

WELCOME TO OUR AUGUST NEWSLETTER

FROM THE DESK OF PAUL

One year at the helm and what a year; especially the last six months. However, in saying that, I am optimistic, and the Association is strong as ever. Amie has been dealing with several challenges, such as the SAPA/ITAC proposed tariff increase on Bone-In and Boneless chicken; several issues with DAFF on problems in the KZN ports, Veterinary tariffs, microbiological criteria for raw meat and the draft VPN 52/2018 Standard Operating Procedures on labeling and recently Export certification.

A key objective that I wanted Amie to achieve by the third quarter of my first year at the helm was to commission an independent review of the South African Broiler Industry. The aim behind commissioning the study is an attempt to:

- Have a well-informed, objective and open debate about issues impacting the South African poultry industry and move away from the fabrications that have been peddled by the likes of paid lobby groups such as Fair Play.
- Assist regulatory authorities with the latest and relevant information as they consider their decision on the tariff application by SAPA.
- Make a call to Minister Patel to open himself up to engaging the industry over an objective study and to start recognising that we are business citizens who contribute towards food security and the socio-economic wellbeing of the country.
- Position AMIE as an important player in the formulation of the national poultry strategy. The DTI continues to exclude the importers and exporters section of the industry from government led forums on the local poultry industry.
- Assist the Minister and Department of Agriculture, Land Reform and Rural Development with an objective view of the dynamics impacting on the local poultry industry and trade.
- Finally, raise widespread awareness amongst the population and other stakeholders about an issue that is likely to have a devastating impact the affordability of chicken and potential job losses as a result of the imminent tariffs.

In this issue you will find updates on the SAPA/ITAC campaign, disease updates, Port issues and many more relevant articles to keep AMIE members up to speed on the latest news and how it impacts the industry.

Once again, I need to thank all our members who have been supporting Amie's "War Chest". The fight continues!

Paul

02 ITAC/SAPA Tariff Update

03 Lab Compliance

05 SA Broiler Study Report

07 Animal Health News

08 Fire & Meat Festival

09 Durban Port Matters

11 New AMIE Website

12 International Trade Trends

13 On the Radar

ITAC APPLICATION UPDATE

SAPA has aggressively lobbied the Department of Trade and Industry and the International Trade Administration Commission of South Africa (ITAC) to approve tariff increases: a surge from 37% to 82% ad valorem for bone-in cuts of chicken and a jump from 12% to 82% ad valorem for boneless cuts of chicken. Over the past months' members will have seen in the media via SAPA's 'Fairplay' and the like, their portrayal of false facts. Summarising the main points of contention:

- The application by SAPA is based on information relating to 2015. A time when the chicken industry, like many other producers, suffered hardships brought about by the widespread drought which drove up feed prices.
- Since that time, the industry has reported growing earnings. Some SAPA members - primarily large producers owned by listed companies, have reported after-tax profits to the order of R 1.2 billion and, in some cases, 200% higher than any gains previously recorded. Currently these companies all operate under the SAPA umbrella and control approximately 90% of the market.
- Claims that feed prices (primarily maize) are rising and constitute cause for this protectionist plea is not based on fact. The latest maize crop figures released last week by the Crop Estimates Committee from the DAFF stated that the maize yield would be 10,900 million tons, a full 244,900 tons higher than the estimate made in April this year i.e. 10 655 million tons.
- There are already several barriers to entry and expansion for the members in the market. These include the fact that some major milling firms that convert raw maize into feed, are vertically integrated within the corporations that also own the poultry producers.



International Trade Administration Commission of South Africa

It is impossible for smaller operators and SMME's to get a sustainable foothold in the market due to lack of finance and the tight grip the five large producers have on the market.

- The control exerted by the majors (90% of the market) has effectively excluded emerging Black poultry farmers from building a presence in the local market.
- SAPA has made untested allegations in the local media. They claim (amongst other things) that:
 - Chicken imports and high input costs will disadvantage SAPA members and lead to job losses. This is not true as importers operate primarily in supplementary markets.
 - Trade conducted by importers is unfair and prejudices the local industry. Their markets are being placed in jeopardy because of imports. However, all domestic chicken production within the country is taken up by major retailers and fast-moving food companies (such as Kentucky Fried Chicken), and imports supplement these sales.

