



FAIRPLAY

Special report
2016 – 2021

Five years of activism

Turning the tide
against predatory trade
in South African agriculture

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Introduction

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A message from our patron

When I joined the FairPlay movement as its patron in 2017, I did so because I believed in the need for an organisation to fight against dumping and predatory trade. The need remains great, not only in South Africa but globally.

By Justice Richard Goldstone

As I pointed out at FairPlay’s Social Support Summit in 2017, dumping and predatory trade are not unlawful in terms of international law, but they are “condemned”. The only available remedy is import tariffs to counter the degree to which dumped goods are under-priced.

However, dumping and predatory trade also raise constitutional and humanitarian considerations when they lead to the contraction and closure of local businesses and the loss of large numbers of jobs. This is what has happened to the South African poultry industry. The Social Support Summit was held to explore ways to help the thousands of chicken industry workers who had lost their jobs.

South Africa’s post-apartheid constitution is the first in the world to include social and economic rights as justiciable rights – that is, rights that can be enforced by law. These



include the right of access to housing, health care and the right to education.

They were included in the constitution in recognition that what the majority of our people need and want is income to allow them and their families to enjoy sufficient food to eat, have a roof over their heads and have their children educated. For most South Africans, these second generation rights are as important as the first generation rights such as freedom of expression, freedom of assembly and freedom from unlawful arrest.

First generation rights have little practical meaning for the millions who are unemployed and forced to live in circumstances our constitution does not countenance. What I told the summit remains true – in the face of substantial unemployment it is crucial to

▲ Above: Justice Richard Goldstone. Image: Sunday Times / Ruvan Boshoff.

◀ Previous: Justice Richard Goldstone at the UN. Image: UN Photo/Jean-Marc Ferre.



Dumping may not be illegal but it is unethical. It is in the interests of all South Africans that trade is conducted fairly and in accordance with local and international law.

preserve and protect current employment and to encourage all means of creating new employment. Every day we should give thought to the millions of our fellow citizens who cannot find employment and to the suffering this causes for them and their families.

The FairPlay movement has pursued this goal with vigour, not only in the poultry industry but in support of others confronted with contraction and job losses because of dumped and predatory imports. These have included the sugar industry – now, like poultry, supported by a government-led master plan – and FairPlay’s voice has been heard championing local jobs in clothing and textiles, steel, cement and other industries.

It remains important for these industries and for organisations such as FairPlay to continue to expose predatory dumping and its impact on the people and communities affected by it. Equally it is important for the government

to act against it. If the facts establish predatory dumping – that is that the party or parties dumping have as their motive or one of their motives the destruction of South African competitors – then the government should take such steps as are justified under international and South African law to prevent it. This includes import tariffs.

If the facts justify it, the rule of law and fair play in trade dictate that on moral and legal grounds such action should be taken. It is in the interests of the government to act against practices that are damaging important industries and potentially causing the loss of many jobs.

Lastly, dumping may not be illegal but it is unethical. It is in the interests of all South Africans that trade is conducted fairly and in accordance with local and international law.

In trade, as in everything else, the rule of law must prevail. ●

The FairPlay Social Support Summit 2017. ▼



Our five year journey

By François Baird

Standing on the side of the people

FairPlay has had a rewarding and challenging journey over the past five years. Our movement was formed in October 2016 to fight against trade dumping. With limited resources, we decided to focus on dumped chicken imports that were crippling the South African chicken industry.

Back then, we realised that a thriving poultry industry is mission critical for South Africa. We worried about potential plant closures and job losses in rural areas, about the livelihoods of small poultry farmers, mostly black, who were vital in helping to provide the nation with protein.

Although dumped and predatory imports had increased steadily for nearly two decades at the cost of thousands of South African jobs, dumping and its effects evoked little public debate.

Dumping and the poultry sector also appeared to be far lower on the list of government priorities than they should have been.

In the sugar industry, the story was the same. Dumped imports had similarly put an industry in distress, causing job losses and threatening thousands more. Two strategic national industries, major components of the agricultural sector, were in trouble and dumping was spreading misery, particularly in poor rural areas.



No-one has proved more valuable in helping FairPlay to wrap its mind around these issues than our friend and Expert Panel member, the towering Professor Mohammad Karaan. Losing him to Covid-19 was a body blow. We can never do adequate justice to his life and contributions.

With the help of our Expert Panel, FairPlay worked hard to focus the debate. By exposing and highlighting the damage that dumping does, and the impact of dumping on jobs, livelihoods and communities, we helped to explain why dumping is not only unacceptable, but toxic. Where chicken importers had tried to paint the local industry as inefficient and uncompetitive, we not only demonstrated that the South African poultry industry is in the top ten most competitive in the world, but turned the spotlight on importers and the outcomes of their practices for fatter profits.

Where importers wanted no restrictions on billions made from imports, we showed why tariffs and anti-dumping duties not only protected local jobs and livelihoods, but were in the interests of consumers, food safety and food security for a healthy South Africa. In trying to combat one of the highest child stunting levels in the world, local chicken is irreplaceable in the solution to save childrens’ future. We also emphasised the importance of the poultry food value chain. After all, South African chickens eat local maize and soya, imported chickens don’t.

We highlighted the devastation that cheap European Union imports had brought upon the chicken industries in West Africa, and brought the leader of the industry in Ghana to South Africa to explain what would happen if we allowed the rise in dumped chicken imports to destroy the local industry.

When a 2017 USAID study of poultry prices in Ghana showed that chicken in Ghana cost more than steak in South Africa, we realised that dumping is not simply a tactic to fatten importer profits, but a predatory trade strategy to ensure market dominance of the powerful poultry countries like Brazil, the EU and USA in

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Where importers wanted no restrictions on billions made from imports, we showed why tariffs and anti-dumping duties not only protected local jobs and livelihoods, but were in the interests of consumers, food safety and food security.



developing countries all over Africa. Therefore we marched with retrenched poultry industry workers and their bosses to the European Union offices in South Africa.

We marched with sugar producers and black sugar farmers to the offices of the Department of Trade and Industry. We marched with trade unions to the offices of SARS against illicit trade practices.

The FairPlay Social Support Summit at the University of Johannesburg in 2017 allowed us to learn first-hand how dumping impacted its victims and how little the powerful dumping producers care. We held talks with organised agriculture, including AgriSA and AgriBiz, the grain producers and trade and industry experts like local and international lawyers and academics, to better understand the problems and possible solutions.

We called on all parties to come together to seek higher-order solutions before these industries collapsed and thousands more jobs were lost. It is to their credit that the entire poultry industry and government came together to seek solutions, resulting in the Poultry Sector Master Plan as the first plan, becoming the template for other industries threatened by dumping.

As a result of all industry participants (including importers) and government crafting a plan together, both industries now have team South Africa master plans which seek to curb imports, increase local production and create local jobs. Everyone signed up.

We continue to encourage faster, better implementation by all the participants of the master plans, for the sake of South Africa. This is more important than ever, amidst the economic destruction of the pandemic.

Unfortunately, dumping is not history. Therefore we continue to encourage local industries to bring anti-dumping applications as prescribed in the rules of the World Trade Organisation.



