

BOARD REPORT 2017

PRESENTED BY ACHMAT BRINKHUIS

*Small footprint.
Big Impact*

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Overcoming the Unexpected

AVI Africa



INTRODUCTION

- Welcome to the 112th congress of SAPA
- Tremors felt mid-2017 as deadly H5N8 strain of bird flu hit SA
 - High mortalities, mass culling, heightened biosecurity
 - Loss of income and jobs



INTRODUCTION (continued)

- Imports continued unabated
 - Retrenchments and production cutbacks
 - Government-led task team investigated problems
 - Lack of transformation remains an issue



INTRODUCTION (continued)

- Special meeting held in September, egg and broiler producers voted to adopt united front
- Major step forward
- Dr Majokweni joined as Director of the PDMA
- Dr Nkuna took over as interim CEO in September



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.



SA ECONOMIC OVERVIEW

- GDP growth 0.9% (global growth 3.7%)
- Inflation 5.3%
- Food inflation 7.0%
- Unemployment 26.7% (4Q 2017)
- 51.1% of youth, aged 15-24, are unemployed



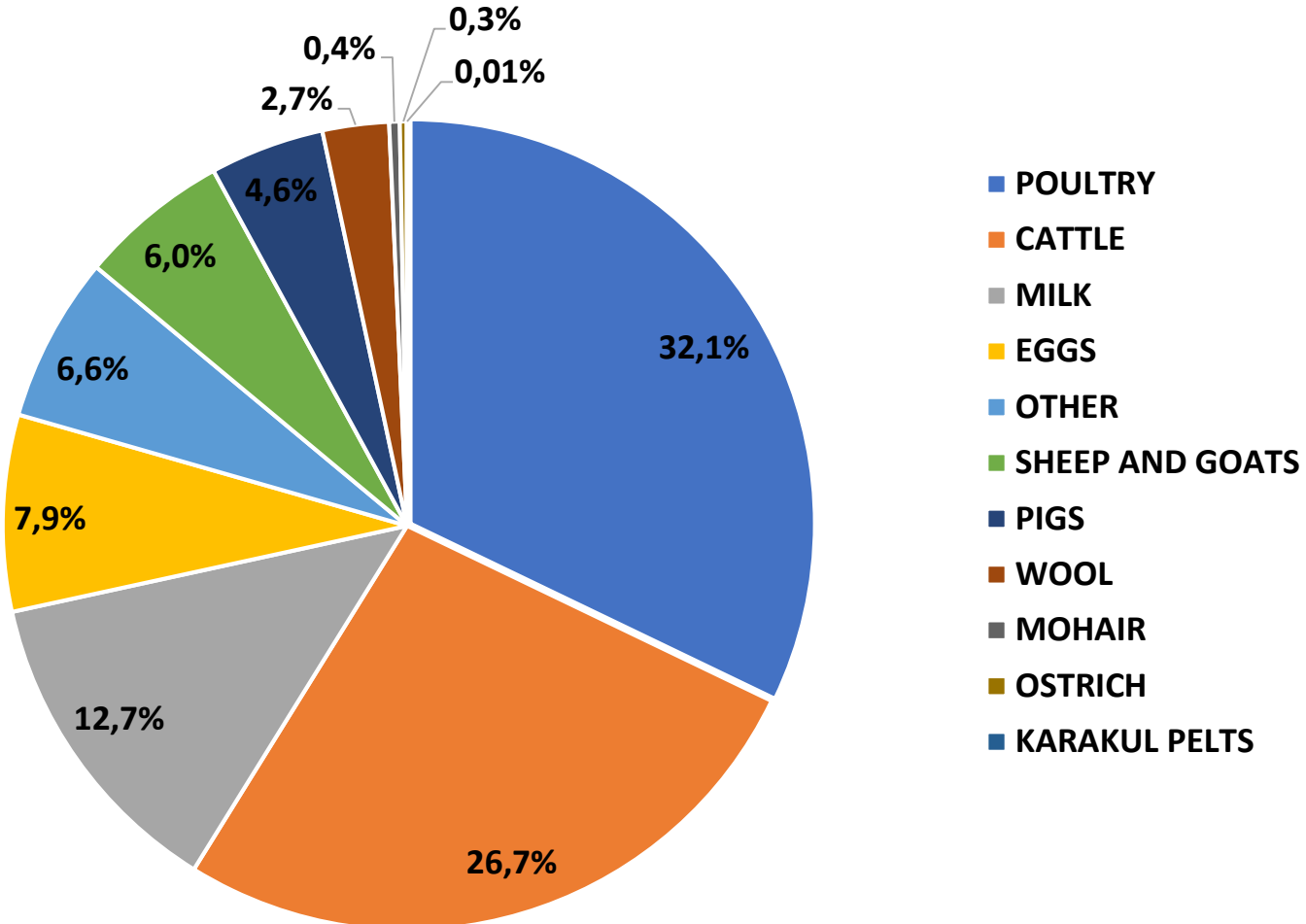
GLOBAL INDUSTRY OVERVIEW

- Rabobank forecasts significant production growth in USA, Brazil, China
 - Mostly beef, pork
 - Poultry slower growth
- USA, Brazil and Thailand will increase exports
 - Brazil has not reported any AI cases



LOCAL INDUSTRY OVERVIEW:

Gross value of animal products (poultry 40%)



Production growth: 2017 v 2016

- Broiler industry (76.4% of poultry)
 - Day-old female parents -5.1%
 - Day-old chicks hatched -0.2%
 - Broilers produced -0.9%
- Egg industry (23.6% of poultry)
 - Day-old pullets +1.2%
 - Laying hens -6.6%



