

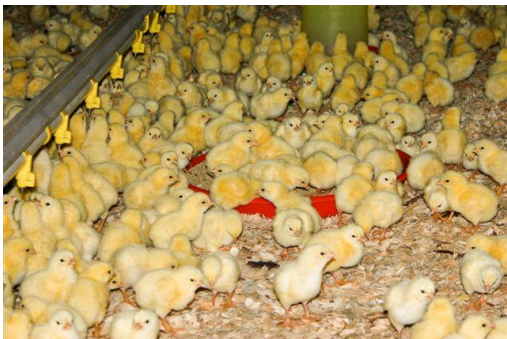


SOUTHERN AFRICAN POULTRY ASSOCIATION
SUIDER-AFRIKAANSE PLUIMVEEVERENIGING
Founded 1904 / Gestig 1904

CHICK PRODUCERS' ORGANISATION CHAIRMAN'S REPORT 2010

PRESENTED BY MARIUS GERICKE

**AT THE 105TH SAPA CONGRESS
HELD ON TUESDAY, 31 MAY 2011
HOSTED AT EMPERORS PALACE, GAUTENG**



WELCOME

I would like to welcome you to this AGM of the Chick Producers' Organisation (CPO) and wish to present you, as members, with an overview of the activities of the CPO during the past year.

MEMBERSHIP

The current membership of the CPO stands at 32 members, with additional categories created to facilitate the fertile egg traders and day-old chick distributors. As in previous years, I wish to again invite the industry to join the CPO and help SAPA to ensure that your interests are attended to through SAPA as industry body representing the poultry industry.

COMMITTEE

The committee consists of the following members:

Marius Gericke (chair)
Pieter Oosthuysen (vice chair)
Robbie Kruger (executive member)
Arend Kuipers
Jim Gray
Koos Pretorius
Jan Serfontein Jnr (co-opted)
Keith Millard (co-opted)
Tommy Snyman (co-opted)
Sevias Chigombe (co-opted)

INDUSTRY OVERVIEW

State of the industry

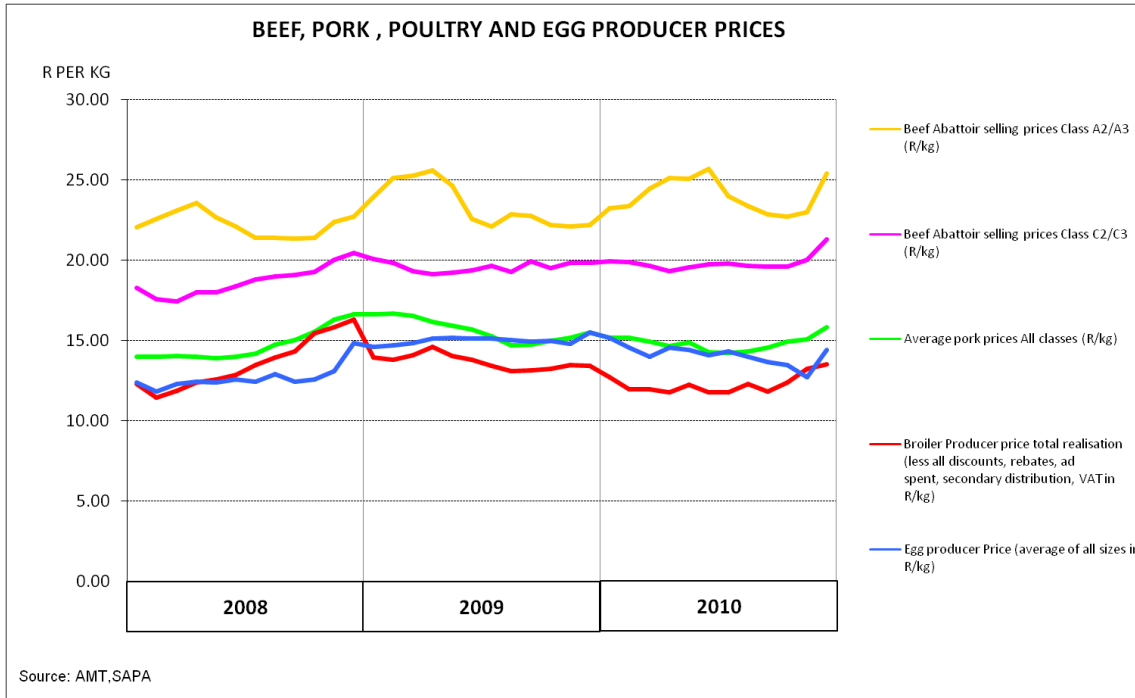
During 2010, the industry saw a downward movement in raw material prices, which resulted in feed costs decreasing from a high of a 32% increase from 2007 to 2008 to a decrease of 5% from 2008 to 2009 and a decrease of 10% from 2009 to 2010 in broiler-feed prices, and a decrease of 11% in layer-feed prices. The industry could, however, not take full advantage of this reduction in input costs due to the slow recovery of the spending power of customers over the same period. The spending pattern of consumers also changed, with shorter holidays being taken, thus influencing the amount of spending during the festive season.

