AGRICULTURE — POULTRY

1996

AUG. — DEC.

COMPANIES

From frying pan into fire for Rainbow

ST (PDT) 18/8/96 (3) POULTRY

By MARCIA KLEIN

HOPES for a near-term solution to Rainbow Chicken's woes were dashed this week with an announcement that half-year losses would soar to R165-million.

In addition, ultimate holding company Rembrandt will have to fork out much of the R750-million the company plans to raise in an enlarged rights offer.

In the latest episode of bad news, Rainbow this week told shareholders the market situation in the broiler industry had not improved in recent months while oversupply of chicken remained a problem. "Assuming a continuation of this situation, Rainbow will report a loss of approximately R165-million for the six months to September 1996."

Rainbow said that in its bid to re-establish itself as the industry leader, it would have to offer superior product at the lowest prices possible. Such an exercise would involve substantial investment in facilities and people and would not be completed before the end of 1997.

Rainbow has increased its rights offer to R750-million from the R626,5-million it proposed in July. The funds will be used to bring down debt which stood at R540-million at the March year-end.

Hunt Leuchars & Hepburn and Huntcor announced that they, in turn, would raise enough funds to follow their rights — a move which will see HL&H increase its stake to over 67% from the current 41% effective share.

Neil Morris, HL&H chief executive and acting managing director of Rainbow, said over the past few years Rainbow had not been the lowest-cost producer, a position which was essential in a commodity market. Companies had expanded and an oversupply situation prevailed.

Rainbow was making progress and was confident it would be the lowest-cost producer in due course — in about a year's time. Morris said because it was not the lowest-cost producer, its losses were probably greater than others.

"The funds raised will reduce the company's interest burden. The oversupply has made it impossible to recover big feed cost increases and we are selling at less than a year ago. We do not know how long the situation will continue."

Commenting on the need to increase the rights offer amount by more than R120-million, Morris said: "We looked two years down the track and we don't want to find that we paid off our borrowings only to have to increase them again. The amount to be raised is an estimate of our maximum requirements for the next two years."

Rainbow lost 15c to touch a new low of 73c on Thursday following its announcement and a further 10c on Friday. Morris said there was clearly a negative perception of Rainbow. But he hoped the offer price (Rainbow is offering new 7% convertible preference shares at 85c a share) and the fact that there was a preference dividend would prompt shareholders to feel it was not a bad idea to follow their rights provided the company could set matters straight.

While it is difficult to determine how much HL&H and Rembrandt will have to put in to the offer, it is likely to be a substantial portion.

Morris agreed there was a perception that Rainbow had been a case of one disaster after the next, but said HL&H and Rembrandt would not be backing the company if there were any doubt it could not be turned around. This could take time and he would not make any forecasts.

One move in the right direction has been the appointment of a financial director, who will join Rainbow next month. While there is still no managing director in place, Morris said he was devoting more time to the company while the search went on for the right person.

HLH losses of R110m due to Rainbow Chicken

(3) POULTRY BD 19/8/96

Nicola Jenvey

DURBAN — Hunt Leuchars & Hepburn could sustain losses of more than R110m for the six months to September, against a previous R40m loss, pulled down by subsidiary Rainbow Chicken, analysts said at the weekend.

Rainbow, in which Hunt Leuchars & Hepburn holds an effective 41%, warned last week that its losses for the period would be about R165m and that its refinancing needs had risen to R750m from a previous R626,5m cash call.

HL&H has vowed to stump up most of the cash needed.

Warning

The warning pulled 11% from Rainbow's share price on Friday, leaving it at a new year low of 65c. HL&H fell 6% to 695c.

Analysts said the market was also awash with rumours that Rainbow's latest warning was not its last.

They also said that HL&H's figures would be lifted by the fall in its debt following its decision to offload its timber interests to Sappi and Mondi.

But the group has already warned that its other operations, Transvaal Sugar and household goods manufacturer Robertsons, were unlikely to better last year's performance.

Rainbow's latest problems would worsen the picture.

Analysts said, however, that a second half recovery could cut HL&H's loss for the year to March to about R15m, against a previous R66,8m loss.

HL&H will seek to take control of Rainbow with the refinancing, but it will also have to raise additional funds, together with parent Huntcor, in preference share offers underwritten by the parent Rembrandt Group.

HL&H CEO and acting Rainbow MD Neil Morris said at the weekend that the group would not have committed itself to the current levels of investment into Rainbow without believing in the long-term benefits.

"Unfortunately the turnaround now demands time, something HL&H has been saying for a while already, and the current situation for the chicken producer is worsened by the oversupply in the broiler industry," he said.

Analysts said, however, that the decision by Rainbow's main shareholder, Stanley Methven Trust, not to follow the cash call, handing control to HL&H, had clearly been well judged.

Rainbow's current share price, which is roughly equivalent to the price of one egg, capitalised the company at about R240m.

Delisting Rainbow Chicken a long-term alternative — MD

(3) POULTRY BD 22/8/96

Nicola Jenvey

DURBAN — The delisting of poultry producer Rainbow Chicken was not an option at present but remained a long-term alternative, Hunt Leuchars & Hepburn CEO and acting Rainbow MD Neil Morris said yesterday.

Rainbow, which earlier this month warned that it could sustain losses of more than R110m for the six months to September, said last month it would raise R626,5m in a rights issue to refinance the company.

The exercise would cut borrowings which stood at R540m, giving a gearing of 94% in the past financial year. The refinancing would also cut borrowing costs — R76m in the last financial year — by about R60m.

The Stanley Methven Trust will not follow its rights which will leave HL&H with a 67% stake after the offer.

Both HL&H and parent Huntcor have proposed rights offers to allow them to follow their rights in Rainbow.

Rainbow had said that in its bid to re-establish itself as the industry leader, it would have to offer a superior product at the lowest prices possible.

Rainbow sustained a R159,8m loss for the year to March 1996, knocked by oversupply, labour problems and illegal imports.

During Monday's annual general meeting, Morris said the producer required time to bring its costs into line, but it was expected to move into profit during the next financial year.

The rights offer would eliminate financing costs.

Rainbow gained 10c on the JSE yesterday to close at 90c.

Production down 20%

PRODUCTION at Zambia Consolidated Copper Mines dropped nearly 20% last month from the previous month, following the fire which closed one of its smelters.

The company — in which Anglo American has an indirect stake — said yesterday production stood at 23 965 tons from June's 29 819 tons, while cobalt production had dropped 43% on the month to 259 tons.

The Mufulira smelter — which produces between 450 and 500 tons of copper a day — was now fully operational, a spokesman said.

"During the rehabilitation of the smelter, the company registered a shortfall in primary copper production of 5 022 tons from the Mufulira smelter."

He said the company expected to make up the shortfall during the current financial year.

Production of copper and cobalt had been steadily rising since September last year, when production reached a trough of 19 554 tons and 165 tons.

BD 22/8/96

RAINBOW (3) POULTRY

HEADING FOR DELISTING?

FM 30/8/96

Rainbow's decline would be an instructive business-school case study. Despite sufficient assets and a dominant market position, it has reached the depths of technical insolvency — due mainly to poor management, say analysts.

A contributing factor, lack of diversification, could also be viewed as managerial arrogance — a failure to look ahead and insure against market downturns and disease. Without a beneficent parent, the company would probably be closed down.

Rainbow recently increased the amount to be raised by its rights offer to R750m. It lost R160m in 1996 and expects another R165m loss in the first half of financial 1997. Parent Remgro, which is underwriting the rights offers of Rainbow and controlling shareholders Hunt Leuchars & Hepburn and Huntcor, is risking a lot on being able to revive the company.

Recapitalising the balance sheet is the first move, but money is not the only problem. Observers cite lack of vision and a collapse of will at senior management level. One analyst says the company has no blueprint for the future, and little effort is made to convince shareholders of managerial commitment.

Without a strong leader to take responsibility, the appearance of a rudderless ship is understandable. The announcement that a new CE could not be found after an international search struck one analyst as preposterous.

Analysts say recovery is feasible, possibly in two to three years — but not with current management.

The chicken market supply and pricing have firmed and things are looking better after a terrible year. New management may be able to seize the opportunity. However, Newcastle disease has recurred and Rainbow, with concentrated production facilities, is vulnerable.

Rumours are strong that Remgro will delist Rainbow six to eight months after the rights issue, which minority shareholders who follow their rights may find unpalatable. It looks a good time to cut losses and sell. *Margaret-Anne Halse*

Disease plagues ostrich exports

Louise Cook (3) MEAT POULTRY

SA's R31m ostrich meat export industry was under renewed threat from Newcastle disease due to failure to implement proper vaccination programmes, veterinarians said at the weekend.

The disease, a range of viruses which has killed as much as 80% of poultry and ostrich populations in previous outbreaks, flared up again six weeks ago, affecting ostrich operations in the vicinity of Oudtshoorn and poultry farms in most provinces.

Klein Karoo Co-operative veterinarian Willem Burger said ostrich meat from 60 farms at Kammanassie, Volmoed, De Rust and Olifantsrivier in the Little Karoo would not be exported this year.

"In the long run the industry is facing the loss of the EU market. We expect that EU countries will impose strict regulations in the near future," he said.

Onderstepoort Veterinary Institute director Dirk Verwoerd said prevention of the disease demanded that each bird be vaccinated twice a year. But, many farmers had failed to do so.

There were suspicions that the outbreak, which began six weeks ago, was spread by finches, sparrows, crows, ducks and swans rather than humans or ostriches. This made the situation difficult to control except through a focused vaccination programme.

BD 17/9/96

Boehringer Mannheim op

BD 17/9/96

Business Day Reporter

BOEHRINGER Mannheim, the German pharmaceutical manufacturer, confirmed its commitment to SA yesterday by opening its new R7m headquarters in Randburg, but called for renewed efforts to re-establish the confidence of investors.

Boehringer Mannheim SA CE Knut Seifert chided government on its attitude to the pharmaceutical industry, "as shown in the recent Sarafina 2 controversy", and rejected claims that prices in SA were unreasonably high.

"The average unit price of our products is far below the European price levels," he said.

Boehringer Mannheim, which has a worldwide turnover of $3,2bn, specialises in therapeutics, laboratory diagnostics, diabetes care, point-of-care testing and biochemicals.

Seifert said the pharmaceutical industry had always offered to co-operate with the health department, and would do so in the future.

"It seems that our efforts are not always appreciated. One should keep in mind that the industry employs a lot of people, including many who are highly skilled. Together we are investing millions of rands. If the industry is not welcome in a country, then companies

Bitter turn in ANC Cape leaders' race

BD 17/9/96

Linda Ensor

CAPE TOWN — Western Cape ANC secretary-general and health and welfare MEC Ebrahim Rasool has stirred up a hornets' nest in the ranks of the ANC in the province with his public exposure of its problems, and he is expected to come under heavy flak at the party's provincial executive committee meeting on Saturday.

Sources said Rasool's weekend criticisms of the provincial leadership had fuelled divisions within the party, which had been torn apart and demoralised by the leadership battle under way in the run-up to the regional conference at the end of the month.

Factions supporting the different candidates — Justice Minister Dullah Omar, ANC MP Tony Yengeni and Rasool — had emerged and were sabotaging each other's work, sources said.

Outgoing leader Chris Nissen was said to have failed to unify and lead the organisation through its current crisis and to have shifted allegiance from one candidate to another.

Rasool was criticised for discussing the party's problems and leadership conflict in the media and for contributing to the very failures he blamed on them. He was also accused of failing to attend provincial committee meetings.

"It is very bad for one provincial executive committee member to publicly attack others, including the provincial secretary," an inside source said.

"This goes completely against the principles of the organisation."

One of the critical divisive issues was the strategy the ANC should adopt towards the largely NP-supporting coloured community, and how to make coloured activists feel at home within the organisation.

Rasool blamed the current leadership for the "dismal" failure of the party to undermine the provincial dominance of the NP in the local government elections.

He also accused the leaders of failing to address the lack of coloured support in the organisation, and its lack of openness.

In a clear challenge to Omar, who has emerged as the front-runner in the Western Cape leadership stakes, Rasool questioned the effectiveness of those supporting him.

These included party secretary James Ngulu and sport and recreation MEC Lerumo Kalako.

Rasool subsequently issued a public, unreserved apology to Omar for creating the impression that he was engaged in a personal fight for the position of provincial leader.

In a document outlining his view of the problems of the organisation, Rasool criticised the ANC's tendency to narrow the base of decision-making and power to the "inner circle" of the provincial executive committee, alienating members and branches.

In the document, called ANC: A Home for Everyone — Political Plan for the ANC in the Western Cape, Rasool emphasised the importance of discussing the notion of African leadership. He said this was a "bone of contention for many progressive coloured activists who believe there are unequal relations within the ANC and unequal treatment of coloured and African communities and comrades".

Rasool called on the party to critically assess its performance in the local government elections and to develop a vision and a plan.

Minorities lukewarm to Rainbow rights offer

(3) POULTRY CT (BR) 1/10/96

STUART RUTHERFORD

Durban — Rainbow Chicken's R750 million rights issue has not been well received by minority shareholders, who hold a 26,8 percent stake in the company. Investors have reacted more positively to the related Huntcor and Hunt Leuchars & Hepburn (HL&H) issues, Keith Forgan, the financial director of HL&H, said yesterday.

This confirms analysts' predictions that minorities would show little interest in Rainbow's rights offer to recapitalise the ailing broiler producer.

Forgan said the response to the Rainbow rights offer had been lower than that for HL&H and Huntcor, but he declined to give further details before the announcement of the details of the rights offers on Friday.

Both HL&H, which holds 41 percent of Rainbow, and Huntcor, with 76,2 percent of HL&H, are holding rights issues to raise funds to meet Rainbow's demands. Forgan said they were "pretty pleased" with the response to these rights offers.

He said the poorer response to the Rainbow offer was partly due to its wider spread of shareholders, at 3 141 according to the latest annual report, compared with HL&H's 1 687 shareholders.

Rainbow was offering shareholders 7 percent compulsory convertible cumulative preference shares at 85c each in terms of the rights offer. The share closed at 71c yesterday.

