MANAGEMENT COMMITTEE
CHAIRPERSON’S REPORT 2015

PRESENTED BY MARTHINUS STANDER
AT THE 110TH SAPA CONGRESS
HOSTED AT EMPERORS PALACE, GAUTENG
ON TUESDAY, 21 JUNE 2016
GRIM SITUATION

• SAPA remains committed to its vision.
• We are facing very tough times.
• We need an enabling environment and adequate support from government.
• Producers need to stand firm together and join SAPA.
INTRODUCTION

• Welcome to the 110th Congress of SAPA.
• The year 2015 started well with lower maize and oil prices.
• Huge maize price increase due to drought.
• Record levels of poultry imports from EU and Brazil.
• Ongoing AGOA negotiations with USA.
INTRODUCTION (continued)

• The producers’ egg price lagged behind inflation.

• HPAI outbreaks affected exports of breeding stock to South Africa.

• SAPA’s new constitution approved by SARS;
  – CPO and DPFO folded into EO and BO.
  – SAPA now fully transformed.
INTRODUCTION (continued)

• SAPA restructured, some staff retrenched.
• SAPA secretariat now positioned to meet the needs of poultry producers.
• Funding remains a challenge.
• We look forward to rebuilding relationships within our industry.
• Focus on making large, developing and small-scale farmers feel at home.
SAPA’S VISION

• To create a viable and sustainable industry contributing to economic growth and development, employment and food security, based on successful producers adhering to environmental and ethical production norms and generating sustainable profits.
SAPA’S MISSION

• To create an enabling environment to achieve sustainable producer profits in the domestic and global village markets.

MEMBERSHIP

Broilers 147   Eggs 123
COMMITTEE MEMBERS

• Marthinus Stander (Chairperson)
• Achmat Brinkhuis (Vice-Chairperson)
• Robin Barnsley
• Willie Bosoga
• Theo Delport
• Ray Stanbury
• Aziz Sulliman
• Jaco Viljoen
• Roelof Viljoen
• Justice Zotwa

ALTERNATIVES:
• Dr Naude Rossouw
• Colin Steenhuisen
• Jake Mokwene
• Chris Coombes
SA ECONOMIC OVERVIEW

- R290 billion wiped off JSE in December.
- Exchange rate R16 to US dollar (38% depr.).
- 0.7% economic growth forecast for 2016.
- 23-year low in business confidence.
- 25% unemployment rate.
- 6.8% inflation forecast for 2016.
- 11% food inflation by end 2016.
GLOBAL INDUSTRY OVERVIEW

- Oversupply at end 2015, margins under pressure.
- Recovery driven by increasing demand, higher red meat prices.
- HPAI outbreaks in USA, North and West Africa, France, Mexico, South East Asia.
- USA, EU and Brazil set to increase exports.
GLOBAL INDUSTRY OVERVIEW (cont.)

• Broiler production in 2016:
  – Global production forecast to increase by 2%;
  – Russia moving towards self-sufficiency;
  – China: 12.7 m tonnes, but weak demand;
  – EU: Predicted to increase by 1.5%;
  – Brazil: 13.5 m tonnes (+3%);
  – USA: +2.5%.

• Maize and soya bean prices should remain fairly constant.
1. Gross value of animal products

- Poultry meat: R38.8 billion
- Eggs: R9.8 billion
- Combined: R48.6 billion (+12.0% y/y).
- Poultry is the largest agricultural sector:
  - 20.9% of all agricultural production;
  - 42.8% of all animal products.
## 2. Production growth of industries

