**FairPlay Briefing Document - Stop Chicken Dumping**

**Summary**

• **The problem**: The South African chicken industry is in crisis.

• **The cause:** Unprecedented volumes of surplus chicken from abroad are being dumped in this country.

• **The results:** Thousands of jobs have already been lost, and many thousands more are threatened, as larger producers cut production and smaller ones go out of business.

• **The future:** There have been warnings that the industry might not survive beyond December 2017 if dumping continues at the current rate. A modern and efficient industry that creates jobs for some 110 000 people is being devastated. Another 20 000 jobs may be at risk in related industries. Entire communities are under threat as job losses loom. Families are in trouble as dumping destroys their livelihood.

• **Taking a stand:** We are calling for FairPlay – this is how we stand together and fight dumping.

• **What is FairPlay?** This is an anti-dumping campaign that promotes fairness in trade, firstly in South Africa but also across the world where jobs are being lost and businesses are at risk because of dumped imports.

**The Trouble with Dumping**

In the context of international trade, dumping is the export of a product at a price that is lower than the price charged in its home market, or below its cost of production. It allows an imported product to gain unfair market share and is considered a predatory practice.

Dumping is not fair trade, or fair competition. Nor is it fair to consumers. Experience shows that once local industries have been crippled or killed, importers are free to raise prices to whatever level they think the market will bear, because they control the supply. South Africa used to have flourishing footwear and textile industries – those jobs have gone and the factories have closed. Now steel and chicken are among the industries under threat.

Governments, too, are the losers because those who lose their jobs become dependent on state grants and other support, for years and even decades.

The warning bells are ringing loudly. Action against dumping is urgently needed.

**An Industry under Threat**

The threat to the South African chicken industry is real, and it’s here. Since 2010, imports of dumped chicken have risen dramatically, and imports of bone-in portions have trebled. Imports of bone-in leg quarters now constitute almost 25% of that section of the poultry market, and exceed the retail sales of most local producers.

In 2016, up to 30 000 tons of chicken leg quarters a month were dumped in the South African market, mainly by the European Union, and sold to importers for less than the cost of production. For several months in 2016, these EU imports were between 20 000 and 30 000 tonnes a month, more than most local producers retail in that period. EU bone-in imports rose 25% between 2015 and 2016.

The reason is that consumers in Europe and the US prefer chicken breasts and wings. The brown meat – leg portions of drums and thighs – are popular in South Africa, but are considered surplus by producers concentrating on Northern Hemisphere markets for white meat. They sell this unwanted surplus for any price they can get, having recouped their production costs with the sale of the white meat.

There is no doubt that it is dumping – selling below production cost and harming the local industry. Three EU countries – Germany, the Netherlands and the United Kingdom – were found guilty of dumping in 2014, and the practice continues.

Dumping is doing huge damage to the South African chicken industry. An estimated 4 000 to   
5 000 jobs have already been lost, and thousands more people will be out of work in 2017 as producers scale back because of the massive volumes of imports.

RCL FOODS, one of South Africa’s largest chicken producers, halved production from February 2017 at its Hammarsdale plant in KwaZulu-Natal, with the loss of 1 350 jobs. RCL FOODS has warned that more jobs may be cut if the situation does not improve. The third largest producer, Country Bird, has said that unless dumping is stopped it will have to close one of its three abattoirs, with the loss of some 1 600 direct and indirect jobs. In 2016, an RCL FOODS executive said that if imports of dumped chicken continued unabated, the South African industry might not survive in its current state for another eight to 12 months.

The crisis that the chicken industry has been warning about has arrived. In 2014, the South African Poultry Association (SAPA) warned that unless action was taken to curb imports, some 20 000 jobs would be lost in South Africa. Its latest estimate is that 1 000 jobs will be lost for every 10 000 tons of production lost because of dumped chicken imports. We are now facing the possible collapse of the entire South African chicken industry, putting at risk 110 000 jobs in the industry and a further 20 000 jobs in the maize and soya industries which supply chicken producers.

**A Threat to Food Security**

*“Food security exists when all people, at all times, have physical and economic access to sufﬁcient, safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life”. (World Food Summit, 1996)*

South Africa’s food security could be another casualty of chicken imports. According to a recent report in World Poultry, poultry meat is now established as a mainstay of the South African diet. Between 2000 and 2014 the consumption of poultry meat per person per year increased almost 80% from 21kg to 38kg. “As poultry meat is relatively inexpensive and is available everywhere, it has grown to be the most important protein source in the diet of the majority of South Africans, according to a recent USDA GAINS report,” the report states.

As the South African Poultry Association has pointed out, once the local industry has been forced to close, the country will be at the mercy of foreign producers who can raise prices or, if better prices are offered elsewhere, switch their sales to other markets. South African workers, many of them from poor communities, will lose their jobs. South African chicken consumers, many of them also from vulnerable communities, will have to pay more or go hungry.

South Africa is being targeted because it is one of the few countries that allow virtually unrestricted chicken importation. Russia has closed its borders to dumped chicken, and China and most African countries bar chicken imports through tariff or health barriers. Nearly all countries with chicken industries do not allow importation or actively safeguard their industries. South Africa is a striking exception. So was Ghana, and the chicken industry there collapsed.

