

How to get your slice of the chicken pie

Insight into the local chicken industry and a fresh look at the poultry category

The poultry industry has seen both successes and challenges in the past 18 months. With import tariffs having increased in 2020, South African producers were given some respite and breathing space.

This year, the poultry industry saw a significant increase in feed prices, as well as reduced demand due to Covid-19 lockdowns. Local producers already facing low profit margins are under pressure to increase prices in a cash-strapped economy. It's a tough balancing act.

However, there are still many positives in the industry. Poultry is the primary supplier of quality, affordable protein to South Africans and there are over a million households in the country engaged in some form of poultry production, mostly on a subsistence level.

Billions are being invested by the industry, government, chicken producers, and other stakeholders to grow jobs by increasing local production, upgrading large-scale production facilities, and assisting subsistence and commercial scale farmers. With this in mind, it is clear there are many opportunities for growth.

“Poultry is the primary supplier of quality, affordable protein to South Africans”



The current landscape

The majority of South Africa's population relies on poultry to provide animal protein at affordable prices, which is in turn important for national food security. The Poultry Products Prices Monitoring Report by the National Agricultural Marketing Council (NAMC) monitors prices for selected poultry products within South Africa and compares them to the current outlook on the global market.

International poultry prices, chicken imports into South Africa, monthly producer prices, feed prices, and poultry prices at retail level are analysed to provide a clear picture of domestic poultry price trends within the global market.

The report states that “On an annual basis, the index is 4.6 points higher on average when compared to 2020. Global poultry prices remained steady, but still at higher levels due to the global



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mpact has an array of multi-trip, re-usable containers that constitute the largest range of Returnable Transit Packaging (RTP) systems in South Africa.

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Protects the fragile nature of eggs

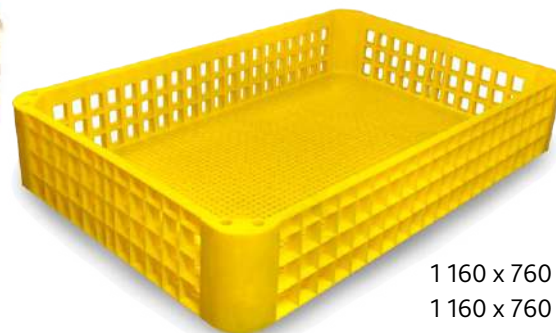
126 hole: 884 x 307 x 36 mm H 150 hole: 734 x 510 x 37 mm H
132 hole: 890 x 307 x 36 mm H 162 hole: 1140 x 310 x 37 mm H
Material: Polypropylene



Hatching Crate

Designed for the comfortable hatching of chicks

976 x 388 x 116 mm H
Material: Polypropylene



Easi Tray

Used to safely transport live birds from broiler farms to abattoirs

1 160 x 760 x 220 mm H
1 160 x 760 x 255 mm H
Material: HDPE



Chicken Coop

Fits 32 live birds. Reduces bird mortality when in transit

740 x 545 x 308 mm H
Material: Polypropylene



Day Old Chick Crate

No splinters or loose parts. Reduces the risk of injury to chicks

Size: 528 x 462 x 135mm H
Material: Polypropylene



Poultry Freezer Crate

Suitable for poultry blast freezing

976 x 388 x 116 mm H
Material: Polypropylene

The 220 mm high Easi Tray is stacked 5 layers high during transit ...

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Mpact Plastic Containers forms part of Mpact Operations. There are three manufacturing plants that are based in Brits, North West, Atlantis, Western Cape and Castlevue, Johannesburg. Mpact Plastic Containers is host to two 5500t Engel Duo machines, the largest of its kind in the southern hemisphere. The company has on-site recycling facilities where old products are recycled to create new plastic products. This process ensures all products are manufactured sustainably in a closed loop system.

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balance in supply and demand. Demand for other meats, especially bovine meat from East Asia, is putting some pressure on global poultry prices. Also, global pork prices remained firm in April 2021.” These factors had a negative effect on the global poultry-price index. Even though export prices from Brazil looked to be a stabilising influence, these still declined by 0.1%. Overall, the report notes that “Year-on-year, export prices are 8.5% up in the USA and 1.3% up from Brazil.”

Brazil remains a firm supplier of chicken to South Africa, with mechanically deboned meat (MDM), frozen chicken leg quarters, frozen chicken offal, frozen chicken drumsticks, chicken feet, and frozen chicken thighs constituting the largest quantity of cuts imported.