<table>
<thead>
<tr>
<th>EGG</th>
<th>BROILER</th>
</tr>
</thead>
<tbody>
<tr>
<td>DOP +1.9%</td>
<td>DO parent females +7.0%</td>
</tr>
<tr>
<td>LRP +1.0%</td>
<td>DOC +3.9% (1,062 m)</td>
</tr>
<tr>
<td>Layers +2.1%</td>
<td>Broilers slaughtered +4.6% (1,004 m)</td>
</tr>
<tr>
<td>To Apr 2016:</td>
<td>To April 2016:</td>
</tr>
<tr>
<td>– Layers +0.6%</td>
<td>– Broiler breeders +3.2% (6.93 m hens)</td>
</tr>
<tr>
<td>– 409,300 cases/wk</td>
<td></td>
</tr>
</tbody>
</table>

DOP = day-old pullet   LRP = layer replacement pullet
3. Consumption of animal protein sources
40.32 kg poultry meat, 8.76 kg eggs

Source: DAFF
4. Price comparison of animal protein sources
Broiler meat and eggs still the cheapest

TRENDS IN BEEF, PORK, POULTRY AND EGG PRODUCER PRICES

Source: AMT, SAPA
5. Consumption of maize

- Total consumption for 2014/15 was 10.237 m. tonnes.
- 5.014 m. tonnes (49%) used for animal feed.
6. AFMA feed sales and usage

4.343 m. tonnes (64.7%) to poultry industry
Feed prices
Broiler +2.4%; layer +5.9% y/y
## TRADE: IMPORTS 2015

### POULTRY MEAT
- Annual broiler imports hit a record 457,374 tonnes.
- 95.6% of total poultry imports.
- Frozen imports: 456,954 tonnes (+24.1% y/y)
  - 39.4% MDM
  - 42.1% bone-in portions.

### EGG
- Total egg imports amounted to 342.7 tonnes.
## TRADE: EXPORTS 2015

### POULTRY MEAT

- 72,444 tonnes poultry exports (+9.2% y/y)
- 65,815 tonnes chicken exports, at FOB value of R1 054 billion.

### EGG

- Eggs for consumption: 9,832 tonnes (+9.3% y/y)
- Value: R227.7 million.
• Working well with government, academia and industry on microbial testing and regulation of antimicrobial use.
• Ongoing training of state vet. poultry experts.
• Good progress made in registering products on the searchable database.
• Plan to work with state vets to implement technical support of small-scale farmers.
• Communicate effectively via website and *Poultry Bulletin*.

• Need for disease surveillance system:
  – Appealing to DAH in DAFF to regulate this activity and make it compulsory.

• Waiting for approval to continue with abattoir meat testing project.

• Discussions with DAH on salmonella protocol.

DAH = Directorate of Animal Health
POULTRY RESEARCH CHAIR

• Attended AI symposium in USA and World Veterinary Poultry Association Congress in Cape Town.
  – Keynote talks given on AI in ostriches and NCD.
• BSL3 facility used for numerous clinical trials.
• Good progress with the TAHC-TIA projects.

BSL3 = Biosafety level 3
TAHC-TIA = Tshwane Animal Health Cluster/Technology Innovation Agency
POULTRY RESEARCH CHAIR (continued)

• Research into genome sequencing of NDV and LPAI.
• Infrastructure upgrade at Poultry Research Facility.
• Numerous administrative commitments and supervising of post-grad students.

NDV = Newcastle disease virus
Committee members had to demonstrate real commitment in order to gain each other’s trust.

Still not enough common understanding between large- and small-scale farmers.

Several large producers provided information on the status of their transformation plans.
• The Transformation Committee worked harmoniously to produce a draft report.
  – Details the poultry industry’s racial history, its current status, a strategy and an action plan.
• Part of USA import quota to be allocated to historically disadvantaged individuals.
COMMUNICATION WITH MEMBERS

• The monthly *Poultry Bulletin* is an effective tool.
  – More stories needed on successful small-scale farmers and the challenges they face.
  – Please submit suggestions to the editor.