This is expensive and slow, but unless it is done, the predators continue dumping with impunity while brazenly denying their practices. There is currently another poultry dumping application against five countries being adjudicated, which we hope will succeed. More industries should join this fight.

Poultry and sugar are not the only industries threatened by dumped imports. In the course of our journey we have had conversations with the milk, potato, cement and steel industries. We have been in contact with industries in other countries facing the same problem, who want our help too.

There is also now a healthy national debate on localisation, with the government promoting the replacement of a number of imported products, including some poultry imports, with local production and the creation of local jobs.

This is where predatory trade issues such as dumping and its counter – local industry development – should be, high on the public and political agenda.

For South Africa to thrive, an informed public, and government policies determined by an examination of the facts and considerations of national interest, are vital. FairPlay will continue to contribute to that debate and to fight for seeking and implementing higher-order solutions.

Dumping is a scourge, locally and internationally, and it must be eradicated. Predatory trade should become a global focus in the world trade community. ●

▲ Poultry producers, meat importers and government sign the Poultry Sector Master Plan at the SA Investment Conference on 6 November 2019. Image: SAIC

Previous page: FairPlay marches against predatory imports in 2017.

Top: Prof Mohammad Karaan was respected throughout the agricultural sector. He made a significant contribution to agriculture in South Africa and was an invaluable ally to FairPlay.

Bottom: The Food and Allied Workers’ Union (FAWU) and FairPlay march for VAT-free chicken in 2018.

2017

- FairPlay launches its **Expert Panel** in January, building a community of support against dumping.
- We stage an **anti-dumping protest** at the EU offices in Pretoria, where trade union members and management march together.
- We host our first **Social Summit** in August and welcome Justice Richard Goldstone as patron of our movement.
- We deliver an **anti-dumping petition** with 8 000 signatures to President Ramaphosa.
- Internationally recognised research proves South Africa is among the **top six most competitive** poultry producers in the world.
- Importers try to strangle FairPlay with **unsuccessful legal action**.
- Poultry is recognised as a **strategic asset of South Africa** and dumping becomes toxic.

2018

- The government approves **safeguard duties** against chicken imports from all EU countries.
- We launch a campaign to promote **zero-rating VAT on chicken**, and march to Parliament.
- We **formed an alliance** with the poultry industry in Ghana, and gained support against dumping in Cameroon, Senegal and Namibia.
- We gain the **support of COSATU** and **march with FAWU** to the DTI Campus in Pretoria.
- The **listeriosis crisis** kills more than 200 people and we call for establishment of a national food safety agency.
- **International research** confirms the competitiveness of SA poultry.
- We commissioned a **SNAP survey** report, resulting in closer collaboration between the poultry industry and government.
- To support the **sugar industry**, we campaign for alternative uses of sugar.

2019

- After a major **food safety scandal**, we call for a ban on Brazilian chicken.
- We support the creation of poultry and sugar industry **master plans**.
- Our cause gains **international attention** in global media.
- We **protest at the EU offices** in Pretoria in response to an EU report that sought to justify predatory trade.
- We **march on SARS** to protest against illicit trade.
- We apply pressure to regulators and retailers after we uncover **imported chicken flouting labelling laws**.
- The **poultry master plan is signed** in November.

2020

- **Packaging regulations** for imported chicken are tightened.
- Research again confirms the **international competitiveness** of SA poultry.
- The **government grants tariffs** of 62% for frozen bone-in chicken portions and 42% for frozen boneless portions from non-EU countries.
- The **sugar sector master plan is signed** in November.
- We highlight **child stunting** as an outcome of predatory trade in poultry.
- We warn of the potential for increased poultry dumping resulting from trade disruption and **call for investigations** and anti-dumping applications to be made to South Africa's trade commission.

2021

- The **African Continental Free Trade Area** commences.
- **New labelling laws** for imported chicken portions come into effect.
- We support a **new anti-dumping application** filed with ITAC against poultry imports from Brazil and four EU countries.
- ITAC recommends the **renewal of existing duties** against chicken imports from Germany, The Netherlands and the UK.
- We continue to call for the establishment of a new **national food safety agency**.
- We call on SARS to **clamp down on illicit trading practices**.
- We seek ways to help SA recover from the pandemic, as we give our support to the **Siyabuya movement**.
- Predatory trade becomes the bulwark of our fight against dumping.



Voices from the FairPlay community

With contributions by

The poultry sector

The South African Poultry Association
Astral Foods
RCL Foods
Grain Field Chickens
Sovereign Foods

The labour movement

Confederation of South African Trade Unions
South African Federation of Trade Unions
Food and Allied Workers' Union

Economists and experts

Corné Louw
Professor Johan Willemse
Mike Schüssler

Allies in Africa

Dr Ralph Nordjo for the African Consensus Centre, Ghana
Arwil Viviers for Namib Mills, Namibia

Other sectors

Bryan Perrie for Cement and Concrete SA
Ivor Price for Food for Mzansi
Clive Tigere, Owner of KC Hatchery
Ellen Mokau, small farmer & founder of Isondo Farmers Stokvel

The FairPlay community
South African poultry



**Aziz Sulliman, Chairman
South African Poultry
Association**



Changing the fortunes and the image of the South African poultry industry takes time. We have made a lot of progress in the past five years, and have done so with the support of FairPlay.

The image of the industry has changed from one that needs help, to one that is recognised as globally competitive – an industry we can be proud of.

We are now positioned as a strategic national industry for economic growth and job creation.

This is true not only in the poultry industry but also in the grain industry value chain.

Increased grain production – because of rising demand from the poultry industry – will increase activity throughout the value chain, boosting South Africa’s economic growth. We have also valued FairPlay’s

support of the poultry sector master plan, which we see as an industry growth plan, and for the policy of localisation expressed in that plan.

The South African Poultry Association (SAPA) believes localisation is a sound policy when a world class industry is threatened by illegal and unfair trade.

Our poultry industry does not need any protection against fair trade – we are the sixth most efficient producer in the world.

We thank FairPlay for its support of fair trade not only in poultry but also in sugar, textiles and many others. ●



**Izaak Breitenbach,
GM: Broiler Organisation,
South African Poultry
Association**



FairPlay has certainly highlighted and verbalised the catastrophic impact of illegal

and unfair trade on South Africa in general, and the poultry and sugar industries in particular.

In the poultry sector, illegal and unfair trade cost the industry and the country approximately 15 000 jobs.

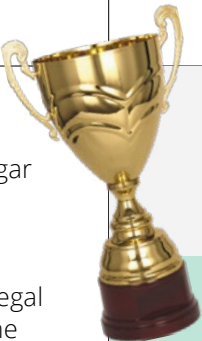
Illegal and unfair trade exports billions of Rands in economic value every year, excluding the contribution loss of imported chicken not eating local maize.

The riots earlier this year exposed the serious food security issues that our country would face should we become reliant on imported food products. The multiple production bases of local producers saved the day.

With the support of FairPlay, our world-class industry has risen to the occasion in creating an increase of 9.8% in production capacity, creating more than 2 000 jobs in the value chain and creating markets for several transformation initiatives.