Dumping and the poultry masterplan

The South African Poultry Association (SAPA) has applied for anti-dumping duties on imported chicken. Dumping occurs when larger producers sell their produce at a price lower than the cost of production in their markets or below the price they sell it to their consumers, thus having a devastating impact on market competition. This practice contravenes the World Trade Organization rules as it is unfair towards local producers and stifles economic growth.

The industry is investigating anti-dumping measures with relevant stakeholders in the South African market as well as renewing its focus on the poultry masterplan. According to Poultry World, “The poultry sector masterplan, which was signed



Many local chicken producers have been forced to close farms and retrench staff, due to increasing levels of predatory imports.

by government, the poultry industry, importers, labour representatives, and other stakeholders in November 2019, aims to stimulate local demand, boost exports, and protect the domestic chicken industry.

The plan also focuses on feed costs (primarily maize and soya), meeting safety and veterinary requirements, compliance to boost exports, and transformation of the South African sector. Henk Alberts, CEO of Henwil Chickens, says, “There are various initiatives around the development of previously disadvantaged farmers, with the Department of Trade and Industry providing finance and resources in that aspect. We feel that the government machinery is often quite slow and therefore transformation could happen faster and more efficiently. The plans and ideas are there, however. Our business has become involved by supporting two previously disadvantaged farmers who supply to us.”

Izaak Breitenbach, General Manager at SAPA says, “The industry has invested R870 million to create markets for 50 previously disadvantaged contract growers and to facilitate exports to create local jobs. The industry has also done and paid for business studies for 19 farmers who are in a programme with the DALLRD (Department of Agriculture, Land Reform and Rural Development). Further training and advice is provided to 40 independent previously disadvantaged farmers.”



Image: Brandie Robbins, Pexels

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Serves: 6
Preparation time: 15 minutes
Cooking time: 50 minutes

Butter-Basted Chicken with Chakalaka and Roosterkoek

Nothing beats easy-to-prepare braai chicken. It gives you more time to spend with your guests!

INGREDIENTS

Chicken:
6 Goldi chicken pieces
160g butter
5ml paprika
5ml onion powder (optional)
5ml garlic powder
salt

INGREDIENTS

Roosterkoek:
1 kg flour
2.5ml salt
30ml sugar
10g yeast
60g butter
500ml lukewarm water

INGREDIENTS

Chunky chakalaka:
15ml oil
2 onions, chopped
15ml medium curry powder
10ml cayenne pepper
60ml tomato sauce
1 tin chopped tomato
4 carrots, chopped
3 peppers (yellow, green, and red)
a handful of cherry tomatoes
1 tin baked beans
salt

METHOD:

For the chicken:

- Mix the butter with the spices.
- Smear half the spice butter over the chicken.
- Braai the chicken for 35 minutes, turning and basting with the remaining butter.

For the chunky chakalaka:

- Heat oil in a pan over medium heat (or over the coals).
- Fry the onion, curry, and cayenne for 2 minutes.
- Stir in the tomato sauce, tomatoes, carrots, and peppers. Simmer for 15 minutes.
- When the carrots are tender, add the cherry tomatoes and baked beans. Season.

For the roosterkoek:

- Mix the flour, salt, sugar, and yeast together.
- Add the butter into the flour mixture, rubbing it with your fingertips until the mixture resembles crumbs.
- Add water to the dry ingredients to form a soft dough. Place aside, cover, and allow to rise for 1 hour.
- Knead the dough again and shape into 12 balls.
- Place the dough aside for 10 minutes.
- Flatten the balls slightly and sprinkle with a little flour.
- Cook over a low fire for 10 minutes on each side.
- Tap the bread with your fingers. When it makes a hollow sound, it's ready to serve.



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Avian influenza

The Poultry Products Prices Monitoring Report explains that the current Highly Pathogenic Avian Influenza (HPAI) situation threatens the industry stability if it is not contained. To date, only layer and breeding farms have been affected, with broiler production farms so far having escaped this devastating outbreak. As avian influenza can affect humans and is easily spread amongst birds, the impact of the local outbreak has been significant. The industry is currently working closely with the Department to address the outbreak. Further outbreaks could lead to a drastic reduction of local flocks, adversely affecting production and local prices.

Civil unrest

The civil unrest, looting, and riots which took place in July 2021 caused a great deal of disruption in the poultry sector in South Africa. Farms were reportedly invaded, public infrastructure was destroyed, and businesses suffered supply chain disruptions.