• SAPA’s website is available to members and non-members.
WEBSITE 2015

- 46,588 unique visitors
- Total of 70,045 visits
- 192 people visited the website per day
- ‘Industry Profile’ downloaded 7,986 times
SAPA STRATEGY

• Aim: To meet producers’ needs, reduce costs, and transform SAPA.
• Two membership bodies – one for eggs and one for broilers.
• Restructuring process took several months.
• Staff appointments:
  – Administration Services Officer: Louisa Nel;
  – Manager: Sustainability and Development: Christopher Mason;
  – Senior Executive: Dr Charlotte Nkuna.
SAPA STRATEGY  (continued)

• The post of PDMA Director has not been filled.
• SAPA now has eight direct employees, down from the original sixteen.
• Secretariat now reflects the new purpose and revised funding structure.
TRAINING AND DEVELOPMENT

• No SAPA management courses run.
• 56 Poultry meat examiner and 18 poultry meat inspector candidates being trained with AgriSETA funding.
• 172 small-scale poultry farmers trained with DAFF funding.
• Lack of interest in food safety and legislative training.
• AgriSETA hosted a workshop on proposed new training landscape.
STAKEHOLDER ENGAGEMENT

• Working with DAFF and DTI to drive exports.
• SAPA trying to access Namibian markets.
• DAFF to help fund the new Chair in Risk Management.
• SAPA involved in DAFF’s APAP meetings.
• SAPA invited to join AgriSA.
• In difficult times producers need to:
  – Improve efficiencies
  – Minimise disease risks
  – Adapt to new technology
  – Attend to bird welfare
  – Optimise conditions to achieve genetic potential of birds.
• Limited meetings of the Poultry Health and Welfare Workgroup, the Food Compliance Workgroup, and the Research Committee were held, due to SAPA restructuring.

• See Annexure B for full details.
## EMPLOYMENT 2015

<table>
<thead>
<tr>
<th>BROILER</th>
<th>EGG</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Direct employees: 48 118</td>
<td>• Direct employees: 8 025</td>
</tr>
<tr>
<td>• Related industries: 63 072</td>
<td></td>
</tr>
<tr>
<td>• Total: 111 190</td>
<td></td>
</tr>
<tr>
<td>• Poultry share of field crops: 19 163</td>
<td></td>
</tr>
</tbody>
</table>
SAPA’s Producer database

- Both broiler and egg industries.
- 616 subsistence farmers
- 371 small commercial farmers
- 317 commercial farmers
FINANCES

• SAPA was given another clean audit by BDO South Africa Services (Pty) Ltd.
• Congress will shortly be asked to approve the financials.
KEY SUCCESSES

• Approval of new SAPA constitution.
• Renewed focus on members’ needs.
• The new, fully transformed SAPA.
• Restructuring of secretariat and reduction in costs.
• Appointment of Doctor Nkuna as Senior Executive.
• New funding model for the EO.
KEY SUCCESSES (continued)

• Galliova Food and Health Writers’ Awards.
• Implementation of permanent anti-dumping duties against the EU.
• Successful conclusion to AGOA negotiations.
• Valuable contributions by the PDMA, Research Chair, Training and Technical Committees.
CHALLENGES

- Increasing input costs.
- Preventing dumping of bone-in portions.
- Establishing veterinary compartments in case of HPAI outbreaks.
- Opening up export markets.
- Implementing meaningful transformation.
- Implementing a disease surveillance system.
CHALLENGES (continued)

• Developing testing programmes at abattoirs.
• Bird welfare and food safety issues.
• Finalising brining levels and managing consumers’ perceptions.
• Brining monitoring and testing protocols.
• Assisting small farmers with escalating feed prices.
PROSPECTS GOING FORWARD

• SAPA remains committed to its vision.
• We are facing very tough times.
• We need an enabling environment and adequate support from government.
• Producers need to stand firm together and join SAPA.
CONCLUSION

• Thank you for your support in 2015 and we look forward to your continued engagement in 2016.

• Last but not least, I would like to thank the staff of SAPA for working hard under difficult conditions and adapting to change.