An analyst said he expected that only a very small percentage of the minorities would follow the rights offer.

He advised investors to stay away from the stock at least until Rainbow had produced one set of good results and had a dedicated management team in place.

Another said that though he also felt there would be a small response to the rights issue, this was attributable to the relatively high price of the Rainbow preference shares and was not a vote of no confidence in the company.

HL&H will underwrite the balance of the Rainbow rights offer, which means that it will have to pay out between R750 million and R549 million, depending on the minorities' response.

Forgan said earlier that HL&H's rights offer would be sufficient to cover the full R750 million, and that any excesses would be used for the development of HL&H, but as yet nothing specific had been earmarked.

Forgan said that Rainbow was showing "definite signs of improvements in production performance measurements, but there are inherent delays in financial benefit deliveries."

HL&H forced to contribute R744m

Rainbow rights offer falls flat

CT (BR) 4/10/96
(3) POULTRY

STUART RUTHERFORD

Durban — Disgruntled minorities in Rainbow Chicken have shown a remarkable lack of faith in the company by putting up less than 1 percent of the capital for the R750 million rights offer to recapitalise the ailing broiler producer.

Keith Forgan, the financial director of Hunt Leuchars & Hepburn (HL&H), said yesterday that his company, which is underwriting the Rainbow rights offer, had been forced to contribute R744 million because of the poor interest from the minorities, who control 26,8 percent of Rainbow.

HL&H holds 41 percent of Rainbow's ordinary shares and 99 percent of its preference shares, giving it an effective stake of just under 82 percent.

Rainbow's rights offer gives shareholders 7 percent compulsory convertible cumulative preference shares at 85c each.

The ordinary shares gained 9c to 84c yesterday as 2,19 million shares changed hands in 89 deals. The shares hit a year high of R2,45 on January 17, before slipping to a low of 63c on August 16.

Forgan said HL&H had hoped to invest any excess into the group after meeting its responsibilities in the Rainbow rights offer. This excess was only R11 million, however.

Neil Morris, the acting managing director of Rainbow, said yesterday that the company had not expected many of the minoritiess to follow the offer.

Forgan suggested that the minorities may have been put off by the very large figures involved in the recapitalisation and by the low ordinary share price.

He said that if investors had had a choice between HL&H and Rainbow, they would probably have chosen HL&H because the group's range of interests provided some risk spread on their investment.

Forgan said, however, that he was encouraged by the success of the Huntcor and HL&H rights offers, which had been 98,7 percent and 99,4 percent subscribed.

"This is a vote of confidence (in HL&H) and reinforces the view that it is a recovery stock," he said.

Regarding the improvement at Rainbow, Morris said there were signs of progress and that the company was on track to return to profitability by the middle of next year.

He said the interviewing process for a new managing director for Rainbow was still in progress.

Louis Grobler, previously the financial manager of Mossgas, became Rainbow's new financial director last month.

er than the same period last year. but expected the annual rate of in- ronment

Sasol accord is under pressure

BD 7/10/96

Reinie Booysen

THE SA oil companies grouped in the SA Petroleum Industry Association (SAPIA) were determined to renegotiate their "commercial" agreement with Sasol before the end of the year, industry sources said at the weekend.

This comes amid signs that the current accord — which obliges oil companies to buy a set volume of Sasol's production — is under increasing pressure.

An initial meeting, attended by "a handful of CEOs from industry" has been held to agree on the process for the coming negotiations.

Among the key issues to be resolved are industry accusations that Sasol is "white-anting" the existing secret agreement — apparently a reference to industry claims that Sasol is pushing the limits of the agreement and probing loopholes at every opportunity.

Specifically, Sasol's definition of "own use", or the amount of fuel it is permitted to sell wholesale and to its own affiliates under the agreement, is being questioned.

"I think many companies feel it is time to stop bickering with Sasol," a senior oil executive said. "While I do not think relations will ever be friendly, we have to find a way to take the hostility out of the situation."

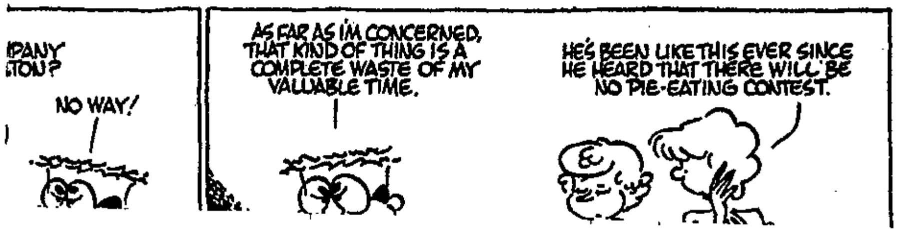
Industry sources say another key issue to be resolved is the disposal of the increased synthetic fuel production expected from Sasol's oil-from-coal facilities at Secunda over the next few years.

Sasol's synthetic fuel production has increased to such an extent that its capacity is now above the 7 740Ml the conventional , refiners are obliged to buy in terms of the agreement.

Sasol is selling a large portion of the excess to Zambia, Zimbabwe and Mozambique but is believed to favour disposing of it locally. Analysts say this would not cause undue problems in view of the substantial growth in SA demand.

TE

By William Wells and Jack Lindstrom



Bid to make Rainbow profitable

(3) POULTRY

Nicola Jenvey

BD 7/10/96

DURBAN — Hunt Leuchars & Hepburn (HL&H) had never expected the minorities of its ailing subsidiary Rainbow Chicken to take up their rights in a R750m recapitalisation, said HL&H CE and acting Rainbow MD Neil Morris.

He said it was "very pleasing" to note that the HL&H offer — called to meet the demands of the Rainbow issue — had been almost fully subscribed.

Rainbow forecast a R165m loss in the six months to September. Morris would not be drawn on possible losses facing the group for the year.

Interim results were expected in November.

However, he believed HL&H was still on track to turn the chicken group into a profit-making venture by the year to end-March 1998.

Delisting Rainbow remained a medium-term option, considering that HL&H would hold about 82% of the company after the rights issue, from 41%.

OF

In the Supreme Court of South Africa
(Witwatersrand Local Division)

Rainbow aims to hold down losses as costs increase

BD 22/10/96 (3) POULTRY

Jacqueline Zaina

LOSSES at Rainbow Chicken were unlikely to exceed the R165m management forecast for the six months to September, analysts said yesterday.

The real issue was whether the company managed to curtail losses in the second half. Management was expecting losses for the year to be in the region of R220m, said one analyst.

Hunt Leuchars & Hepburn (HL&H) CE and acting Rainbow MD Neil Morris said although poultry retail prices had firmed, this had been offset by an increase in feed costs.

The company had forecast that it would take 18 months to get costs under control and it remained on track to achieve this by June next year, he said.

Management expected the company to return to profit by the year to end-March 1998.

Analysts said feed costs could be lower next year due to the fall in world maize prices and the surplus crop expected in SA, but Morris said this would not necessarily be the case. Maize prices had increased this year despite the production of a surplus crop owing to higher prices on the world market, and farmers had created an artificial shortage by increasing exports.

Should this continue to be a problem next year, the company would be forced to consider importing maize, he said.

However, Rainbow's contract maize suppliers would help to offset any increases in feed costs and the company expected higher poultry prices to filter through to its bottom line.

Analysts said the severity of the losses in the first half would make it difficult for Rainbow to return to profitability in the current financial year.

HL&H recently contributed R744m to Rainbow's R750m rights offer after Rainbow minorities, controlling 26,8% of the company, failed to follow their rights.

The counter lost 2c to close at 97c on the JSE yesterday, up on its August 16 year's low of 63c.

Poultry industry seeks tariff hike

BD 22/10/96 (3) POULTRY

Louise Cook

THE poultry industry would need an import tariff of about 44% to become 10% more competitive over the next five years, the industry said in a submission to government yesterday.

SA Poultry Association executive director Zach Coetzee said the projection was based on a recent study by the National Productivity Institute, which found that the tariff was hopelessly low during 1994 and last year.

The appeal for a higher tariff follows a two-year dispute between government and the industry over import tariffs for whole chickens and chicken portions. The industry has accused the Board on Tariffs and Trade and Finance Minister Trevor Manuel, who was trade and industry minister at the time, of not giving local producers adequate protection against dumping from the US.

Last year producers warned that thousands of jobs were at stake in SA due to tariff manipulation by importers circumventing regulations.

Coetzee said since the rand's February devaluation, imports had come down marginally. "Last year 93 000 tons came in from the US, an average of 8 000 tons a month. That volume has dropped to 4 600 in June, 3 900 in July and 5 800 in August. Because of the exchange rate it is no longer possible for importers to make a killing on the local market — they've taken a knock of about R150/kg as a result of the lower rand.

"Losses by producers including Rainbow, Choice and Supreme could have been contained if the tariff had been somewhere between 53% and 72%. Instead, it is 27%."

Coetzee said US producers charged a premium for breasts, which they used to subsidise exports of chicken thighs and drumsticks, mainly to SA and Russia.

The industry responded yesterday to calls by the Board on Tariffs and Trade for it to address problems in the local industry. Coetzee said the association's submission included the assertion that the new poultry forum was struggling to operate effectively.

Last year Manuel ordered the establishment of a forum to represent all role players, including trade unions representing workers involved in poultry production.

However, Coetzee said the unions were not able to attend forum meetings regularly due to "capacity problems". The forum also suffered operating costs of R200 000 a year, which the industry could not afford.

To address some of these problems the association proposed that the tariff be raised and that a levy of half a cent a chicken be imposed to finance training and development.

The Board on Tariffs and Trade was not available for comment.

Congo fever halts ostrich meat supply

(3) ~~MEAT~~ POULTRY

OWN CORRESPONDENT

Ostrich meat is safe for human consumption, say scientists. But the Klein Karoo Co-op, where 17 workers were infected with Congo fever – resulting in one death – will withhold its meat until research has been done as a precautionary measure.

The scientists and veterinarians met yesterday in Oudtshoorn to discuss the Congo fever scare. The chances of the outbreak repeating itself are remote, they say.

The condition of 15 of the 16 infected people at Tygerberg Hospital is good, says Mark Beale, the doctor in charge of the treatment.

Some may be discharged today or tomorrow. Two children being treated in Oudtshoorn probably did not have Congo fever, says Dr Beale, but test results are not yet available.

Robert Swanepoel, a virologist with the National Institute of Virology, told the meeting in Oudtshoorn that there was no documented record of people contracting Congo fever from eating meat from cows and sheep infected with the virus.

A Free State farmer and four workers had become ill from slaughtering an ox with the virus, but workers who ate it had not, he said.

Fresh ostrich meat in stores is from other abattoirs in the country and was in no way affected by the outbreak, according to Ben de Kock, a spokesman for the co-op.

Meanwhile, the Klein Karoo Co-op, which handles about 80% of the ostrich export market, is holding back its meat until research results are available.

Precautions in future will include protective clothing for workers and a de-ticking programme. Ostriches will be treated with an insecticide and isolated until they are safe.

Star 7/11/96

Ostrich industry confident Congo Fever outbreak is under control

POULTRY (3) Star 8/11/96

By Shirley Woodgate

The Klein Karoo Co-op is confident its efficient reaction to the Oudtshoorn Congo fever outbreak will prevent any further harm to the image of the R400-million ostrich meat industry.

Less than a week after the biggest outbreak the country has yet seen, ostrich meat has been given a clean bill of health by scientists who thrashed out issues related to the disease at the Oudtshoorn abbatoir.

Although they agreed it was safe to eat the product, and that the chances of another outbreak were remote, the co-op, which controls about 80% of the ostrich export market, would not slaughter again until a full investigation had been completed, said general manager Attie de Waal.

The SA Institute of Virology in Johannesburg has confirmed that 14 of the 16 patients in Cape Town's Tygerberg Hospital are suffering from the fever and the other two patients are likely to be confirmed as well.

A liver biopsy on the woman believed to have died of the virus is expected to confirm the doctor's original diagnosis, bringing the total number of people who have contracted the disease to 17.

One person died and at least seven nurses and one doctor contracted the disease at Tygerberg Hospital in 1984.

Single bird is suspected of causing problems

All the currently affected patients are believed to have handled the meat of a single ostrich in its infectious phase.

During the slaughtering process, workers come into contact with the birds, which bleed profusely.

Dr Mark Beale said the first patients were likely to be discharged from Tygerberg Hospital today. The daughter of Joyce Japhta, who died, was well. It was suspected she had contracted the disease by cleaning up her mother's blood.

Future precautions at the abbatoir include the use of protective clothing for workers and a de-ticking programme for ostriches which will be treated with an insecticide and isolated until they are safe, said co-op spokesman Ben de Kock.

De Waal said people had been hit by illness and death, but no direct financial losses had been incurred by the industry as a whole.

He said farmers would delay sending their livestock to the abbatoir until they got the green light, the export market would be served by meat which was in storage before the crisis, and all staff would be paid while they were off work.

Another egg for Rainbow Chicken

(3) POULTRY

STUART RUTHERFORD

~~BD~~ CT (BR) 8/11/96

Durban — Rainbow Chicken, the ailing broiler group, posted an attributable loss of R164,4 million for the six months to September 30 yesterday, higher than that reported for the year to March 31.

The operating loss before depreciation was R80,7 million, from a R2,5 million profit, and depreciation rose 4,5 percent to R27,3 million. No dividend was declared.

Interest paid surged 76,5 percent to R56,4 million because of higher interest rates and the need to fund increased working capital requirements and operational losses.

The R750 million rights offer recently held to recapitalise the company fell outside the reporting period.

Nevertheless, turnover rose to R987,7 million from R880,8 million, buoyed by an 18,3 percent increase in sales volumes. Despite increased sales, said Steven Heath, the Rainbow group secretary, the decline in earnings came because of lower product selling prices and the higher cost of feed.

Feed price increases were the result of restricted supplies of maize despite a bumper crop and the increased costs of imported ingredients through tighter availability and the fall of the rand.

He claimed some progress had been made in returning the company to profit. "A meaningful indication of the expected results for the second half of the year cannot be given at this time."

