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PRESS STATEMENT

MARKET STUDIES ON POULTRY, CEMENT AND SUGAR

The African Competition Forum (ACF) which is an association of competition authorities in Africa recently met at the International Competition Network (ICN) conference in Marrakesh, Morocco, where three regional market studies were presented to the continental body. The three market studies were in the sectors of Cement, Sugar and Poultry.

The study on commercial poultry meat industry, commonly referred to as chicken, was part of a research programme on competition dynamics and regional trade flows conducted under ACF was undertaken in Botswana, Namibia, South Africa and Zambia. This study focused on the links between competition and development.

It is the major finding of the study that the poultry industry in the region is oligopolistic in nature. Differently put, ownership in this sector is concentrated on a few players. The study further established that some of the dominant players operated at the different stages of production across all the four countries involved.

With regard to Botswana, the study revealed that ownership in the poultry sector is unique and complex. The largest poultry producers in Botswana have ties to South African producers, and domestic producers are no match to these huge firms at the breeder and processing levels. Further, the tight trade restrictions protect these dominant players from competition.

According to the poultry report, the relationships between the poultry abattoir and processing plant with contract growers places smaller farmers in a challenging position as they appear to be set up to fail. The cost of poultry feed in Botswana is one sore area. The report reveals that there is a high likelihood that feed costs could be driven high by government restrictions on feed importation as broiler producers have to source at least 70 percent of their feed locally and in instances where there is shortage of domestic supply; a producer needs to obtain an import permit.

The report also highlights the requirement to use of Halaal certificates as a potential barrier to trade in processed poultry products. Regarding excessive pricing, Botswana and Zambia have been identified as the two countries where dominant countries could engage in unilateral conduct bordering on over-pricing of poultry products at both feed and broiler breeding levels.

With regard to cement, the study that was conducted in six countries (Botswana, Namibia, Kenya, South Africa, Tanzania and Zambia) revealed that the market structure of cement is oligopolistic, just like in the poultry sector. Many of the firms that trade in these countries are multinationals, eg Lafarge, PPC and Afrisam. Although cement is a low value, high weight product which makes it bulky to transport, many of the firms involved in the cement trade see it as regional trade other than a country to country trade, and as such complex transportation and distribution systems are integrated in the cement trade.

Limestone is the chief raw material in cement production, unfortunately there are low deposits of limestone in Botswana and as a result the three cement production companies in Botswana (PPC, MPC and Botsino) are unable to meet the national capacity. As a consequence Botswana imports cement and even other crucial cement inputs such as clinker and fly ash mainly from South Africa and other African countries and even as far away as Asia. According to the report, it is the unavailability of theses raw material that impedes access and expansion of the cement industry in Botswana.

With regard to price, the report observed that Botswana had been witnessing an increase in price of cement until 2009 when this flattened, possibly due to government intervention or the bursting of a cement cartel in South Africa.

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