

## FROM THE DESK

### SUB HEAD *SAPA strategy bears fruit even as drought bites*

The year has begun with El Nino wreaking havoc with our immediate futures, not only as the poultry industry but as the country at large. Maize prices are now at near 20 year highs, and the likely shortage of white maize could force a change in dietary habits amongst our people, a habit that might not change when the rains do come. The maize industry, including us, will have an emergency meeting in January to try and plan jointly for the 2016 year.

Regardless of where our maize comes from, it's going to be very expensive - and egg and meat prices are going to increase if we aren't going to see a further wave of closures. Will our economy allow for these needed increases?

The year doesn't start well with trade matters. Imports have never been as high as they are now. At the time of writing, not all import data was available, but early indications based on raw data show that total imports might approach 440,000 tons of poultry meat and poultry meat products. That is pretty much the size of either of our two biggest companies.

Happy New Year!

### ***New Organisations***

The first new Broiler Organisation (BO) meeting took place on 26 November last year. The BO confirmed its executive as Marthinus Stander as Chairman, Aziz Sulliman as Vice- Chairman, and Jaco Viljoen as third executive member. Representatives to the Board are Marthinus Stander, Aziz Sulliman, Jaco Viljoen and Justice Zotwa, with alternate members Jake Mokwene and Chris Coombes.

Much of the discussion at the meeting focused on the 2016 budget. We'll try, as much as possible, to limit the money we spend on legal fees, although easier said than done. It was agreed to cautiously start scoping and costing some research that'll allow us to run an effective PR campaign over the next few years. This'll have to be a broiler-only campaign for the next couple of years as the egg industry feels it doesn't have the budget available to get involved in a PR campaign at present. We need to ask the right questions if we're to have any meaningful influence with our consumers, and we'll need to measure our success over time to determine the return on investment. These are 'baby steps'.

Other important budget issues discussed related to Independent Meat Inspection (IMI). This needs Ministerial approval to be initiated, the way in which we do customs monitoring, and that the shared services budget was supported conditional to a review of the PDMA being undertaken. The position on the PDMA mirrors that of the Egg Organisation meeting in early November last year.

The current funding model for the Broiler Organisation is based on birds slaughtered per week, and additional categories such as contract producers and breeders (who have tentatively agreed to carry 14% of the BO costs) still have to have their contribution schedules finalised. A subcommittee made up of Jimmy Murray, Chris Coombes and me will look into the matter early this year. The Committee agreed the levy surplus funds should be used for transformation purposes in an evergreen trust manner, meaning interest earned could be directed towards transformation activities.

It's clear an increase in Broiler Organisation membership is necessary if we're to fairly share the load among the majority of producers. We'll be working on this priority in 2016 and welcome any assistance from readers on how to be more appealing to a broader range of stakeholders. A small inconsistency in the statistical model, where different weights for the slaughter model and growth model were being used, was discussed. It was agreed that a 1.8kg live weight is a reasonable mass to use and the statistical models will now be updated.

The new SAPA Board held its first meeting on 1 December. The Executive was confirmed as Marthinus Stander as Chairman, Achmad Brinkhuis as Vice-Chairman and Robin Barnsley as third executive member. The Board considered memberships of a number of the subcommittees:

- Jake Mokwene was added to the Transformation Committee;
- Koos Pretorius was added to the Breed Society Committee. We still need representatives from Rainbow /Cobb and Arbor Acres;
- A new Code of Practice sub-committee was added to the list, and it'll be headed by the PDMA Director once appointed;
- A new person is needed for the Export Forum from Nulaid to replace Roelof Viljoen who has moved to a new position in the Quantum group of companies;
- The Food Compliance Committee should be made up of producer and government representatives only;

- Dr Naude Rossouw is to join the Maize Forum Steering Committee;
- Dr Charlotte Nkuna has been added to the Media Relations Committee and Roelof Viljoen is to leave the committee;
- Dr Charlotte Nkuna will remain a member of the Poultry Welfare and Health Committee until the new PDMA director is on board. A representative from the Eastern Cape will be sought to replace Dr Faan Greyling who finds it difficult to attend the Committee meetings;
- The Research Committee will be constituted on an ad hoc basis whenever research proposals need consideration;
- The Environmental Committee is still to be formed and some possible candidates for membership have been suggested;
- The Scenario Planning Committee will be constituted by all members of the Board, and;
- The Technical Standards Committee is still to be formed with some possible candidates being suggested and more members still to be found.
- Dr Charlotte Nkuna and Christopher Mason were confirmed as secretariat members of the Board.