The rand held its own in the financial world, trading between R6,63 and R7,75 to the dollar. This following from a weak rand at R9,30 early in 2009. The strong rand also made the importing of chicken attractive, further putting the local market under pressure.

Cheapest source of protein

Poultry meat and eggs are still one of the cheapest sources of protein for the majority of South Africans. The relative price per protein source is evident from Graph 1.

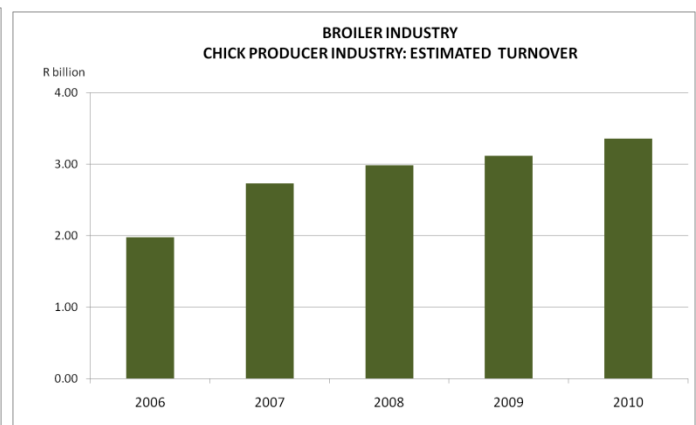
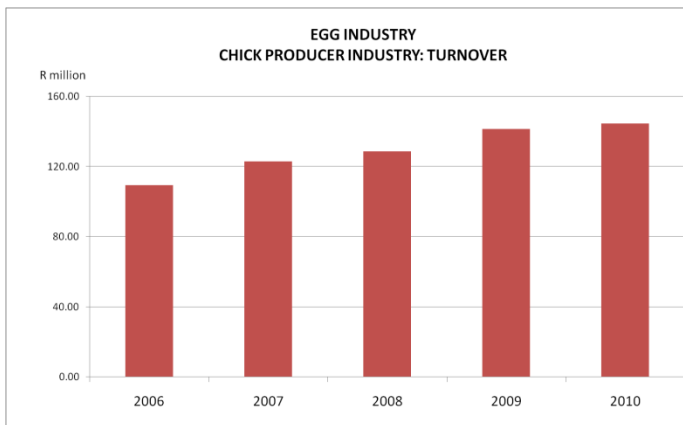




Graph 1: Price comparison between protein sources

Industry turnover – based on chick supply

Turnover increases in chick supply to the egg and broiler industry are shown in Graphs 2 and 3. The egg industry turnover increased from R109 million in 2006 to R145 million in 2010. During the same period, chick supply to the broiler industry increased from a turnover of R1,975 billion to R3,355 billion.



