ENRP No: 03 of 2020-21

Memorandum for Economic Development Committee

SUBJECT

Options for the Re-supply of Chicks for Egg Production

Memorandum by Director of ENRP

ADVICE SOUGHT

The Economic Development Committee is being asked to endorse the proposed options to direct SHG policy procedures in support of local egg production:

- o Re-supply option: OPTION 3: Day old chick imports via ANRD.
- Distribution option: OPTION 3: Import for all but with different price thresholds.

BACKGROUND & CONSIDERATIONS

- 1. In 2014 operation of the poultry unit at Scotland was contracted out to Roddy's Chicken Farm for a 3 year period, with the intention of both supplying eggs for the retail market, and pullets for the island. Specific targets were set to be met. By 2017 the island was almost wholly reliant on imported 'fridge' eggs from South Africa eggs. Imported eggs are of poor quality, sourced from low welfare battery units, and as with all imports leaks money from St Helena rather than circulating it in the local economy.
- 2. Eggs are a staple commodity, now promoted by organisations such as the British Heart Foundation and the NHS as an important dietary component, rich in vitamins, minerals and trace elements, a healthy source of protein, and containing 'good' cholesterol a switch from former mistaken beliefs.
- 3. In support of promoting a healthier community and vibrant economy, in September 2018 SHG intervened in the supply of laying chickens through securing imports of day-old chicks by air from South Africa. To date, 4,000 day-old chicks have been imported. The price of eggs has been greatly reduced, consumption has increased, and egg imports have been eliminated for the last 9 months.
- 4. Layers have a limited productive lifetime and need to be re-supplied and ENRP have considered how the re-supply and distribution of chicks should be progressed. To this end, a policy options paper has been produced with a range of options considered for re-supply and distribution of chicks (see Annex A). The options are as follows:
 - o Importing point-of-lay pullets either (i) layers or (ii) parent stock to produce layers;
 - o Importing embryonated eggs for incubation;
 - Importing day-old chicks;
 - Combination: import day old chicks + parent stock for key producers (smooth supply of replacements);
 - o For all private sector or SHG or both?
 - Subsidised or full cost recovery?

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- 5. The proposed best options to direct agriculture policy for SHG in support of local egg production activities are as follows:
 - o Re-supply option: OPTION 3: Day old chick imports via ANRD.
 - <u>Distribution</u> option: OPTION 3: Import for all but with 2 different price thresholds (one for commercial producers and one for smallholders).
- 6. These re-supply and distribution options are the best compromise. The smoothest and best option is to have parent stock on island with a private sector incubator unit, producing pullets at a steady supply rate. However, this has been tried with the contracting out of the ANRD poultry unit, and did not succeed. Also there is no appetite currently amongst the commercial egg producers to take this on afresh (results from stakeholder meeting). Importing 1,000 chicks at a time is 'lumpy', but cost effective.
- 7. Although future flight arrangements from South Africa are unknown at present and may continue for some time, ENRP proposes to continue with establishing policy arrangements for continued maintenance of local egg production activities through discussion and consideration of the attached options paper.

FINANCIAL IMPLICATIONS

8. Net cost/revenue: The cost to SHG of importing and quarantining1,000 chicks is £5,129.03. Using the price differential example in Section 4.1 at Annex 1, the estimated revenue achieved by SHG for the 100 chicks is £3,750. Net cost to SHG is £1,379.03

ECONOMIC IMPLICATIONS

9. There are economic benefits to ensuring all or the majority of our demand for eggs are produced locally. SHG is doing its best to follow a path to economic self-sustainability, which can be achieved by reducing imports increasing exports where this is possible. Developing the local egg production segment of the agriculture sector will reduce the need to import eggs from SA suppliers to service St Helena's needs and allow some export to Ascension Island.

CONSISTENCY WITH INVESTMENT POLICY PRINCIPLES

10. Implementing the recommended options would be consistent with the following Investment Policy principles:

No.2. Encourage growth through import substitution, export promotion and domestic production.

No.4. Support the locally based private sector to compete in an open economy but, where possible, avoid being overly protective.

PUBLIC / SOCIAL IMPACT

11. The public and social impact of not having a re-supply of chicks would be significant, therefore planning for a medium term arrangement is essential. Members of the public may have strong views on the best way to continue the re-supply and distribution of chicks.

ENVIRONMENTAL IMPACT

12. A positive environmental impact through local production of eggs to meet the demand instead of a reliance on battery produced eggs from South Africa.

PREVIOUS CONSULTATION / COMMITTEE INPUT 13. Consultation on the re-supply and chick distribution options was undertaken with a cross- section of local egg producers on 16 April 2020 and key merchants retailing eggs were consulted with regards their demand forecasts for eggs.

PUBLIC REACTION

14. It is expected that, if adopted, there would largely be a positive reaction to the recommended supply and distribution options as both the small-holder and those egg producers who pursue an income from their production would have continued access to chicks provided they can continue to be sourced from

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South Africa.

PUBLICITY

15. A press release will be issued informing the public of the re-supply and distributions options adopted as well as a date for re-supply of chicks to begin once the picture is clearer with regards flights from South Africa.

SUPPORT TO STRATEGIC OBJECTIVES

16. The options support "All Together Wealthier and Altogether Healthier".

LINK TO SUSTAINABLE ECONOMIC DEVELOMENT PLAN GOALS

- 17. This paper supports the following SEDP Goals:
 - Increase Exports
 - Substitute Imports
 - Reduce Leakage of Income

DD

OPEN /CLOSED AGENDA ITEM Open

DATE OF MEMO 20/05/20

ADVICE PROVIDED BY EDC