No additional comment could be obtained from Rainbow, with Dave Marlow, the chairman of Rainbow, saying the comments accompanying the report were "all we want to say".

It seems doubtful the company will return to profitability by the middle of next year, as Neil Morris, Rainbow's acting managing director, predicted last month.

□ Business Watch, Page 17

Rainbow falls further into the red as costs take toll

BD 8/11/96 (3) POULTRY

Nicola Jenvey

DURBAN — Chicken producer Rainbow Chicken saw its attributable loss increase R100m to R164,4m for the six months to September as selling prices dropped and feed costs spiralled.

The loss was larger than that of the entire financial year to March, and translated into a share loss of 44,6c (15,5c loss). The interim dividend was passed.

Revenue for the Hunt Leuchars & Hepburn subsidiary rose 12% to R987,7m as sales volumes climbed 18,3% over the corresponding period last year, but Rainbow sustained an R80,7m operating loss before depreciation (R2,6m profit). Total operating loss was R108m (R23,7m loss).

"Finished product stocks in the industry were high in March and oversupply conditions persisted until August," group chairman Dave Marlow said yesterday. "However, Rainbow stock levels normalised in September and prices have since firmed."

Feed costs continued rising owing to restricted maize supplies to local consumers. The depreciating rand also raised the cost of imported ingredients.

The R56,4m (R32m) paid in interest arose from higher rates and the need to fund increased working capital requirements and operational losses. The group paid R5 000 (R214 000) in tax.

In July Rainbow announced a rights offer aimed at recapitalising the group, reducing borrowings and funding the 50% acquisition in Epol Foods. In September R550,3m was advanced to Rainbow, reducing the debt:equity ratio to 19,5% (59%). A further R188m was advanced three days later and the remaining debt was settled.

Marlow said the group had committed plans to lead the broiler industry again. This involved substantial infrastructural and human resource investment.

Broiler giant goes off the boil and serves up lame duck

ST (BT) 10/11/96

HEATHER FORMBY
Looks at Rainbow Chicken's tale of woe of the past five years

(3) POULTRY

TOO often, since Stanley Methven relinquished control of his then well-run broiler business, analysts have forecast a turnaround at Rainbow Chicken — only to be rewarded with more disasters and even greater losses.

Many are now reluctant to be positive, despite new measures which have been put in place to resuscitate a company which was once South Africa's premier, low-cost chicken producer.

Half-year results to September support the view that management just haven't been able to get things right.

A loss of nearly R165-million — nearly the same as that for the entire year to March — was reported. Rainbow executives seem too embarrassed to comment.

Acting managing director Neil Morris passed me on to chairman David Marlow who said, rather tersely, "I've got nothing to add to (Thursday's) announcement".

On the surface, Rainbow's disasters could be attributed to external factors beyond control, but much has to do with poor management and lack of expertise in the relevant areas.

In 1995, when Rainbow posted a small profit of R16,7-million, other chicken groups were showing much larger profits — and they had to battle with similar external factors.

Perhaps one thing which could spark a hint of optimism is the appointment of a new group managing director, Mexican Jorge Antonio Del Corral Ibarrondo, who has experience in the broiler industry, unlike past MDs.

Morris, also chief executive of Rainbow's largest shareholder, Hunt Leuchars & Hepburn (HL&H), is not a chicken man and has spent most of his time putting out fires.

Before him, Rick Griffiths, who took "retirement" after just two years, failed to turn around the company's financial situation. He left at the same time as financial director Chris Wells.

Del Corral, who headed up Mexico's leading broiler producer, could add the technical expertise which has been missing in executives more adept at working their calculators. Producing chickens is a technical business.

Even Newcastle disease, which annihilated Rainbow's chicken stock, can be partly blamed on bad management decisions.

In an effort to cut costs, management short-circuited the "biosecurity" measures put in place to prevent diseases. And Newcastle, a killer viral infection, swept through the plants like a wildfire.

It is also believed that last year's strike action causing a five-week closure of the Hammarsdale plants was badly handled and needed someone with expertise in labour relations to negotiate with the workers.

The combination of these two factors meant Rainbow could not deliver chickens to the market, thus opening the door to cheap imports.

At one time last year almost 20% of the chicken market was thought to be imported — mostly cheap chickens dumped on the market from an over-supplied North American market.

As if this wasn't enough, stockholding at the ill-fated broiler plants swelled because of mechanical breakdowns and the lack of supervision in the processing plants — another sign of poor management.

Prices were cut to lower stock levels, therefore narrowing margins. The latest excuse is that results were affected by low chicken prices and rising feed costs.

In addition, interest charges rose by R24,4-million to R56,4-million compared with the previous interim period.

Apart from a new, technically-skilled managing director, expected lower maize prices could also have a positive impact on future prospects.

If this happens Rainbow's input costs which have ballooned over the past few years, will be cut. Apparently a rationalisation plan is in place to try to improve margins and management has been decentralised.

Investments are being made to upgrade facilities and people — though this is not expected to be completed before December 1997 — and chicken prices have risen somewhat to around R7,80 per kg from a low of about R2 less.

Since its rights issue in July the market has been awash with rumours that Rainbow will delist, taking it out of the public eye.

HL&H's stake increased from a direct 12,6% and an indirect holding through its 47% stake in SC Methven Holdings, which held 60,7% of Rainbow, to 67% after a R750-million rights issue in July.

The amount contributed by HL&H rose from an expected R626,5-million because of a lack of interest from minorities. In fact disgruntled minorities, who held 27% of Rainbow before the rights issue, provided only 1% of the capital for the offer.

The purpose of the rights issue was to reduce the company's large R540-million borrowings and fund the acquisition of Premier Foods' 50% stake in Epol.

HL&H will obviously be worried about its poorly performing subsidiary. Rainbow took its toll on HL&H's bottom line — it posted a R66,8-million attributable loss to March.

It is true that Morris has been looking for a suitable MD for some time now, but it is also true that things seem to have got out of hand while executives have concentrated on fighting fires rather than running a business.

Del Corral will be watched carefully to see what action he takes when he joins mid-month.

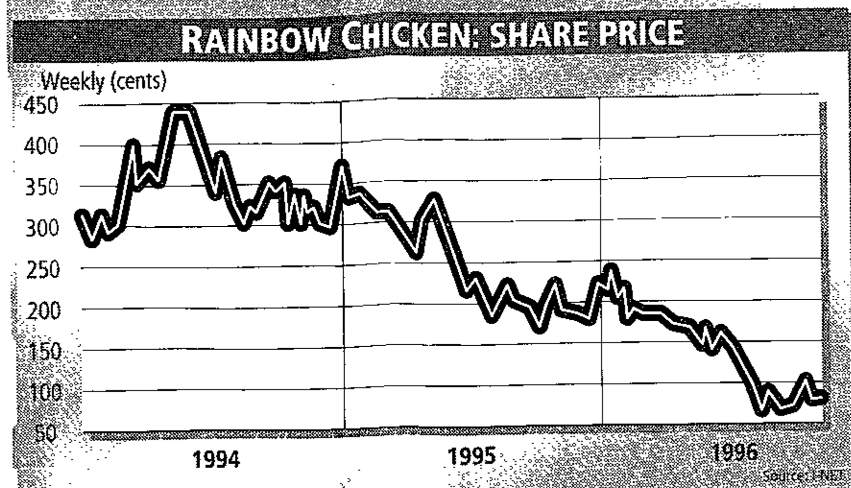
But no one is predicting a significant turnaround. In the statement accompanying the interim results Rainbow says: "A meaningful indication of the expected results for the second half of the year cannot be given at this time." In layman's words: "Expect the worst."

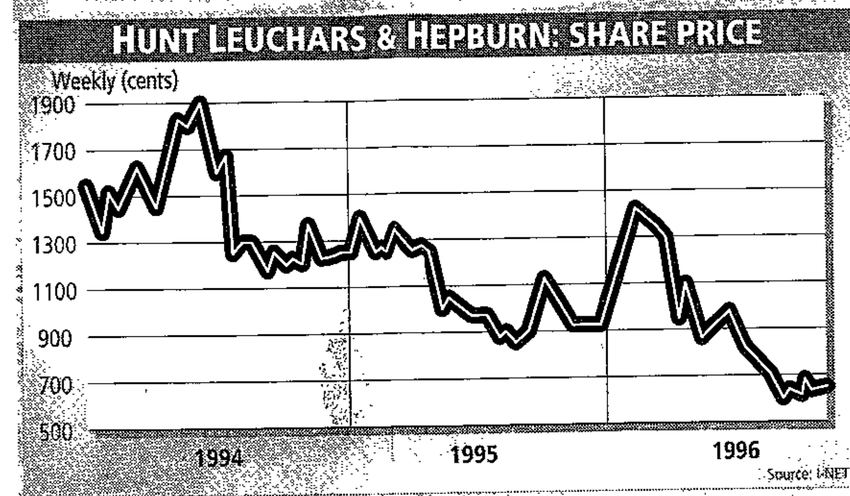
The company says it has made some headway with an action programme announced earlier this year. This programme involves substantial investment which is unlikely to be completed before December 1997.

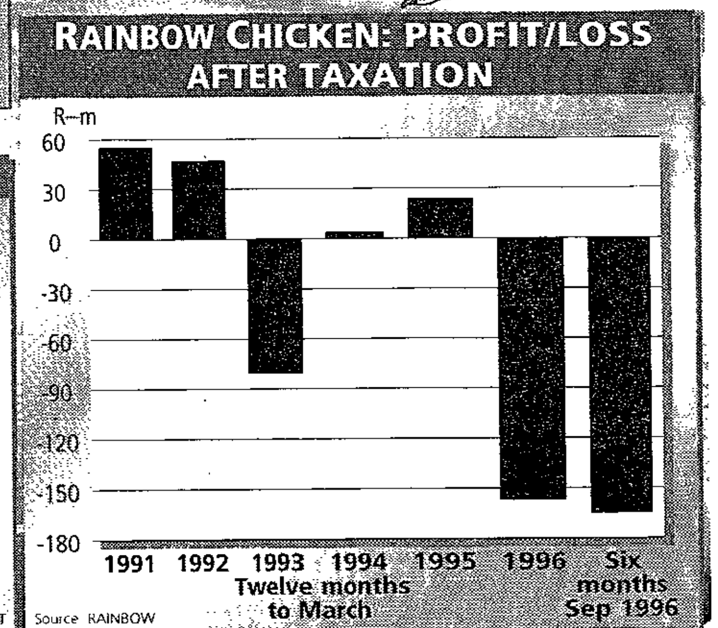
"Some progress has already been made in this direction but much still has to be achieved," the statement read. Not much in here either to calm its beleaguered shareholders.

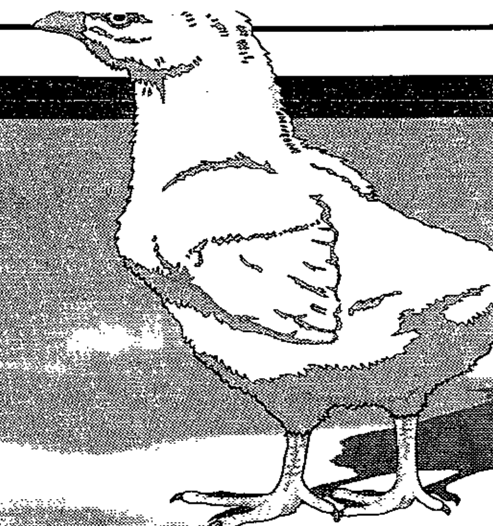
In the meantime, Rainbow's share price could hardly buy a drumstick, let alone a chicken. In the last year it has fallen by well over 62% and was standing at 79c on Friday after the release of its half-year results.

A STORY OF DECLINING MANAGEMENT









Graphic: FIONA KRISCH

'I've got nothing to add to Thursday's statement,' said the chairman tersely

Rainbow has proved a nightmare for Rembrandt subsidiary HL&H ever since it acquired the stake from Methven in 1989. Methven had taken Rainbow to commanding heights in the SA poultry industry.

The record speaks for itself. In 1990, HL&H's first year in charge, Rainbow delivered a healthy R86-million in attributable profits.

A year later profits fell to R55-million following the acquisition of competitors Bonny Bird, and further to R46-million in 1992.

After sustaining a disastrous R77-million loss in the year to end-March 1993, HL&H brought in Griffiths, a troubleshooter and someone who initially impressed the market.

He had a brief spell of success, turning in a profit of R17-million in the 1993/94 financial year. It wasn't to last and in July 1994, the height of the Newcastle disease, the group cautioned shareholders of lower earnings ahead.

Just before the December recess last year, Griffiths was unceremoniously removed from his position.

The troubles at Rainbow have left their mark on HL&H over the past few years.

In the 12 months to end-March the group plunged into the red with a massive R67-million loss.

Worse is yet to come. Analysts expect the group to report a loss of R110-million in the six months to end-September when it releases its interim results this week. At the halfway stage last year losses stood at R40-million.

HL&H is also troubled by its sugar operations, while spice producer Robertson is not expected to improve its performance significantly.

The only windfall is from the recent sale of its timber interests to Mondi.

Over the past five years HL&H's share price has plummeted by 37%.

At Friday's level of 640c the shares are down almost 11% for the year, one of the worst performers of the past 12 months.

NOT CHICKEN TO NO CHICKEN . . . Stanley Methven, the founder of Rainbow Chicken, during happier times in 1967 when he was named one of South Africa's outstanding men of the year, and acting MD Neil Morris, who is not a chicken industry man

Republic awards broiler producer a BB+

Agency rates Rainbow as a high risk

(3) POULTRY CT(BR) 12/11/96

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — Republic Ratings is backing the prevailing pessimistic view the market has taken of Rainbow Chicken and has reaffirmed a high-risk rating for the broiler producer, Dave King, one of the agency's directors, said yesterday.