Focused localisation in a globally competitive poultry industry has delivered benefits for the sector, and the country, in creating additional economic activity worth almost R5bn, as well as much needed jobs.

Our next challenge will be to accelerate the growth of the industry over the next 5 years. ●



6th place

In 2017 the University of Wageningen ranked SA’s poultry industry as one of the most efficient in the world.



Grain gains

Local grain farmers grew over 300 000 extra tonnes of grain this year, to feed more chickens as local poultry production increases.



Gary Arnold, Group COO, Astral Foods



South Africa has over many years experienced a surge in chicken imports, threatening the long-term viability of the industry and negatively impacting on employment within the agricultural sector.

Chicken imports make up around 30% of all chicken consumed locally, a statistic far higher than in many poultry producing or importing countries around the world.

A large proportion of the imports into South Africa are predatory, and empirical evidence proves that the chicken is dumped in South Africa at a cost well below that to produce it in the country of origin. This has created an environment fit for importers to make massive margins on the imported product, as one often does not see any price benefit

being passed on to the end consumer.

At the same time quality control around this imported product is less than desirable and the indiscriminate practice of thawing frozen bulk chicken imports, injecting it with brine and refreezing the product for sale to an unsuspecting consumer is fraught with food safety concerns.

This together with the multiple countries of origin listed on the bags used to package the frozen portions, leaves the consumer with no recourse should a food safety issue arise.

FairPlay has over the years provided an important voice in the fight to combat predatory trade and continues to push for better control and policing of a sector (meat importers) that enjoys many freedoms not enjoyed by the highly regulated formal poultry sector in South Africa.

FairPlay's goal is to end predatory trade practices between countries, so that both large and small nations trade off a level playing field. FairPlay in alliance with existing organisations and a panel of experts formulates and promotes strategies to defend communities made vulnerable by predatory trade practices and promote sustainable livelihoods.

The South African poultry industry recognises the

sterling work they do, and thanks FairPlay for the important contribution they make in working to safeguard a very important industry on the South Africa agricultural landscape.

The South African poultry industry is the largest contributor to agricultural GDP, promotes localisation and food security and provides employment to thousands of people supporting many families. ●



Marthinus Stander, MD Chicken, RCL Foods



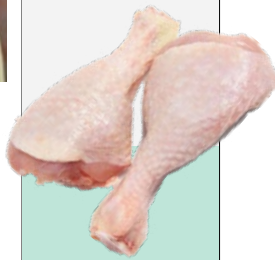
FairPlay has been a forceful ally of the poultry industry for the past five years. We have greatly valued FairPlay's support in the fight to stop dumped chicken imports which have cost thousands of South African jobs.

The distress that dumping caused the industry included



Big profits for bad actions

Law firm Webber Wentzel has found evidence that dumping margins on some frozen chicken imports reach as high as 177%.



Safety first

Imported chicken is bulk thawed on arrival, sorted, often brined, repackaged and then refrozen. This excessive handling increases food safety risks to consumers.

the closure of Rainbow's Hammarisdale plant in early 2017, which resulted in 1 200 retrenchments.

It was at that time that François Baird and his team said the industry could only be rescued by a solution developed and supported by government, industry and labour.

We now have a poultry master plan which aims to do exactly that, by curbing imports and expanding local production.

There have been some successes, but there is much still to do. FairPlay's focus on dumping and illegal trade remains essential. ●



Theo van Strijp, MD, Grain Field Chickens



The FairPlay movement has become a business partner and whilst we focus on our business, they have built up a reputation of being the

watchdog for the industry.

They have done excellent work engaging with all role-players, building sustainable relationships, and creating solid platforms from where progress can be made.

Their track record speaks for itself as well as results already achieved. We are proud to be associated with FairPlay and will continue to do so in future. Keep up the good work. ●



Chris Coombes, CEO, Sovereign Foods



The continuous dumping and predatory trade of poultry is a perpetual drain on the local industry. When poultry is dumped in South Africa at prices lower than cost of production in the country of origination, the sustainability of the local poultry industry is

placed in jeopardy. Local producers are unable to compete with these below-cost imports.

Putting an end to this dumping and predatory trade will empower the local poultry industry through allowing it to compete with international competition on a like-for-like basis, restoring equilibrium in pricing to fair levels. This will in turn encourage local entrants into the market as the barrier to entry will be lowered.

Locally produced volumes will increase with economies of scale being achieved. Increased volumes lead to an increase in jobs within the sector directly as well as indirectly, considering the number of inputs and their industries in the poultry supply chain.

Higher efficiencies will result in lower costs to the consumer and will also contribute towards enabling the South African producers to export product on a competitive basis. ●

A mountain of frozen chicken

According to the Poultry Sector Master Plan, over the past 20 years chicken imports to South Africa have surged by 400%





Matthew Parks,
*Parliamentary
Coordinator, COSATU*



The Congress of South African Trade Unions backs FairPlay in its campaign to stop chicken imports being dumped in South Africa.

This is a fight for jobs. Chicken imports have already killed thousands of jobs and are threatening thousands more. In a country with the highest unemployment rate in the world, every job saved is a victory, and every job created helps to feed families and communities.

FairPlay has helped to expose the misery that dumping causes in South Africa, and to rally support for South African jobs. COSATU congratulates FairPlay on its achievements over the past five years and wishes it strength to continue the fight in the years to come. ●



Zwelinzima Vavi,
General Secretary, SAFTU



The South African Federation of Trade Unions is pleased that even before it was created through its second largest affiliated union – the Food Allied Workers Union (FAWU) – it supported the campaign for fair trade.

We did so because we had witnessed the haemorrhaging of workers' jobs due to dumping and predatory trade including from countries we consider as political allies to South Africa.

This cooperation proved once more that there will always be a need for tactical alliances even between the workers and their employers on matters of common interest.

The cooperation between FAWU and the employers in the poultry sector coordinated so effectively by FairPlay played

a magnificent role in turning the tide against dumping and unfair trade.

We have not won the war but certainly most South Africans are today better informed about their responsibility to play their role in protecting local industries and local jobs.

Yes we must do more, but certainly the foundations have been laid.

SAFTU wishes FairPlay a happy anniversary. We commit to remain your allies in a long journey to root out unfairness in trade between countries.

Vuka Chonco,
*Deputy General Secretary,
FAWU*



The Food and Allied Workers Union congratulates FairPlay for exposing unfair international trade for half a decade.

We convey our appreciation for all the campaigns against chicken dumping that FairPlay has been a part of – FairPlay is at the forefront of protecting the jobs of ordinary workers.

FAWU will continue to support and work with FairPlay to ensure that jobs in our country are protected. ●

FairPlay marches with the Food and Allied Workers Union in 2018. ►





Corné Louw, Senior
Economist, Grain SA



South Africa has the resources and potential to produce food for our own consumption.

Self-sufficiency over time has proven to be the cheapest way to feed one's nation. To be less dependent on imports also saves our foreign exchange reserves and creates job opportunities.

