

FROM THE DESK

SUB HEAD It's all systems go for Congress, trade is in the spotlight, and there's a full report back on SAPA meetings

The big news this month is that the Management Committee has agreed that the new SAPA member structure should go to Congress for approval. By the time you read this, you should've received a big pack of documents to wade through. We look forward to your comments and recommendations so the new Constitution you'll hopefully pass is as representative of your wishes as it can be. This is also a very good reason for you to attend Avi Africa this year so as to make sure your voice is heard.

SAPA Strategy

The Management Committee as a whole, supported by the full DPFO Committee, have found a way to agree on what the differences between the two of them are - and how to move forward. There are two important issues at hand here. Firstly, the members must agree on what's to be done. Secondly the members must then do things that'll promote the transformation journey. Deadlines have been set so that it's easier to measure progress.

The key changes in the SAPA constitution are that the provincial structures will now be voluntary and self-funding, and SAPA will remain a set of national organisations. At the secretariat level, the key changes are that the Egg Organisation will have a dedicated resource to serve its needs, and any projects that SAPA undertakes must be fully funded from the project itself. In other words, the practice of SAPA staff doing the project management work as part of their normal duties falls away. Instead, project management resources will be brought in as and when needed. There are one or two 'legacy' projects where SAPA will have to continue to carry such costs, but this is merely a short term cost until the projects are completed.

These decisions have resulted in staff meetings being held as part of the restructuring process that started last year. We expect the staff restructuring process to be complete within the next few months, and then hope the member strategy and the secretariat structure will be properly matched.

There is one oddity that I'd like to advise you of. Our Constitution has to be approved by the Commissioner of SARS, to whom we can only submit it after you've approved it at Congress. It can't come into effect before we have SARS approval. This means that, for a month or so, the 'old' SAPA structure will still be in effect. We're advised that it shouldn't take SARS more than 60 days in total to review and approve the new Constitution. So, we'll be electing old-style Committees as though the new SAPA is not coming into force (which in any event is a possible outcome of Congress).

Trade

The AGOA discussions continue. The US Congress has tabled a bill with a clause added that'll allow for AGOA to be reviewed within 30 days of being passed to deal with the South African issues, of which we are the main 'problem'. This is a case of 'kicking the can down the road' to make some extra time available for the dispute to be resolved. It's not a bad thing in itself although it does prolong the somewhat tortuous set of discussions we're having with our US counterparts. There are a number of other new clauses which apply to all the beneficiary countries, which makes this new bill less favourable for African countries and more favourable for US exporters. That's also to be expected as the real purpose of AGOA, in my view, is to make space for American companies and their interests in Africa, not so much to make space for us. After all, we don't vote for members of Congress. It does mean that if the various African countries are not able to conclude decent bilateral agreements in the next ten year cycle that AGOA may no longer be the opportunity for Africa that it was in its first iteration.

We're starting to see a lot more direct pressure on us to make concessions from other South African industries - at this stage mostly from some agricultural stakeholders - but pressure from other quarters can also be expected. AGOA only impacts 21% of our exports to the USA, and using 2014 figures, was worth about \$46 million in extra margin for the South African exporters. The real question is not whether the \$46 million is a significant number, but rather whether the margin squeeze that would come about if AGOA was removed would stop the exports of some commodities. The biggest beneficiary is the motor car sector with their benefit being about \$32 million. This is through a 2,5% discount that AGOA gives to them. Is this enough to impact on export volumes? As margins vary across industries - and the AGOA discount is also a variable one, this question needs to be asked and answered on an industry to industry basis.

We should also understand that there can be no direct benefit to our industry in these negotiations but that, for a range of reasons, we'll need to make a concession that'll allow the AGOA out of cycle review to conclude successfully and keep South Africa in AGOA.

On other trade matters we are happy to report that last year our industry exported more than R1 billion for the first time! Much more remains to be done, and one Middle Eastern market is now open to us with more expected in the next year to eighteen months. We still have a long way to go before we can call ourselves good exporters. For the egg industry, the options are mostly African, with a number of hurdles still to cross.

Our Namibian legal action looks as if it might make it to court by around the middle of this year, although I think the end is still a long way away. With the return of the UK to our export markets and the pending return of the Netherlands and Germany, we'll shortly be able to see what the effect will be of the final anti-dumping duties against those three countries.

IEC and IPC meetings

Both the IEC and IPC held their 'spring' meetings last month at different venues in Europe. Details of the presentations made at the IEC meeting will be on our website, but there are a few things worth highlighting. Firstly, as with the IPC meeting, considerable time was taken up by the NAI outbreaks in Europe and North America and the effect this was having on trade in breeding material and in egg and meat products. South Africa is a leader in the use of compartments and we are hoping that our veterinary authorities will be able to have a meeting on the side of the upcoming OIE general meeting, coordinated by the major breeding companies, with the veterinary authorities of a number of targeted countries so that trade in breeding material at least is not automatically restricted. Our system provides decent assurance of the likely risks and so should be acceptable to all parties involved. Dr Charlotte Nkuna will be present at this meeting to help protect our own interests as well as to explain to interested parties an industry perspective of the compartment system.

