



## **Food and Allied Workers Union (FAWU)**

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### **Office of the General Secretary**

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Committee Chairperson  
Portfolio Committee on DAFF  
National Parliament  
Cape Town

**08<sup>th</sup> March 2017**

### **RE: Submission by FAWU on the Crises ravaging the Poultry Sector in the RSA**

#### **Dear Honourable Chair**

The below, brief as it as, set out to summarise out submission to the Portfolio Committee for attention and expedited consideration.

#### **1. BACKGROUND**

The Food and Allied Workers Union (FAWU) has always believed in Job-creating Industrial Strategy-inspired Trade Policy approach to trade relations and agreements between the Republic of South Africa and the rest of the world.

It is for this reason that we condemned Apartheid government's decision, in its "dying days" in 1993, to register RSA as a developed country when the General Agreement on Trade and Tariffs (GATT) was negotiated and which subsequently ushered the World Trade Organization (WTO) in 1995.

Actually, FAWU went on to lobby some progressive forces in Europe when RSA was negotiating with the European Union (EU) Commission the Trade, Development and Cooperation (TDC) Agreement on the 'sticky' issues on wines on geographic names, access to fishing resources noting the notorious overfishing by some of EU member-states and related areas.

In fact, as recent as 2012, we staged protest marches to the Brazilian embassies and consulate offices when it was clear that imports of poultry from that country were now negatively impacting our local industry. So FAWU's campaign to save local poultry industry is not new and calling for trade arrangements with protecting local industrial capacity and with jobs retention or creation in mind is not new.

#### **National Office Bearers:**

President: Atwell Nazo; 1<sup>st</sup> Deputy President: Raymond Mnguni; 2<sup>nd</sup> Deputy President: Linda Gqokoma; National Treasurer: Mark Oliver;  
General Secretary: Katishi Masemola and Deputy General Secretary: Moleko Phakedi

## **2. INTRODUCTION**

Given the above background, when there was a noticeable and sharply rising of imports from some of the EU's member-states, we wasted no time in embarking on campaigns, by a way of waging protest marches to the EU Embassy and to our own symbols and centres of government and parliament.

Whilst the imports from Brazil and the United States of America (USA), the latter because of the Africa Growth Opportunities Act (AGOA)'s renewal and insistence for RSA to open its poultry market, were a problem, the sharp rise in EU's imports were particularly telling and compelling for an action to be taken.

It is for this reason that we hereby make the following submission as summarised here below and call for Parliament to move with speed with intervention within its powers and possibilities.

## **3. SUBSTANTIVE CONCERNS**

The submission starts with identifying the problem and explaining the rationale behind our action, then follows with analysing the situation as it obtains and detailing the impact of what we are dealing with.

### **3.1 The Problem and the Rationale behind our Action**

The difference between the imports of Brazil and the USA on the one hand and that of EU on the other, it is that the latter (EU) is engaged in dumping, and this has been confirmed, and the former are still to be caught if at all are engaged in dumping.

The USA may have some elements of direct or indirect support, at least at feed/input side level of its poultry but we still have to hear if their exports of poultry products to our shores are below production. While, Brazil, because of its sheer size/scale and abundance of raw materials, such as maize, it is simply competitive.

EU was found to be engaged in dumping of poultry products and they are still to appeal and the verdict that they are dumpers, or they sell the brown portions (leg quarters) in RSA below an average cost of whole-bird production on their side, will stand until they prove otherwise.

## **3.2 The Brief Analysis of the Situation**

### **3.2.1 Is EU Competitive?**

No, EU Chicken producers are not as cost competitive as RSA's. There are reasons to believe that EU poultry producers enjoy advantages that make them to simply embark on dumping. The first is some indirect support and even direct support, in a form of subsidies were they exist, they receive from their governments.

Secondly, they do portions cross-subsidization, or they sell breasts portion in their own jurisdictions at a premium, due to EU consumers preferring them for health and life-style reasons, and dumping/selling the leg-quarters to RSA at ridiculously low prices.

### **3.2.2 Then what is the Problem?**

This is where the source of the problem is! It is here that we talk of unfair, not even free, trade practices and we talk of outright dumping by the EU member-states. The local chicken producers cannot compete with EU chicken dumpers.