Storage capacity for frozen poultry products became a challenge, says Breitenbach. "The biggest issue in such instances is the potential threat to food security. We slaughter about 5 million birds a day nationally – about 30% of these in KwaZulu-Natal – and those end up in cold storage, but stores were filled to capacity."

Henwil Chickens has noticed a lasting effect of the unrest, saying that many of their high-value items couldn't be sold, resulting in excess stock



Picture courtesy of Henwil Chickens

Henwil Chickens has invested in company-wide advancement, from technology to the business model and marketing, to realise their vision of becoming the best chicken processing facility in South Africa.

being placed in cold storage. Alberts noted that as prices have recently increased, it has worked in their favour to some extent, although the additional storage requirements with limited availability also carried cost implications.

Covid-19 and lockdown

The coronavirus has hugely impacted daily life, from the individual consumer to businesses across the spectrum. Of course, the poultry sector has not gone unscathed with increased costs to manage

the risks associated with Covid-19 and a complete shutdown in the food service and restaurant sectors during the various levels of lockdown.

The change in demand saw more chicken being channelled to frozen production, resulting in higher stocks of individually quick-frozen portions in the industry and downward pressure on selling prices to the consumer market. "Lockdowns have affected the food service industry, and the hotels and restaurants that would normally use the high value products – fillets and drumsticks and so on – showed significantly lowered demand due to these limitations. We saw an immediate difference in the first two weeks once the country moved to Level 1," says Alberts.

As far as changes in the market go, he says that it is evident that people are putting more lower-value product in their baskets. He noted that especially at the beginning of lockdown, retail seemed to have a major advantage as people were eating and braaiing more at home. "Lockdown has certainly been a determining factor, but retail has been relatively stable throughout. We even see a difference with the R350 government grant in that people spend that money on the lower value products."

Industry innovation

"Consumer trends have driven rapid change in recent years across food," writes Rob Dongoski, Food and Agriculture Leader at Ernst & Young USA, in an article on verticalisation in food and agribusiness. Due to increased food and health



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consciousness, consumers display more diverse demands in their consumption, with transparency and convenience top of the list.

To evolve themselves, businesses will have to be innovative in the adoption of leading practices, digital tools, and new business models – one of which is integrating into different areas of the value chain. This combination of multiple stages of the production process leads to better quality control and transparency, reduced costs, and potential increase in market share.

In South Africa, Henwil Chickens has spent the past three years investing in just such an evolutionary business process. “We have been expanding our value chain by hatching the chicks ourselves to then place them. Producing our own feed, transporting it with our own trucks, then slaughtering, packaging, and selling – all those links in the chain will be internal. We have started building our own feed factory, which will have a large impact on us as we currently buy around a third of our feed. We should be 100% self-sustainable by August 2022,” says Alberts.

During 2018, Henwil Chickens upgraded and expanded their abattoir section to include the latest technology and double their production capability. This allowed the company to be more adaptable to market demands. Alberts says, “When, for example, the chickens that come in are too big and heavy, we can decide to cut and package for a specific market. We are more flexible and therefore more successful. We were never able to maximise on that potential once Covid-19 came along, but



“ Since Covid there is no more normal. Previously, you could observe and follow trends, but during this pandemic, things vary constantly and you must think on your feet and be ready to adapt to the market.

International travel being limited has hampered the local market quite a bit. Foreign currency is vital in the South African economy but now hotels, guesthouses, and restaurants are operating with only local buying power. With the UK removing us from the red list recently, we are sure that the increased travel will make a tangible difference. ”

Henk Alberts, CEO of Henwil Chickens.

in 2021 we’ve been able to see the benefits of improved profitability, product availability, and increased prices. If we hadn’t done that three years ago, we wouldn’t be in the strong position we are in now.”

Through these expansions, Henwil Chickens has ensured consistent supply and controlled cost, as well as optimising the value chain in terms of transportation. The traceability and transparency

Hot tips for retailers



- The customer’s focus on convenience means that they shop both at the meat/poultry fridges and counters as well as in the frozen aisles and deli. Manufacturers and retailers looking for new production and marketing opportunities could experiment with positioning of products in different locations to take advantage of cross-promotion.
- Being aware of customers’ chicken preparation habits gives retailers an opportunity to call attention to these throughout the store: the focus here is on portion sizes, value-added proteins, blended items, and plant-based alternatives.
- The poultry fridge is a prime spot for retailers to call attention to trendy flavours and protein alternatives, as well as interesting value-added and pre-prepared poultry items that might appeal to flexitarians and other adventurous consumers.
- Showing your customers that you are staying on top of the latest trends could help to attract a wider array of consumers who want to mix it up when it comes to traditional and alternative proteins, as well as flavours.





