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Promoting market access for South African agriculture

# Agripreneur

Issue 24 | MARCH 2021

**A poultry production  
idea born of the  
COVID-19 pandemic**

**Some crucial factors in egg  
production: Lessons learnt  
from a farm visit to the Kuipers  
group**







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# THE AGRIPRENEUR QUARTERLY:

A PUBLICATION BY THE SMALLHOLDER MARKET ACCESS RESEARCH UNIT OF THE NAMC

## PREFACE

W

to the twenty-fourth edition of the Agripreneur publication of the National Agricultural Marketing Council (NAMC). Through this publication, the NAMC seeks to create a platform where agripreneurs and farmers, mainly smallholders, can share their knowledge and skills, challenges, experiences and insights. It is believed that this publication will assist smallholders in learning from one another, developing strategies, adopting models, and becoming part of the value chain through the marketing of commodities and products that meet market standards and are safe for consumption. The Agripreneur publication also serves to promote and profile aspects of South African agriculture as a brand. Each issue features good stories that will hopefully convince the reader to #LoveRSAAgric.

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## Editor's note

In 2020, the NAMC used the Smallholder Market Access Tracker (SMAT) to track smallholder broiler producers' progress towards achieving market access objectives. The output revealed that smallholder broiler producers are confined to the informal market due to numerous challenges, including poor biosecurity measures and the small scale of production emanating from low capital investment in their operations, among other factors. This implies that government initiatives such as the Comprehensive Agricultural Support Programme (CASP) and others have not made the desired impact.

In addition, the South African broiler value chain, as presented in BFAP (2019), indicates that small-scale independent growers either sell live birds directly to consumers (informal market) or slaughter their birds before selling. However, those who slaughter either slaughter on their own (without necessarily following strict health standards) or use commercial abattoirs. Those who slaughter on their own also tend to service the informal markets, while those who have access to commercial abattoirs tend to participate in the formal markets (e.g., selling to retailers). Furthermore, the SMAT showed that the informal market, although it has an inconsistent demand, offers a higher price relative to the formal market channels, implying that small-scale farmers that sell to the formal market get lower prices. In addition, these farmers are also subject to extended competition arising from cheap imports as presented in the broiler value chain.

On the other hand, imports are growing rapidly and now exceed 20 % of local production. The poultry industry sees this as a crisis that needs state intervention in terms of tariff protection from dumped imports, mainly from Brazil and some European countries (Denmark, Ireland,

Poland and Spain). This happens in a South African poultry industry dominated by a few companies that tend to be vertically integrated to lower production costs, improve productivity growth, and increase profitability. As such, the new entrants could suffer the consequences of a highly concentrated value chain, which could eventually force them out of business.

As a means of growing and increasing the South African poultry industry's competitiveness, the industry has developed a Poultry Master Plan. However, the Master Plan is not convincing in terms of inclusive growth. Furthermore, increasing the number of contract growers is not sufficient for the industry's inclusive growth. There is no evidence suggesting that farmers graduate to become independent commercial farmers after serving as contract growers. Despite this, some conditions need to be met for a farmer to qualify to be a contract grower, and these conditions require large capital investments, which leaves hundreds of farmers with a very low probability of ever achieving the contract grower stage of development.

There is a need to look at alternative ways for the South African poultry industry to become competitive, including providing support to small local producers.

In Issue 24, we profile a smallholder broiler producer from the Limpopo Province; we share some lessons that were learnt from a site visit to one of the well-established egg production operations in the Gauteng Province; and last but not least, we share the highlights of the poultry industry's causes for concern about the dumping of imports from Brazil and some European countries.

Enjoy the reading!



# A poultry production idea born of the COVID-19 pandemic

By Kayaletshu Sotsha



**Figure 1:**  
Rosina Maphate Rakoma

In as much as the COVID-19 pandemic has had a devastating economic and social impact, with millions of people losing their jobs and more at risk of falling into extreme poverty, it has allowed others to manifest their entrepreneurial skills and determination against the odds. Rosina Maphate is one of the few such examples. In May 2020, Rosina launched the “Farming with Maphate” poultry business in Ga-Maboi around the Polokwane area, following her graduate programme placement at the Gauteng Department of Agriculture and Rural Development (GDARD).

Rosina worked on a poultry project while she was in the graduate programme at GDARD and it was out of the experience and knowledge she acquired that she began to formulate her idea of starting her own poultry business. Rosina used her stipend to start her business in her home’s backyard, which offered a capacity of 100 chicks. The demand was good and forced her to quickly increase the stock size, which meant she had to find more land. She acquired permission to occupy one hectare of land in the neighbouring village, still within Ga-Maboi. She currently has a stocking capacity of 800 chicks, and she now uses her backyard as a finisher site for the chicks that are almost ready for market.



**Figure 2:**  
Chickens in a new housing structure

One of the advantages of this is her proximity to the inputs market in Polokwane, where she buys day-old chicks, feed and other inputs. She is considering mixing her own feed in the long run to reduce the cost of feed.