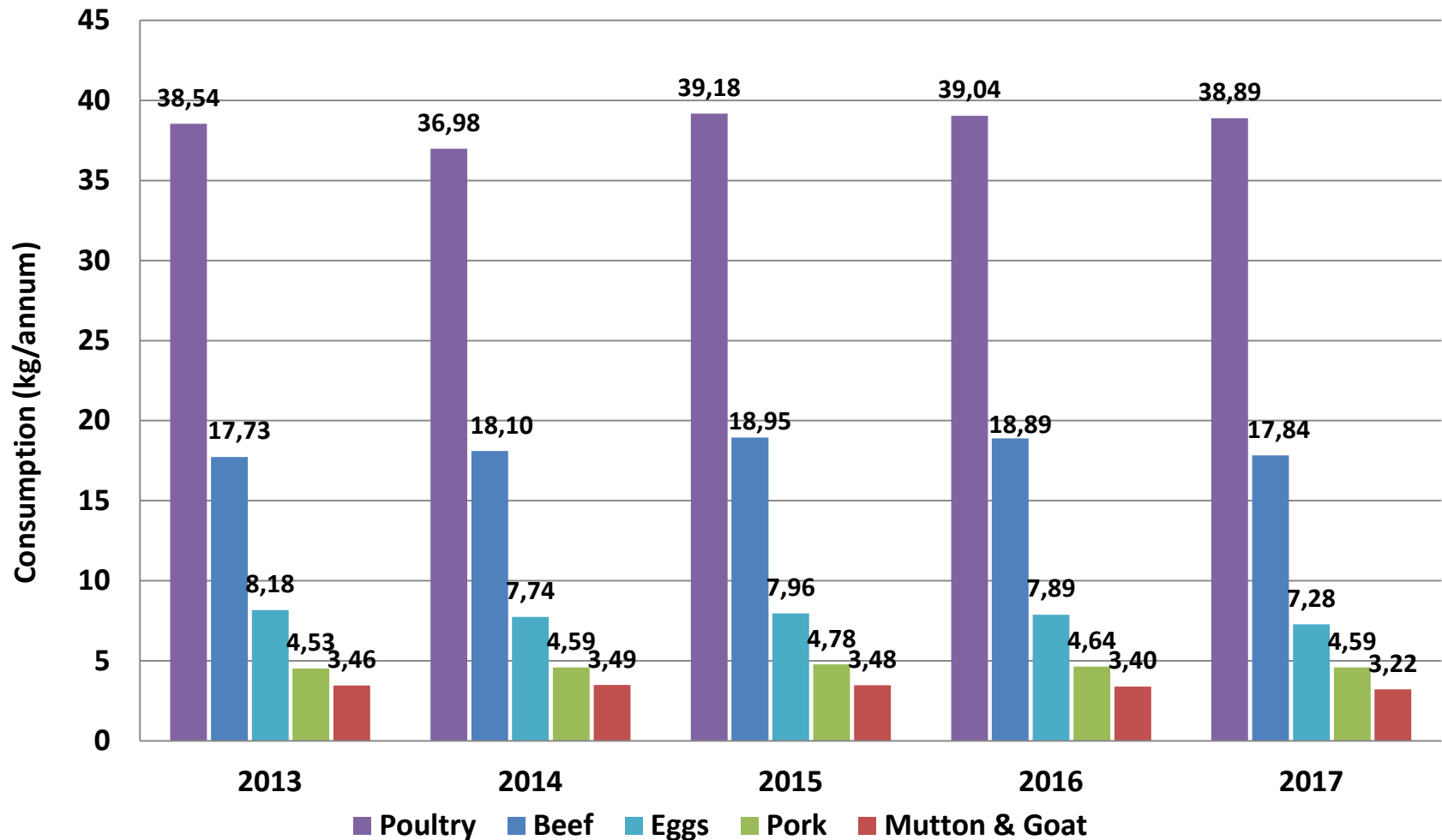
Consumption of animal proteins

- Poultry industry continues to feed the nation
- 64.3% of animal proteins consumed (excluding milk) was chicken meat and eggs
- Per capita
 - Chicken meat 38.89 kg
 - Eggs 7.28 kg