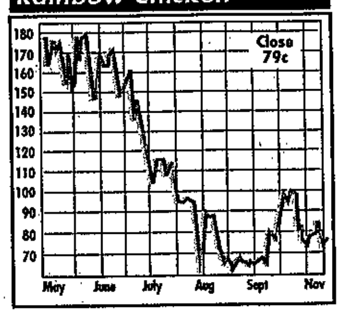
King said Republic Ratings had given it a speculative grade long-term rating of BB+, notwithstanding the fact that Rainbow's debt slate had been wiped clean by the recent R750 million rights issue.

"While financial risk diminished accordingly and the preference shares only pay dividends of 7 percent, which will result in an annual reduction in the net interest (or) preference dividend bill of over R60 million, a rating upgrade is precluded by the group's high business-risk profile," he said.

Pointing to Rainbow's R164 million attributable loss for the six months to September 30, King said a return to positive attributable earnings would depend on a considerable increase in prices. "These had declined in real terms over the past two years and, while prices had firmed over the past few months, Republic felt that ongoing increases to the extent necessary to return the group to profitability were unlikely to be achieved in the near term," he said.

However, not all analysts are as pessimistic. John Moses, an analyst at Société General-Frankel Pollak, said Rembrandt,

Rainbow Chicken



the parent of the holding company, Hunt Leuchars and Hepburn, was unlikely to pump funds into a company of which it could not make something.

According to Moses, the question was not if Rainbow would turn the corner, but when.

This was a long-term view, which, he said, others might regard as overly optimistic. Nevertheless, he forecast a R55 million to R80 million loss for the second half of the company's financial year to March 31 next year.

He believed the company would break even the following year, provided chicken prices continued their upward trend of the past months and Rainbow's new management managed to contain costs and pay attention to its breakeven point.

Another positive identified by Moses was that Epol was a profitable concern which could be integrated into a more efficient Rainbow.

Cause for concern was the fact that Rainbow had a lot of capital expenditure to catch up on and the tendency for existing directors to remain tight-lipped on future plans, he said.

EU bans import of SA ostrich

3 POULTRY

JOHN FRASER & REUTER

CT(BR) 15/11/96

Brussels — The European Union announced yesterday that the importation of ostrich meat from South Africa was banned with immediate effect.

This was the second piece of disturbing news from Brussels within 24 hours, and followed an announcement that EU chiefs want to freeze loans to South Africa — while boosting similar facilities for the Middle East, eastern Europe and South America.

EU officials said the ban was in response to news of an outbreak of the often-fatal Congo disease, which has struck more than a dozen workers at an abattoir in Oudtshoorn in the Eastern Cape.

"We were notified of this some days ago," said Gerry Kiely, an EU farm spokesman. "The disease has a mortality rate of 25 percent, and we have decided on an immediate ban."

A team of EU experts is to travel to South Africa to assess the scale of the problem, and to await the results of research to establish the length of time the disease remains active in ostrich meat.

If, as believed, there is no risk beyond a day after slaughter, exports may be resumed.

The EU was unable to produce any statistics on the scale of ostrich meat exports to Europe.

In Pretoria the agriculture department said yesterday it would object to the ban because the outbreak was restricted to just one ostrich abattoir.

Ostrich meat, which has a low cholesterol content, has become fashionable on European tables.

SA officials cry foul at EU ostrich ban

BD 15/11/96 POULTRY (3) MEAT

Samantha Sharpe

CAPE TOWN — The European Union (EU) is poised to slap a ban on imports of all ostrich meat and live ostriches from SA following the outbreak of Congo fever at an Oudtshoorn abattoir last week — a move which could have a devastating effect on the export-dependent industry.

About 16-million tons of ostrich meat valued at R58m is exported from SA each year.

Agriculture officials said they planned to lodge an official objection to the EU standing veterinary committee's proposals that SA ostrich meat and live ostriches be embargoed.

The EU ban does not extend to leather, R400m worth of which is exported each year.

The committee had undertaken to review its decision on receipt of scientific evidence that Congo fever could not be transmitted to humans through the consumption of ostrich meat.

However, an official objection will be submitted to the EU requesting the reasons for extending the ban to the total ostrich industry in SA, bearing in mind that the recent outbreak was confined to one abattoir only. "Although the Congo fever is endemic in SA, the disease also occurs in the rest of Africa, the Middle East, Eastern Europe and Russia," the officials argued.

Oudtshoorn-based ostrich co-operative Klein Karoo said last week it would destroy about 300 tons of ostrich meat valued at R4m, all of which was slaughtered at the co-operative's abattoir between October 22 and the outbreak of the fever on November 4.

However, co-operative chairman Chris Coetzee said the National Virology Institute had no record of a person contracting Congo fever by eating meat from an infected animal.

"We believe that the meat is safe for human consumption. This is confirmed by the fact that there has not been a single case of the disease being contracted among the workers who cut up and packed the meat after the carcasses had been cooled for 24 hours."

The co-operative's two Oudtshoorn abattoirs would remain closed until authorities had declared them safe from further outbreaks of the virus. "At the same time, a parasite control plan for the farms of producers is being drawn up to ensure that tick-free ostriches are delivered to the abattoirs."

EU ban on SA ostrich meat 'irresponsible'

Star 16/11/96 (3) POULTRY

Cape Town – A South African parliamentarian yesterday called the European Union ban on South African ostrich meat over health fears irresponsible and inappropriate.

"It is obvious that the action of the EU was based on their trying to equate this outbreak with the English mad cow disease," said Reggie Oliphant, from the ruling ANC, who represents the capital of South Africa's ostrich industry in the town of Oudtshoorn.

"Such an equation is quite obviously completely erroneous," Oliphant said in a statement.

"I appeal to all concerned in the ostrich industry to assist me and the Government to ensure that this ban is not put into effect."

The EU on Thursday banned imports of ostrich meat or live ostriches from South Africa because of an outbreak of Congo fever among ostrich-abattoir workers in Oudtshoorn last month. One worker died and 16 others were treated in hospital.

Ostrich meat gained popularity in Europe after scientists said mad cow disease might be passed on to humans who ate beef from infected animals.

The EU ostrich ban is to be reviewed in February, or sooner if new evidence emerges about the effect of eating ostriches that have been bitten by the ticks that carry Congo fever.

A spokesman for the Little Karoo Co-operative in Oudtshoorn, which produces about 80% of world ostrich products, said funds would be made available to research the implications of eating ostrich meat. – Reuters

State vet slams EU ostrich ban

(3) POULTRY

FRANÇOISE BOTHA

CT (BR) 19/11/96

Johannesburg — The European Union (EU) ban on imports of South African ostrich meat is scientifically unjustified and a plot to cripple the R58 million-a-year export industry, top veterinarians said yesterday.

Eloïse Langenhoven, the principal state veterinarian responsible for animal export and import control, said yesterday that the ban, which followed a Congo fever (CCHF) scare at the Klein Karoo Co-operative abattoir, lacked scientific foundation.

Langenhoven said Congo fever, which was endemic to South Africa, was also endemic to Namibia, Botswana and Zimbabwe.

"It is not clear why a distinction has been made between ostrich meat and other red meat from the region. If they had wanted to be totally balanced and scientifically justified, they would have closed down those red meat exporters too," she said.

"Besides, none of the other ostrich abattoirs were affected by the outbreak."

Veterinary sources suggested the ban had been imposed to cripple the ostrich industry and open EU doors to countries like Britain, Australia and America.

"For some time, they have been trying to get us to stop marketing ostrich meat. Conveniently for them, CCHF broke out. Instead of asking for extra testing or guarantees, they just stopped all exports."

The ban comes in the wake of price-protection appeals by some Australian farmers claiming South Africa had dented international ostrich meat prices.

Erwan Fouere, the EU ambassador, denied the allegations yesterday and said the ban was to safeguard public health and maintain consumer confidence in the quality of ostrich meat.

EU may lift ostrich ban soon

CT 21/11/96 (3) POULTRY

STAFF WRITERS

EUROPE'S ban on the import of South African ostrich meat could be lifted within weeks — if a European Union expert gives the birds the all-clear.

The EU last week banned the import of all ostrich meat from South Africa — which amounts to some 800 tons a year and millions of rands in revenue — after an outbreak of Congo fever in Oudtshoorn that claimed one life and hospitalised 16 people who worked with ostrich meat in an abattoir.

"The EU's standing veterinary committee will reconsider the ban once an expert has visited South Africa," said Mr Johan Reyniers, an official with the EU. "It is up to South Africa to convince him that they have taken full measures to eradicate the disease."

He did not know when the expert would leave Brussels, but said it would be soon and that it normally took only a week to compile a report, from which the committee would make its decision.

"We think this is a small problem, it was simply a question of safeguarding people here, for whom there was a danger," he said.

> *"The ban is unfair and not founded on scientific evidence that the meat was infected with the Congo fever virus."*

But local producers criticised the ban yesterday, saying it was unfair and not founded on scientific evidence that the meat was infected with the Congo fever virus.

Mr Pieter Strijdom, of the National Ostrich Processors' Association and a representative of the South African ostrich farming industry, said yesterday that ostrich farmers hoped to be given a hearing by the EU's veterinary committee on December 4 or 5.

He said his association, which represents tanneries, abattoirs and de-boning plants, had commissioned the Onderstepoort Research Station to conduct tests on the ostrich meat so they "can go into the EU hearing with proper scientific evidence".

He said farmers who continued to slaughter their ostriches if the ban was finalised, stood to lose only about R200 a bird as only the steaks were exported.

An ostrich carcass is usually worth between R1 500 and R1 600.

He said, however, that many farmers would postpone slaughtering their birds.

Safcol earnings plunge as tough year looms

CT(BR) 25/11/96

ROY COKAYNE (3) FORESTRY

Pretoria — The South African Forestry Company (Safcol), the forestry parastatal, failed to meet its targets in the year to June 30 with earnings slumping 41 percent to 4,3c a share compared with 7,3c in the previous year.

Net income before extraordinary items fell 41,3 percent to R19,22 million compared with R32,75 million last year in spite of a surge in turnover, 30 percent higher at R466,83 million compared with R359,97 million in the previous period. Capital investment rose 113 percent to R88,896 million.

Return on assets fell 24 percent to 5,9 percent from 7,8 percent in the previous period.

A dividend of R5 million, which represents 26 percent of the after-tax profit before extraordinary items, has been recommended to Safcol's sole shareholder, the government.

Dave Gevisser, Safcol's chairman, said the parastatal was "anticipating a year ahead in which it will be difficult to show a profit".

Gevisser highlighted three unusual items in the company's results. Safcol's bottom line profit was affected by expenditure of more than R4 million on corporate social investment.

The net income figure looked stronger than it was because it contained the proceeds of a large insurance claim resulting from a sawmill fire.

Finally, last year the company sustained considerable fire damage for which Safcol was self-insured with an internal general insurance fund.

This required a boost and an additional R11 million was transferred to the fund during the year under review.

Agriculture official supports ostrich-meat ban

CT (BR) 25/11/96 (3) POULTRY

FRANÇOISE BOTHA

Johannesburg — Frans van der Merwe, the director-general of the agriculture department, has come out in support of the European Union's ban on the export of South African ostrich meat despite an outcry by two leading veterinarians.

Van der Merwe said last week that South Africa appreciated the EU commission's concern for the safety of consumers. The ban followed a Congo-fever scare in Oudtshoorn in which one worker died and 15 others were treated for the disease.

Van der Merwe's statement came in reaction to charges by leading veterinarians earlier in the week that the EU's move lacked scientific justification and was part of a bid to cripple the ostrich-meat export industry.

Van der Merwe said his department accepted that a review of the ban would only be possible if supported by scientific evidence.

The health department's National Institute of Virology, the Agricultural Research Council, the Klein Karoo Co-operative and the Directorate of Veterinary Public Health are conducting research to establish the risks posed by ostrich meat.

The results of the research will be made available to the EU. If necessary, a South African delegation will travel to Brussels to give further evidence.

Van der Merwe said that though the outbreak of Congo fever had placed the ostrich industry in an unfortunate position, it was necessary to wait until the results of the research were made available before doing anything. The results are due out in six to eight weeks.

Back to former glory 'by next March'

Rainbow triumphs over losses

ET(PR) 12/5/99 (3) POULTRY

Ravin Maharaj

Durban – Rainbow Chicken, South Africa's largest integrated broiler producer, has taken a giant leap in its bid to achieve a focused and sustained turnaround.

The company, part of the Rembrandt stable, yesterday reported an operating profit before exceptional items of R34 million for the financial year to March 31, against a loss of R146,9 million last time.

Even though some analysts expected the company to swing back into the black on the attributable level, Rainbow substantially reduced the attributable loss to R13,5 million, compared with the previous loss of R268,4 million.

This translates into a loss a share, on a fully diluted basis, of 0,7c, compared with the previous loss of 21c. A dividend was not declared.

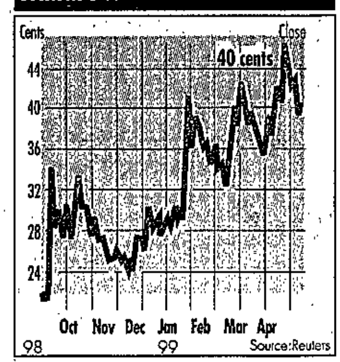
Analysts said improvements were substantial, given the volatility in international markets, which exposed the local poultry industry to an even greater threat of low-priced imports in the past year.

Analysts expected the company to swing back to "its former glory" in the year to March 2000.

They said Rainbow had made remarkable strides in reducing fixed costs, improving production efficiencies and improving cash flow. But the company, which is operating in what some commentators have described as one of the toughest years in the R5 billion a year poultry industry, was still not over its hurdles yet.

While the poultry industry had applied for anti-dumping measures against the US, chicken diverts from Russia continued to flood the local market, analysts said.

Rainbow



Yannick Lakhnati, the chief executive officer of Rainbow, said the results corresponded with the first phase of a recovery process, which began with restructuring in late 1997.

The past year had been essentially inward-focused to establish cost competitiveness and align itself to consumer requirements.

Lakhnati said both farms and processing performance results had shown encouraging progress in the past year. Although production volumes ended the year 2,5 percent lower than the previous year, more stable price realisations, as experienced up to the third quarter, and an improved focus on product mix, enabled the company to marginally improve turnover to R2,15 billion from R2,14 billion in the previous year.