Therefore, the argument of RSA chicken producers being uncompetitive is rebutted, including by studies in one popular university of agriculture in Europe and by the World Poultry Association, which respectively found RSA to be competitive that the rest of EU and being the fifth most competitive in the world after four countries, including Brazil.

### **3.2.3 We oppose damaging trade relations but even passionately reject unfair trade**

As pointed out in the background, we want developmental content in trade agreements that our own RSA government enters into with a view to defend our industries and protect, if not promote, jobs.

In the case of EU, we even go a step further and say dumping, a practice condemned in any agreement, even compels us to reject this and call on our government to immediately take action in defence of our country

## **3.3 The impact of EU's Dumping**

The impact is pretty much obvious and now recorded in the media and ours is to simply confirm what is known.

### 3.3.1 Job Losses Bloodbath

The biggest poultry company, Astral Foods chicken business, has reduced hours of work/closed shifts thereby leading to short-time and reduced weekly wages in some of its operations instead of complete retrenchments of some of its employees.

The second biggest company, RCL Foods chicken business, has closed some of its KZN's Hammersdale farms and downscaled its processing operation leading to some 1 350 workers losing their jobs. The third biggest company, Country Bird Holdings, has just announced closure of one its 3 abattoirs very soon with several hundred workers to be laid off.

### 3.3.2 Socio-economic Impact

The poultry sector is known to be labour-intensive and for absorbing low and semi-skilled workers and operates in peri-urban or semi-rural areas, especially on the farming side of the value-chain.

This means the impact to families, noting that each worker has five to seven or more dependants, is leading to dire socio-economic situation for the families and affects small business people operating in or next to those affected areas.

## **4. PROPOSED WAY FORWARD: INTERVENTION PACKAGE**

The situation is dire and we, as a country, do not have luxury of time as every day passing means the situation is getting much dire and government needs, after recommendations of the Task Team, move with speed in packaging interventions measures.

### **4.1 Immediate Measures**

We immediately need to raise tariffs and implement safeguard measures and explore imposing anti-dumping duties. So the Trade Measures are something we must do with immediate effect and those are perfectly within the WTO rules and even bilateral trade agreement with the EU.

### **4.2 Short-run and Medium Term Measures**

In a short-run and immediate term we need to explore embarking on a "trade war" with EU by employing reciprocal technical barriers to trade placed on the leg-quarters that our country's retail-chain stores are importing from the EU.

It cannot be that our poultry products, specifically breasts, are forbidden from entering the EU owing to some swine-flu in ostriches but enveloped to be covering the poultry products by EU yet EU does experience swine-flu, as they just did recently, in actual poultry sector and we quickly remove the safeguard measures as soon as they unilaterally claim to be swine-flu free without us embarking on thorough-going verification of their claims.

We must place those sanitary, hygienic and other related standards for those products. We need to demand that they label and pack their poultry products with specifications of what those are meant for which customers and that previously frozen products be subjected to heavy health requirements by our health authorities as part of our food safety standards.

### **4.3 Long-term Strategic Issues**

The long-term measures including working on interventions that will assist in further upscaling the cost other competitive moves in getting our industry to deal with even competing with the likes of Brazil and three other countries that are more competitive than RSA.

To this end, we need to ensure that the input side of the value-chain, especially the maize and soya beans, is domestically reliant on instead of importing or to only import from the region of SADC.

Part of such a strategic path should also include the area of rural development and transformation of the industry itself, from nurturing of small players sourcing their chickens as part of enterprise development up to utilising packaging and other mid-stream players, as part of supplier-support.

## **5. CONCLUSION**

In conclusion, we need to have government to move with the necessary speed in saving the industry from decimation, as Ghana was once from the EU or Brazilian but EU-routed exports, or significant shrinkage, with only Woolworths the only retail served and fast-food outlets as only customers.

We hope that the Department of Trade and Industry (DTI) and other government departments, such as DAFF, will then quickly package interventions measures as processed and agreed to in the Task Team, also compromising FAWU and industry association/players, and speedily implement the same so as to safe our industry from collapse.

We hope that this portfolio committee will play its part and ensure that whatever needs to happen do indeed happen for the sake of our country, its citizens and the jobs that go with this mission.

For more information and further clarifications feel free to contact the writer at your earliest convenience

Thanking your understanding in continued appreciation.

Regards

*Digitally-signed*

**KATISHI MASEMOLA**  
**FAWU General Secretary**