Graph 2: Turnover of chicks – egg industry

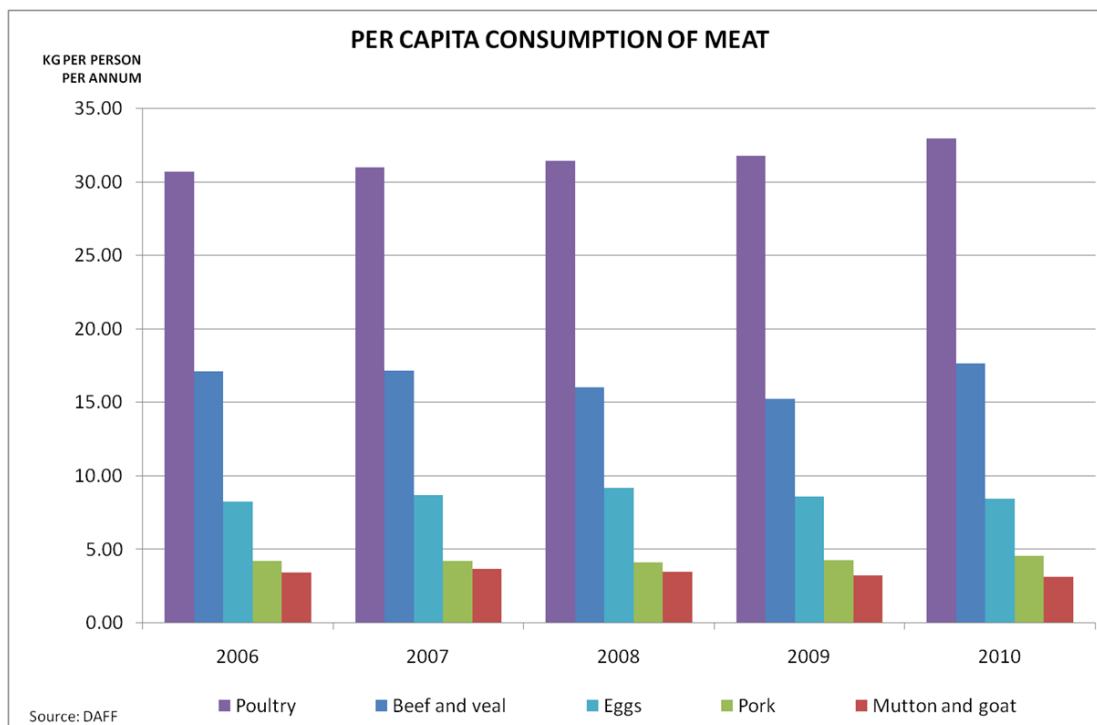
Graph 3: Turnover of chicks – broiler industry



Per-capita consumption

- Egg consumption increased from 124 eggs per person per annum in 2006 to 132 eggs per person per annum in 2010. Egg consumption showed an increase from 130 eggs per annum in 2009 to 132 eggs in 2010.
- Broiler meat consumption increased from 30,72 kg in 2006, to 32,96 kg in 2010.
- For the egg and broiler-meat consumption the economical woes resulted in less disposable income for purchases of these products.

Graph 4 depicts the different per-capita consumptions for the meat-protein sources available in South Africa. This clearly indicates the preference for poultry products to those derived from other protein sources.



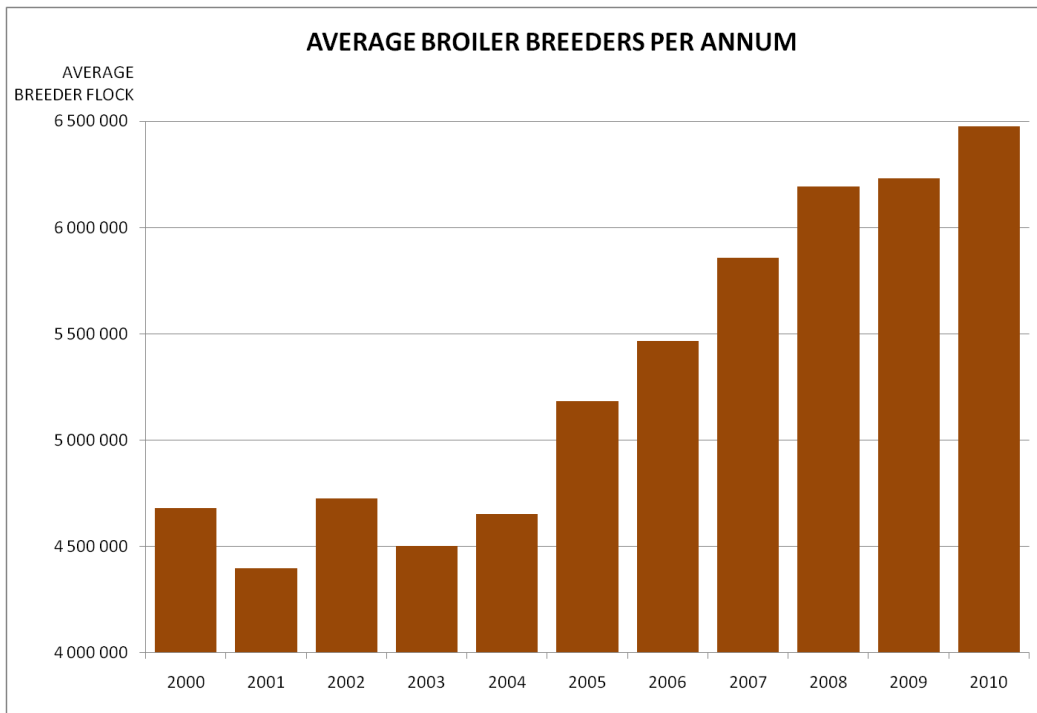
Graph 4: Per-capita meat consumption

Chick placement numbers

Broilers

Graph 5 illustrates the increase in broiler breeder placement numbers from 2000 to 2010.