Per capita consumption

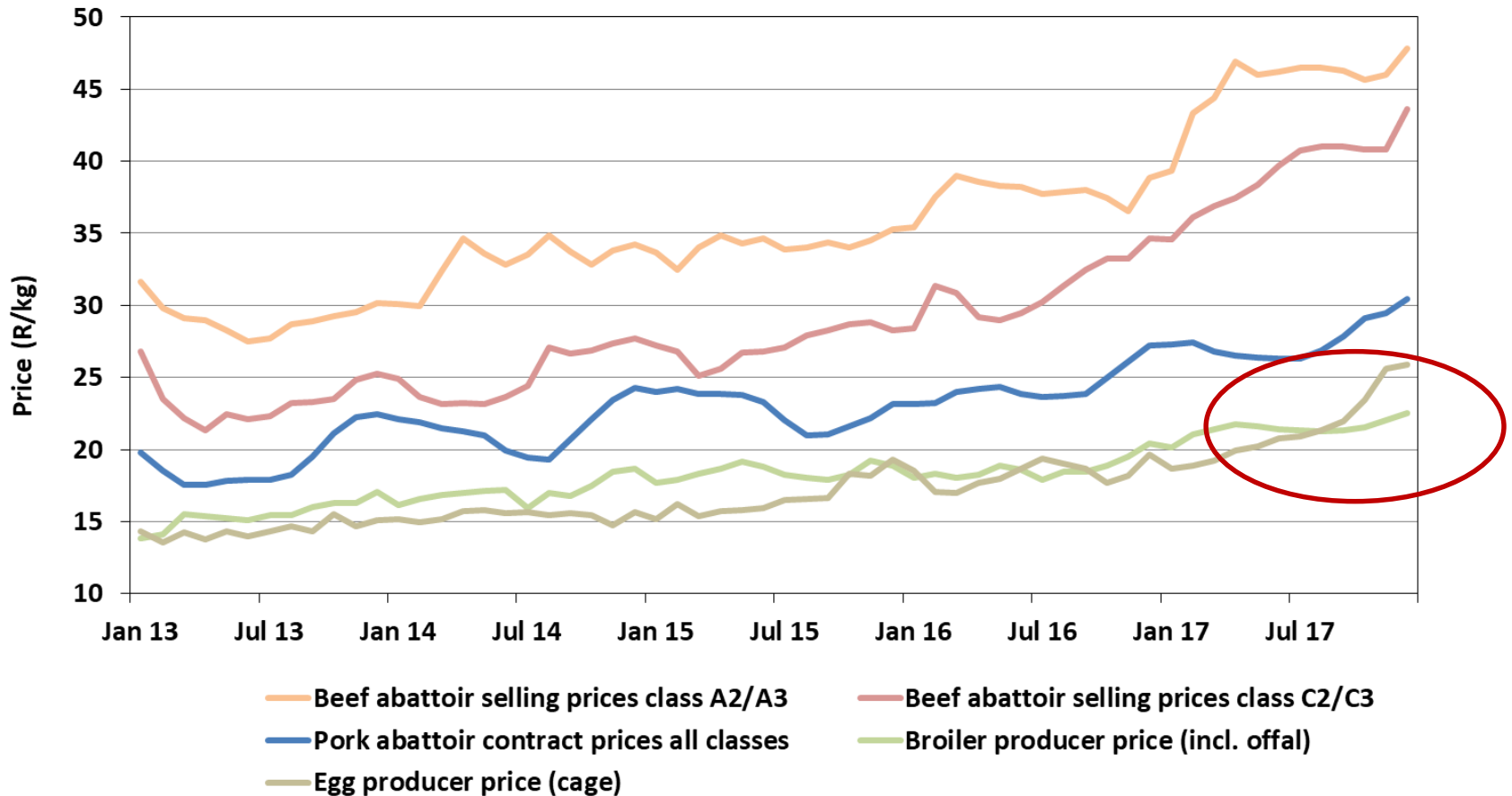
Beef is poultry meat's closest rival



Price comparison

Poultry meat and eggs remain the cheapest

Trends in beef, pork, poultry and egg producer prices



