

Voluntary Report – Voluntary - Public Distribution

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Report Name: Competition Commission conducts inquiry into the South African poultry industry

Country: South Africa - Republic of

Post: Pretoria

Report Category: Poultry and Products

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Report Highlights:

The Competition Commission of South Africa, an independent body under the Department of Trade, Industry and Competition announced the launch of a comprehensive market inquiry that will seek to determine if the South African poultry industry is impeding, distorting, or restricting competition in a way that violates the South African Competition Act. This announcement follows a report published by the Competition Commission in 2023 that noted the concentration and vertical integration of the poultry industry. The Commission previously alluded to the role that protection from international competition may be playing in the consumer price of chicken in South Africa and noted that low-income consumers are heavily dependent upon poultry for protein. The public has been invited to submit comments towards the draft Terms of Reference.

Background

On February 6, 2024, the Competition Commission of South Africa, announced that they will be conducting a comprehensive market inquiry into South Africa's poultry industry value chain. The investigation is initiated under section 43B(1)(a) of the Competition Act 89 of 1998. The Commission stated that they had reason to believe that "there are market features within several markets along the poultry market which may impede, distort, or restrict competition, or undermine the purposes of the Act, and which have material implications for the poultry industry of South Africa, and ultimately consumers." The Commission is defining the poultry market as incorporating all components from genetics through to retail and wholesale customers, including all suppliers to each stage of the value chain, from feed to logistics.

This announcement comes after the International Trade Administration Commission (ITAC) together with the Department of Trade, Industry and Competition (DTIC) announced that the decision to implement rebates on boneless and bone-in chicken cuts. (See: [South Africa Announces Chicken Rebates](#))

According to the Competition Commission's previous report, "the South African poultry industry is dominated by few, large, vertically integrated companies. The study further found that each value chain activity showed elevated levels of concentration. This applies from the production of important inputs to the end products that are sold through retailers or restaurants." (See: [South Africa Competition Commission Report Examines Poultry](#))

Furthermore, the Competition Commission alluded that the broiler industry has ongoing demands for bailouts through ever-increasing tariffs and the imposition of anti-dumping duties. The Commission noted, "Whilst acceding to these demands may protect the domestic industry, it may create negative consequences for consumers generally, and low-income consumers in particular which are dependent on chicken for protein."

According to the Commission's Terms of Reference, the main objectives of the inquiry into Poultry Market and egg value chains, are to:

Evaluate whether market features distort competition throughout the value chain including the pricing and access to quality key inputs such as genetic stock, parent stock, feed, eggs, day-old chicks of pullets (for both broiler and egg-laying hen rearing), abattoirs and cold chain logistics;

Evaluate the impact of large integrated producers as gatekeepers of key inputs, particularly feed and day-old chicks, on the production of small and medium-sized enterprises ("SMES") and/or business owned by historically disadvantaged persons ("HDPs"), but also genetic stock and parent stock for both broiler and egg production;

Evaluate whether the commercial relationship between contract growers and integrated producers at all levels of the value chain is characterized by imbalances in bargaining power and information asymmetry and understand the impact of such imbalances on competitive outcomes affecting the growth and sustainability of small-scale producers in the industry, including the emergence of independent competitors with access to markets;

Evaluate the role of retailers, quick-service restaurants, and processed food companies in facilitating new entry and access to markets by independent producers, including SMEs and

HDPs, along with the availability and pricing of cold chain storage and logistics, whether private and communal;

Determine appropriate remedies where an adverse effect on competition or the purposes of the Act are found as set out in section 43C (3) of the Act;

The public has been invited to submit comments towards the draft Terms of Reference by 16:00 South African time on March 15, 2024. Consequent to that, the market inquiry will begin 20 business days after the publication of the final Terms of Reference and the final report will be completed within 18 months as per the statutory requirements of sections 43B (2) and 43B(4)(a) of the Act respectively.

Attachments:

No Attachments.