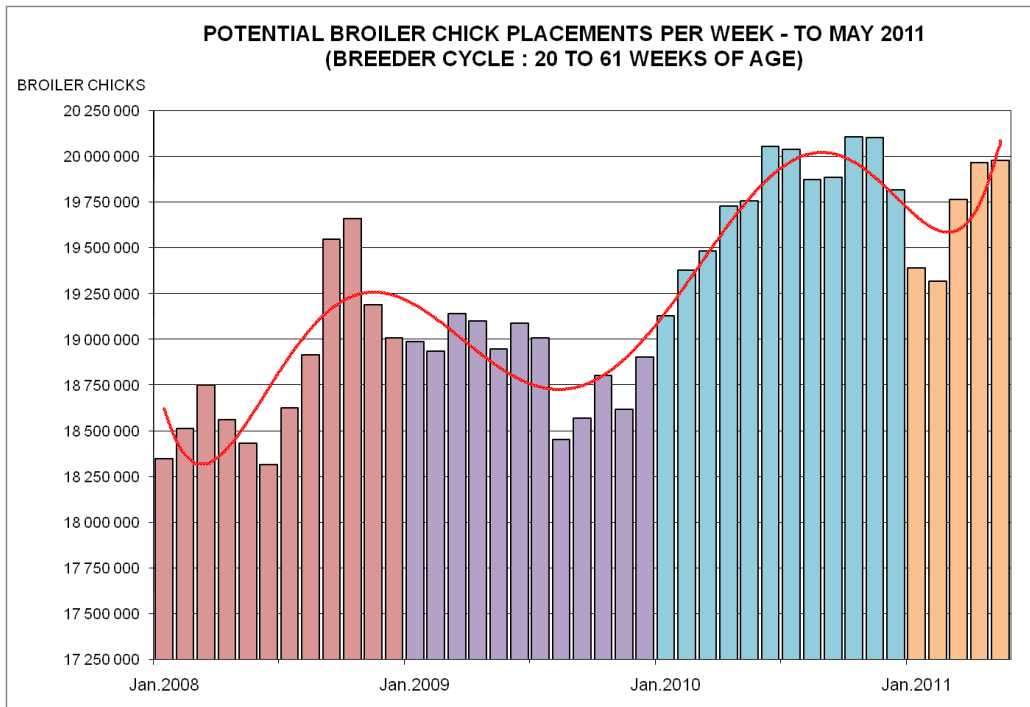


Graph 5: Average broiler breeders placed per annum

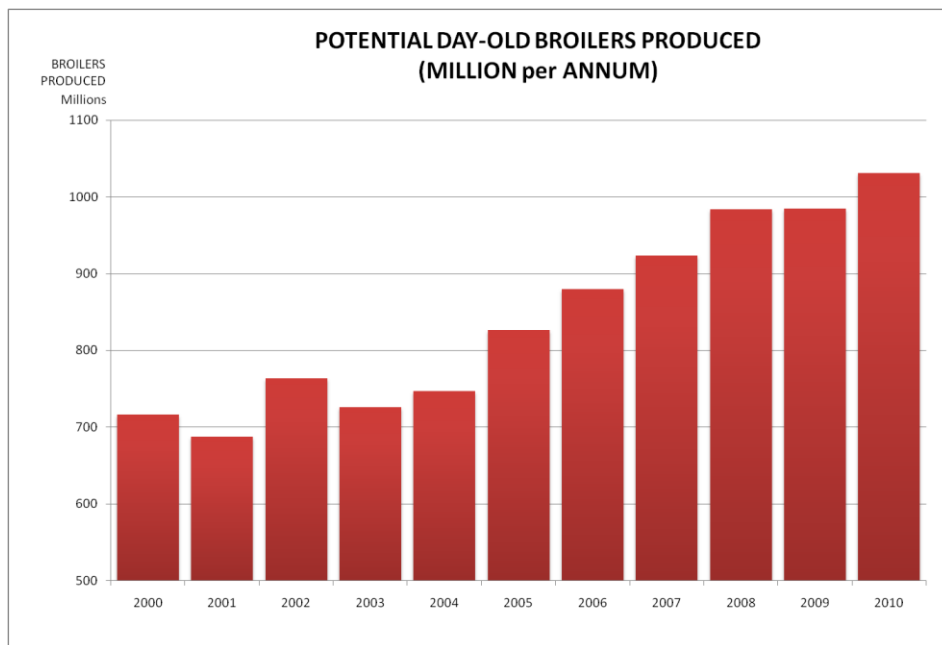
The effect of a then growing economy is clear from the increase in placement numbers of broiler breeders. In the industry overview at Congress 2008, it was postulated that the continued growth would be affected by interest rates and the recovery of input costs by the producers. The worldwide economic fiasco has added another dimension to the consumption of chicken and chicken products. This increase in placement of broiler breeders has not in total materialised in broiler placements, and one can only assume that flocks are being culled at an earlier age.

