

Ms JL Fubbs (MP)  
 Chairperson: Portfolio Committee on Trade and Industry  
 Committees Section  
 Parliament  
 Cape Town  
 8000

24 April 2017,

**Re: Request for Shoprite Group participation – Challenges facing the poultry industry**

Dear Ms Fubbs,

Your letter dated 19 April 2017 refers. On behalf of the Shoprite Group, I would like to thank you for inviting us to make representations on the challenges facing the poultry industry.

Our business, like many others, has been directly impacted by the developments in the poultry industry over the past few years and as such, we appreciate the Committee's willingness to fully understand this impact, especially given both the substantial direct and indirect contribution made by it.

I am unable to attend the meeting in person but this is the Group's stance on the issues raised in your letter and I hope it will give the Committee a greater understanding of the impact thereof on our business:

**1. Local producers vs. wholesalers of imported products**

The Shoprite Group deals with both local suppliers and importers of poultry to meet the demand from its consumers who represent a majority of adult South African shoppers (Some 29-million consumers). Around 97% of the chicken we sell in our supermarkets in South Africa is sourced from local suppliers while we only import 3% ourselves. These are all from countries with Government approved Trade Agreements and under strict scrutiny of South African food import regulations.

With chicken being the main source of protein for a majority of our consumers, there is consistent high demand and we strive to provide consumers with enough variety and choice to suit every pocket. From time-to-time, we unfortunately have to source very small quantities of imported chicken in order to meet this demand. We will always prioritise local suppliers of poultry as our primary means of supply and we believe that the local industry has the potential to meet the Group's full demand provided that the issues currently faced are adequately addressed.



MEMBER OF SHOPRITE GROUP

ED OFFICE: CNR WILLIAM DABS & OLD PAARL ROADS, PO BOX 215, BRACKENFELL, 7561, SOUTH AFRICA  
 TEL: +27 (0) 21 980-4000 FAX: +27 (0) 21 980-4050 www.shopriteholdings.co.za

**DIRECTORS:** P C ENGELBRECHT (CEO), J M ALBERTS, J A L BASSON, J W BASSON, C BLAIR, M BOSMAN, S B BRAUDE, J V R BRÖNN, C J C DE W BURGER, A J DE SWARDT, P G DU PREEZ, D F DU TOIT, J FOURIE, G FRITZ, A B GARDENER, C G GOOSEN, D HALLALE, B HARISUNKER, J H HUNTER, W J HUNLUN, A JANSE VAN RENSBURG, M G JOUBERT, A E KARP, A LAMBRECHTS, P J MALAN (NAMIBIAN), F K G MULLER, E L NEL, S SCHIFF, N L SCHREUDER, P TZELLIOS (GREEK), P B VAN DER MERWE, J G VAN DEVENTER, H J VAN ROOYEN, S M VISSER, A C VOSLOO, B R WEYERS, J J ZWENNIS. **ALTERNATE DIRECTORS:** A DE BRUYN, T A FORREST, S G GOUWS, D H JACOBS, E L MARAIS, D G MÖLLER, V P SCHOELER, P SOLMS, P G VAN BREDA, J J VAN ZYL, L G VAN DER SPUIY, A A WAGENAAR

## **2. Sales of local products vs. imported products**

Sales volumes largely reflect the above supply figures, with sales of local products at around 97% vs. 3% to imported poultry products. We see an almost identical trend for frozen "IQF" chicken across our supermarkets, which accounts for the majority of poultry sales across all outlets in South Africa at month-on-month.

## **3. Position on Brining**

The Shoprite Group supports government's efforts to reduce brining in chicken as it believes that this is in the interest of consumers. The implementation of the new regulations has had an impact on sales, with a decline of close to 20% in volumes since the new regulations were introduced.

While the Shoprite Group works to shield consumers from inflationary price increases through economies of scale and negotiations with suppliers, the impacts of regulatory changes like this are virtually impossible to absorb. For consumers, the implementation of the regulations has resulted in an increase in cost of around 17% on a 2Kg bag of IQF chicken, one that has been very difficult to explain to them. The increased prices have, however, resulted in a 9% increase in sales value for the group.

## **4. Shoprite Group pricing policy on poultry products**

The Group's pricing policy on poultry products is market-related. We review prices on a weekly basis due to the sensitivity of chicken prices and specifically the turnover on frozen IQF chicken. Over a 12-month period, our margins range from between -2% to 2%, with IQF as the main drawcard for consumers.

## **5. Inputs on the challenges faced**

The Shoprite Group believes that collaboration is imperative to bolster the local poultry industry. Imports together with the recent brining regulations continue to have a massive impact on the local industry, in particular the industry's ability to sustain both growth and employment.

While the Group acknowledges the complexities involved in negotiating trade agreements, it believes that a trade-based intervention must be made to protect the local poultry industry. In particular, we believe that solutions to create alternative markets for local producers would be highly beneficial to the local market.

The Shoprite Group continues to be a proud supporter of locally manufactured products, especially chicken, given the ongoing popularity of the various lines in its supermarkets.

While these issues continue to be debated by the various role-players, the Shoprite Group will:





- Continue to support local chicken manufacturers by stocking their products in its stores;
- Continue to work in the interest of consumers to negotiate the lowest prices on locally produced chicken products every day;
- Appropriately label all imported chicken products as such so that customers have the right to choose which products they want to purchase;
- Remain open to engaging with various stakeholders to address the issues-at-hand, in the interest of consumers

Once again, on behalf of the Shoprite Group, I thank you for affording us the opportunity of sharing our views on these issues.

I trust that the upcoming meeting will deliver valuable insights for the Committee to deliberate towards a meaningful outcome.

The poultry industry is certainly an important contributor to the economy and as a proud supporter of its outputs, we would only want to see it grow from strength-to-strength.

Please do not hesitate to contact my office should you require any further input on this and any other relevant trade matters.

I thank you.

I remain,  
Yours sincerely

A handwritten signature in black ink, appearing to be 'PE', written over a horizontal line.

PIETER ENGELBRECHT  
Chief Executive Officer