AMIE'S WAR CHEST CONTRIBUTIONS

ABPA
 AMAKHOSI CHICKENS
 USAPEEC
 CHESTER WHOLESALE
 ASSIGN TRADING
 ETLIN INTERNATIONAL TRADING
 EXCELLENT MEAT INTERNATIONAL
 MDB MODEL BUTCHERY CC
 MERLOG FOODS (PTY) LTD
 GLUCKMANN FAMILY TRADING

FEDERATED MEAT
 EAT SUM MORE
 LAMEX FOODS
 DEEPCATCH
 RBGI





MiChem Dynamics

MICROBIOLOGY SPECIAL INSERT – Santie Van Niekerk



Laboratory Compliance and Accuracy of Results

Laboratories performing testing and calibrations should comply to the international standard, ISO/IEC 17025. ISO/IEC 17025 specifies the general requirements for the competence, impartiality and consistent operation of laboratories and is used by accreditation bodies and regulatory authorities to evaluate competence of laboratories.

Should a laboratory want to achieve accreditation they, in addition to ISO/IEC 17025, need to comply with the relevant accreditation body's additional requirements, local regulatory authority and specific customer requirements.

Full compliance to all requirements will ensure accurate, reliable, consistent and traceable results. Even though all laboratories in South Africa should follow the same ISO/IEC 17025, accreditation and regulatory requirements, what could be the possible reasons for variations in results obtained from different laboratories when testing the same batch of sample?

It should be noted, that some factors that could contribute to variations in results and is outside the control of the laboratories, and includes, but not limited to:

- Correct sampling method followed, example aseptic (sterile) sampling techniques followed.
- Handling of samples during transport, including, temperature control, time from sampling to testing.
- Distribution of the organism on the actual batch of samples

Even though the laboratory requirements mentioned set certain boundaries that the laboratories need to comply with, it is not prescriptive, and laboratories can decide how they wish to comply with these requirements. Some of the factors that varies between laboratories that could result in a variation of results includes, but not limited to:

- Personnel: how the laboratory select, train, evaluate competence and ensure continuous competence of their personnel. How laboratory manage undue pressure throughout the laboratory process.
- Facilities and environmental conditions: how the laboratory monitor and control the laboratory environment to ensure its suitability and effect on the validity of results.
- Equipment: Type of equipment used, calibration and verification (intermediate checks) programme, use of equipment, etc.
- Selection of test methods: Specific test methods used and variables within each method.
- Handling of the samples before testing and during testing.

Laboratory Compliance and Accuracy of Results continued...

Laboratories is required to participate in Proficiency Testing (PT) to monitor the accuracy of their methods and processes followed. They must register with a Proficiency Testing Scheme (PTS) that distribute samples, with a known value to the PTS, but unknown to the laboratory. The laboratory test, submit the results to the PTS, and the PTS evaluate and report on the performance of the laboratory to accurately detect or quantify specific micro-organisms.

One way to evaluate the performance of your laboratory, related to accuracy of results, is to request the laboratory's PT results for the last 2 years. If the laboratory failed a PT, request the full root-cause and corrective actions associated with this failure. Should you need further interpretation or assistance on this evaluation, please feel free to contact me at santie@michemdynamics.co.za.

More about our contributor:

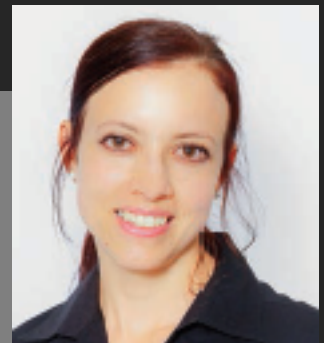
After spending 12 years in the medical, food and environmental industry, Santie van Niekerk had a clear vision of what services should be provided to address the opportunities in the industry.

In 2014 MiChem Dynamics (Pty) Ltd was established by Santie van Niekerk and Vinay Moodley, being dynamic and goal driven entrepreneurs.

As qualified microbiologists, auditors and management system experts the primary focus was to be the link between the laboratory and manufacturing industry by means of interpretation of results, root-cause analysis and implementing corrective actions.