Graphs 6 and 7 show the sideways trend in the potential broiler placements during 2010. These graphs are derived from parent-stock placements, which do not take into account the full effect of earlier depletion of breeder flocks.





Graph 6: Potential broiler placements per week

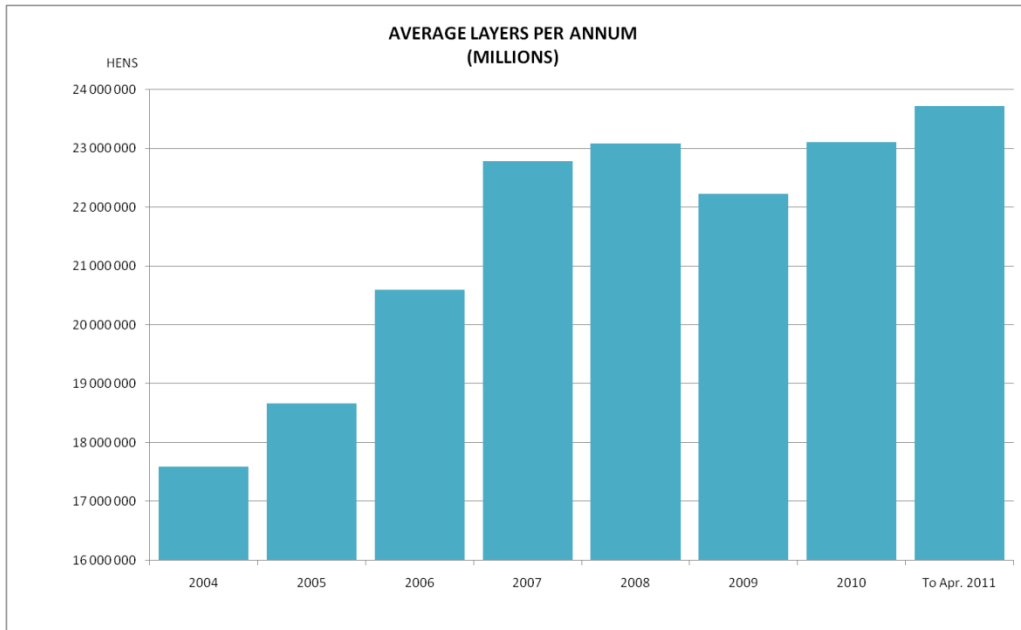


Graph 7: Potential broiler placements per year

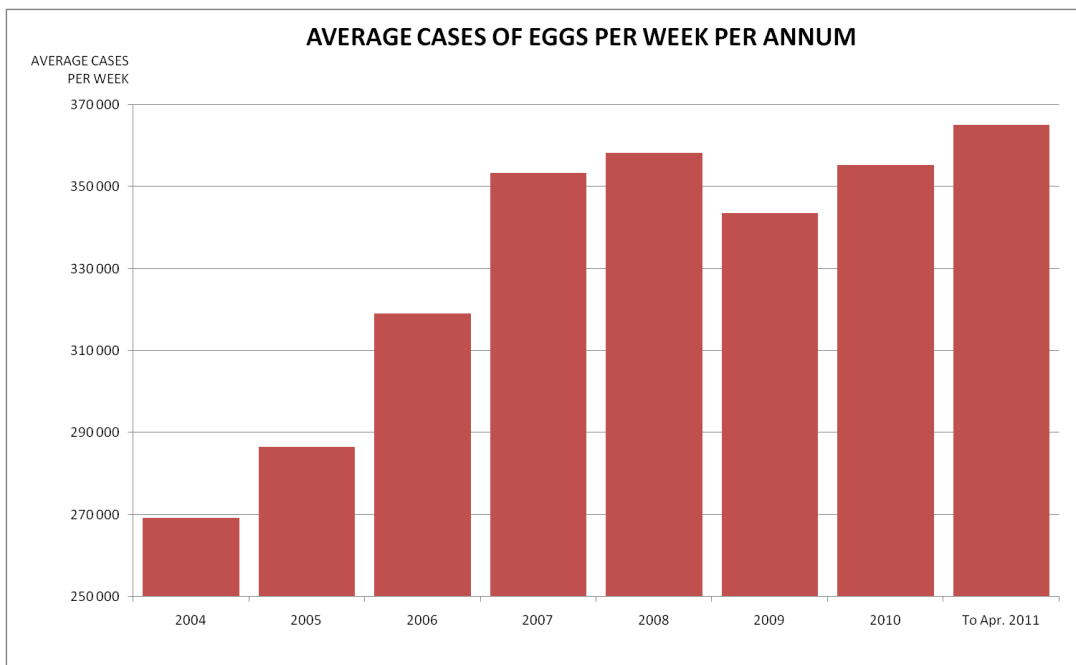