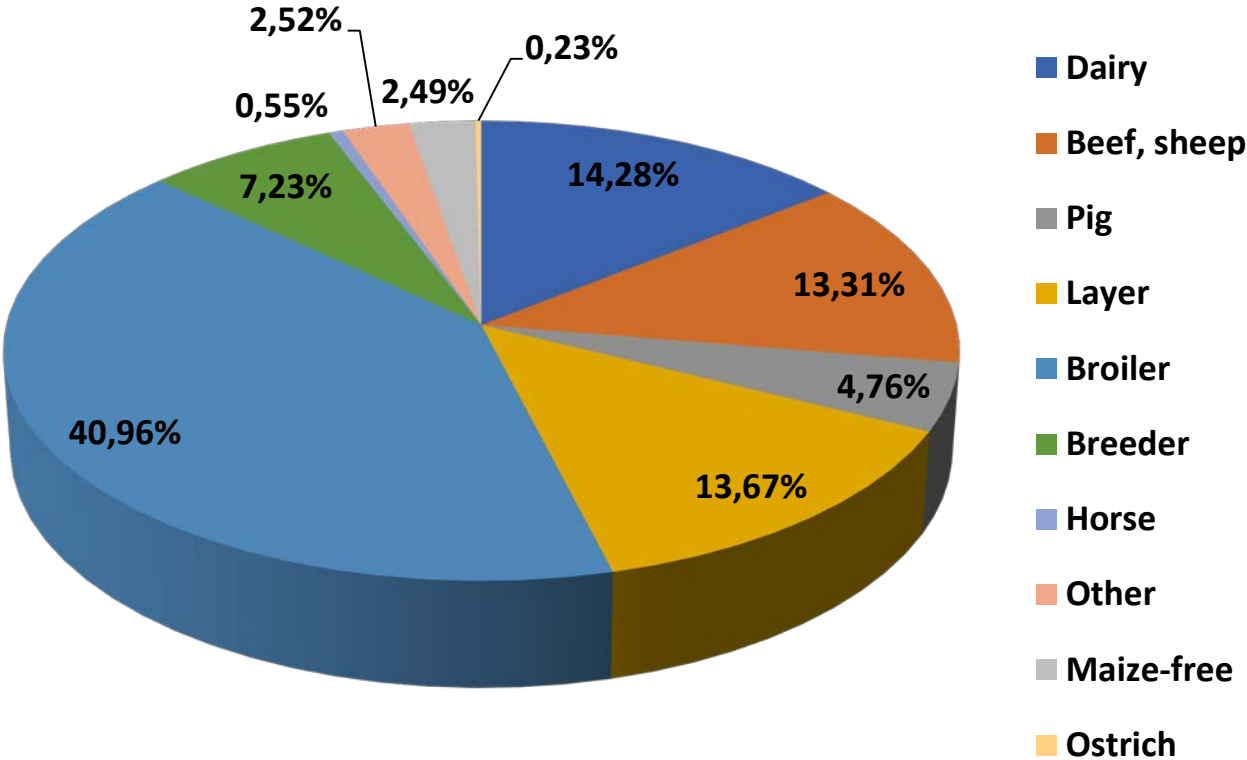
Maize consumption

- Total crop for 2016/17 season: 16.8 million tonnes
 - 59% white, 41% yellow
 - Total consumption: 10.1 million tonnes
- Estimate for 2017/18 season: 12.2 million tonnes (-27.3%)