Additional services were introduced shortly afterwards, which include training, consulting, auditing and recruitment, making MiChem Dynamics (Pty) Ltd a comprehensive provider of all services in the laboratory, food and beverage manufacturing, health and safety industries.

www.michemdynamics.co.za



**SANTIE VAN
NIEKERK**
Founder and Director



SA Broiler Study - REPORT

Early in 2019, AMIE commission FTI Consult to do a comprehensive study of South Africa's broiler industry and the impact of international trade and trade protection on production and the economy. The objective of the study is to evaluate trends in imports, exports and domestic production, and to establish the impact of changes to the trade regime. Below you will find the key findings of the report. If you are interested in the summary or whole report please contact paul@amiesa.co.za

A number of key facts has been established by the study. These include the following:

- Consumption has increased, but production does not show commensurate growth
- Production has been stable, and has not been displaced by imports
- Imports fill the supply gap, but remain less than 20% of total supply
- Mechanically deboned meat (MDM) and bone-in portions are the largest product categories that are imported
- The broiler industry already has high levels of trade protection with general tariffs, anti-dumping duties (ADD) and safeguard duties in place
- Trade protection often leads to trade diversion
- Proximity and duty free access to SACU members suggest that the opportunity for exports may be underutilised

Factors that influence the competitiveness of the domestic broiler industry:

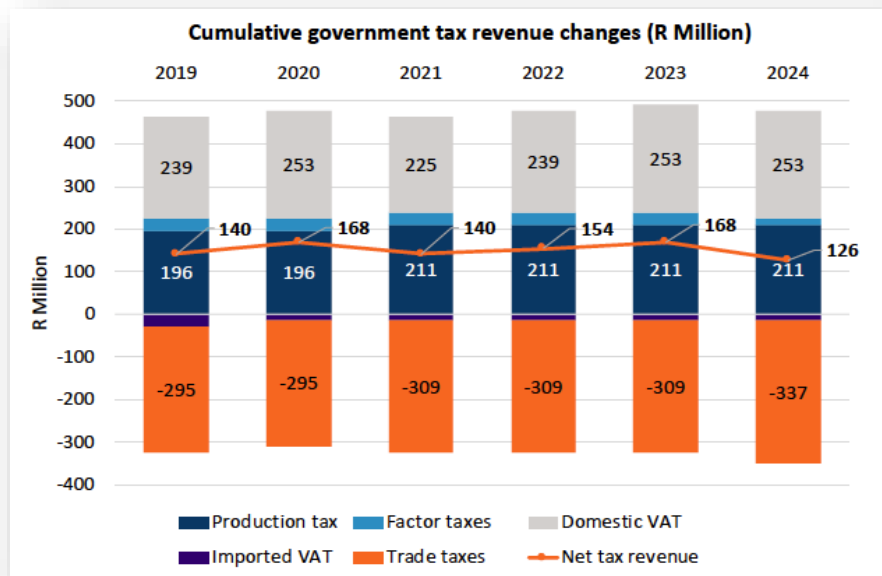
1. Feed is an important input cost and driver of competitiveness
2. Annual growth in producer prices have outstripped headline inflation in most years
3. SA producers showcase competitive levels of technical efficiency measured by the Feed Conversion Ratio (FCR)
4. ...but the age at which broilers are slaughtered must be taken into account
5. Production could be increased by removing barriers to growth faced by small-scale farmers

Economy-wide impact of the broiler industry

- Broiler farming has weak linkages to other sectors in the economy
- Meat processing generates more economic activity and greater payments to labour than broiler farmer
- Most of the economic activity generated by the broiler industry is due to induced expenditure
- The broiler industry is an important employment creator, but also shows signs of increasing mechanisation

Impact of further import protection on SA economy:

- Increased trade protection is estimated to lead to a 23% increase the effective import price
- FTI Consult estimates upper and lower bound estimates for the impact that the increased duty is likely to have on trade flows
- Trade protection will create an immediate supply gap which producers will hope to fill, but this will come at a high cost to the economy
- The tariff increase will lead to a drop in GDP of R1.1bn in the first year
- Although some jobs will be created in the broiler industry, the tariff increase will have a net negative impact on jobs across the economy
- The increase in tariffs will generate R140m in fiscal revenue in the first year, which will not negate the negative impact of overall job losses and lower GDP growth: Increasing the ordinary duty may seem like an attractive revenue generation mechanism. However, the trade diversion effect results in a negative amount of trade taxes collected (R322.8 million):



Source: GDyn model simulation result (2019), processed

- Policy makers need to decide if further trade protection of the domestic broiler industry justify economy-wide job losses and lower GDP growth

KEY TAKE-AWAYS:

- Through linkages all along the value chain, trade protection has an impact on the economy beyond the industry which it targets;
- These costs need to be weighed against the intended benefit that it should hold for the industry.