Layer breeders

The impact that the worldwide economic downturn has had on the broiler industry as illustrated above in Graph 6, demonstrates a similar trend in impact on commercial egg producers, as illustrated in Graphs 8 and 9.





Graph 8: Average national laying flock

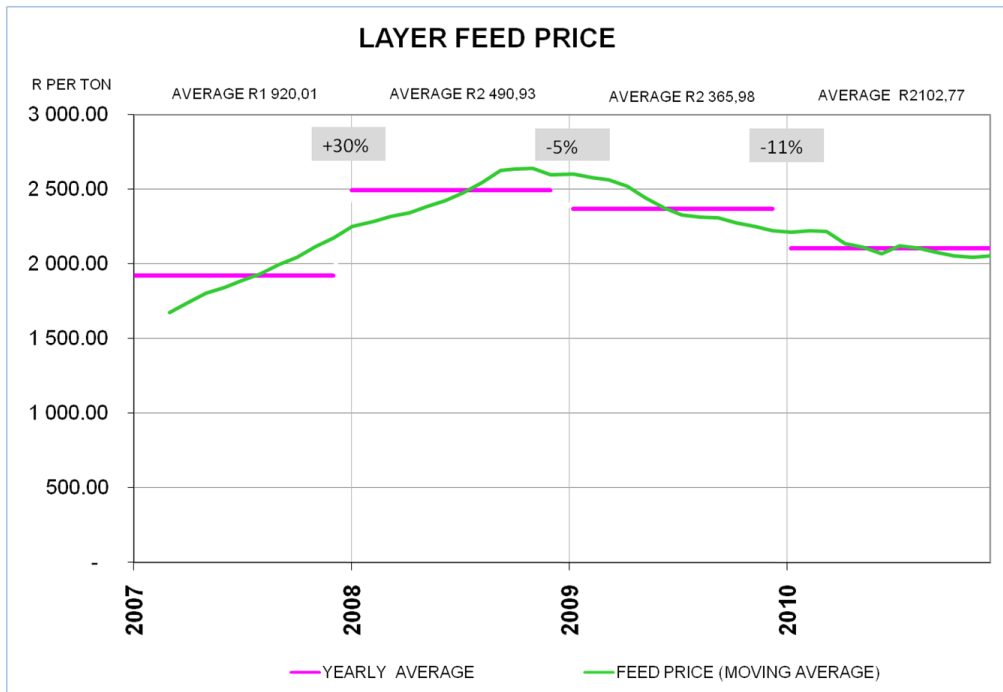


Graph 9: Average cases of eggs produced per week from 2004 to 2010 and part of 2011