Epol, the animal feed operation, continued to be profitable despite pressure on margins.

Rainbow shares gained 1c to close at 40c on the JSE yesterday.

COMPANIES *Broiler producer bucks the industry's negative trend*

NatChix cracks a 45% rise in profit

CT (BR) 3/12/96 (3) POULTRY

STUART RUTHERFORD

HATCHING RESULTS *Peter Eckford (left), NatChix's manager of the KwaZulu Natal hatchery project, with Mike Walne, the managing director, and Gavin Jardine, the financial director*

Durban — National Chick (NatChix), the day-old-broiler-chick producer, bucked the negative trend in the industry by posting a 45 percent rise in attributable profit to R10,6 million for the year to September 30.

The company lifted its turnover to R96 million from R83,7 million. Operating income before depreciation and interest rose slightly to R18,5 million from last year's record R18,3 million. Headline earnings a share rose 23,8 percent to 39,4c. A dividend of 7c a share has been declared, the first dividend since the company's listing.

Mike Walne, NatChix's managing director, attributed the results to slightly higher volumes, improvements in NatChix's production process and tax concessions from its expansion.

Tax allowances on capital expenditure, which totalled R25 million for the year, reduced the Receiver's take to R450 000 from R3,5 million last year.

The balance sheet reflected a substantial improvement in gearing because of the cash raised through the listing. The debt-equity ratio was down to 28,4 percent, well below the group's target of 45 percent and last year's level of 176 percent.

Walne said that though earnings were about R600 000 short of the prospectus forecast, they were satisfactory considering the adverse conditions which prevailed in the industry. "I hope these results will indicate we are in a different sector to the other three companies in chicken production, which are integrated chicken producers," he said.

He said he believed the broiler industry in southern Africa would return to profit in the next financial year because of falling chicken imports, increased consumption and more stable feed prices.

He said NatChix was positioned to take advantage of this upswing, with its production likely to rise an average of 1,25 million chicks a week next year, while it continued to benefit from tax concessions.

SA, EU to discuss lifting of ostrich ban

BD 11/12/96 (3) POULTRY

Samantha Sharpe

CAPE TOWN — A delegation of veterinary experts is heading for Brussels next week in a bid to convince the European Union (EU) that it should revoke its ban on the import of ostrich meat from SA.

The EU prohibited members from importing SA ostrich meat last month following an outbreak of Congo fever at ostrich co-operative Klein Karoo's Oudtshoorn abattoirs.

About 16-million tons of ostrich meat valued at R58m is exported annually from SA, the bulk of it to European countries.

Agriculture department chief director veterinary services Paul Bosman said a group of veterinarians planned to meet representatives of the EU's standing veterinary committee to brief them on the outcome of scientific tests made subsequent to the ban.

The EU committee had undertaken to review its decision on receipt of scientific evidence that Congo fever could not be transmitted to humans through the consumption of ostrich meat.

The tests, while incomplete, showed no difference between Congo fever's effect on mammals and its effect on ostriches, making it as unlikely for the disease to be transmitted through ostrich meat as it was through beef.

"However, the briefing was requested at the time the ban was initially imposed and is likely to be only the start of further discussions," Bosman said.

Meanwhile, Klein Karoo said it had restarted production at its two abattoirs.

The EU ban excludes leather and feather imports, and the co-operative said the meat that would have been exported was being frozen pending the outcome of the delegation's talks and a possible reversal of the EU decision.

AGRICULTURE — POULTRY

1997

NATIONAL CHICK ③ POULTRY

LOOKING FOR RECOVERY

FM 10/1/97

Conditions were difficult for the poultry industry last year. A sharp rise in feed prices and a flood of cheap, imported chickens knocked the main producers, as was evident when Rainbow Chicken and Choice Holdings reported results.

Against this background, newly listed National Chick (NatChix) produced a solid set of maiden figures. Growth in operating profit and attributable income fell a bit short of prelisting forecasts but are nonetheless sound. And the forecast dividend of 7c a share was met.

There are also clear signs that NatChix is on course to meet its twin listing objectives of degearing the balance sheet and expanding its operations to meet increasing demand for the day-old chicks produced by the company.

Debt has been sharply reduced (see table) and the number of hatcheries operated by NatChix will increase from four to six this financial year.

MD Mike Walne says a new hatchery in Swaziland began production a month ago. The hatchery is expected to reach breakeven by the end of February and become profitable in the second half of the financial year.

Building work has started on another in Botswana.

Walne's forecast for the industry is fairly upbeat. He believes the local broiler industry will recover, mainly because the devalued rand and a 27% ad valorem tax should stem the tide of imported chickens.

He also notes that stability appears to be returning to feed prices, though this depends in part on the rand and its effect on the costs of feed components that are imported.

NatChix has some protection against feed prices as it runs its own feed mill.

But the erratic share price movement is puzzling. It is possible that the issue price of 375c when NatChix listed in April was a bit high, but the volatility of the share price in recent months does not reflect the steady results.

A possible reason is that NatChix tends to be lumped together with the major broiler producers in the eyes of investors. Walne repeatedly tries to explain that, as an independent, non-integrated producer, NatChix escapes much of the cyclical pressures of the industry.

He points out that though the broiler industry was in downturn last year, NatChix increased its sales of day-old chicks. But it will probably take time for this to become clear to investors.

An historical p:e ratio of 6,5 looks far too low for NatChix. Investors who take time to look at the company could be well rewarded. *Shaun Harris*

ACTIVITIES: *Produces and sells day-old chicks for the broiler industry. Also produces animal feed, mainly for own use.*

CONTROL: *Gambier Holdings 50,6%. Effective control is with directors.*

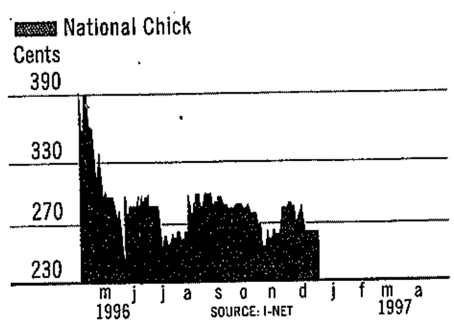
CHAIRMAN & MD: *M Walne*

CAPITAL STRUCTURE: *31,7m ords. Market capitalisation: R82,3m.*

SHARE MARKET: *Price: 260c. Yields: 2,7% on dividend; 15,4% on earnings; p:e ratio, 6,5; cover, 5,6. 12-month high, 425c; low, 240c. Trading volume last quarter, 292 000 shares.*

Year to September 30	'95	'96
ST debt (Rm)	16,7	7,5
LT debt (Rm)	14,3	2,1
Debt:equity ratio	2,89	0,17
Shareholders' interest	0,18	0,62
Int & leasing cover	3,13	3,59
Return on cap (%)	27,0	18,2
Turnover (Rm)	83,7	96,0
Pre-int profit (Rm)	15,8	15,4
Pre-int margin (%)	18,9	16,0
Earnings (c)†	32	39
Dividends (c)	—	7
Tangible NAV (c)	78	161

† Headline.



4

Poultry chief casts doubts on industry revival this year

(3) POULTRY CT (BR) 14/1/97

Stuart Rutherford

Durban — The troubled poultry industry may not stage the expected recovery this year, Zach Coetzee, the executive director of the South African Poultry Association, said yesterday.

Coetzee was reacting to recent reports that the industry was set to return to profits following the expected drop in the maize price, the devaluation in the rand and increased consumption.

He said any improvement in the feed price had to be seen against the background of the 44 percent increase in the price of feed between January 1995 and October 1996.

"Prices were low for much of last year, picking up between mid-October and December, and we only expect poultry prices to increase by an average of 5 percent this year."

November retail figures, supplied by the Central Statistical Service, indicate that the price of one kilogram of chicken reached R11,36 compared with June's R10,29.

With regard to the falling value of the rand, Coetzee said that while it helped curb imports, it had a drastic impact on the cost of imported inputs.

"In theory it is in our favour in the medium term, but in the short term we have to spend more rands on the feed products — like oil cake and fishmeal — and we can't up our prices immediately."

Coetzee said he had been encouraged so far this year that there was no dramatic drop in demand for broilers following the Christmas binge, which had helped prevent the normal price drop.

Demand

He said he would not want to speculate whether the strong demand would continue, but pointed out the larger integrated producers were better positioned to capitalise on any surge in demand.

"If there is a upturn, then the big guys who control their own chicks are better positioned to meet the demands," said Coetzee.

"For the smaller producers, especially new entrants, the lead time for day-old chicks is about 18 months.

"Poultry is a high-risk industry, and there is an incorrect perception that it is a constant moneymaker," he said.

The SA Poultry Association has indicated it would lobby government again this year to increase the 27 percent ad valorem tariff on poultry imports to protect the industry against drops in international prices.

Coetzee said, with the latest fall in the international price of certain poultry cuts and the value of the rand, a tariff of between 65 and 70 percent would be needed.

HLH/RAINBOW (3) POULTRY

SHRINKING HEAD OFFICE

FM 24/1/97

When CE Neil Morris (55) takes early retirement at the end of March, Hunt Leuchars & Hepburn (HLH) will become little more than a desk drawer holding company.

Morris will not be replaced and the head office will have no executive directors. The office will be left with a financial manager, Brian de Klerk, and a few support staff. Their task will be limited to consolidating accounts and acting as the company secretariat.

Neil Morris

The strategic direction of the company will be determined by the operating boards of subsidiaries Rainbow Chicken, Robertson's and Transvaal Sugar (TSB). The boards will have significant representation from HLH parent company Rembrandt, which will now have a more direct influence on its food interests.

Rembrandt's returns on food have been disappointing. There have been cumulative attributable losses of over R65m from Rainbow since it was acquired in 1989. TSB is normally far more dependable but a drought hit Mpumalanga when the company commissioned its second mill at Komati; it lost R88m in the year to March 1996 (with R56m attributable to Rembrandt) and will return to profitability only in financial 1998.

Plan to guarantee SA ostrich meat disease-free

(3) POULTRY

Louise Cook

BD 3/2/97

THE chances of reversing a European Union (EU) ban on SA ostrich meat could be enhanced by a new scheme to guarantee disease-free meat by using microchip implants in chicks which track each bird's life history and vaccinations, sources said.

National Ostrich Producers' Association of SA chairman Pieter Strydom said at the weekend that fees levied via the microchip implant system would also generate R900 000 a year from farmers to promote the R800m-a-year ostrich export industry.

Exporting abattoirs had also agreed to pay about R3 a bird towards research and industry development.

Strydom said details were still being finalised, but the idea was that all chicks targeted for the export market received a microchip implant that recorded the bird's history and vaccination dates. Abattoirs would then accept only birds carrying the chip. The first implants were due to commence in two months' time, said Strydom.

Little Karoo abattoir vet Willem Burger said that the system would be computerised.

Final control would be done by the agriculture department's animal health directorate which issued the clearance certificates on exported ostrich meat.

The EU is scheduled to meet again on Wednesday to consider lifting the ban on SA products.

Europe lifts export ban on SA ostriches

~~[illegible]~~ (3) POULTRY

The ban on the export of ostrich meat and live ostriches from South Africa to European Union countries has been lifted, the Department of Agriculture has announced.

The ban was imposed on November 14 last year because of an outbreak of Congo fever at an ostrich abattoir in Oudtshoorn.

The ban was lifted by the European Commission on Wednesday.

This followed intensive negotiations with South Africa on guarantees that ostrich meat and live ostriches exported to Europe did not pose a risk of the disease, the department said. – Staff Reporter

ARG 7/2/97

EC conditionally lifts its ban on SA ostrich exports

BD 7/2/97 (3) POULTRY

Shareen Singh

THE European Commission (EC) had agreed conditionally to lift the ban on the export of SA ostrich meat and live ostriches — a restriction it instituted last November after the outbreak of Crimean Congo fever at the Klein Karoo Co-operative in Oudtshoorn.

The standing veterinary committee of the EC voted in favour of the unbanning after receiving a guarantee that the meat exported to European Union (EU) countries posed no risk of the disease being transmitted to humans or other ostriches.

The decision would be ratified formally by the commission shortly, Dr Gideon Bruckner, director of veterinary public health in SA, said. At least 17 workers who handled ostrich meat had contracted Crimean Congo fever and one fatality had occurred, industry sources said.

Bruckner said he was confident the guarantee would not be broken. "We understand the disease better and based on our experience with it and the tests we conducted after the outbreak we were in a position to give an undertaking that SA ostrich meat would be safe."

The veterinary committee would allow only certified imports of ostrich meat and live ostriches to EU member countries. Certification required that ostriches were isolated in tick and rodent-free surroundings for at least 14 days prior to slaughter and "either examined to verify they were tick-free or treated to ensure that all ticks on them are destroyed."

Live ostriches would be subjected to the same conditions for three weeks prior to export and be tested for the presence of antibodies against Crimean Congo fever before being exported.

Most of the export ostrich abattoirs in SA had already started taking steps to meet the certification requirements, Bruckner said.

The condition imposed by the veterinary committee would also apply to other countries, such as Namibia and Zimbabwe.

Willem Burger, assistant manager for research and development at Klein Karoo said the co-operative was relieved the ban had been lifted.

Europe lifts ban on SA ostrich meat

(3) POULTRY

Cape Town – The ban on the export of ostrich meat and live ostriches from South Africa to European Union countries has been lifted, the Department of Agriculture has announced.

The ban was imposed on November 14 last year after an outbreak of Congo fever at an ostrich abattoir at the Oudtshoorn Klein Karoo Co-operative.

The European Commission lifted the ban last week after intensive negotiations with SA on guarantees that ostrich meat and live ostriches exported to the EU did not pose a risk of transmitting the disease. – Own Correspondent.

Star 10/2/97

Poultry, pork tariffs on menu with US

BD 13/2/97 (3) POULTRY

Simon Barber

WASHINGTON —The US would press SA not to raise tariffs on poultry and to remove barriers to pork imports, Agriculture Secretary Dan Glickman said before leaving to take part in this weekend's meeting of the US-SA binational commission.