To import food that we could have produced ourselves, means we are creating jobs in other countries, to the detriment of our own country and its people. ●



Prof Johan Willemse,
Agricultural Economist
and FairPlay expert panel
member



As an agricultural economist and a member of FairPlay's expert advisory panel, I have conducted research into meat imports and the impact of import duties and tariffs.

It has been interesting to note that claims by importers to supply cheap chicken to poor consumers have not been substantiated.

Low import prices are not passed on to consumers. ●



Mike Schüssler, Economist and
FairPlay expert panel member



FairPlay is an important voice in the opposition to trade dumping and the fight for fair trade practices.

This must continue, because anomalies and unfair trade practices continue.

I am still waiting for straight answers to my questions about apparent tariff code changes to chicken imports from Brazil and the EU. Fight on, FairPlay. ●

The value of poultry imports to South Africa

Chicken imports reached a record high in 2018. Imports of bone-in portions alone doubled from 145 000 tonnes in 2013 to 287 000 tonnes in 2018 – a 23% increase on the previous year.

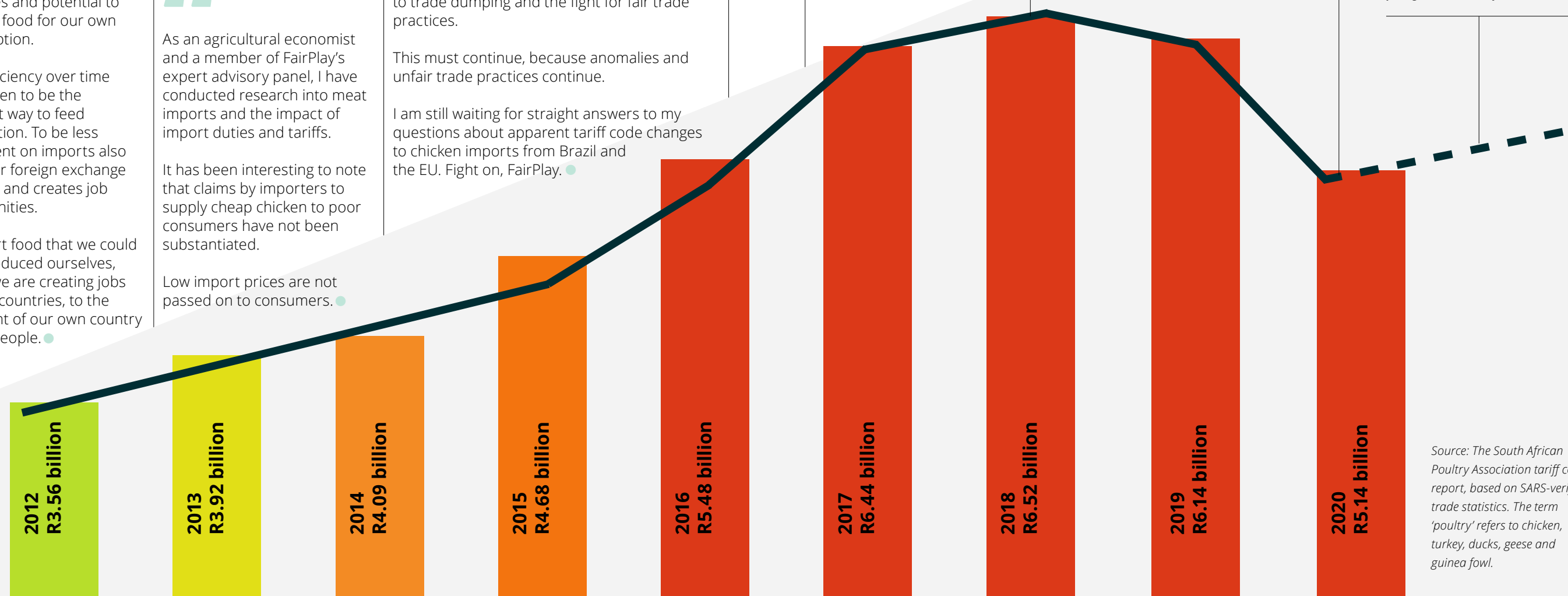
Imports were temporarily constricted in 2020 due to the impact of the Covid-19 pandemic, which disrupted global supply chains.

The government also granted import tariffs of 62% for frozen bone-in chicken portions and 42% for frozen boneless portions from non-EU countries..

The share of imports in domestic consumption is projected to reach 21% by 2030, from an average of 24% in the 2018-2020 base period.

While substantially slower than in the past and not reaching the peaks of 2018, imports are still projected to increase over the coming decade.

Source: Baseline Agricultural Outlook 2021 – 2030, published by the Bureau for Agricultural Policy (BFAP).



Source: The South African Poultry Association tariff code report, based on SARS-verified trade statistics. The term 'poultry' refers to chicken, turkey, ducks, geese and guinea fowl.



Dr Ralph Nordjo,
*Executive Director,
African Consensus
Centre – Ghana*



Poultry farming has been with us for centuries. In Africa it is common to find households engaged in poultry farming as a way of life. It is a source of income generation and a way to improve the welfare of households.

Poultry farming has been the backbone of livelihoods for most indigenous people, who are mainly small-scale farmers.

Over the course of the industrial revolution and beyond, improved technology was introduced to increase production of goods and services. This is without exception to the poultry industry that witnessed its transformation and expansion into commercial farming across the globe.

In the 21st century, the world's production of chicken has increased from 7,56 million tonnes in 1961 to 114,28 million tonnes in 2018.

During this same period (1961–2018), chicken production in Asia increased from 1,21 million tonnes to 40 million tonnes. Europe increased its production from 2,68 million tonnes to 18,65 million tonnes. Africa remains a small producer, increasing production from 0,316 million tonnes to 5,75 million tonnes.

Unfortunately, increasing chicken production does not mean poultry industries are improving. In a country like Ghana where the per capita chicken meat consumption has increased from 0.81kg in 1961 to 7.24kg in 2017 , the poultry industry has virtually collapsed because of the importation of chicken largely from Europe, Brazil, and the US.

The quality of some of these imported products remains questionable in terms of taste, nutritional and health benefits. This high level of imports has had a tremendous negative effect on our poultry industry, which used to be a vibrant job creator in the agricultural value chain. These imports have contributed to widening the scale of poverty in Ghana.

The case of Ghana is common to most other countries in Africa including Southern Africa where per capita chicken mean consumption has



▲ *Yvonne Takang marching against trade dumping in Berlin, 2016.*
Credit: Hermann Bredehorst/ Brot für die Welt.



**The one thing you should know
is that African economies rest on
Agriculture with a big A.**

**When that sector is affected, the
country's economy goes down. We
should fight very hard to protect
agriculture on this continent.**

Yvonne Takang, spearheaded Cameroon's successful fight-back against the predatory trade practices that came close to destroying that country's poultry industry.

increased from 1.93kg in 1961 to 35.69kg in 2017 amidst high imports at the expense of the local industry.

African leaders have failed to adopt innovative policies to protect and promote devastated poultry industries. The cost of this failure contributes to the high level of unemployment and the high levels of poverty in Africa.

