

# Good news and bad for local poultry industry

By [Ann Crotty](#)

28 Nov 2016

The good news for the poultry industry is that the worst of the drought is over. The not-so-good news is that the full benefits may take another six months to materialise.



[\(c\) 123RF.com](#)

The bad news is that in the longer term, local producers will still have to contend with high volumes of imports plus the bottom line effect of the recently announced ban on brining.

Last week, three listed players — Sovereign Foods, Astral and Quantum — released results highlighting the precarious state of the industry. Margins and earnings were down significantly, with little recovery expected in the coming 12 months.

The larger players with strong balance sheets will survive but smaller producers are expected to close or be acquired by larger ones.

Sovereign's ability to shake off a dogged attempt by unlisted Country Bird Holdings (CBH) to get control at 900c a share will depend on its success in developing value-added markets. But as one of the smaller listed poultry firms, it is hard to see Sovereign holding out.

Marthinus Stander, CEO of CBH, says if the local industry is to survive the relationship between government and the key

players, it will have to be overhauled. In a recent report to the North West government, Stander describes a relationship characterised by lack of trust, with the government particularly concerned by the absence of transformation and a belief the local industry is inefficient.

Standar believes the lack of trust is why government took such a hard position on brining and also why it was happy to sacrifice the industry to Agoa-related demands.

Citing "independent research" by a Dutch-based university, Standar argues South Africans can produce a whole slaughtered chicken for less than any EU country, less than Thailand and for almost the same cost as the US, which enjoys vast economies of scale.

"So, clearly we are excellent farmers and if we could source feed ingredients for prices similar to those paid by the USA, Brazil, the Ukraine and Argentina, we would be even more competitive," said Standar.

That the local industry is taking huge strain from imports is, says Standar, because of dumping by EU and US producers.

"US and EU consumers prefer the white meat; the rest of the chicken is considered waste and is exported to countries like SA at prices below the cost of production."

**Source:** Business Day

For more, visit: <https://www.bizcommunity.com>