Input costs

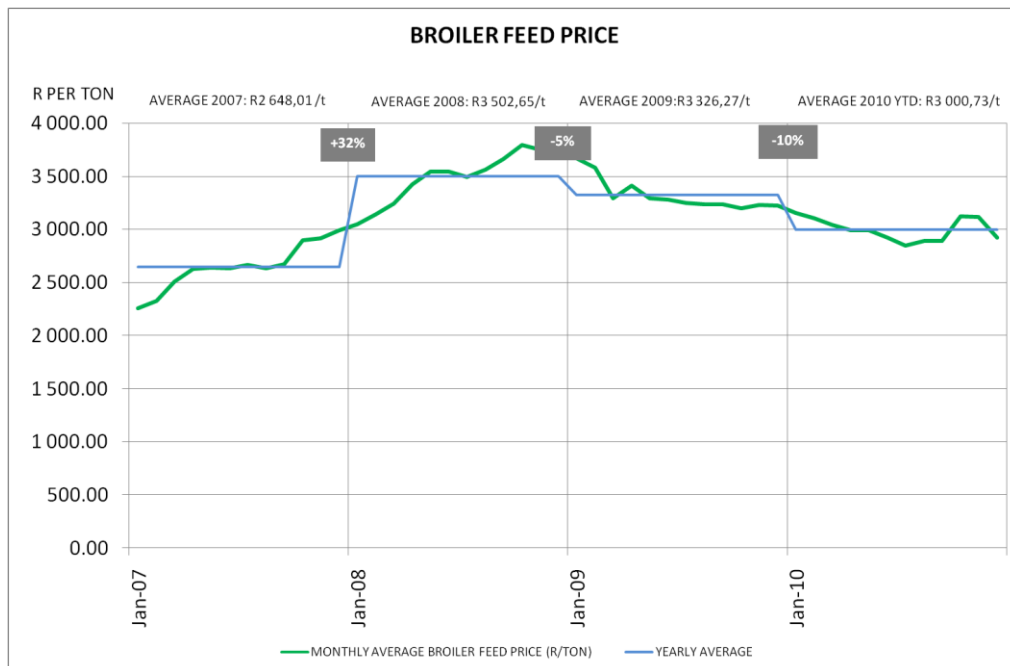
Layer feed prices decreased by 11% in 2010 in comparison with 2009 to R2 102,77, per ton after a decrease of 5% in 2009 following the upward momentum of 2008 on the back of rising maize and protein prices. The feed price did not decrease to the levels before 2008.





Graph 10: Layer feed price from 2007 to 2010

After the continued rise in feed cost, with producers experiencing feed input costs increasing by between 26% and 48% during 2008, there was a decrease of 5% in broiler feed price in 2009 and a further decrease of 10%, although not to the levels before the rise in 2008. The average feed price for broilers was R3 000,73 per ton in 2010.



Graph 11: Broiler feed price from 2007 to 2010



As feed costs continue increasing over time profit margins are diminishing. The average reported broiler feed price for 2008 was R3 502,65 per ton, an increase of 32% in comparison with the average feed price for 2007.

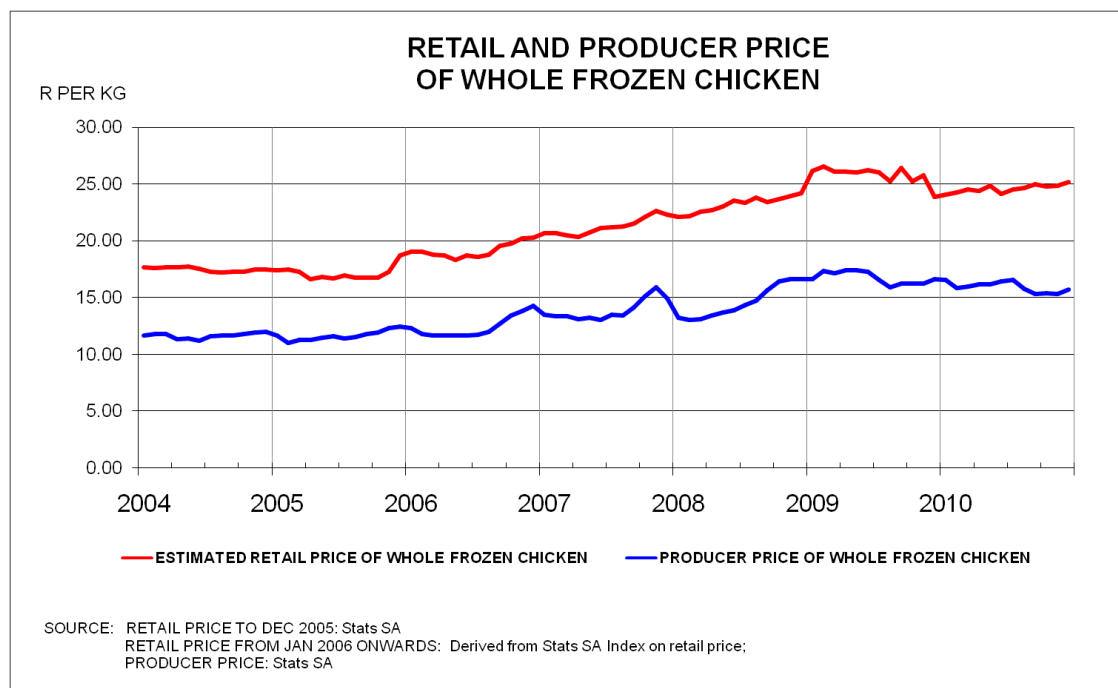
The average broiler feed price for 2009 was R3 326,27 per ton – a decrease of 5% in comparison with 2008.