ANIMAL HEALTH

FOOT AND MOUTH DISEASE

Since the last reported case of FMD in Limpopo in April this year, DAFF confirmed that there have been no further outbreaks and it was successfully contained.

DAFF stated that it had negotiated the revision of veterinary health certificates for beef to Bahrain, Lesotho, Mozambique, Egypt, Qatar, Jordan, Swaziland, Seychelles, Kuwait and the United Arab Emirates.

FMD remains a huge risk to the agricultural industry despite state veterinary services' efforts.

"Essentially there are two broad possible reason:

1. The conventional approach which has been adopted for close to half a century – based primarily on fencing to control animal movement and mass vaccination - has not been applied as effectively as formerly and/or
2. The traditional approach is no longer appropriate for the evolving FMD situation."

(Source Dr Gavin Thomson: Peculiarities of Foot and Mouth Disease in Southern African and resulting implications, Livestock Health & Production Review May 2019)

In a media briefing last week, Dr Pieter Vervoort, Chairman of the National Animal Health Forum (NAHF) reiterated that great successes have been achieved since the Forum's inception 13 years ago, but that there are still great room for improvement. The NAHF liaises with private vets and DAFF on a number of matters including FMD outbreaks.

AFRICAN SWINE FEVER

According to the SAPPO Weekly News update, the last positive case of ASF was diagnosed at the end of June in a communal farming set-up in Koppies, Free State. Culling took place on Saturday 22 June.

Dr Peter Evans of SAPPO said: "Koppies was the 8th location where ASF has been found. A frustration for SAPPO is that not all communal sites have been identified, or because no mortalities had yet occurred, the owners were not convinced to cull. This means that three visits were needed in the Nigel area and two in the Koppies area. Whether or not there will be further locations is at present unknown, as trading information from owners, who were recently affected, is scant."

616 pigs have been culled in communal set-ups to date and

EXPORT SUCCESS HINGES ON BIOSECURITY

Agriculture has been identified as one of the sectors that will ignite growth and job creation in South Africa. Wandile Sihlobo, chief economist of Agbiz says however this will be export-led, but for export activity to take off, biosecurity is key. Sihlobo spoke at the NAHF's media briefing last week. National Animal Health Forum's media briefing last week.

The new minister for DAFF, Thoko Didiza mentioned in her budget speech that funds could be made available to

FMD red-zones to support the government's capacity in these areas.

Sihlobo said there will also be educational and awareness programmes that will help remind farmers about the importance of biosecurity. He reiterated that although South Africa is experiencing a period of despondency in agriculture, investment has not declined in agriculture despite many headwinds. There are still solid fundamentals to support investment in South African agriculture. There is good returns over time. Although there is great export potential for the livestock sector, the sector has not yet fully recovered from 2015-16 drought. South African agriculture already exports 49% of its agricultural output in value terms," Sihlobo said.

SOURCE: SAPPO NEWS July 2019



[6 - 8 SEPTEMBER 2019 | TICKETPRO DOME]
Trade focused day Friday, 6 September

LOOKS LIKE WE MEAT AGAIN...

The third annual Fire & Feast Meat & Food Festival presented by Crown National is a quintessential proudly South African weekend-long love affair of meat, fire, braais, and music promises to be the event of the year for all discerning diners, butchers and industry experts.

Fire & Feast will be dishing out a number of opportunities for traders in the meat industry at the Ticketpro Dome. Trade members can look forward to a host of lined-up features which will include everything the meat industry has to offer.

Join us at the exclusive trade morning on **Friday 6 September from 10am to 12pm**. This networking opportunity will provide trade members with an exclusive glimpse of the show and allow them the opportunity to have a meet a greet with the exhibitors before the official opening at 12pm.

DO YOU QUALIFY AS A MEMBER OF TRADE?