What FairPlay is advocating for, is not against free trade but the call for a fair play within free trade agreements. Such a call for fair play strengthens industries and benefits the average citizen – who elects leaders with the expectation they initiate policies that would improve their welfare.

It is therefore important for leaders to consider the economic and welfare gains of fair play for the benefit of their citizens and economy at large.

On that note, while we focus on promoting the African Continental Free Trade Area (AfCFTA), it is important we give priority to the poultry sector and ensure it stimulates growth and development. ●

Arwil Viviers,
*International Trade
Specialist, Namib Mills –
Namibia*



The poultry industry within SACU has been under severe pressure over the past few years with cheap imported poultry products hampering industry growth.

Poultry producers in Namibia are no exception and have faced many of the same problems – being unable to sell locally produced products to retailers, or in the informal market, due to the high number of dumped imports.

The situation has even started hurting importers and retailers, who are complaining about the quantity, as well as quality, of these imported products.

Namibia has had a number of engagements with FairPlay regarding these practices. FairPlay's never-ending fight against unfair trade, is a goal

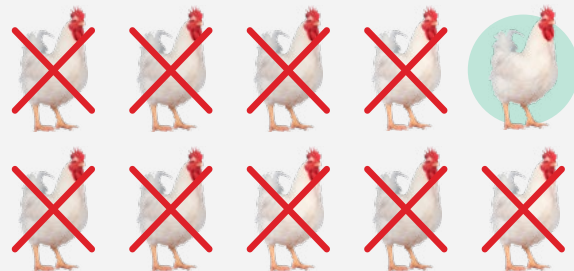
that is shared with Namibian poultry producers – we want a fair and equal trade environment free of dumped products.

Even though the Namibian poultry industry is a relatively young one, it's experiencing the exact same troubles in terms of dumped products as South Africa.

Despite its young age, the Namibian industry's producers are producing at costs comparable to regional as well as international markets. However, what the Namibian industry cannot compete with is when unwanted portions, or surplus supply, is dumped into the market below cost price. When this occurs, imports increase exponentially, and unfair trade wreaks havoc.

No producer in the world can compete against such onslaughts.

This is why we need groups like FairPlay to bring these trade injustices to light and assist local industries to remain sustainable. ●



**9 out of every 10
chickens in Ghana
are now imported.**

Source: POLITICO, 2019



**Bryan Perrie, CEO,
Cement and Concrete SA**



South Africa has the capacity to produce 20 to 21 million tonnes of cement each year. We're currently producing around 13 million tonnes.

Although cheaper, imported cements may not always conform to regulatory standards. Local cement producers comply with a Mining Charter, transformation targets, social and labour plans, and pay carbon tax – imports do not contribute to any of these.

The good news is that National Treasury has officially designated local cement, which means imported cement is prohibited for use in all state-funded projects.

While this will help to reduce imports, the industry is also engaging with ITAC on more measures to restrict cheap imports of cement. ●



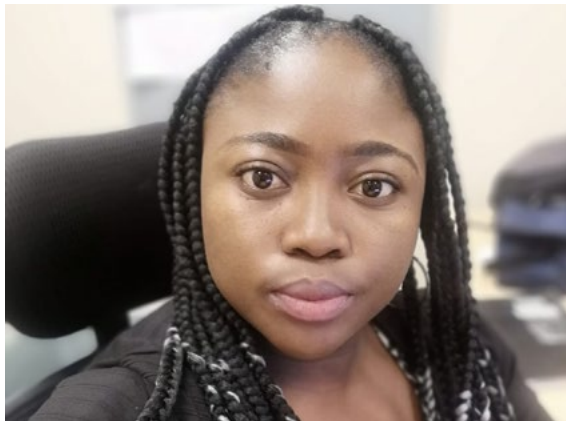
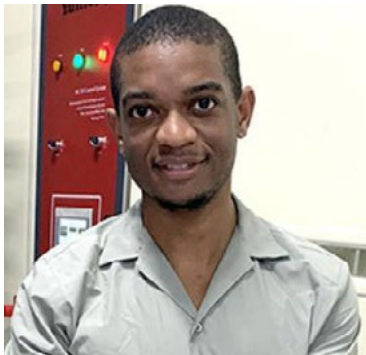
**Ivor Price, Co-founder
Food for Mzansi**



Food for Mzansi has been a partner to the Fairplay Movement for the last few years because we think their mission is important for the growth of the domestic agriculture industry.

We worked together in various webinars which were important for the protection and growth of the local farmers, and that is a cause we are happy to champion.

All the best for the next few years. ●



**Ellen Mokau, Poultry farmer and
founder of Isondo Farmers Stokvel**



Small chicken farmers need a chance to thrive. They need a competitive environment not skewed by chicken dumping from countries that do not contribute to our livelihoods. Through our stokvel concept, we have managed to create income streams for more than 30 other small-scale chicken farmers.

These operations are at constant threat of closure as hard pressed consumers opt to buy cheaper dumped chicken which is sold below the cost of local production.

We support government efforts to stop unfair trade practices. Dumping must be stopped to give local small farmers a chance to put food on their table. ●

Clive Tigere, Owner of KC Hatchery



When small chicken farmers buy less of our day-old chicks because their customers buy dumped chickens, that has a big impact on our business. There is no way a small local farmer can compete with that. The Fairplay Movement has our full support. ●

Fighting predatory trade: new tactics for a new era

With contributions by

François Baird
Ashoek Adhikari
The FairPlay Movement

Eustace Mashimbye, CEO ProudlySA
Proudly South African

Professor Johan Willemse
FairPlay expert panel member



FairPlay looks ahead

Smaller nations like South Africa have to seek new and smarter solutions to combat predatory trade. The solution will require more than simply reaching for the high-handed trade defence measures of a previous era. We need new thinking and higher-order solutions.

*By François Baird,
Founder of the FairPlay Movement*

The international trade landscape is in revolution.

During the past five years, the big trading blocs have become aggressively nationalist, largely turning their faces from the globalisation and free trade policies of the post-World War two era and acted aggressively in their own interests. The World Trade Organisation (WTO) and smaller market players have struggled to navigate a new era, where the rules of trade are unclear.

Dumping and other forms of predatory trade practices proliferated. Into this uncertainty exploded the disruption of the global Covid-19 pandemic. Smaller, poorer trading nations paid the price in increasing hunger, disease and unemployment.

When elephants fight, the grass gets trampled. Dumping kills jobs, usually in poverty-stricken



areas while importers and middle men make fat profits. When the powerful trading blocs put themselves first, who will stand on the side of the people who suffer as a result?

The FairPlay movement was launched in South Africa five years ago when the effects of unbridled dumping manifested in poultry plant closures and resultant job losses. Dumping decimated poultry production by small scale poultry farmers of whom many lost their livelihoods. The outcome is devastating to small rural communities, where poverty drastically increased with devastating social impact. The Covid-19 pandemic has accelerated poverty and disrupted trade.

Looking forward, FairPlay will seek to accelerate the fight against predatory trade and to ameliorate pandemic impacts.