The 2016 budget was discussed in detail, with the Egg Organisation own budget noted, and the Broiler Organisation own budget, as amended, noted. The Board requested that discrepancies in meeting costs for the two organisations and the shared service budgets be resolved. It was considered important to reduce shared services costs wherever possible. In particular, the sale of statistics - Competition Commission compliance dependant - is to be explored. The PR campaign is to move from being a proposed shared services function to a Broiler Organisation own project. The PDMA mandate and budget is to be reviewed once the new PDMA Director is appointed, and a budget for research will be considered on an ad hoc basis if the need arises. We are contractually bound to fully funding the Research Chair in Poultry Health and Production, and will until the end of 2017. A limited budget for strategy was approved as all that's needed is a facilitator to assist in the planned review of our strategy at Avi Africa this year. The Board reiterated that transformation projects must be self-funded, with the GDARD project a permitted exception. We should also try sell advertisements on our website to reduce our webpage costs.

Now that the new SAPA is in place, the Board debated how to deal with the statutory levy surplus. A decision was made to place these funds into be in a transformation linked trust with additional funds to be sought to bolster the trust. The trust should be an evergreen trust, meaning that annual expenditure will be about 6% of the capital value of the trust funds. A proposal is to be developed by SAPA for submission to the Board. After Board approval, it will be submitted to the NAMC.

An organisation like SAPA lives to serve producers, and it's concerning that the number of small producer members is reducing. The Board has considered that appointing an expert consultant to look at the reasons for membership reduction is warranted. Some Board members are also concerned with committee member workload, and the Board has agreed to decide on who should perform what tasks so as to share the workload more equitably. The Board discussed the broad framework of how transformation was to be conducted and reported. The Transformation Committee meeting followed on from the Board meeting, so there's more detail below. It was agreed that communication on transformation should include three overarching themes - SAPA transformation as an organisation; SAPA assisting in, or reporting on, company transformation; and success stories of transformation in the small and large sectors.

The Poultry Bulletin will, in the next few months, carry profiles of all the new Board members and profile what the new SAPA stands to support. The Poultry Bulletin directors were confirmed as Aziz Sulliman, Robin Barnsley as Chairman, myself and Justice Zotwa.

Most of the Board participated in the interviews for the PDMA Director and we're hopeful an appointment will be made soon. Our office rental has been renewed for a further year and it doesn't seem there's any benefit in considering moving to smaller offices as most of the office space is being used. As we've had a 'hijacking' of the DPFO name, the Board has agreed to tighten our legal protection of all names and logos that we want to protect for our own use. This is a relatively slow process which could take a year or two to finalise.

The Board considered the basic format for Avi Africa this year. It was agreed there'll be no banquet and that there'll be only one cocktail evening. The programme will have a 'SAPA' day as Day One, which will include the strategic review session. The programme will be further developed to make it easier for people to move around from the parallel sessions and to attend the talks of most interest to them. The slightly revised framework will be published on the website quite soon. The idea of regional 'Avi Africa's' in the Free State, KwaZulu-Natal and the Western Cape are being considered. These are intended to communicate and expose

producers who find it hard to attend the main Avi Africa to new products and information. If we succeed, the plan is to provide this service on a cost neutral basis.

The Poultry Bulletin (PB) Board meeting was held before the main SAPA Board meeting. At least some of the PB meetings will be held telephonically. Advertising sales are up on last year but still below what we need to ensure the stability of the Bulletin. The Bulletin is now having its readership numbers checked by the Audit Bureau for Circulations (ABC) and is also available in an electronic format known as Press Reader. The Managing Editor has been instructed to try to link the monthly themes with advertising if at all possible to give our advertisers more focussed exposure and Dr Charlotte Nkuna will be reporting on egg and transformation matters through the Bulletin in future.

The Transformation Committee (TC) meeting followed on from the Board meeting. The new AgriBEE scorecard will be circulated by Dr Charlotte Nkuna. This scorecard will be the framework from which the TC will measure its work. Marthinus Stander presented a slight variation of the report done by Justice Zotwa at Avi Africa last year to the AFMA AGM. It was agreed to use this schematic to present our work. Our next report to government is due at the end of the first quarter this year. Please help us with information.

From now on, the main contact person within SAPA for transformation work is going to be Dr Charlotte Nkuna. Please contact her to discuss your successes, concerns and transformation opportunities. She will then process your inputs into the work we do. It was reiterated at the TC that the role of SAPA is to facilitate transformation in various ways. We won't be doing transformation work directly, because we shouldn't interfere in the way you run your businesses and we don't have the resources to initiate projects ourselves. We do have the ability to work with producers, suppliers, government and other interested parties to deliver on the national transformation imperative. Willie Bosogo was appointed as vice-chairman of the TC to assist Justice Zotwa with his work and to act on his behalf when needed.

We have delivered our proposal to GDARD on how best to establish an integrated value chain model in the Gauteng region (the project is likely to involve the North West as well) and Dr Charlotte Nkuna has already met with GDARD to give some impetus to the project. Further funding will be needed if the project is to achieve its set aims and we will be calling on a number of companies to assist us with expertise and in other ways during the year.