The trade programme is free to all vetted and approved members of trade who register to attend. If you are a decision maker in one of the following industries, you qualify for entry:

- Abattoirs
- Butchers
- Chefs
- Farmers
- Hospitality Buyers
- Meat Wholesalers
- Restaurateur
- Retail Buyers
- Food Manufacturers and Distributors
- Hospitality Buyers
- Meat Wholesalers
- Restaurateur
- Retail Buyers
- Food Manufacturers and Distributors

SPECIAL VALUE ADD FOR AMIE MEMBERS FREE FREE FREE

Complimentary trade visitor badge if you [register here](https://goo.gl/forms/hBsu2hiek6xIEb0D2) OR copy and paste this URL: <https://goo.gl/forms/hBsu2hiek6xIEb0D2>

Complimentary entrance to the networking trade breakfast on 6 September

For more information: zinhle.dlamini@reedexpoafrika.co.za

DURBAN PORT ISSUES: INDUSTRY MEETING

On the 10 July a significant meeting of industry participants met in Durban to discuss challenges in import and export of fresh produce. AMIE, The Citrus Growers Association (CGA) and the South Africa Association of Freight Forwarders (SAAFF) called the meeting. Forty attendees were present to voice their concerns with regards to the Durban Veterinary Inspection Services.

About the participants:

AMIE represents the interests of meat importers and exporters; it promotes, encourages and protects the interests of South African meat importers and exporters. AMIE understands and fully supports the work of the Veterinary Division of your Ministry in ensuring the quality of fresh animal product imports and the health and safety of all South Africans.

CGA represents the interests of citrus growers and exporters. The Association is tasked with developing and retaining global market access, funding research in all aspects of citrus production; setting standards for fruit quality; driving industry transformation and ensuring optimal export logistics performance.

SAAFF is the sole representative of the Freight Forwarding Industry in South Africa - its mandate is, inter alia, to liaise with state organs dealing with freight related matters such as customs, border controls, cargo handling, export and import controls of perishable products, port and airport productivity.

PORT ISSUES CONTINUED



MAJOR CONCERNS OUTLINED

The slow issue of veterinary removal permits in Durban

This matter has direct impact on the ability of container terminals to manage export refrigerated containers (reefers). Officials of the Transnet Port Terminals attending the meeting not only confirmed the issue but also the impact it has on imports and exports, stating that reefer occupancy frequently breaches the 80% occupancy mark because of the slow evacuation of reefers while it should be 70% or less. This results in slow evacuation of import reefers which take up export slots and impacts on the entire supply chain.

These delays are almost exclusively due to the slow issue of removal permits by the Durban Veterinary Services office, which requires 72 hours to issue permits after submission of all relevant documentation, including Customs Release. This extended process time guarantees that import reefers will remain in terminal stacks for an extended period and as indicated above blocks space critical for the export of citrus during the five-month season.

In contrast, the Cape Town office consistently issues permits within 24 hours. It is not only unacceptable but also of great concern to industry that there should be such a divergence between the operations of these two offices, particularly as the issue of removal permits is a straightforward administrative requirement which should not entail any in-depth research or investigation.

The availability of inspectors to complete examinations once import containers of meat and other animal products are removed from terminal and placed in cold store

This issue is of concern to all fresh animal product importers. The lack of enough resources along with other claims on veterinary inspectors invariably results in delays attending to inspections at cold stores and adds materially to the cost of product, which per force must be passed on to consumers.

Industry Escalation:

These two matters have been raised on numerous occasions by both SAAFF and AMIE, not only with the local veterinary office, but with senior officials in DAFF, with little, or no improvement in the situation.

With the meeting of these industry participants, a letter has been written and submitted to the Minister of DAFF, to outline the challenges and frustrations. Importers experience unnecessary costs (that impact on end cost to the consumer), and exporters of citrus suffer great losses from the unavailability of refrigerated stack space. The three associations formally asked the minister to intervene regarding the veterinary inspection division and requested an urgent review of the processes at the Durban port, including the issue of removal permits.

We will keep members updated on the issues at the Durban Port and hope that with this escalated approach to DAFF there will be swift action.