Employment sector

Latest estimates suggest that up to 7 000 people are employed by chick producers around the country, making the chick industry an important rural employer.

Local trade conditions

Total imports of broiler products increased by 15% in 2010 in comparison with the previous year, as international poultry prices and exchange rates made the importing of poultry products attractive.



Graph 12: Retail and producer price of frozen whole chicken

As can be seen from Graph 12, the ever-widening gap between the producer price and the retail price of chicken is a concern, as producers are struggling to recover input costs and the retail chains are putting pressure on producers to cut prices.

Health issues

- **Notifiable avian influenza (NAI)**

SAPA, in conjunction with the Department of Agriculture, Forestry and Fisheries (DAFF) is participating in the national NAI surveillance monitoring surveys and is happy to report that we have tested negative for the H5N1 strain. We can also say that we covered the majority of the producers in



this survey. These surveys are done on a six-monthly basis according to a prescribed protocol, and SAPA encourages all producers to participate in the surveys.

The most recent reported survey included a total of 859 farms:

- 256 layer farms, including layer breeders and layer-rearing farms
- 603 broiler farms, including broiler breeders.

This amounts to 27 less layer farms and 47 more broiler farms, a combined total of 20 more farms than previously reported on.

This survey represented 95% of poultry farms in South Africa. This is a major achievement, as we are now in a much better position to deal not only with NAI, but also with any disease outbreak through having a much better map of local production sites. As disease risk is linked to infection sites the surveillance team is now focusing on smaller producers. Please participate in this programme for the benefit of all of us.

- **Newcastle disease**

The Technical Committee provided information to the DAFF, who revised the Newcastle Protocol with regard to the outbreak of NCD, and this document is available on the SAPA website.

- **Salmonella-reduction protocol**

The Technical Committee of SAPA is still waiting for feedback from the state regarding the finalisation of this protocol.

OBJECTIVES OF THE CPO

I have again included in this years' report the objectives of the CPO and would like to give producers the opportunity to measure the CPO against the objectives and give feedback on how well the organisation addresses these issues. Also advise if there are objectives that should be of key importance but are not tabulated as such.

As an independent subsidiary of the Southern African Poultry Association the Chick Producers' Organisation maintains a national organisation in the Republic of South Africa for the promotion and development of the poultry-breeding and chicken-production section of the poultry industry. The purpose of the organisation is to foster, promote and improve the general welfare of those engaged in this section of the poultry industry, by providing a vehicle through which group action may be taken on matters of common concern.

To promote and advance all matters pertaining to the improvement of the poultry-breeding and chicken-producing industry in South Africa by:

- securing profitable poultry breeding and providing adequate supplies of poultry products to the consuming public;
- promoting the breeding of poultry and commercial chicken production;
- encouraging and assisting in the production of chickens of high quality, bred from parents selected for type, stamina and health qualities and for high egg production and/or meat qualities;
- protection of the poultry-breeding and chicken-producing industry from adverse legislation and any other aggression by initiating, fostering and assisting in obtaining legislation and regulations beneficial to the poultry breeding and allied industries;
- encouragement of poultry education;



- dealing with any matter that may be in the interest of the poultry-breeding and chicken-production industries, the organisation and its members;
- submitting individual data to the SAPA office for establishing a suitable statistical system to further the aims of SAPA.

CONCLUSION

I wish to express my thanks to committee members for their contributions to the CPO during the past year. To all the SAPA staff members, my sincere thanks for your dedication to, and support of the CPO. To all our members, without which there would not be such a wonderful industry to work in, join us into **A New Era**.