We need new thinking and higher-order solutions. The answer will require more than simply reaching for the high-handed trade defence measures of a previous era, still practised by the powerful trading blocs as a sophisticated form of an undeclared trade war; tit-for-tat tariffs, import prohibitions and phyto-sanitary measures. While huge, powerful traders like Brazil, the European Union, China and the USA are able to get away with it, smaller nations like South Africa, in poorer continents



Covid-19's impact on the economy

Three million jobs were lost between February and June 2020. Covid-19 took South Africa's manufacturing back to 1962 levels as a share of GDP.

like Africa, have to seek new and smarter solutions to combat predatory trade that seeks to cripple local production through dumping and unfair competition for the sake of eventual market domination.

One example is the way in which all the market participants in the South African poultry industry came together to craft a master plan for the development of the industry, which has already resulted in significant new investment and thousands of new jobs being created.

The master plan solution is likely easier in sectors like poultry, where the local producers are already globally competitive and the value chain impact through maize and soya make the argument for a master plan iron-clad.

We need a unified modern trade community, more partnerships and to take hands across borders. For the new African Free Trade bloc to become successful, it should become a powerful voice against predatory trade and for fair play measures at the WTO and in the international community. FairPlay will seek to support this effort.

Smaller trading nations should join forces in regional blocs like SADC to encourage and develop home-grown competitive solutions, supported by bigger trading nations with a conscience, based on local examples and backed up by sound research.

FairPlay will grow its expert panel and network partnerships to be useful to these efforts. Illicit

Below: Grain Field Chickens runs a state-of-the-art abattoir in Reitz in the eastern Free State. ▼

Right: Jobs slowly return to the industry. In 2017 RCL Foods was forced to retrench workers and close 15 broiler farms in Hammarsdale, due to predatory imports. ►



practices will require tax authorities to become agile and use new technology.

Most importantly, the progress of the past five years against dumping and predatory trade cannot be taken for granted and banked. If we have learned anything, it is that dumping and predatory trade is a constant threat requiring constant vigilance and unflagging effort.

The poultry master plan is behind schedule and its implementation must pick up pace. We will try to help.

FairPlay will continue to press home the need for buying local, and action against illegal trade, such as the mis-declaration or under-declaration of imports to reduce or evade import duties. The South African Revenue Service (SARS) is part of a master plan task team looking to identify and counter these activities.



Anti-dumping duties have been renewed against three European countries, and an application is being considered for new anti-dumping duties against chicken imports from Brazil and four other EU countries. Recommendations for a complete restructuring of import tariffs are expected in the near future.

We will continue to promote value chain traceability and a national food safety agency, and importantly, measures to increase food security to end child stunting.

In addition to these activities, FairPlay is promoting the Siyabuya! campaign to help people survive the ravages of the Covid-19 impact. Siyabuya believes the country can emerge stronger from the pandemic if citizens unite to ensure legitimate businesses flourish, that jobs are created wherever possible, that food support is given to the needy and that everyone stays healthy and gets vaccinated.

While FairPlay supports free trade and the rule of law, it has become vital for the health and development of emerging nations like South Africa to curb the illegal and immoral trade practice of dumping and predatory trade, worldwide and in all industries.

We are not done yet, but we see progress and a growing need. FairPlay will therefore continue aggressively to press the case against predatory trade, globally and across industry sectors. We will continue to fight for a level playing field in international trade, so that South African industries can compete on a fair basis with imports.

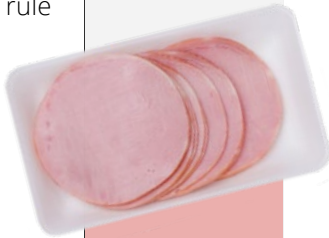
From cement to potatoes, more industry sectors recognise the need to stop predatory trade. We will continue to fight for South African jobs, and for increased local production of chicken.

The FairPlay Movement is more committed than ever to fighting predatory trade and standing on the side of the people. The struggle continues! ●



Child stunting

27% of children under 5 in South Africa are stunted, due to under-nutrition. This permanently affects their physical and brain development.



Clamping down on illegal trade

The DTIC, in a 2018 government report said over 5 000 tonnes of mechanically de-boned meat (MDM) was exported from Brazil, yet SARS stats show that 110 000 tonnes arrived in South Africa.

A closer look at abuse of dominance

Dumping is an unfair trade practice designed to capture a market and ultimately gain pricing power.

By Ashoek Adhikari, FairPlay activist

A free market is eminently desirable, something every nation ought to strive for. Economists who quantify the degree of freedom in the various global markets have largely found a positive relationship between these free markets and the rates of economic well-being.

A free market promotes efficiencies for participants, while the healthy competition spurs lower prices for consumers. Unfortunately, it is not uncommon for market players to participate in anti-competitive behaviours; behaviour that reduces or completely inhibits competition. Among the more pernicious of these behaviours is market conduct that amounts to an abuse of dominance, which encompasses a host of unfair, unethical trade practices aimed at bullying the other participants.

The abuse of a dominant position occurs when a dominant market participant has the motive to capture the market, often to gain pricing power. When this dominant player has pricing power, it forces all the other market participants to follow their lead.

One such an example is dumping; an unfair trade practice that is designed to capture a market in which the dominant player will face

little to no competition, and consequently, no countervailing power. These market participants price at a steep loss, way below their cost, and often lower than more efficient competitors, to ultimately gain pricing power. When a market participant abuses their dominance in such a way, they are engaging in predatory trade.

You can only really engage in predatory trade if you are dominant. A dominant player doesn't even have to have the biggest market share, just the capability to set the agenda for the market, forcing other participants to follow their lead, or refrain from participating. But markets have dominant players all the time, that in and of itself is not illegal, unethical or predatory – competition law states that if you are dominant, you are not allowed to abuse that dominance at the expense of other market participants.

All countries have competition law, as these laws are necessary to regulate the market in order for the market to operate efficiently for the benefit of its citizens. However, these domestic competition laws cannot be applied extra-territorially, which has led to Brazil, the EU and the USA, who are dominant producers globally, to abuse their dominance in the South African market – they are pricing in such a way as to capture the market to ultimately gain pricing power, setting the agenda (price) and driving out local competition, hurting local industry today, and the consumer tomorrow.

When that happens South African consumers will pay the Rand/Dollar exchange price for poultry. While entrepreneurs are rewarded for efficiency and innovation, there's no way they can win against a market power that abuses their dominance in such a way.

The vast jurisprudence on competition law illustrates that the conduct of dominant market participants is very often anti-competitive, designed to undermine the discipline that a healthy market imposes, and consequently unfair. When that unfairness is designed to drive out the competition, it is predatory trade. ●

Imports dominate the local market

An average of 24% of chicken in South Africa is imported. This means imports have a larger market share than any single local producer.



Many eggs in many baskets

Farming has the lowest market concentration level among all sectors in South Africa, with only 12% of income produced by the 20 largest firms – which include corporate sugar, poultry, meat and egg producers. Source: BFAP

FairPlay is important in the fight against dumping

As FairPlay marks its 5th anniversary, Proudly South African is celebrating its own milestone in 2021.

By Eustace Mashimbye, CEO, Proudly South African

It has been 20 years since the inception of the South African Buy Local movement which came out of the 1998 Presidential Jobs Summit, convened by the late former President Nelson Mandela.