Image courtesy of Pixabay, Pexels

Crumbed chicken cutlets and nuggets are among the fastest-growing segments in the global market.

in controlling all aspects – the sources of feed, the animal living conditions, and the treatment of animals – further offsets the risks related to food safety and quality.

“We are FSSC 22000 food safety certified for the first time this year, and that ensures that a high standard is met. We have a vet that looks after the health of the chickens, we have a field official checking on housekeeping on the farms, ventilation, temperature, sufficient food, and clean water. Our catching teams monitor the catching and handling of chickens, trucks are maintained for transport, and the schedule is finely planned so that the birds aren’t ever exposed. We have a task team investigating new and improved techniques that ensure chickens are not injured or bruised. We are investing in new cages that are more

advanced and cost effective, contributing to the chicken’s welfare. Ultimately, we are competing with other businesses who also do their research and development, so we must always be ready to stand up to those challenges.”

Product development

A recent report by Straits Research indicates that the ‘ready-to-eat meats’ market is set to grow by nearly 5% over the next five years. The poultry products included in this segment

are crumbed cutlets, crumbed chicken nuggets, crumbed chicken tenders, turkey or chicken burgers, sausages, and viennas. Of these, crumbed chicken cutlets and nuggets are among the fastest-growing segments in the global market.

Companies are continuously making efforts to improve on flavour and cater to the preferences of their customers.

“There are several other major factors driving this market growth. These include changing lifestyles, rising demand for ready-to-eat products, the improvement of industrial meat processing equipment, and the convenience of processed meat products.”

Image courtesy of Nando’s



Inspired by the knowledge that customers often try to recreate their well-loved flavours at home, Nando’s introduced their easy-to-use Bag & Bake range for inspired at-home cooking.

Nando’s at home

Nando’s has extended their product range for retail to add to their popular sauces and perinaises. Backed by the strength of the brand’s name, consumers should be happy to add the new Bag & Bake product range to their trolley. Featuring a sachet of spices for use on chicken, meat, fish or vegetables, the oven roasting parchment bag “promises to be an easy solution to spicing up dinnertime, with a quick fix of Nando’s PERi-PERi right out the oven,” says Vanessa Nunes, Marketing Manager for Nando’s Grocery Division. Appealing to the need for convenience, nutrition, and variety, the consumer is offered an option from a trusted take-away brand that can be prepared in their own kitchen in just 30 minutes.

The range has proven to be very popular since it was released at supermarkets earlier this year. “It turns out South Africans crave the Nando’s flavour they know and love to come right out of their oven at home. Who knew? We have also added the Garlic flavour to our range to complement the PERi-PERi addition to home-cooked meals,” says Nunes.





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Sausage Fillers



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Mincers



Wrapping Machines





Packaging is everything. Modified Atmosphere Packaging is proven to extend the shelf life of packaged foods without the need for added preservatives. It showcases the product in a neat and clean manner, which appeals to the consumer.

The report states that globally, half of the population relies on meat for regular protein requirements, which is why ready-to-eat meat products are becoming more popular among the consumers in developed and developing countries.

Adding tasty value

The strategy adopted by Henwil Chickens is one based on producing value-added products that meet the end-user's needs. "Healthier living and the pace of life means that value-added products are in demand. Our new range of crumbed products are fully cooked and whole muscle (using a whole piece of meat), which cooks much faster. MAP (modified atmosphere packaging) packing is neat

and clean, extends the shelf-life of the product, and assures the excellent quality of the fresh product. Six Gun Grill spice is popular now and we are looking at a partnership with Crown National to produce pre-dusted or pre-spiced chicken portions, also in the MAP packing. Our new product developments are very exciting," says Alberts. **SR**



Jeanne-Riëtte Martins is a multi-specialist writer with a degree in Industrial Psychology. Influenced by her background in human resources and industrial relations, she writes on issues that impact businesses from SMMEs to corporates across various industries. Her writing repertoire includes B2B and B2C content for print and digital platforms. She is also an award-winning blogger for some of South Africa's largest food and family lifestyle brands. jeanne@wilkinsross.co.za



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