### ***SAPA Strategy***

We've had interviews for the PDMA Director position and, funding dependent, should conclude this process early in the new year. Our team will then be complete. The next step will be to review the mandate of the PDMA and adjust the budget as needed. Dr Charlotte Nkuna has been actively involved in SAPA affairs since her arrival on 1 December and I hope that the egg producers will soon get to know her well.

There have been no further developments on the labour relations front since last I wrote, with two pending CCMA or Labour Court matters to resolve this year. We continue with our legal efforts to recover the exclusive use of the DPFO name and brand.

### ***Trade***

The AGOA issue drags on. A big part of the difficulties South Africa is facing is that the US beef, pork and poultry industries are not producing products specifically for South Africa but simply want to sell existing products from stock. This is a bit like going to buy a motor car and being told you can have the red one or no car. It is hard therefore for US industries to provide what it is that we specifically want - in this case for our animal health and human health standards to be met. Hopefully, we'll not be pressurised to weaken our standards simply to satisfy the US. Our Salmonella standards are based on those of the EU and the International Standards Organisation i.e. they are decent standards which have international relevance and do not need to be lowered. As at the time of writing, it seems that the US has accepted our requirements for the imports of pork products and that our proposal on beef imports might also be accepted. That leaves the Salmonella protocol. The final guidelines published by ITAC on the importation of the in-principle agreed quota amount don't include a number of key areas we dealt with in our Paris meeting. This is disappointing, as we'd hoped that our Paris agreement would be properly implemented. All up in the air and hopefully resolved long before you read this. What next? Well my gut feel is that US pressure on SA will not go away, and we'll soon have to deal with their next concern, whatever that may be.

The HPAI regionalisation protocol was finally supplied to us at the end of the year. This document is, in our view, insufficient to safeguard our disease safety interests. Wearing one of my other hats as part of a global expert panel that is trying to find new and effective ways to deal with the HPAI outbreaks in the developed world, I think this regionalisation protocol, if properly strengthened, could be a useful document to share more

widely. The question is will the US and South African authorities be prepared to have their work interrogated and improved? Hopefully common sense will trump national egos. Something needs to be done about the flood of imports from the EU. I don't think the negotiators realised how negative it would be for us, and now we're stuck with a highly skewed arrangement where the EU has free access to our market and we have no access to theirs. We are considering a range of options to deal with this problem.

### ***Maize tariff***

Some of you will recall that in December 2013, the maize farmers tried to increase the reference price tariff on maize. They ended up withdrawing their application after much complaining from all maize users. Well, they're doing the same again. To be frank, it's actions like this that make enemies when friends are needed. A tariff does not solve the drought problems, and by the maize producers own admission to us as part of our joint Poultry Value Chain Round Table submissions, it's the view of GrainSA that most maize farmers are profitable at export parity prices. So why do this? As you can imagine, all maize users are generating steam in responding to ITAC apropos this application.

### ***Brining***

Brining was, rather obviously, discussed at the recent BO meeting. We've made considerable progress on our submissions for a meeting scheduled for January. I hope that we'll be able to present our case effectively, and that the other 'stakeholders' will acknowledge our primacy in this matter. Clearly, government needs to finalise the issue - and we want the same thing. With some sensible thinking from all sides, a solution isn't out of reach. The consumer research we commissioned last year is now finished, and the report and presentation will be finalised in January. The BO Committee can then decide how they wish the report to be distributed. The ARC is engaging in a 'Stalingrad' strategy to keep us from having access to the raw data on which we believe DAFF made its decisions. We'll keep plugging away until they relent.

### ***Government Interactions***

The first meeting of the Poultry Value Chain Round Table (VCRT) took place at the end of November last year. This VCRT is a way for industry and government to work together in implementing APAP. The purpose of the VCRT was agreed as working towards equitable economic growth and development within the poultry value chain; identifying growth constraints and developing solutions to address these growth constraints; making production more competitive as well as more efficient and making the products we produce more affordable, and; making the industry more reflective of our demographics with improved worker welfare in the broadest sense.

The next meeting will take place in early 2016, and it's possible we'll start to see some useful results from the VCRT by the end of the year.

### ***General***

The US Grains Council visited South Africa in December. They had been a key sponsor of the Tanzania poultry show and are also supporting the Tanzania Poultry Association. It was interesting to meet with them in a social environment and to understand the efforts they put into opening markets for US grains around the world. The partnership between government and industry is strong and the results speak for themselves.

The SADC meeting held in Tanzania during early December was well attended by local producers as was the trade show that took place at the same time. The energy of the local farmers is infectious and I think that if they keep working hard their poultry industry will grow rather quickly.

Regards until next month,  
Kevin Lovell,  
CEO.