The business provides chicken to buyers and creates employment opportunities for people within the locality. Currently, there is one permanent employee and two casual workers.



**Figure 3:**

Chicken products sold at Maphathe farm



Rosina sells at the farmgate, where she supplies the informal market, consisting of hawkers and households within Ga-Maboi. She uses social media and signage boards at busy intersections on the roads in Ga-Maboi to advertise her business, which has helped her to increase the number of chickens sold per day.

However, she is unable to supply the formal market, mainly due to her inability to pass the health standards required. She says this is very difficult to overcome because quality infrastructure is very expensive, which forces small farmers to start with what they can afford; hence they tend to be confined to supplying the informal market. Pricing is another issue as feed costs are high, which affects the profitability of her business.



**Figure 4:**

Chicken house structure (back) used on Maphathe farm

Rosina knows about the South African Poultry Association (SAPA) but has not yet affiliated. However, she is considering doing so that she can formally contribute to the growth of the poultry industry and be exposed to other farmers to share knowledge and experiences.

In her opinion, Rosina says, SAPA needs to do more to ensure that the domestic product is considered the priority by the market while working with the government to ensure that access to land and infrastructure improves to enable farmers to meet the formal market requirements. This move will allow farmers to have options between the formal and informal markets or supply both as they grow their operations. She also highlighted that farmers need to focus more on agro-processing, integrate into the mainstream value chain, and use new technologies.

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# Some crucial factors in egg production: Lessons learnt from a farm visit to the Kuipers Group


By Fezeka Matebeni



**Figure 5:**  
Inside a Kuipers Group layer house

Poultry production plays an important socio-economic role in South Africa and other developing countries in general. On a yearly average, poultry contributes 40 % of the total animal protein production among developing countries (Garamu, 2019). Eggs are one of the highest-quality sources of protein. In South Africa, egg production takes place throughout the country and the total production stands at 13,5 million dozen, valued at R201,5 million (SAPA, 2020). Gauteng is the largest producer of eggs in South Africa with a market share of 25 %, while Mpumalanga, Limpopo and the Eastern Cape contribute a total of 14 % in the lower end.





Arend Kuipers is the founder of the Kuipers Group, situated in the northern part of the Gauteng Province. The Kuipers Group started as an egg production operation and grew from rearing to distribution. Later in 1999, the group ventured into broiler meat production. The Kuipers Group has since evolved in many ways, such as mixing its own feed since 2004. The group operates numerous feed mills such as Eagles Rock Feed Milling, which produces around 11 000 tons monthly. The group also operates Bartlet Eggs, Wolma Poultry Farm, Eggbert Eggs and Eagles Milling.

The Kuipers Group operates throughout the country, except for the Western Cape Province, and produces eggs in three different systems (caged, barn and free-range egg production systems). The group also produces oiled eggs for outlets such as McDonald's. However, free-range eggs are the least produced, occupying only a 3 % share of the country's market.

On 9 March 2021, I participated in a farm visit to one of the farms under the Kuipers Group, Bartlet Eggs. The operation is situated in Muldersdrift, near Krugersdorp. Bartlet Poultry Farm has been in existence for many years, but it was officially registered in 1981 and became part of the Kuipers Group in 2002. The Barlet egg farm layer houses were designed in Italy. The design is viewed as the main secret of the Barlet farm, as it provides proper housing conditions for their layers, allowing them to grow better and perform optimally.

Poultry housing design plays a vital role in determining the house's internal climatic conditions for optimum health, growth, and productive performance of the birds. The key to attaining the best possible control of the production process is automating and monitoring the processes. The farm has six constructed farmhouses with 45 000 layers in each house. These houses are automated 24/7 with a backup generator should one negative power shock occur. Bartlet farm produces about 1,8 million eggs per week. The farm has developed its own brand in the market.

One of the lessons from this site visit is that many factors can affect egg production, regardless of production scale. Poultry farmers need to be aware of potential problems that may arise in order to prevent production losses from the flock, ultimately affecting the egg business. These include the following:

- Biosecurity measures/health standards. Biosecurity and sanitation seem to be necessary for any farmer, either small or commercial, to prevent disease outbreaks. Biosecurity involves isolating birds by age group, restricting human access to buildings, keeping the buildings clean, and properly disposing of dead birds. Interestingly, how people look in terms of their outfit is also an important factor in the productivity of the layers.
- Internal conditions of the house. The poultry house's internal climatic conditions (e.g., temperature, relative humidity, air composition and velocity) and how the birds respond to them and their implications on heat management for poultry production are crucial. Other factors include temperature, relative humidity, air composition and velocity, and lighting conditions.
- Structure of the house. Farmers need to begin with a unit size that will allow them to learn the necessary production and marketing skills without making a large investment.
- Production inputs such as point-of-lay birds should be bought at around 17-18 weeks and be ready to lay eggs. The layers must be of very good quality and be fully vaccinated against poultry diseases. Layers must get the best feed at the right age for them to lay well. It is also important that the employees know and follow the production model.