Glickman, who will be having talks with SA Agriculture Minister Derek Hanekom, said he would also urge the government to rescind its decision not to accept US wheat grown in areas where there had been occurrences of karnal bunt, a fungus that damaged wheat but was harmless to humans.

The US is concerned that government will give in to pressures to hike tariffs on poultry. "I'll urge them to stand firm," Glickman said. Any increase would be "unfair" to both US producers and SA consumers.

Another irritant for the US is SA's requirement that pork be shipped frozen. "No other country" imposed this, Glickman said. "The science is not there to support it. I'm hopeful (the South Africans) will come to the same conclusion as everyone else."

On the wheat issue, Glickman noted SA inspectors had visited the US last year to judge the "integrity" of the US inspection system. They evidently were not persuaded that it was good enough to keep karnal bunt out of SA. "I'll urge them to reconsider."

The US ran a healthy surplus in the trade of agricultural, fish and forestry products with SA last year. Exports to SA rose 70% to \$330m, while imports from SA grew only 30% to \$121m.

Sapa-AFP reports from Brussels that European Union (EU) officials said yesterday the EU had cut by 10% the subsidies it paid to EU farmers on beef exports to southern Africa following protests that cheap EU supplies were hitting the income of poor livestock producers in the region. However, the move fell short of SA's demand for the subsidies to be phased out altogether. "It is a move in the right direction but we do not see it making that much difference," an SA official said.

The row over beef subsidies underlines broader tensions over trade and development that have hampered progress towards an EU-SA free trade agreement. The EU subsidies have had a particularly negative effect on the income of beef producers in Namibia and Botswana. Pretoria has also complained that while subsidised EU beef flows into the region duty-free, it has no prospect of exporting to Europe because of the EU's high tariff levels.

The EU is determined to exclude beef from any free trade deal.

POULTRY INDUSTRY (3) POULTRY

FOWL PLAY

FM 14/2/97

Feathers are flying among poultry producers over an invasion of North American drumsticks that could slaughter the already beleaguered R3bn/year industry.

The incursion has already begun and more "leg quarters" — up to 40 000 t, by one estimate — are said to be on the way.

Americans are pecky when it comes to eating chicken. Only the breasts are good enough. These wholesale in the US at the equivalent of R17/kg, enabling producers to dump the legs at a knockdown US30c around the world.

In discerning SA, a bird's legs are a flagship product. Drumsticks scratch up a 35% premium on the rest of the bird and bring big profits to producers. Now the influx from the US threatens to destroy the whole product mix of the local industry.

An upmarket store in Rosebank was this week selling drumsticks at R19,99/kg. Nestling among them could well have been the advance guard of their American cousin, whose landed price on these shores is a bare R5,50/kg. Just to produce the local brand costs R8,30/kg.

The retailers may be cock-a-hoop. But for the producers, it's a big flap. "We've seen this leg quarter situation getting out of hand," says Zach Coetzee, executive director of the SA Poultry Association.

"The retailer makes his cut, irrespective. He's the only guy who has a constant profit situation. We're in a squeeze, and then the retailers use the imported product to force our producer price down." Coetzee says the US drumsticks have already gained a hold here. "Prices are dropping far below production costs in certain areas."

County Fair is one of the top seven SA poultry producers (620 000 broilers/week). Nick Wentzel, poultry division chairman of County Fair's owners, Tiger Oats, says: "The Russians have stopped buying brown meat (leg quarters and wings) from the US. Now the Americans are trying to dump it here. We've heard ships are on the way."

Formerly, cosseted by protection and tariff rates, the industry scratched along well enough. But since deregulation in 1994, producers have found that facing the real world beyond the coop is something of a survival exercise.

The retail price of dressed chicken has soared 150% since 1990, when it was R4,5/kg, to R11,36 last November. And imports have increased, from 24 291 t in 1991 to 96 000 in 1995.

Rainbow, SA's largest producer (3,5m broilers/week) reported a R164,4m loss for the half-year to last September.

There's a duty of 27% on imported poultry. And as part of a plan to save the local industry the SA Poultry Association is seeking to have this increased to 64%. A Department of Trade & Industry (DTI) decision is imminent.

Jacob Graaff of the National Productivity Institute, which was retained by the Poultry Association to prepare its case to the DTI, says: "Here 80% of all the broilers sell as whole birds because most people want to see a whole bird on the table. The affluent part of the market buys the value-added product, the drumsticks.

"But that market now suddenly gets ripped out from under with this brown meat from America. The industry knows it's in trouble."

Graaff describes the 64% import duty application as a request to government for intermediate cover. "This will then give producers time to address core problems. At the end of a four-year period, we will be competitive and government can take the tariff to zero and go jump in the lake." *Jack Lundin*

Union challenges Rainbow Chicken over rescue plan

(3) POULTRY CT(BR) 18/2/97

STUART RUTHERFORD

Durban — Rainbow Chicken's management was accused by the Food and Allied Workers' Union (Fawu) yesterday of not being serious about saving the troubled broiler producer.

JJ Ngcobo, the branch secretary for Fawu in the KwaZulu Natal Midlands, said management had paid the Competitive Capabilities Africa (CCA), Cape-based consultants, about R2 million to come up with a plan to resuscitate the company. But it had only implemented 30 percent of its recommendations.

"Management did not comply with the recommendations that would have increased the profitability of the company. I don't think management is serious about saving the company," Ngcobo said.

He said the report recommended that only one manager and one team leader be appointed for every five farms.

Instead, he said, Rainbow had appointed a team leader and manager for every farm, and had increased the complement of managers at the expense of workers.

Another recommendation was that all the security, catering and cleaning work be done internally to provide work for retrenched workers and to reduce wastage. "One regional processing manager has a son who runs a security company who is being paid R487 000 a month to provide security.

"And there are a lot of jobs like that that are given to other friends and relatives."

He said the only recommendation Rainbow followed was to close down its Ladysmith operation, with the loss of 120 jobs, and to merge two processing plants at its Hammarsdale operation.

"The CCA quit about a month ago and the impression was that it was because Rainbow couldn't agree with some of the recommendations."

Ngcobo said Fawu also had a problem with the implementation of affirmative action. "There are four or five levels of management and the only black people appear on the third level.

"We argued that there have to be black people involved, which they agreed to in principle.

"But they are taking people who know nothing about what's going on, so they will fail and people will think black people are failures."

Dave Marlow, the chairman and spokesman for Rainbow, could not be reached for comment yesterday, and the CCA was not prepared to discuss the accusations.

CT(BR) 19/2/97

Poultry groups beat breasts on imports

(3) POULTRY

Stuart Rutherford

Durban — The future of the South African poultry industry is hanging in the balance as desperate local producers consider joining the growing band of chicken importers to avoid financial ruin.

Several industry sources said there had been talk that Rainbow Chicken was now importing an unknown quantity of chicken. Dave Marlow, the chairman and spokesman for Rainbow, was not available for comment yesterday.

Zach Coetzee, the executive director of the SA Poultry Association, said yesterday that poultry producers simply could not compete with cheap imports, particularly with a strengthening rand.

"If the present tariff structure continues we will be in a position where South African poultry companies will become regular importers of poultry, and we cut production and retrench people," said Coetzee.

"Early last year four of the six major poultry companies would have started importing if the rand hadn't dropped and made it less lucrative."

Connie du Toit, the managing director of Earlybird Farm, which has about 14 percent of the market, said yesterday his company was seriously considering importing chickens. He said, however, this would be done carefully. Earlybird still placed some faith in the government to raise import duties.

Nick Wentzel, the poultry division chairman of County Fair's owners, Tiger Oats, said the company might look at importing some value-added products, provided they could not be made locally. "We believe you cannot play two games: on one side you import and on the other side you maintain your labour production."

Coetzee said he led a delegation of white and black farmers to the trade and industry department yesterday to protest against the closure of local farms and lack of government protection.

"The small guys can climb out and climb back when conditions are better if they can find new capital, but the larger companies have to decide on whether to import or continue to produce at a loss," he said.

The Poultry Association is lobbying for an increase in the ad valorem duty on imported chicken from 27 to 64 percent, phasing down to 44 percent in 2002.

A trade and industry department spokesman said the board on tariffs and trade was investigating the application and had yet to make a recommendation to the trade and industry minister.

Derek Hanekom, the minister of agriculture, said this week the government would take a look at tariffs on poultry. "I think there may be an argument for increased tariffs, although I'm not committing myself to anything."

Coetzee said it was naive to think cheap imports were supplying food to the nation. "We are killing our own people, the importers are simply profiteering."

He said local companies produced the value-added leg quarters at about R8 a kg, while imported quarters were retailing at R5,90, after a hefty cut taken by the middleman.

Cheap imports a worry to chicken producers

BD 24/2/97

Nicola Jenvey (3) POULTRY

DURBAN — Chicken producers still faced the threat of high maize prices and competition from cheaper imports, despite indications that the broiler industry could benefit from a more stable year in 1997, SA Poultry Association spokesman Zack Coetzee said at the weekend.

The maize crop would be smaller than originally expected if sufficient rains did not fall within the next few weeks, which could push the feed price up.

On chicken imports from the US, Coetzee said government had to decide whether it supported job opportunities and security or the importation of cheap meat. Chicken farmers were in business to make profits and would have no alternative but to retrench workers if the landed price of imported chickens was "substantially below" SA production costs.

The poultry association is lobbying for an increase in the ad valorem duty on imported chicken to 64% from the present 27%, phasing down to 44% in 2002. Coetzee said these guidelines — based on the National Productivity Institute finding as the necessary level for the SA broiler industry — were significantly below World Trade Organisation (WTO) provisions of 83%. They would promote stability in an industry that had been hobbled by disease, cheap imports and poor results for several years, causing serious competitive disadvantages relative to the US.

The application was being reviewed by the Board on Tariffs and Trade and a recommendation would be made to the minister of trade and industry once the investigations were completed.

Coetzee said the SA industry was committed to solving its problems of disease and mortality, feed prices and labour disputes which contributed to high production costs, but solutions required time.

He said that the US demand for chicken slanted the portions available for export, as the US market essentially required chicken breasts.

The rest of the bird was being wholesaled in SA at R5,90/kg after a hefty cut taken by the middle man, while SA production costs placed the product at R8/kg.

Rainbow losses 'will be smaller'

(3) POULTRY

Ingrid Salgado

BD 2/4/97

LOSSES at Rainbow Chicken for the financial year to March were likely to be smaller than anticipated, mainly due to high chicken prices and a reduction in borrowings, analysts said yesterday.

The company reported an attributable loss of R164,4m in the six months to September (1995 interim loss: R57m) after selling prices dropped and feed prices increased. Full-year losses were expected to be between about R220m and R250m.

However, analysts polled put the loss for the second half at between R25m and R56m, giving fully diluted share losses of between 20,8c and 24c. They said increases in poultry prices, effective from September, were bound to cut the Hunt Leuchars & Hepburn subsidiary's losses "significantly".

A rights issue last year, which generated about R750m, had reduced the debt to equity ratio. One analyst expected interest charges to be cut to about R6m in the second half from R56,3m in the first half.

Another analyst expected Rainbow to return to the black in financial 1998, helped by feed prices remaining static or increasing only marginally this year. Feed costs added about 45% to production costs.

Rainbow chairman Dave Marlow said higher local chicken prices had in part been offset by cheap imports of chicken, primarily from the US. However, Rainbow had not been hit to the degree it could have been as consumers opted for quality.

3

POULTRY

RAINBOW

Waiting for revelations

FM 25/4/97

Management is keeping the market guessing about the huge losses

The next chapter in Rainbow Chicken's recovery saga is due for release in mid-May, when the company delivers its year-end results. This will be the first pronouncement from the company since it posted an interim loss of R164,4m last November.

The blanket ban which management had imposed on any disclosure has aroused criticism and raised questions about shareholders' right to know what is going on in a listed company.

Size of Rainbow loss still a mystery

CT(BR) 6/6/97 (3) POULTRY

RAVIN MAHARAJ

Durban — The stony silence at broiler producer Rainbow Chicken has made it almost impossible for brokers to accurately forecast its results of the year to March 31 this year.

However, those prepared to wager a guess suggest the crucial question is not whether Rainbow will post a substantial loss but how big that loss would be.

Most have placed their bets at between R200 and R250 million, with the more optimistic saying the ailing company could well have overstated its losses at its half-year.

Rainbow posted an attributable loss of R164,4 million for the six months to September 30 last year. Along with a 44,6c a share loss came an operating loss of R80,7 million before depreciation, from a R2,5 million profit previously. No dividend had been declared.

Mitigating factors are a drop in financing costs following Rainbow's R625,5 million recapitalisation in July last year and substantial rationalisation aimed at containing runaway costs and crippling overstocking.

But the extent to which adjustments have been made and their efficacy remains a mystery, largely as a result of Rainbow's moratorium on information to shareholders since the appointment of Jorge Antonio Del Corral Ibarronodo, its Mexican managing director.

CAUTIOUS *Neil Morris, the acting MD of Rainbow Chicken*

The only guidelines came from Neil Morris, Rainbow's acting managing director, when the company was recapitalised. He cautioned that although there was reason for renewed confidence in Rainbow, with the 10 percent increase in turnover during the first half of the financial year and a return to normal stock levels by the end of last year, the company would have to take a longer-term view of recovery prospects.

According to industry sources, while consumer demand remains static, chicken prices have firmed since February this year and imports have declined, auguring well for the second half.

However, one analyst said it was not yet clear how long it would take for the upswing in imports at the end of last year to work through the system.

POULTRY

Ruffled industry demands higher tariffs

The troubled poultry industry's demands for higher tariffs had reached an advanced stage, a member of the board of tariffs and trade said yesterday.

Alwyn Kraamwinkel said the South African Poultry Association's recommendations to the board of tariffs and trade to raise duties on imported chicken from 27 percent to 64 percent to stem imports was being considered. The industry's application had been sent to Derek Hanekom, the minister of agriculture, and a decision was expected soon, he said.