Incorporated as an NPO in 2001, we have been working in this time to promote buying local and its benefits to the economy, to industry, to job creation and to the well-being of the country as a whole.

Since the Covid-19 pandemic reached our shores, localisation has become an even more critical factor in the economic recovery and reconstruction plans for South Africa.

Local procurement as a driver of economic growth is recognised the world over – ours is not a unique approach to creating more



job opportunities, but perhaps South Africa's unemployment situation makes our message all the more important.

FairPlay has highlighted the impact of imported poultry products on what is South African agriculture's largest single sector. Whilst much of the importation is legal, it can nevertheless be viewed as predatory and somewhat immoral with a damaging effect on our local poultry supply chain.

Once an industry disappears, it is almost impossible to revive it again as infrastructure, entire value chains and skills are lost. We simply cannot afford to shed jobs to the EU or other countries where government subsidies allow for predatory trade practices in overseas markets.

A more aggressive localisation approach some years ago could potentially have avoided the flood of cheap imports in a number of sectors. Had there not been a massive influx of dumped chicken from other parts of the world, local supply would be meeting local demand with room even for the exportation of poultry products to neighbouring countries. Instead, our poultry farmers operate in an environment without government subsidies which allow importers to undermine local prices and penetrate our market, stealing up to 30% of market share.

But what if the money spent on imports was diverted instead to invest in growing the sector



Local is lekker

TFG now sources 72% of its clothes locally. Imports now account for 28% – down from 40% four years ago.

▲ Above: Poultry producer Sovereign Foods this year opened a new state of the art factory in Kariega to boost production and local jobs.

► Top and right: TFG expects to employ 5000 workers by 2026. It is largest local apparel manufacturer in South Africa.

and bringing new entrants into the market and creating new jobs? R6.1bn was spent on chicken imports during 2018 which translates into an estimated potential of 15 000 new jobs. When it comes to job creation and poverty alleviation, and in the specific case of the agricultural sector, to food security, domestic production has to be prioritised.

We cannot afford as a country to sacrifice our poultry, clothing and textile, sugar, steel or any other vulnerable sector to predatory trade practices. The costs of not choosing to buy local are too high.

Conversely, the rewards of investment in local production are also high. The Foschini Group is a great example in the CTFL sector – they are now the largest local manufacturer, and Sovereign Foods' plant in Kariega gives new

meaning to 'greening your business', creating hundreds of jobs in the construction phase as well as many more in the operations of the business.

This is how localisation can create new jobs, create new value chains, grow the economy, and support the aspirations of local businesses and entrepreneurs. It is essential that we all as individual consumers heed the call to buy local, that businesses support local procurement and that we put an end to immoral and predatory trading from so-called friendly nations.

FairPlay is important in this battle. May FairPlay's next five years be as successful in fighting for local production and local jobs, and against the immoral and predatory trade that threaten them. ●



The value chain: tariffs on chicken imports benefit many industries

In Europe and America, the production costs of chicken are largely recovered from sales of breast meat. The rest of the meat is exported, often at very low prices. This causes problems for poultry producers in developing countries, such as South Africa.

By Prof Johan Willemse, Agricultural Economist and FairPlay expert panel member

Anti-dumping duties on chicken imports from Germany, the Netherlands and Britain have, on the recommendation of the Department of Trade, Industry and Competition, been renewed for a further five years.

The tariff for Germany is 73.3%, for the Netherlands it is 22.1% and for Britain it is 30.09%. The tariffs only apply to certain chicken products. The tariffs are much lower

than the SA Poultry Association (SAPA) had requested, but they will nevertheless help to counter the disruptive effect of dumped chicken on the local market.

Imports

Chicken imports totalled about 485 543 tonnes in 2020, which was slightly lower than the previous year. The free-on-board value is estimated by SAPA at about R5.1 billion. The most important exporters of chicken to South Africa are Brazil, America, Spain and Argentina.

Graph 1 shows imports (tonnes) and the domestic production of chicken. The imported products are mainly processed products and mechanically de-boned meat (about 40% of imports), while whole frozen chicken makes up about 5-6% of imports. Bone-in chicken portions are about 35% of the import volume.

Imports, on a per-tonne basis, comprise about 25% of the local market. Local producers slaughter about 21-22 million broilers a week. In Europe and America there is not much of a market for chicken thighs and wings. Production costs are recovered mainly from breast meat.

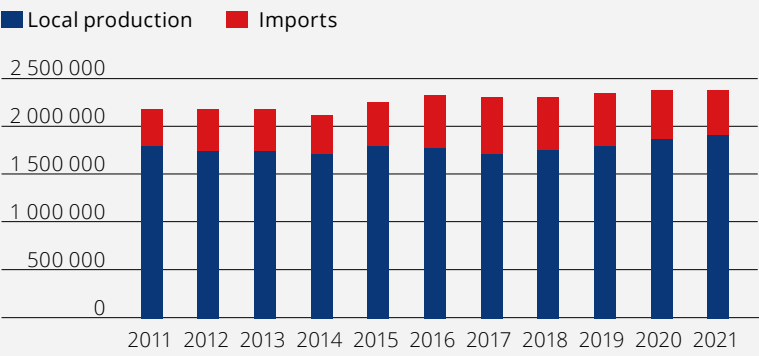
These thigh and wing portions and mechanically de-boned meat are viewed as surplus products and are exported at very low prices, which



A valuable chain

Approximately half of South Africa's yellow and white maize harvest is used for animal feed – the poultry industry is the largest user of animal feed in the country.

Graph 1:
South African poultry production and imports (tonnes)



do not reflect their full production cost. Mechanically de-boned meat is mainly used in the manufacture of polonies and sausages.

Dumping is loosely described as the export of products at a price lower than in the market of origin, and sometimes lower than the cost of production. Some definitions refer to dumping as the action of an industry or business to gain market share in a foreign market by driving out competition and obtaining a dominant market position so that the exporter can influence price and quality.

De-boned chicken meat is imported at approximately R8/kg, against the local price of whole chicken which is about R27/kg. This is obviously not equal competition.

Composition of the meat market

The local chicken industry is much larger than the red meat industry. What happens in the chicken industry naturally has an influence on the red meat market and on consumer choices when purchasing. At the same time, the poultry industry is the largest consumer of animal feed in the domestic market. It is thus also in the interests of grain farmers that the industry remains profitable and grows.

Graph 2 shows the consumption of white meat (chicken) compared to red meat, as reflected in the Abstract of Agricultural Statistics 2021.

Imports of 485 000 tonnes are added in as part of local consumption. Growth in the consumption of white meat compared to red meat in recent years is clear (see graph 3).

These cheap chicken imports are a threat to red meat farmers, and to local poultry producers. Imports also replace some 1.5 million tonnes of local feed consumption, which hurts local grain farmers. The large animal feed factories sell about 4.5 million tonnes of feed a year, but

maize farmers must export yellow maize, partly because chicken imports have impacted the local market for yellow maize.

Prices

The South African meat industry is fairly well protected by relatively high import tariffs (from outside the BLSN countries) on beef and mutton with a maximum of 40%, and on pork with a maximum of 15%.

