

Chicken rebates offer welcome relief

Severe supply chain challenges remain



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Local shoppers have reason to celebrate, as the International Trade Administration Commission (ITAC) has confirmed that it is lifting punitive tariffs on imported chicken.

This decision was made in response to the impacts of the Highly Pathogenic Avian Influenza (HPAI), also known as bird flu, which has ravaged both global and local poultry supplies. Heeding calls and warnings from importers and businesses such as Hume International regarding the serious consequences of the outbreak on the cost of chicken, ITAC's tariff rebate represents a welcome reprieve for consumers – especially low-income households.

Tellingly, despite claims that bird flu had little impact on supplies or prices on shelves last year, Statistics South Africa's latest inflation figures reveal that ...

“ In 2023, the price of eggs surged by 38%, chicken giblets by 18.3%, fresh chicken portions by 14.6%, whole chicken by 8.4%, and individual quick frozen (IQF) portions by 6.4% – all above average inflation for the year. ”

<https://scitechdaily.com/>



These price increases clearly reflect the ongoing impacts of bird flu both locally and abroad, in addition to the effect of new import tariffs implemented in August last year.

The reality is that while local chicken producers remain hopeful of receiving government approval for a vaccine by the end of February, South Africa does not produce enough chicken to supply local demand. Imports therefore serve as an important complement and price regulator in the local market.

This said, South Africa's food supply chain is staggering beneath the weight of several serious breakdowns with severe consequences for shoppers at the till. Left unattended, these issues could spell trouble, if not disaster for cash-strapped consumers and the economy in general, painting a gloomy picture for the year ahead.

A multitude of hurdles

The first is the ongoing headache of loadshedding, which has dire impacts on business operations and particularly cold stores. According to the Outlier, there were 335 days with loadshedding in 2023, and some experts predict that 2024 could be even worse.

To offset the effects of ongoing power cuts, Hume International installed solar panels and generators on all our buildings and cold store facilities. As a major importer and food distributor,

this has removed the risk to our frozen products and, in turn, our clients and end-consumers. Likewise, we now include solar panels in all our development planning.



Graphic by Banuaa, canva.com

“Then there are the severe water shortages that struck the Eastern Cape, driven by a combination of drought and poor infrastructure, forcing businesses like Hume to sink boreholes to survive.”

While these seem like simple solutions on the surface, they introduce an additional cost factor that many companies in our position have never previously had to consider – and one that translates into higher prices in food baskets.

But loadshedding is just the start of the troubles. Many food importers are grappling with ongoing delays and backlogs at ports, and expect this to continue well into the first quarter of the year. This has a very real and direct impact on the industry’s ability to deliver products in a timely and cost-effective manner.

For example, some products that were scheduled to be on shelves before Christmas have only arrived in January. And, of course, the ongoing conflict in the Red Sea is playing havoc on the global shipping schedule and, expectedly, pricing.

All this and bureaucratic backlogs

With all these pressures being brought to bear upon food prices, the import tariff rebate on chicken offers real cause for optimism.

Many of Hume’s products are largely geared towards lower-income households, who are extremely price-sensitive and rely on the availability of cheaper protein such as chicken. This consumer base represents a large percentage of the South African market, and is the driving force behind our dedication to eliminating – or at least mitigating – these destructive price forces. However, the efficiency of the administrative processes for rebates remains to be seen, as bureaucratic backlogs further represent a significant hurdle. For example, Hume applied for an ITAC permit on 14 December, yet only received the permit on 23 January – three weeks into the validity of the permit.

Keeping an eye on the ball

Faced with these risks, businesses involved in food supply chains cannot sit by complacently as a crisis looms. We must be proactive and agile in the face of new challenges, drawing on lessons from the pandemic.

We also hope that government will hear the clarion call, and assist both food producers and importers by providing mechanisms and legal provisions that will speed the passage of food from our congested ports through to retailers.

Without urgent attention and a collective effort to address these problems, many more cupboards could soon run bare. **SR**

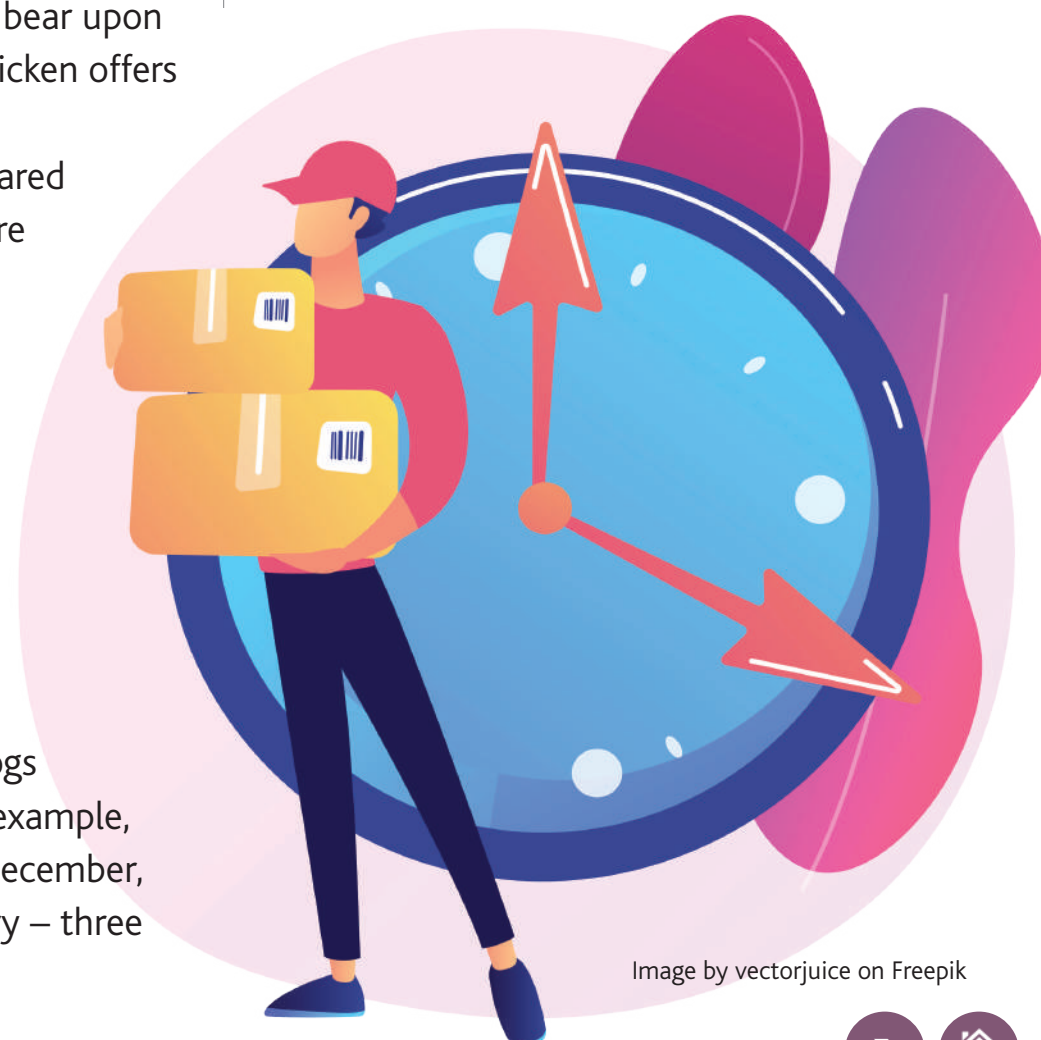


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