CT (BR) 7/5/97

The Poultry Association is lobbying for the 37 percent increase, phasing down to 44 percent in 2002. Industry sources said poultry producers simply could not compete with cheap imports, and this could result in job losses.

Hanekom was unavailable for comment yesterday. — *Ravin Maharaj, Durban*

(3) POULTRY

☐ BROILERS CT(BR) 12/5/97

NatChix's interim profit 11% higher

National Chick (NatChix), Africa's largest producer of day-old-broiler-chicks, posted an 11,1 percent increase in attributable profit from R4,2 million to R4,7 million in the six months to March 31. Attributable profits were equivalent to earnings a share of 14,8c (18,5c). This reduction was in line with an increase from 22,9 million to 31,7 million in issued shares. The company, which has a 13 percent share of the total day-old chick market and 50 percent of the independent market in southern Africa, lifted turnover by 5,4 percent from R48 million to R50,6 million.

Depreciation was up from R1,4 million to R2 million as a result of the company's expansion programme, while there was a drop in the interest bill from R2,9 million to R1,8 million — thanks to the cash raised in the listing of NatChix on the JSE a year ago, Mike Waine, the company's managing director, said yesterday. — *Ravin Maharaj, Durban.*

(3) POULTRY

Rainbow Chicken's losses reflect continued troubles

(3) POULTRY BD

Nicola Jenvey

DURBAN — Rainbow Chicken's attributable loss jumped to R223m for the year to March from last year's R159,8m, showing a continuation of troubles at the embattled chicken producer.

The loss translated into a 60,5c earnings a share (1996: 43,4c loss) in the year to March. Prospects for the next six months remained grim, with group chairman Dave Marlow predicting further losses to the interim stage.

On a fully diluted basis the loss amounted to 27,5c and the annual dividend was again waived.

However, Marlow said yesterday the second period — with losses amounting to R58,6m — had been materially influenced by the rights issue of 7% compulsory convertible cumulative preference shares in September and the share capitalisation in lieu of preference dividends at year-end.

Parent company Hunt Leuchars & Hepburn's (HL&L's) share of the attributable loss amounted to R89m.

Revenue rose to R2,1bn (R1,8bn), but the operating loss — hounded by the closure of various loss-making facilities, write downs of stocks to net realisable value and a planned additional maintenance of buildings and equipment — tumbled another 66% to R133,5m.

Marlow said the 22,6% year-on-year increase in feed costs had been fuelled by international maize and feed constituents shortages and the depreciated rand when purchasing imported products.

Looking to the current period, he said the stocks of finished product were "normal" at the end of March this year and prices were relatively firm, despite the ongoing imports of low-priced hindquarters from the US. Cash management "remained a top priority" and capital expenditure was being limited to depreciation flow-back and high-return projects.

Short-term borrowings were expected to peak at the half-year stage when feed raw material stockholdings were at a maximum, but Marlow said current unsecured short-term borrowing facilities would provide adequate cover.

However, while improved results were expected in the year ahead, Rainbow would still report an interim loss.

Marlow said some benefits of the investments into facilities and people launched in 1996 should become evident in the second half.

14/5/97

HL&H reported an attributable loss of R10,8m (1996: R66,8m), but Marlow said the disposal of the timber operations coupled with the Rainbow consolidation meant the results were not comparable.

Fully diluted earnings a share translated into a 5,2c loss (41,3c loss) and the annual dividend was waived. HL&H currently holds 81,9% of Rainbow's equity.

Revenue increased to R2,5bn (R1,6bn) which reflected Rainbow's R1,1bn contribution. HL&H Sugar performance grew 43% to R599m, while Robertsons sales increased 13% to R827m.

Rainbow's colours dim as the bad times get worse

CT (BR) 14/5/97 (3) POULTRY

Ravin Maharaj

Durban — The bad times are getting worse for Rainbow Chicken. The broiler group yesterday posted its largest attributable loss of R223 million for the year to March 31, a 40 percent increase.

The result translated to a loss of 60,5c an ordinary share (43,4c) and no final ordinary dividend was declared. Operating losses before depreciation were R78 million and losses after taxation amounted to R196 359. The group, however, did slightly better than forecasts by brokers, who placed their bets at R250 million.

Rainbow said while results were expected to improve in the year ahead, it would report a loss for the six months to September 30 this year. It said investment in facilities and people launched last year should become evident in the second half.

The losses at Rainbow, which reported an attributable loss of R159,8 million in the comparable period last year, were R164,4 million and R58,6 million in the first and second months respectively.

The results for the second six-month period were influenced by last year's 7 percent rights issue and the capitalisation share issue in lieu of the preference dividend.

Interest payments decreased to R62,8 million (R76,4 million) following the recapitalisation of the group at the half-year point.

The preference share issue led to the effective fully diluted holding of Hunt Leuchars and Hepburn Holdings (HL&H) in Rainbow increasing to 82,3 percent. The company became an HL&H subsidiary on October 1 last year.

Operating losses of R10,3 million and R44 million for the respective six months to September 30 last year and March 31 this year related to the closure of loss-making facilities, writedowns of stock and net realisable value, and planned maintenance of buildings and equipment.

Capital expenditure of R68,4 million (R43,3 million) was incurred to improve efficiencies in all operations. The group purchased the Berlin feedmill from Bokomo, who purchased the group's Port Elizabeth feedmill.

White-meat demand and Epol's integration are reasons for hope

CT(BR)15|5|97

Rainbow needs revamp to return to profitability

(3) POULTRY

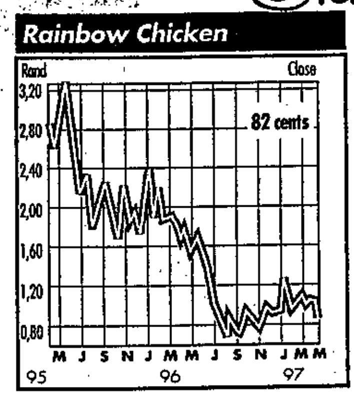
RAVIN MAHARAJ

Durban — Rainbow Chicken had to invest in farming operations, contain costs and rebuild its management if the ailing broiler group was to return to profitability in the full year, analysts said yesterday.

But not all analysts were pessimistic. The "fairly healthy" demand for white meat and the integration of Epol into a more efficient Rainbow would allow the group to "scrape in" a "tiny profit" for the year, one said.

Rainbow posted its largest attributable loss this week of R223 million for the year to March 31, a 40 percent increase.

One analyst said spending was not "anywhere" near satisfactory. He said Rainbow was becoming an embarrassment to Rembrandt, the parent of the holding company, Hunt Leuchars and Hepburn, which held an effective 82,3 percent of Rainbow.



If Rainbow was to return to profitability, he said, a management revamp was necessary if it was to face strong international competition, especially from the US.

Another analyst said the group's R750 million rights issue had not been well received by minority shareholders. "Management has to focus on the job at hand, namely, containing costs and procuring maize from local farmers at good prices," he said. The market, he said, would want to see an increase in the chicken price, which was R7,60 a kilogram, down from R7,65 a kilogram.

The analyst said it was encouraging, however, that the demand for chicken was "fairly healthy" and competition from importers had subsided.

Epol, he believed, had an important role in making Rainbow a more efficient operation.

If the rand did not take a further tumble, Rainbow would see a "tiny profit" in the full year.

Rainbow fell 16c yesterday to close at 82c. About 811 600 shares changed hands.

☐ Business Watch, Page 18

Rainbow still waiting for a miracle

ST(BT) 18/5/97 (3) Poultry

FOOD INDUSTRY

By MARCIA KLEIN

THE market voiced its opinion of Rainbow Chicken's plunge to a R223-million loss in the year to March in the only way it can — by chopping 16% off the already shaky share price.

The effective ban on talking to the press or to market analysts is almost as aggravating as the results themselves, which do not go far enough to explain the reason for the company's continued, massive losses despite assurances year after year that steps have been taken to stop the rot (which set in as far back as 1990).

Although the extent of the most recent loss was expected, the share dropped 16c on Wednesday to 82c, less than half the price of a year ago.

The results show that revenue was up almost 11% at R2.1-billion, but the operating loss widened to R78.5-million from R25.9-million previously. This loss includes provisions for closures of some facilities, write-downs of stocks and planned maintenance of buildings and equipment.

According to the directors, "risk management has revealed shortcomings in control in several areas of Rainbow operations", and these are being "rigorously addressed".

The company's debt position in the second half was aided significantly by a R738-million capitalisation through a rights issue aimed at reducing borrowings and enabling it to buy the remaining 50% of Epol Gearing was reduced to 8% from 94.2% in 1996. Despite the considerably lower debt burden, attributable losses were R223-million from R159.8-million. Broken down into two six-month periods, Rainbow lost R164.4-million in the first half and R58.6-million in the second.

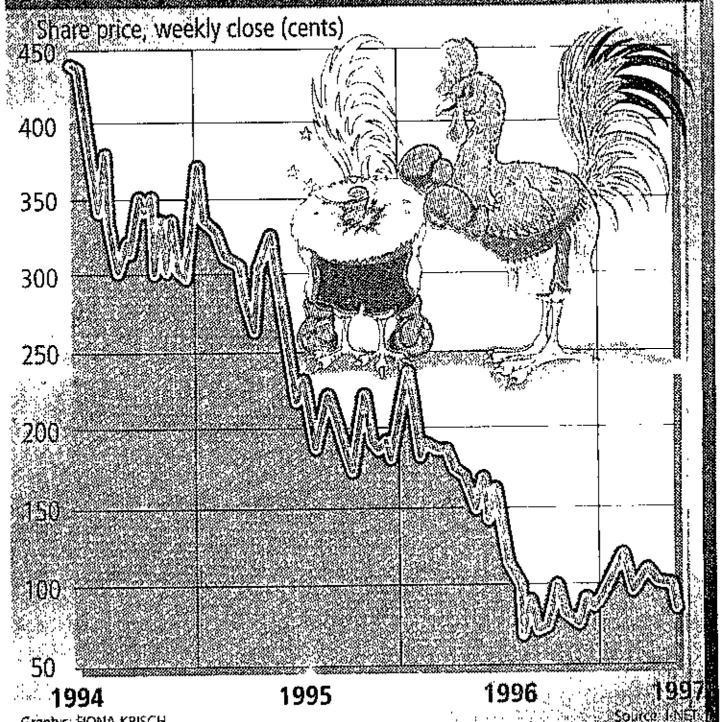
The results announcement said that new managing director Jorge Del Corral, who has been hailed as the man who could produce miracles for Rainbow, had made "good progress" in rebuilding the management team and improving efficiencies.

Rainbow said the cost of feed increased by 22.6% due to the worldwide shortage of maize and other feed constituents which have to be imported. Costs were aggravated by a weak rand.

The acquisition of the remaining half of Epol could go some way to contain costs. It has continued to operate effectively and is supplying products to other buyers as well as Rainbow.

There has been a further improvement in the health of the flock, evident in lower mortalities. Work is being done on the farming operations and there have been significant cost savings in processing operations.

RAINBOW CHICKEN



Graphic: FIONA KRISCH

Rainbow said stocks were at normal levels at the year-end and prices quite firm. The company will focus on cash management and will limit capex to projects with high returns. Results were expected to improve, but would not return to the black in the next six months, it said.

The company said the benefits of its endeavours would be felt in the second half, but based on its past promises, don't hold your breath.

On the other hand, how much worse can things get?

NEWS

Rural chick plan hatched

~~[illegible]~~ (5) POULTRY ET (BR) 4/7/97

FRANK NXUMALO

Johannesburg — The R2,7 million Mashashane Egg and Hatchery Project, the first in the Northern Province run by black farmers and designed to produce 50 000 day-old chicks and 65 000 eggs a week, was inaugurated yesterday by Thoko Didiza, the deputy minister of agriculture and land affairs.

The project was financed by the Development Bank of Southern Africa (DBSA) and implemented by the provincial department of agriculture in conjunction with the Agricultural and Rural Development Corporation.

The aim was to create "opportunities and mechanisms through which (eight) emerging black farmers can develop and participate in the mainstream of the economy".

Didiza said she was aware of "acute shortages of agricultural support services in the form of mechanisation services, marketing facilities, training, finance and others too numerous to mention (that would make the project vulnerable to risks)".

But the 66 weeks of training that the eight farmers had undergone placed them in a favourable position to "make the project viable".

Didiza commended the public-private sector collaboration which had resulted in the scheme as a good example of partnership for economic upliftment.

"When we talk of Reconstruction and Development Programme delivery, Masakhane or economic empowerment, it is projects like these that are at the centre of it all.

"It is initiatives of this magnitude that can bring among our rural people a renewed hope of upliftment in the long-time neglected rural areas," she said.

This was the kind of partnership, she said, that the government encouraged in its attempt to eradicate rural poverty.

She urged other provinces to emulate the strategy.

But Didiza pointed out that, as the poultry industry in SA was "highly competitive, volatile and vulnerable to imports", the new farmers had to constantly come up with innovative ideas to remain "a step ahead".

She added that the tariff issue on imported poultry portions was still under discussion at the trade and industry department.

Last year, the South African Poultry Association applied for prohibitive tariff rates to discourage the dumping of "brown meat" from the US that could seriously undercut SA's "value-added portions".

Rainbow Chicken ploughs cash into farming ventures

BD 10/7/97

(3) POULTRY

Nicola Jenvey

DURBAN — Industrial food group Rainbow Chicken would invest significant capital in its farming operations and processing facilities during the current year, but would still report a loss for the six months to September, group chairman Dave Marlow said in the annual report.

However, he said some of the benefits of investments in facilities and people last year would become evident in the second six months. The group spent R68,4m (1995: R43,3m) on capital expenditure last year to improve efficiencies and buy the Berlin feedmill from Bokomo.

Following last year's rights issue, Hunt Leuchars & Hepburn increased its Rainbow holding to 82,3% and the group became an HL&H subsidiary in October.

Rainbow's attributable loss jumped to R223m in the year to March, from R159,8m previously, reflecting continued troubles. The loss translated into a 60,5c loss a share (43,4c loss).

