textiles, dairy and cement.

Selling below production cost is one measure of dumping. More usually it is called a "dumping margin" – the difference between the price goods are sold for in a target country and the price charged in the producer's home country, or in third countries.

This difference is expressed as a percentage – if goods are landed in South African for R10 when they are sold in the home country for R20, the dumping margin is 100%. Incoming goods in the specified category would then be subject at the port of entry to 100% anti-dumping duties, or whatever other rate is approved.

Industries applying for anti-dumping duties must produce the evidence on which they calculate the dumping margin. They must also show that "material harm" has been caused to the industry, or is likely to be caused if dumping continues. Applications are open for public comment and the dumping margin, or the claim that dumping is happening, can be contested.

In South Africa, applications are considered by the trade regulation body the International Trade Administration Commission (ITAC) which then submits a recommendation to the government. The final decision is made by the Minister of Trade, Industry and Competition after consultation with the Treasury.

South Africa currently has anti-dumping duties in place against four countries exporting frozen chicken portions. They are the United States, two European Union countries – the Netherlands, Germany - and the United Kingdom, which was part of the EU for trade purposes until its exit at the end of 2020. The duties are reviewed every five years.

The EU duties have been in place since 2015 and the local industry has applied to have them renewed and increased because existing tariffs are ineffective. The US duties have been in force from 2000, but since 2016 the US has been allowed to bring in substantial quotas free of these duties.

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Safeguard duties

Although in terms of a trade agreement, all EU goods enter South Africa free of duty, safeguard duties can still be applied.

Because of a huge volume of chicken imports, safeguard duties were approved against all EU countries in 2018. The rate was set at 35.3%, reducing to 30% in March 2019, 25% in March 2020 and 15% in March 2021. It falls away entirely in March 2022.

MFN tariffs

South Africa's MFN tariffs apply to all countries outside the SACU and EU trade blocs. This means they apply to the Mercosur countries (including Brazil and Argentina), the United States, and all Asian nations.

In March 2020, MFN tariffs on frozen chicken portions were increased to 62% (from 37%) for bone-in portions and to 42% (from 12%) for boneless portions.

The FairPlay manifesto

We fight for jobs and a growing economy

The FairPlay movement was started in 2016 as a global initiative opposing the predatory trade practice of dumping and was initiated in response to predatory trade practices against South African agricultural industries such as sugar and chicken.

We promote fairness in trade – we are not protectionist and we do not oppose imports. What we do oppose is unfair and predatory trade – dumped and subsidised imports aimed at taking over the local market to the detriment of South African consumer interests and killing South African jobs.
Since 2016 FairPlay has campaigned relentlessly against the assault on South Africa's chicken industry and on behalf of the thousands of workers whose jobs are threatened by chicken dumping from Brazil and the European Union.

We have welcomed government efforts to end the crisis facing the chicken industry, because in the end it is only government intervention that can do so. Without tariff protection against unfair and predatory imports, the industry is in real danger of collapse. Tariff support will enable the industry to stabilise, grow and create jobs.

Unfortunately, it is not only South Africa's chicken industry that is at risk from dumped and predatory imports. The sugar and cement industries are in crisis because of imports, which are also a major factor in the steel industry crisis. They are at risk of following South Africa's once-flourishing clothing and textile industry into near oblivion.

Add your voice to the cause

As a not-for-profit movement, FairPlay relies on the generous support of individuals, partner organisations and industry bodies to help us fund our anti-dumping programme of action.

Dumping and predatory trade doesn't just affect consumers, businesses, workers and governments in South Africa – it has become a major developmental hurdle for many countries across the continent.
We fight to give Africa a fighting chance,but we can't do this without your support. Help spread our message by following us on social media, or on our website.

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info@fairplaymovement.org

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