The second important discussion at the IEC meeting dealt with egg housing systems and a very detailed report, for which I have requested permission to provide to all our stakeholders, deals with the way in which hens are housed around the world. This shows that the current EU models are very much in the minority. A recent US study, held under the auspices of the Coalition for Sustainable Egg Supply has issued its scientific report in this regard. If any reader would like more information please contact me directly or find them on the internet. I'd also like to highlight that the IEC has managed to develop a formal link with the WWF and this, if well managed, will assist in linking the environmental friendliness of egg production with its cost effectiveness. The WWF presentation is definitely worth looking at.

At the IPC meeting, the NAI discussion was led by the Deputy Director General of the OIE, Dr Brian Evans and the chief veterinarian of the FAO, Dr Juan Lubroth. With the CEOs of the world's major breeding companies present, this was a very worthwhile session.

It was clear that there's considerable misunderstanding of the role of the OIE with a number of the delegates i.e. this is a country Chief Veterinary Officer (CVO) to country CVO trust relationship, which trust is established by demonstrated compliance with the OIE guidelines in terms of local laws in the respective countries. Part of the problem we're having is that the developed world is starting to acknowledge that this is now as much their disease as that of the developing world, so the rules that they'd help fashion to manage the disease in the developing world are no longer considered appropriate in the light of this new reality. I think a long treatise on global standards is possible but see no need to bore you with this. The picture should be clear.

MRC meeting

The directors of the Poultry Bulletin approved a changed working capital policy for the Bulletin (now 90 days as opposed to 140 days) and also elected a new Chairman to replace Dr Naude Rossouw. The Media Relations Committee (MRC) itself dealt with the press coverage we've had since the last meeting, much of which was positive. The MRC also felt that a new communications strategy should be worked on after the new constitution has been approved by members at Congress. The committee is still of the view that the Bulletin needs to present more stories on small farmers and transformation but in the absence of stories or story leads being provided by SAPA, this is rather difficult to do. One of the questions in the Batho Pele membership survey was about the Bulletin. Most members did read the Bulletin so getting the mix of articles right is most certainly worthwhile.

Management Committee meeting

At the Management Committee (MC) meeting which followed the MC and DPFO special meeting, the outcomes of the most recent staff meeting were discussed by the MC and it was agreed to accept the new

secretariat structure. New job descriptions for the five positions whose remit has changed are to be finalised soon, before being given to staff who will then be able to decide which post or posts to apply for in the next few weeks. The MC also dealt with all the formal Avi Africa processes, including approving the draft financials so these can go out to members for their own review prior to us voting on them at Congress. As the special MC and DPFO meeting held before the MC was not a recorded meeting, the decisions of this meeting were entered into the record of the MC meeting

Avi Africa

All the arrangements for Avi Africa are now pretty much complete and we suggest that you look on the website for an updated programme. We've changed the programme to allow for Congress to be held slightly earlier on the 23rd June, and that's the day Minister Davies will speak. I hope that you'll all be there. Once again, we've managed to fill up the exhibition hall with many suppliers who want to show you their wares. Without our suppliers exhibiting, the event would be very different and it's most important that enough of you attend to give them the exposure they deserve.

General

We're awaiting the decision of the DPFO before communicating with the NSPCA, but all the other committees have agreed that the correct way forward for the welfare concerns raised by the NSPCA will be to update our Code of Practice, including as much new information as possible. The recent NSPCA decision to charge a producer in KZN for alleged welfare contraventions shows that we must be as compliant as possible if we want to minimise the negative publicity our industry will attract with such incidents. This particular farm is in an area now very built up, and urban consumers are more inclined to react to their emotional triggers than they are to their capacity for reason. This is our job - to do the right thing and give the right message.

We were present at the Eat Well, Eat Safe, Eat Local campaign organised by the dti in the Eastern Cape last month. We think the slogan explains our industry quite aptly and we all know that 'local is lekker'. The event went off very well with a decent sized audience and quite a few companies - poultry and other - present on the day. Many poorer South Africans are positive, not only about eating chicken and eggs, but also about producing them as they are seen as a way to prosperity. One of our DPFO members was present and I was pleased to be able to acknowledge the support that the Eastern Cape MEC had promised to give to her to improve conditions on her farm and opportunities for her business. We need more such interventions.

Regards until next month.

Kevin Lovell
CEO