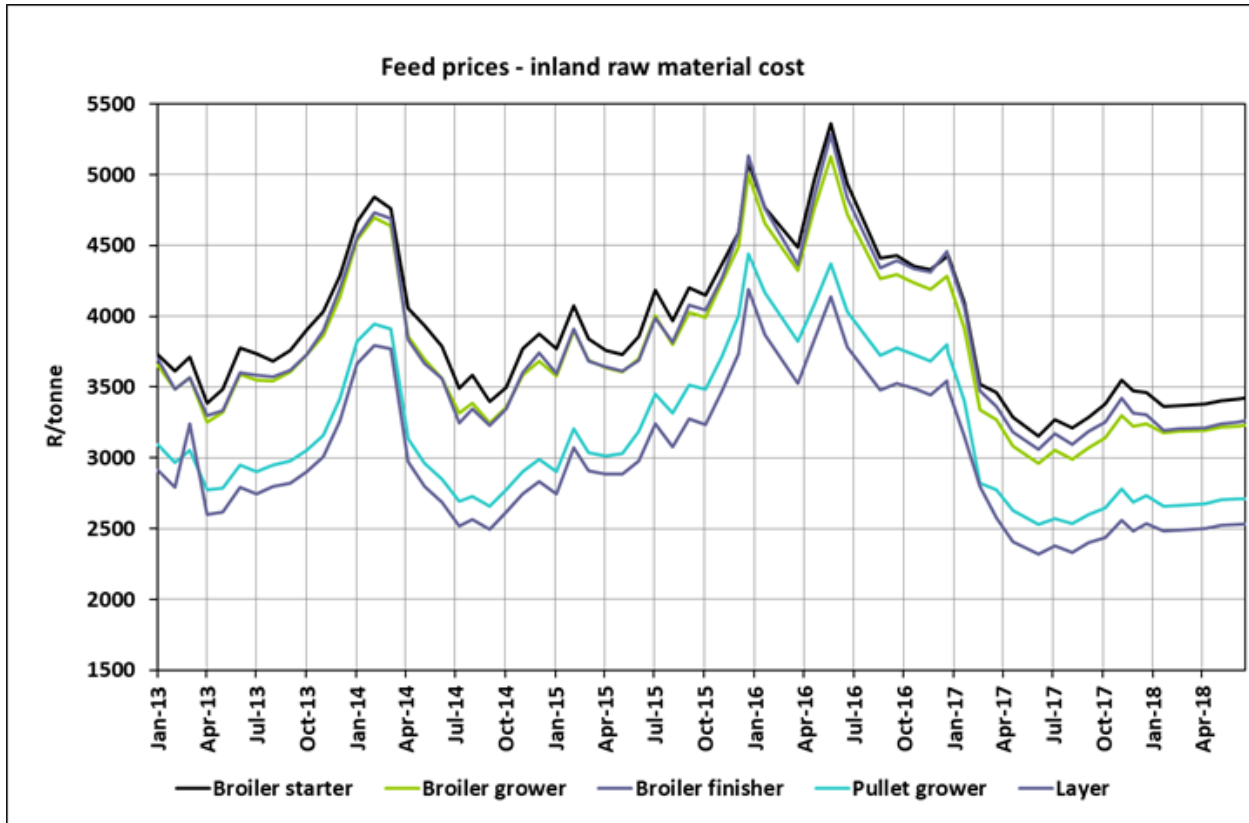
Feed sales

AFMA animal feed sales 2016/17



62.1% of AFMA's sales went to poultry industry

Feed prices



Annual change
in raw material
costs:
broiler -26.0%
layer -29.4%

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TRADE: Imports

- Poultry meat: 556 877 tonnes
- Chicken meat: 524 259 tonnes (94.1% of total)
- Frozen chicken: 523 428 tonnes
 - 38.6% MDM
 - 44.5% bone-in portions
- Chicken eggs: 483.9 tonnes
 - 99.9% egg products
 - No fertile eggs



TRADE: Exports

- Poultry meat: 62 842 tonnes (15.1% annual decrease)
- Chicken meat: 59 240 tonnes
 - FOB value R1 243 million
- Chicken eggs: 13 653 tonnes
 - FOB value R306.2 million
 - 27% fertile eggs, 73% eggs and egg products for consumption



POULTRY HEALTH AND DISEASE

- Disease monitoring and surveillance:
 - HPAI database and website set up
 - Live bird movement database developed
 - Joint operations centre established at PDMA
 - BFAP commissioned to study economic impact of HPAI



POULTRY HEALTH AND DISEASE (continued)