Overall, farmers must pay special attention to crucial factors such as biosecurity measures and the type of infrastructure they use.

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# The chicken industry lists the harm done by dumping

By Francois Baird

In a fitting answer to critics who claim that dumped chicken imports are doing no harm, the local industry has set out in great detail the damage done and the threat to local chicken producers and local jobs by a flood of unfairly priced dumped imports.

The information is contained across hundreds of pages in the SAPA application for anti-dumping duties against Brazil and four European Union (EU) countries.

The application relates only to bone-in chicken (leg quarters, thighs and wings) imported from Brazil, Denmark, Ireland, Poland and Spain.

The application also quantifies the extent of dumping. In the three financial years from July 2017 to June 2020, more than half of the bone-in chicken imported into South Africa was dumped product – imported at prices below the relevant sales price in the producer countries.

The import value of this dumped bone-in chicken totalled R6,4 billion – that's a multi-billion rand motivation to lobby against measures to restrict dumped imports, and perhaps explains the articles and letters in Business Day from importers and their supporters arguing against tariffs.

Dumping is taking place because the major chicken producers in Brazil and the EU make their northern hemisphere profits from the preference for chicken breast meat, which sells at premium prices, while


the brown meat – bone-in chicken – piles up as an unwanted surplus.

This surplus chicken is frozen and sold in bulk packs to any market that will take it and at any price, they can get. Prime markets for the past two decades have been west Africa and South Africa. In particular, the local chicken industries in west Africa – Ghana, Senegal and Ivory Coast were devastated. The South African chicken industry is trying to prevent that from happening here.

The harm done to the local industry is an important part of the application. To secure anti-dumping duties, the industry must show that dumping is taking place and also that it is causing material injury to local producers.

Importers like to argue that there is no dumping taking place and that imports, in any case, do no harm. The application refutes both arguments, detailing the damage that dumping has done over the past three years. The general arguments are public, and the supporting details are contained in confidential submissions.

The industry has lost revenue, profits and market share, putting local jobs in the most vulnerable rural communities in peril. Because dumped imports have taken the bulk of increased local demand, the industry has been unable to grow sufficiently to achieve economies of scale.



While the industry has invested in additional production capacity, some of it is lying idle. Increased production could not regain market share because of the continued inflow of dumped chicken.

Employment levels have been retained over the past three years, after significant job losses in previous years, but this may not continue. “If no action is taken to remedy the material injury caused by dumped imports, then the participating producers may be forced to consider reductions in employees, as they were forced to do in 2016 and 2017.”

Not only has the industry suffered harm, it expects this to continue unless dumped imports are curbed. The application points to a significant oversupply of chicken in Brazil and the EU and says producers will be looking for export markets. So, South Africa, beware!

Import levels have declined recently because of the economic impact of the COVID-19 pandemic, the application says, but this is expected to reverse as the pandemic abates and the global economy returns to pre-pandemic levels and practices.

Anti-dumping measures are not protectionism – another argument frequently made by importers. Dumping is a transgression of the World Trade Organization (WTO) rules, which bring the rule of law to international trade.

South Africa’s International Trade Administration Commission (ITAC), the independent body to which the application was made, has already said that based on the evidence, a prima facie case of dumping has been made, and the dumpers are now required to answer the case against them.

High levels of dumped imports have severely damaged South Africa’s chicken and sugar industries. It should be no surprise that both have called for action against unfairly priced dumped imports which have caused contraction and job

losses and have spread misery in poverty-stricken rural areas.

Importers also like to present the Poultry Sector Master Plan, which they signed, as an export charter, but it is not – it is a balanced document aiming to protect the industry against unfair trade such as dumping, and enabling it to invest and create jobs to serve expanded local and export markets. Exports will not happen unless a distressed industry is stabilised and revitalised.

There are barriers to exports to markets such as the EU, including insufficient state veterinary staff and facilities to provide the EU’s health clearance certificates. The EU has kept poultry imports to less than 7 % of the market – well below the 20 % in SA – through a battery of “trade defence measures” that mollicoddle a protected and hugely subsidised agricultural sector.

The other drum that importers like to bang is that of price – they argue that if the government agrees to these horrible import tariffs, then the consumer price of chicken will rocket and the poor will suffer. Yet, when the dumpers had free reign in Ghana, a US Department of Agriculture report in 2017 showed that the chicken price rose to R226,69/kg, which is more expensive than steak in SA today.

Importers fail to explain how tariffs on some imports from some countries making up only a portion of the 20 % of chicken imports can cause a massive rise in all retail chicken prices, including the 80 % of chicken provided by local producers.

As signatories to the Poultry Sector Master Plan, chicken importers are committed to combating unfair trade such as dumping. If they devote some time to reading the application for anti-dumping duties, including the damage done by dumped imports, they might revise their optimism that the investigation will find no evidence of dumping.

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