

## Statement on Poultry

### EU Delegation to South Africa

28 March 2017

#### **ARE JOB LOSSES DUE TO EU IMPORTS?**

SAPA's **massive campaign in the media** – both printed and online – against EU poultry imports in South Africa keeps alleging on a daily basis that the root cause of the job losses is the on-going "**dumping**" by the European Union of chicken bone-in parts imported into South Africa.

**This allegation is false.** As we speak there is no dumping of EU chicken into South Africa. If there had been, SAPA would have filed a complaint to ITAC for dumping as they did in the past. They have not. The SA authorities themselves acknowledge that dumping is not the issue.

Regarding **EU chicken bone-in imports into South Africa**, the aggregate figures for 2016 show that despite increases in imports from Europe in response to growing local demand, **imports of bone-in chicken from the EU in 2016 have not exceeded 200,000 tons, i.e. less than 10% of overall poultry consumption in South Africa.** We fail to see how such a relatively moderate market share should be the main cause of the problems facing the South African industry.

Such claims are even more questionable looking at **figures for 2017: EU exports of bone-in chicken portions have dropped by over two thirds linked to the outbreak of avian influenza in a number of EU producer countries.** South Africa's ban on imports from such European producers is expected to stay in place for a number of months, providing **space for local restructuring** of the sector to take place.

On the question of whether **trade is fair** or if **the EU subsidises its poultry**, I must state clearly that since 2003, **the EU does not provide any export subsidies to poultry farmers exporting to Africa**, nor does it encourage the practice. The EU-SADC Economic Partnership Agreement (EPA), just like all of the EU's Economic Partnership Agreements, bans agricultural export

subsidies altogether, and **there is also no domestic support for chicken producers in the EU.**

In fact, the **Task Team** established by the SA authorities 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".

This was also acknowledged on **23 March during a hearing in Parliament.** The International Trade Administration Commission's (ITAC) Commissioner Siyabulela Tsengiwe who is investigating the alleged "EU dumping" has come to the same conclusion as we have: that there are complex and numerous challenges facing the local poultry industry. He said that **input costs, export markets, value chains sustainability, retail** - all need to be addressed to have economically viable and sustainable poultry industry.

We have asked repeatedly to meet the Task Team and to reach a more constructive dialogue. Ambassador Cornaro met Minister Davies in February. The EU industry has made offers to help **open EU markets for South African exports.** This would help grow the local industry and create jobs.

**Trade measures alone will not solve the problems of the industry and will not save jobs.** Trade from the EU has been subjected to defence measures already. Safeguard duties of 13,9% were imposed on all EU imports and in addition anti-dumping measures were imposed on a number of producers and importers from Germany, the Netherlands and the UK.

SAPA now lobby Government through an unprecedented campaign asking to be **sheltered from any competition for not less than 8 years.** However, trade defence measures **will not help the poultry industry grow, transform and create jobs.**

Sheltering the local industry through more protection against imports from the EU would entrench the current state where **a few local producers control both the poultry and the feeds market.** While the drought might have reduced their margins, they have kept recording profits overall. With maize prices back to international parity and production expected to be rising at 84% in 2017, we trust that the local industry will take this **opportunity to restructure** and also

to enable new entrants' access to production. This with the objective of ultimately benefiting **job creation and consumer welfare**.

But in the **absence of a true reform and change in the business model** of the local industry, including more space for SMEs, imports will simply switch to come from countries other than the EU.

**South Africa's trade relationship with the EU** remains by far the most significant for the country. Both in terms of volumes of local exports and in terms of job creation in South Africa. With the European Union being the largest foreign direct investor in South Africa accounting for close to 80% of the total FDI and more than 500,000 direct and indirect jobs, European companies substantially contribute to the economic transformation of South Africa. This is also due to the opportunities created under the SADC-EU Economic Partnership Agreement (EPA) which entered into force on 16 October 2016.

One **recent example to illustrate this**: South Africa's citrus industry in 2016 achieved record exports to the EU, close to R 7bn in value (up from R 2bn in 2007) and is set to take advantage of further market openings provided under the SADC-EU EPA. Tens of thousands of jobs depend on South African exports of citrus alone. This success has been possible despite our differences on the threat of a fungal disease, citrus black spot, that affects local citrus production in South Africa. It illustrates how **concerted and constructive efforts by South African and EU partners** can lead to hugely beneficial results for markets, jobs and consumers alike.

We hope that the coming months may bring about a **more constructive tone**.

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