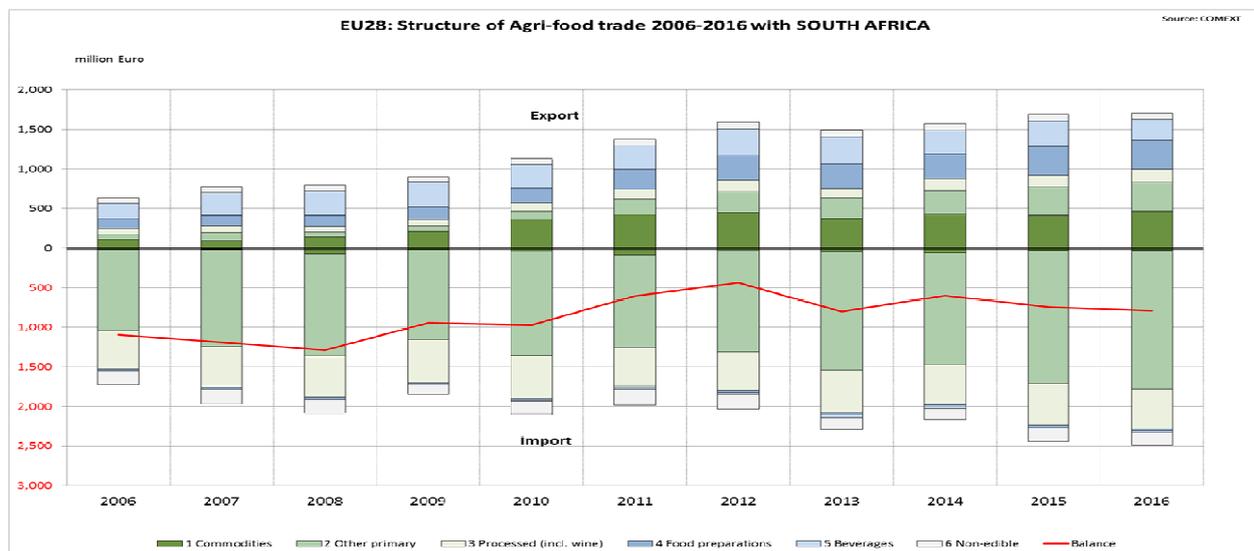


Statement on Poultry by the EU Delegation to South Africa on the occasion of the Fair Play Social Support Summit 2 August 2017

South Africa's **trade relationship with the European Union (EU)** remains by far the most significant for the country, both in terms of volumes of local exports as well as job creation. The EU is a strong and reliable trade partner of South Africa. In the period 2015-2016, South African imports into the EU grew by almost 18%, positively impacting on job creation. Notably the agri-food trade balance with the EU has for the past decade consistently been in favour of South Africa:



Despite the globally challenging economic conditions, the EU is also the **largest foreign direct investor** in South Africa, accounting for close to 80% of the country's total foreign direct investment (FDI) and to **more than half a million direct and indirect jobs**. European companies substantially contribute to the economic transformation, work force skills training and job creation in South Africa. In addition, new opportunities have been created under the SADC-EU Economic Partnership Agreement (EPA) which entered into force on 16 October 2016.

Not such fair play!

The local poultry industry's assertion, supported by labour union FAWU and lobby group Fair Play, that poultry imports from the EU are the root cause of

the job losses in the local poultry industry is simply NOT TRUE. In fact, Fair Play's persistent media campaign over the past few months – both in printed and online media – against EU poultry imports remains misinformed and opportunistic. Its continued claims of ongoing "**dumping**" by the EU poultry producers of chicken bone-in parts into the local market is not borne out by what in reality is taking place.

Actions speak louder than words

It remains inexplicable, if there was dumping, why the local poultry industry, represented by the South African Poultry Association (SAPA), has not filed a dumping complaint to the South Africa's International Trade Administration Commission (ITAC) as they have done in the past. SAPA has not. Notably, South African trade authorities also acknowledge that dumping is not the issue.

Fair trade

Regarding the assertion **that the EU unfairly subsidises** its poultry sector, it must be noted that since 2003 **the EU does not provide any export subsidies** to poultry farmers exporting to Africa, nor does it encourage the practice. In fact, the EU-SADC Economic Partnership Agreement (EPA), just like all of the EU's Economic Partnership Agreements, **bans agricultural export subsidies altogether**.

Regarding **EU import figures for 2017**: in the period January-May 2017, the EU has exported **61.4% less** poultry to South Africa compared to the same period in 2016. EU exports of bone-in chicken portions have effectively **dropped by two thirds** linked to the outbreak of avian influenza in a number of EU producer countries.

South African actions

South Africa has applied a number of measures to protect its local poultry market:

- country-wide sanitary **import bans** on the EU poultry in relation to the avian influenza outbreaks;
- a provisional **safeguard import duty of 13.9%** on the EU imports of bone-in portions of chicken between December 2016 and July 2017;

- **anti-dumping measures** on a number of producers and importers from Germany, the Netherlands and the UK.

These are significant intervention and it should be expected that they would provide the space for local producers to meet local demand. However, the truth is that since November 2016 **EU poultry imports into South Africa have been substituted by poultry imports from Brazil and the USA**. This in turn raises the question of whether the local industry is capable of meeting local demand without transformation and restructuring.

Collectively, the measures imposed on the EU poultry imports into South Africa should provide **the space for precisely the transformation and restructuring** of the domestic poultry sector. But sadly, as already indicated, this does not appear to be happening as EU chicken is simply replaced with chicken imports from elsewhere. In the absence of meaningful change in the business model of the local poultry industry, including greater space for SMEs, poultry imports into South Africa will simply keep switching between importers. As can be seen, **trade measures alone will not solve the challenges faced by the local industry. Trade measures alone cannot save, let alone grow the number of jobs.**

Sheltering the local industry through more protection against imports from the EU would entrench the current oligopolistic market state where **a few local producers control both the poultry and the poultry feed markets.**

Consumers would have to bear the negative effects of any further protection via trade defence measures and import bans. Protection will reduce the arguably limited existing competitive pressure the local industry faces and **prices for consumers will increase**. This is already evident in the data by the National Agriculture Marketing Council, which shows a relative **increase in chicken prices** compared to other elements of the basic food basket in June 2017. The **avian influenza outbreak** that South Africa is currently experiencing might exacerbate this trend towards higher chicken prices.

The **Poultry Task Team** established by the SA government stated that it will address the *"complex challenges facing the industry in a comprehensive manner"* by measures spanning from *"trade measures, to health and quality*

issues, competitiveness, industry growth and transformation, industrial financing, incentives and demand side interventions".

Such a comprehensive approach is surely how to deal with the local industry crisis. The EU industry has already made offers to **help open EU markets for South African exports**. South Africa has now applied for market access to be able to export poultry breast meat to the EU. This is a "win-win" solution supported by market demand and supply logic as breast meat attracts a higher price in the EU.

Input costs, export markets, value chains sustainability, retail markets - all need to be addressed to have an economically viable, competitive and sustainable poultry industry. With the ultimate goal of **food security, job creation and consumer welfare**.

The poultry import issue is but one element covered under the close **Strategic Partnership** between South Africa and the EU. Our partnership dates back and is grounded in the EU's pre-1994 Programme for the victims of Apartheid. Today the EU continues its support for post-Apartheid transformation. It actively supports South Africa's national development goals and objectives with concrete actions, including measures relating to education, employment and good governance.