- Disease incidence reduction:
 - Vaccination proposal drafted
 - Sourced R100 million aid from Land Bank
 - Sourced training lay-off scheme from Dept Labour



POULTRY HEALTH AND DISEASE (continued)

- Antimicrobial resistance and residue monitoring:
 - Samples collected at informal markets in Gauteng
 - *E. coli* found to be resistant and sensitive to antibiotics
 - Research continuing
- Capacity development:
 - 18 state vets trained in poultry health in 2017
 - Total since inception of workshops: 89 vets



POULTRY RESEARCH CHAIR

- Research:
 - HPAI outbreak took precedence; involved genome sequencing and molecular epidemiology
 - Clinical trial on H5N8 vaccine
- 5 peer-reviewed scientific papers published
- Prof Abolnik supervised six PhD students, one M-Tech and one MSc student
- Research chair no longer funded by SAPA



INDUSTRY TRANSFORMATION

- Funds are available for transformation projects
 - Opportunity for poultry producers to assist black farmers get into value chain
- GDARD Tshwane fresh market processing plant completed in 2017
 - Handed over to beneficiaries
- Evergreen Trust formed for surplus levy funds
 - Money to be used for transformation projects



COMMUNICATION WITH MEMBERS

- Bulletin magazine used by SAPA
- PDMA sent out regular HPAI status updates
- SAPA website attracted 60 000 unique visitors (+17%)
- Industry warned of scams on fraudulent poultry supplier websites



SAPA STRATEGY

- Limited funds, reduced budget in 2017
- If changes to constitution are ratified at Congress, egg and broiler organisations will be stand-alone entities
- SAPA Board will retain governance and fiducial responsibilities



TRAINING AND DEVELOPMENT

- AgriSETA funding continued, SAPA grateful
 - 30 PME and 15 PMI candidates being trained
- 94 small-scale farmers trained, funded by DAFF
 - Total of 356 candidates – target exceeded by 106
- Co-ordinated by DAFF, extension officers, KZN Poultry Institute and Dumela Poultry Solutions



STAKEHOLDER ENGAGEMENT

- Presentations made to parliament's portfolio committee on state of the industry
- Work continued with ITAC to increase 13.9% safeguard
- SAPA contesting govt's decision to lower sanitary standards for US imports



STAKEHOLDER ENGAGEMENT (continued)

- Meetings took place between DAFF, SAPA and assignee AFSQ on proposed inspection services
- SAPA CEO attended meetings of IEC, IPC and OIE Animal Welfare Working Group
- Trade visits to Iran and UAE



EMPLOYMENT

SAPA's database:

- 1 057 small-scale farmers (non-members)
- Potential commercial farmers: 231 egg, 170 broiler

Sector	Employees
Broiler	47 025
Egg	7 503
Support	58 383
Field crops	17 738
TOTAL	130 649

FINANCES

- New auditors SizweNtsalubaGobodo Inc.
- Change required in terms of the constitution, also considered good governance
- SAPA given another clean audit



SUCCESSSES

- Lower feed prices, improved margins
- The collaboration between producers, vets, PDMA and DAFF in dealing with the HPAI infections
- An improved understanding with government
- Completion of the Tshwane processing facility
- The continuation of PME and PMI training



SUCCESSSES (continued)

- Completion of DAFF-funded small-scale farmer training
- Positive media exposure from Galliova Awards
- Exploratory trade visits to Middle East
- Quality research into important poultry diseases
 - AI, NCD, mycoplasma



CHALLENGES

- Bracing for likely HPAI outbreaks in winter
- Improving the image of the poultry industry
- Preventing the dumping of bone-in portions
- Opening up export markets
- Accelerating transformation within the industry
- Assisting small commercial farmers to survive difficult times



PROSPECTS GOING FORWARD

- SAPA remains committed to its vision
- Producers can make a difference
 - Partner with new-entrant farmers
- Relationship with govt needs to be nurtured
 - Transformation is a key priority
- Poultry industry needs to support govt's goals



PROSPECTS GOING FORWARD (continued)

- Authorities need to prepare better for HPAI outbreaks
- Improve information systems, early warnings, HPAI surveillance
- Contingency plans at national and regional level
- Structures need to be capacitated



CONCLUSION

Thank you for your support in 2017.

As we continue to pull together towards a common purpose, we can look forward to a brighter political landscape and economic climate for our country in 2018.

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