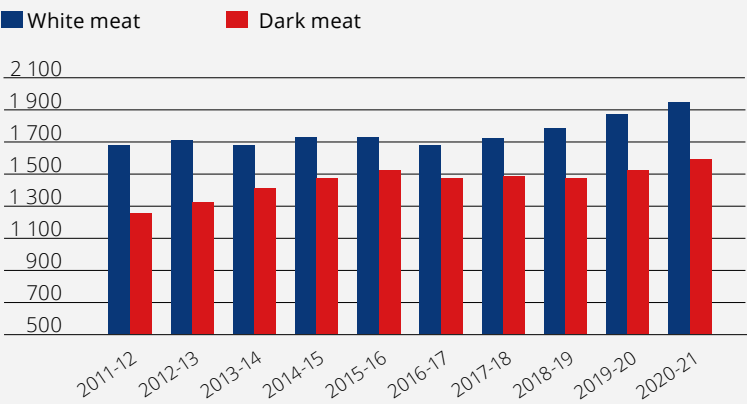
Import tariffs on chicken vary according to the cut. The tariff on whole frozen chicken is about 82%, but it is lower on portions, and on chicken offal it is a maximum of 30%.

There have in the past been allegations that imports at harbours are deliberately declared at low prices. When this is the case, tariffs will not make much of an impact on these low import prices. The price – including the tariff – is considerably lower than the production cost of local product.

The other inconvenience is that cheap prices of frozen portions are not passed on to consumers.

The argument by meat importers that they are providing cheap meat to poor consumers has so far not been substantiated.

Graph 2: South African consumption of white meat and dark meat / year ('000 tonne)



The price of frozen chicken thighs was for example reported in June as R14/kg, but the domestic price was approximately R75/kg.

Competition and the consumer

The available information indicates that some imported products are priced slightly lower than the price of locally produced products. This assures fairly good profit margins for importers, and at the same time it imposes downward pressure on the prices of local producers.

Meat importers have therefore been very active in the media, attacking local chicken producers and kicking against import tariffs. It is a continuing debate where importers are very aggressively trying to defend their position.

One of their arguments was that the South African broiler industry is not internationally competitive and that it is inefficient.

Research by international and local institutions showed however that the local broiler industry can compete with its international peers on technical efficiency.

One of the biggest issues for the local industry is that when the South African maize harvest cannot supply local demand, the maize price rises steeply to import parity. This increases costs hugely, measured for example against the American broiler producers' maize price, which always stays on the export price level.

Feed costs make up about 70% of local producers' production costs. It is known that local maize farmers compete efficiently on the export market. The issue for chicken producers is that when feed costs rise sharply due to international factors, as at present, they still have to compete against subsidised imports.

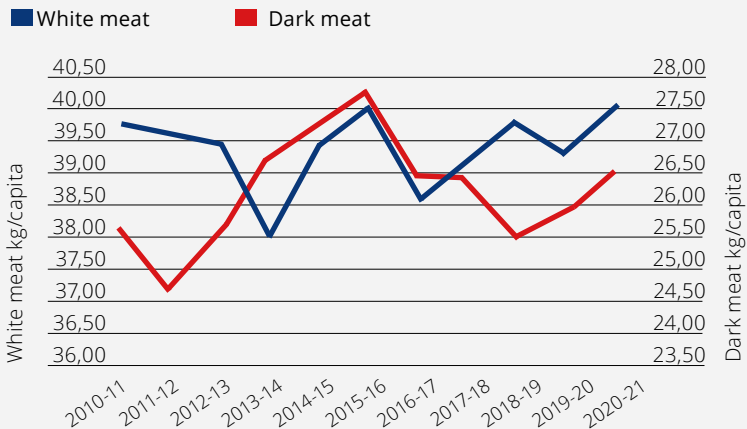
This disadvantages the whole local production of meat and animal feed, with little proven benefit for the end consumer. Importing dumped chicken therefore affects all

Feed usage

According to AFMA (Animal Feed Manufacturers Association) reports, it is calculated that up to 3,3 million tonnes of feed is used for broiler production per annum.



Graph 3: Per capita use of white meat and dark meat



It can be assumed that 15% is soymeal and 60-70% is maize or maize products. Working on a feed conversion ratio of 1,7 kg feed per kg of broiler meat, we can calculate the local potential feed replaced by broiler meat imports.

The South African Revenue Service indicated that 485 543 tonnes of broiler meat was imported during 2020. Imports of MDM (mechanically de-boned meat) was 200 723 ton, of this total.

It could further be argued that MDM is at least, on a broiler carcass weight, double the weight of normal bone-on-meat ratio. , i.e. working on broiler meat in-bone of close to 400 000 tonnes. Adding the remaining meat imports of 284 820 tonnes. Thus, roughly equal to the equivalent of 685 000 tonnes of broiler meat imports. At 1,7 kg feed replacement per kg of broiler meat, it replaces domestic feed usage of 1,16 million tonnes, of which 70% (810 000 tonnes) could be maize derived products and 170 000 tonnes of soy protein meal.

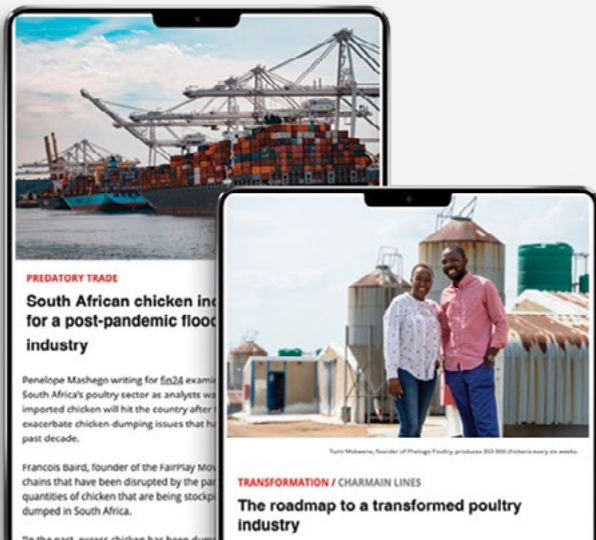
Therefore broiler meat imports replace at least 1,16 million tonnes of feed, that is available locally.

Based on feed cost of a minimum of R4 000 per tonne , we can argue that apart from the costs of imports (R5 to R6 billion per year), the costs of domestic feed sales of at least R4,6 billion is also “lost” to the local economy and the rural economy.

This also forces maize farmers to export maize, adding to our harbour bottleneck and supply chain constraints through our ports – especially Durban, while the maize could be used locally.

Given the above assumptions, it is clear that imports of broiler meat into South Africa, below the cost of production and with little evidence that lower prices are passed on to consumers, adds up to a large net cost to our national and rural economies.●

A version of this article originally appeared in Landbouweekblad.



Please join us, and help us fight for jobs and a growing economy.

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

Dumping and predatory trade don'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.

Please help us spread our message by following us on social media, or by signing up to receive our weekly email bulletin – which we offer to interested readers and supporters free of charge.

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