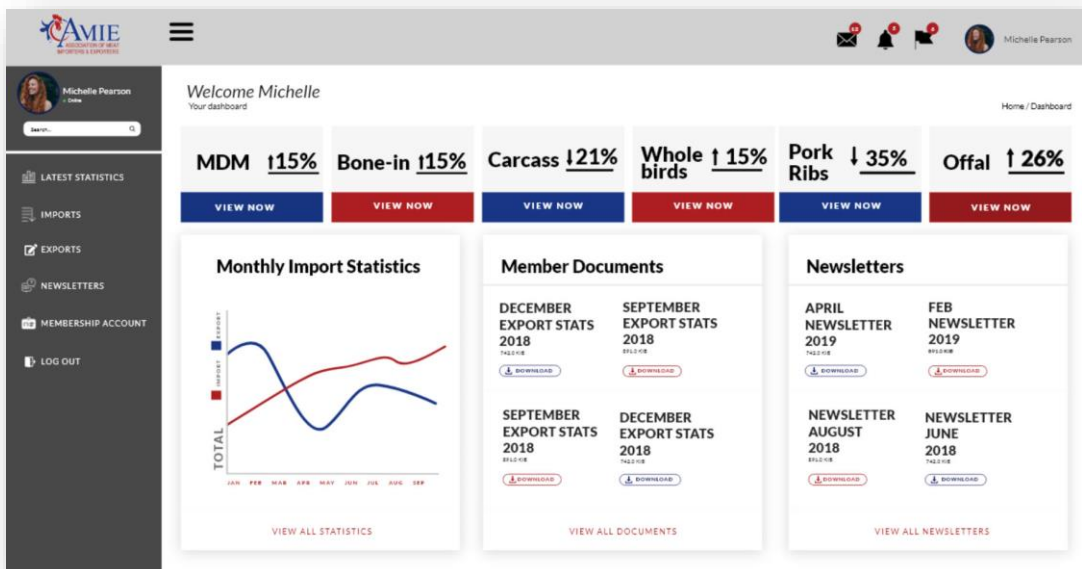
UNDER CONSTRUCTION



AMIE is revamping its website to bring a user-portal of great value to our members.

The purpose of the website is to act as an information hub. It will have a general information area for public viewers, an exclusive members section with valuable statistics and member-only information.

Registered and paid-up members will be able to view the latest import and export statistics in a user-friendly way in the format of charts and graphs. Members will also be able to download relevant information and breaking news. The launch date is set for September. Below is an example of how statistics and information will be made available.





INTERNATIONAL TRADE TRENDS FORECAST FOR THE NEXT SIX MONTHS

— Donald MacKay, TradeXInternational

Globally the world is rapidly moving towards increased protection, lead in large by President Trump. His aggressive trade stance has forced other companies to retaliate, seeing the world move into its most protectionist phase since the 1930's. Trade is slowing down and with that economic growth across the globe is following. But although the USA have largely used tariffs to fight their war, this is about so much more. The other protectionist instruments are simply far harder to track as they are not conveniently held in one place. The most significant of these, as it affects the meat sector, is Sanitary and Phytosanitary (SPS measures). These measures are designed to protect human, animal and plant health, but can easily be abused to act as trade barriers. Unlike duties, which serve to make products more expensive, SPS measures are mostly binary, either allowing certain goods into a given market or prohibiting them. In this way, these measures pose a far greater risk if abused.

Exports are going to be increasingly important but ironically harder to do. For instance, SA has looked at exporting chicken to the EU for a long time, but not much was done to open this market. This remains a valuable market, but gaining access to it now will be a greater challenge than before.

Finally, the very slow process of negotiating the African Continental Free Trade Agreement has begun. The road here is still long but there are valuable markets to be entered in Africa and these need to be carefully considered. Trade into Africa is without a doubt risky, but many of the world's fastest growing economies are in Africa and it will be extremely difficult to grow consumption in SA with a shrinking GDP.

South Africa is quite rapidly increasing its trade barriers, with no indication that this will change in the near future, so I expect the next few years to be challenging.

Thank you to our contributor: Donald Mac Kay from X Trade International

ON THE RADAR

Keeping an eye out for the following burning issues:



Microbiological criteria for raw meat and draft VPN 52/2018

Amie's comments have been submitted to DAFF. Dr Molefe, after receipt of comments at the RAMM conference announced a working group. We await response to the proposed Industry / Government working group.



SOP- Standard Operating Procedure – Labelling

SOP 2017 has been set aside by DAFF following our appeal on the SOP. Amie believes there are certain allegations of wrongdoing i.e this SOP was promulgated to prevent an Amie member consignment entering the country. The SOP was withdrawn and then published for comments. We have submitted comments and are awaiting a response.



Export Certification

Amie has had several enquires with regards to health certificates been signed after the consignment has left the port of origin. This issue is now been investigated.



Amie AGM

The year is flying by - please pencil in the **27 November 2019** for our AGM.



FOR MORE
INFORMATION
CONTACT US.

paul@amiesa.co.za

www.amiesa.co.za