Jobs and food production are at risk not only in the chicken industry. The grain industry is one of the largest agricultural industries in South Africa, producing between 25% and 33% of the country’s total gross agricultural production. The South African chicken industry buys 90% of all soya grown locally and nearly half of the country’s maize.

According to SADC more than 9 000 commercial maize producers are responsible for the major part of the South African crop, while the rest is produced by thousands of small-scale producers. Maize is produced mainly in North West province, the Free State, the Mpumalanga Highveld and the KwaZulu-Natal Midlands.

The collapse of the chicken industry would have a disastrous impact on the grain industry, food security and the national economy.

**International Practice**

In September 2016 China extended anti-dumping duties on imported US chicken for a further five years. These duties were originally imposed in 2010 to control the dumping of US chicken on the Chinese market at lower than market price, to protect the local Chinese industry.

Russia has also extended a total trade ban on Western agricultural and food imports. Before the ban in 2014, it was the second biggest market for US chicken, with about 267 000 tons imported from the US.

The concern about chicken dumping in South Africa also affects its neighbouring countries. Swaziland, which had recently revived its poultry industry and exports to neighbours such as Mozambique, has expressed fears that dumping in SA will push their domestic producers out of the market.

Most other African countries protect their own industries by banning chicken imports. Where this is not done, as has happened in Ghana and Cameroon, the local sindustries collapse. Other countries around the world protect their home-grown industries by implementing health-standard and other technical barriers to cub imports. In Saudi Arabia, health regulations require that imported chicken meat must come from poultry fed on vegetable-only protein and must be free of growth hormones.

Central to the issue is the renewal in 2016 of the African Growth and Opportunity Act (AGOA) between South Africa and the USA, after protracted negotiations. The lifting of anti-dumping duties on chicken from the US was key to the renewal, and because of this 65 000 tons of American chicken can be imported into the South African market annually, without any dumping duty being payable.

The EU, which is the source of the bulk of chicken dumped in South Africa, has acknowledged the risks it presents to markets such as South Africa. In the EU Commission’s own Sustainability Impact Assessment (SIA) on the agro-industry in Africa it warned that competition from EU imports could threaten local markets and discourage the development of a local processing industry. It also articulated an understanding that the decline in poultry production would have spin-off effects with job losses in related sectors such as the feed industry.

This is what South Africa is facing.

**FairPlay – A Proposed Solution**

FairPlay stands for fair competition.

FairPlay aims to differentiate the good players from the bad in the chicken industry through a self-regulatory industry standard of compliance.

FairPlay also aims to isolate and exclude unfair competition in the chicken market, putting pressure on the bad players by focusing on dumping as a predatory practice.

Highlighting the issues for consumers will enable them to make informed choices.

**FairPlay mission:** To fight the scourge of dumping as an illegal and immoral trade practice.

**FairPlay vision:** A world where dumping no longer exists in free trade according to the rules.

The campaign was set in motion in October 2016 to unite the efforts of all affected parties who are suffering because of unlawful dumping of chicken in the South African market. FairPlay’s activities include the formation of a social support coalition to provide solutions for the workers who lose their jobs due to dumping.

The FairPlay mission provides the compass, the integrity and the credibility that drives the unity of purpose for the various interests. It communicates a powerful narrative for influencing government decisions on the actions required to end the dumping of chicken in South Africa.

**The Social Support Coalition**

Those that become unemployed will most harshly feel the social impact of dumped chicken imports. The Social Support Coalition is required to put together a social plan to mitigate those hardships and help affected people have sustainable livelihoods.

A social plan can address the impacts on three tiers: 1) An alternative work programme is centred on skills development, micro-business opportunities and community-based projects. 2) Skills development initiatives often centre on self-employment opportunities such as food, gardening or procurement opportunities in the local economy as a feeder to micro-business opportunities. 3) Social security support, helping affected individuals to access social grants, and administrative assistance through a social worker or similar resource such as a help centre – usually temporarily.

FairPlay plans to highlight the damage that dumping is doing and can do, and to build a consensus that dumping must be addressed urgently.

FairPlay will press for protection for the South African chicken industry, through import tariffs and technical barriers. Unfortunately, the country is prevented by the terms of its World Trade Organisation Agreement from imposing quotas. Quotas would be more effective than tariffs because foreign exporters selling off a surplus will simply lower their price further to counter any tariff increase.

In addition to regulatory measures that can be taken by the South African government, Fair Play will also promote a complaint to the International Trade Administration Commission (ITAC) which can impose tariffs and other trade remedies, such as the imposition of anti-dumping, countervailing or safeguard duties.

Fair Play will also urge the South African government to:

* Clearly define food safety requirements such as microbiotic and antibiotic residuals and poultry abattoir grading for imported chicken.
* Require traceability documentation to define the origination of poultry meat.
* Define the acceptance and rejection criteria for imported chicken at port level.

This is a campaign to demonstrate that producers, consumers, trade unions, civil society organisations and regulators share a common interest in reducing the importation of dumped chicken into South Africa.

**For more information on FairPlay, visit our website:**

[www.fairplaymovement.org](http://www.fairplaymovement.org)

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