On a fully diluted earnings basis the loss amounted to 27,5c, and the annual dividend was again waived. However, the second period — with losses of R58,6m — had been materially influenced by the 7% compulsory convertible cumulative preference shares in September and the share capitalisation in lieu of preference dividends at year-end.

Marlow said feed costs rose 22,6% due to international shortages of maize and the other main feed components, which had to be imported. The weaker rand also affected the price.

However, Epol operated efficiently and was a "key production element" through the supply of specialised feed formulations required for broiler production.

Jorge Del Corral joined Rainbow as group MD during the second half-year and Marlow said as CEO of one of Mexico's largest broiler operations, Del Corral brought with him "in-depth experience of successful management under conditions of strong international competition. He has already made good progress in rebuilding management and on focusing on the best international practices and standards."

Upbeat Rainbow invests in people

POULTRY (3) ~~chicken~~ CT(BR) 15/7/97

RAVIN MAHARAJ

Durban — Rainbow Chicken, the broiler producer, will report a loss for the six months to September 30, but benefits of investment in facilities and people should become evident in the second half, the company has said in its latest annual report.

Jorge Antonio Del Corral Ibarrondo, the group managing director, said much had to be accomplished, particularly in the various farming operations, so that the best international practices and standards of efficiency were achieved.

The group breeds stock, operates hatcheries and broiler farms and processes birds for the marketplace.

Ibarrondo said the group had spent a significant amount on extraordinary maintenance and the modernisation of farming equipment and buildings to optimise "bio-security" in order to combat infection.

The company will continue to spend in these areas. In addition, a programme was under way to retrain farm personnel in husbandry practices. Ibarrondo said substantial investment had been made in new and rationalised facilities for making live birds part of the sales mix.

Further investment was planned, not only to ensure Rainbow was keeping abreast of market requirements, but also to widen the scope for innovative products.

Rainbow was also aiming at performance improvement and rationalisation programmes to ensure higher productivity. Risk management and farming practices, also being addressed.

Ibarrondo said Epol, is a key element in the group's production process. It supplies the specialised feed formulations needed for broiler production. He said inventories of finished products were normal at the end of March and prices relatively firm.

Cash management remained a top priority and capital expenditure was being limited to depreciation flow-back and allocated to projects with the highest returns. Short-term borrowings should peak at about the half-year stage, when raw material inventory holdings were at a maximum.

Rainbow, a subsidiary of Hunt Leuchars & Hepburn Holdings, posted its largest attributable loss of R223 million for the year to March 31, 40 percent higher than the year before. Operating losses before depreciation were R78 million and losses after taxation were R196 359.

HL&H negatively affected by Rainbow Chicken losses

BD 24/7/97

(3) POULTRY

Janet Parker

INVESTMENT holding company Hunt Leuchars & Hepburn Holdings (HL&H) said yesterday its loss for the six months to September would be "significantly higher than had been expected", due largely to "severe pressure" on SA's broiler chicken industry.

Chicken prices had fallen "significantly" due mainly to imports, accounting for about 15%-20% of SA's annual consumption, entering the market at prices 30% lower than the local cost of production.

HL&H, which owns an 81,9% fully diluted stake in Rainbow Chicken, said while its sugar interests and Robertsons spice operations would perform according to expectations, the results of holding company Huntcor and HL&H itself for the year would continue to be "negatively affected" by the performance of Rainbow Chicken.

Analysts said management hoped Rainbow would reach a break-even situation in the year to March next year, but was now expecting losses.

HL&H chairman Dave Marlow said improved efficiencies at Rainbow were overshadowed by price reductions in the broiler chicken industry.

Speculation has been rife in the market that HL&H will unbundle its interest and delist Rainbow Chicken, but Marlow said there were no such plans in the near future. However, it was an "ongoing option".

Rainbow Chicken proved to be a continuing drain on HL&H's resources in the year to March, with the subsidiary reporting an attributable loss of R223m (1996: R160m).

HL&H's share in Rainbow's loss was R89m (1996: R66m), resulting in the group reporting an attributable loss of R10,8m for the year to March.

Investec Securities analyst Carolyn Windsor said she originally forecast a R70m attributable loss for Rainbow in the first half of financial 1998 and a R40m loss for the full year. However, the latest developments in the broiler chicken industry and Rainbow's operating efficiencies "not flowing meaningfully through to costs yet", raised questions of Rainbow's attributable losses reaching R100m for the first half of financial 1998.

HL&H's share of that loss would amount to R82m, resulting in an attributable loss for HL&H as a whole of R17m, or a loss a share of 6c in the first half, she said.

"Provided broiler chicken prices rise in the second half and given a fully recovered sugar division and a healthy profit from Robertsons, HL&H could achieve earnings per share of 34,8c for the full year," Windsor said.

The main factor which could depress the group's earnings in the second half of financial 1998 was an increase in imported broiler chickens, resulting in continued pressure on pricing, she said.

ET (BR) 29/7/97

Imports put local poultry 'on knife edge'

(3) POULTRY

RAVIN MAHARAJ

Durban — The troubled poultry industry warned yesterday that increased chicken imports were "killing the market", and the industry would "bleed in the streets" if its demands for higher tariffs were delayed any longer.

Industry leaders said imports were constituting a "big threat" to the local poultry industry.

They said there would be serious consequences — such as further job losses and cuts in production — if the government continued to "drag its heels" over the higher tariffs issue while expecting a "more efficient" industry without the proper structures in place.

The South African Poultry Association is asking for an increase in the ad valorem duty on imported chicken from 27 percent to 64 percent, phasing down to 44 percent in 2002.

Zach Coetzee, the executive director of the South African Poultry Association, said imports from the US, China and increasingly from Australia had doubled from about 5 000 tons a month last year to 10 000 tons a month at present.

These figures, Coetzee warned, excluded illegal exports.

He said South African poultry companies were rapidly becoming regular importers of poultry, resulting in production cuts and retrenchments.

Mike Walne, the managing director at National Chick (NatChix), said imports at the KwaZulu Natal-based company equalled its production of day-old chicks.

He said bankruptcies and redundancies in the industry would result if imports could not be stemmed.

Higher tariffs were one such structure to assist the industry to "stage a recovery".

He said: "We are sitting on a knife edge. Should the industry be allowed to implode and collapse?"

Connie du Toit, the managing director at Earlybird Farm, said low chicken prices overseas and the severe oversupply of chicken was concerning the industry.

But, he added, the industry was cyclical and could stage a recovery, provided the "required structures", like higher tariffs, were in place.

Alwyn Kraamwinkel, a spokesman at the Board of Tariffs and Trade, said yesterday the industry's demands for higher tariffs had reached an "advanced stage".

He expected the outcome of the industry's application to be published in the government gazette in the "near future".

Govt to decide on imported poultry tariffs following recommendation

BD 29/7/97 (3) POULTRY

Louise Cook

UNCERTAINTY about raised tariffs on imported chicken and turkey would end in the next few weeks, when government was expected to announce its decision on the issue, sources said yesterday.

Only a decision from Trade and Industrt Minister Alec Erwin, following a recommendation submitted to his office yesterday by Land and Agriculture Minister Derek Hanekom, was still outstanding.

The results of a probe by the Board on Tariffs and Trade of the SA poultry industry, as well as the board's recommendation on a tariff, were reportedly also submitted to Erwin's office.

The tariff was expected to be finalised when Erwin returned from abroad in two weeks.

Board chairman Aalwyn Kraamwinkel refused to disclose the tariff level recommended by the board following its probe. He confirmed, however, that the investigation had "reached an advanced stage".

Local producers, represented by the Southern African Poultry Producers' Association, asked government last year to raise the tariff on imported frozen chicken cuts to 86% from 27%, or to introduce a sliding scale which varied according to import prices.

On frozen turkey cuts, the association asked for the zero rating to go up to a 27% tariff.

Importers say illegal trade is 'negligible'

SA poultry rivals beat their breasts

(3) POULTRY ET (PR) 4/8/97

RAVIN MAHARAJ

Durban — The war of words between the local poultry industry and companies importing chicken continued last week, with Etlin International Trading — the meat importer, trader and wholesaler in meat products — saying there was no hard evidence to prove importers of chicken products were involved in any wrongdoing.

Pierre Jacobs, a director at the Johannesburg-based Etlin, said illegal imports, if any, were "negligible and insignificant" in the macro picture of the local poultry industry.

Jacobs was reacting to comments from the troubled poultry industry, which claimed increased chicken imports were killing the market and the industry would "bleed in the streets" if its demands for higher tariffs on imported chicken were delayed any longer.

Jorge Antonio Del Corral Ibarrondo, the managing director of Rainbow Chicken, said recently the industry would be in dire straits if solutions to curbing increasing illegal chicken imports were not found soon.

Jacobs said the industry had failed to point out the local poultry industry had grown more than 25 percent in slaughter quantities since the end of 1994.

Choice Holdings, he said, had more than doubled its output over the past 14 months. County Fair and Earlybird had its increased its output.

Rainbow Chicken, he said, had recommissioned its dormant Krugersdorp facility and Tydstroom Poultry had recently completed its expansion programme.

Jacobs said Earlybird and Chubby Chic had made substantial profits over the past two years, while significant losses had been made by Rainbow.

He said Rainbow shareholder Rembrandt had ascribed their losses in Rainbow to mismanagement and not blamed the state of the industry or the economy as a whole.

"The South African poultry industry now expects local consumers and importers to bear the cost and subsidise the mismanagement and inefficiencies of the local industry," said Jacobs.

He said the industry had also been wracked by disease because growers were not immunising effectively. This had resulted in substantial losses.

The industry, he said, needed to improve quality and efficiencies to be able to compete on the international market.

Jacobs said: "It appears that Utopia to the South African Poultry Association is no imports, huge stock shortages, empty supermarket shelves and grossly inflated prices to the consumers of South Africa."

Poultry imports hit demand for maize

BD 5/8/97

Louise Cook

(3) POULTRY

POULTRY imports were causing local demand for yellow maize to slide, but increasing the import tariff could see chicken prices shooting up 20%, industry sources said yesterday.

National Maize Producers' Organisation (Nampo) GM Giel van Zyl said yesterday each ton of imported poultry replaced two tons of yellow maize used to feed local broiler production — over a year this could represent 250 000 tons of maize.

This year SA produced too much yellow maize, but Van Zyl declined to state the excess amount. Sources said it could be as much as 645 000 tons.

"Nampo calls on government to curb poultry imports and set up appropriate tariff levels to stabilise the viability of local poultry producers."

"An anticipated drop of 20% in the (economic) growth rate — now estimated at 2% according to figures released by the Reserve Bank — should be prevented. Government should take note of the role of agriculture in the economy and set up tariff protection timeously," Van Zyl said.

However, Shoprite Checkers warned that by raising tariffs on imported chicken cuts, the consumer could end up having to pay 20% more. A spokesman said margins on poultry were so small that any increase on the imported product would have had to be passed on directly to consumers.

"Supermarkets are generally not in favour of a higher tariff because the imported product has served to keep prices in check of locally produced chickens," the spokesman said.

Pick & Pay GM Ray Murray disagreed, saying competition between overseas producers who received government subsidies and local producers who did not was unfair. "If local producers were to go out of business, prices would go up dramatically in the long run anyway. There should be a balance between local producer prices and import costs."

Poultry producers are awaiting a decision from Trade and Industry Minister Alec Erwin on a new tariff on frozen chicken cuts to 86% from 27%, or a sliding scale according to the imported price. On frozen turkey cuts, producers want a tariff of 27% instead of the zero rating. It is understood imports make up 17% of local consumption.

The new tariff was expected to be announced in the next few weeks, most likely to levels of around 65%, industry sources said.

CHICKEN INDUSTRY

(3) POULTRY

Importers squawk over new tariff on foreign birds

But higher duties may staunch the bloodshed that has made mincemeat of local poultry producers

FM 15/8/97

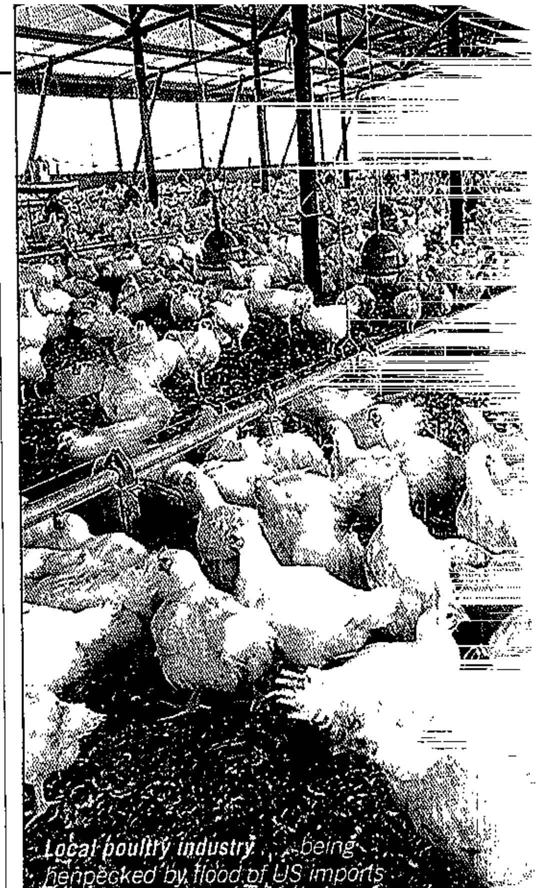
Government is said to be on the brink of announcing a punitive tariff to stem the huge flow of chicken imports into SA. The "dumping," which has devastated the local poultry producers, originates mainly in the US.

Details of the tariff have not yet been disclosed, but industry insiders say it is likely to be specific to imported leg quarters, and involve a fixed duty per kilogram of goods brought in. Imports of leg quarters have been the number one enemy for local poultry producers, since they trade at a premium to the rest of the bird in the SA market and bring in most of the companies' returns.

The decision to introduce the tariff comes after lobbying by the SA Poultry Association, which argues that the practice constitutes dumping, and that it is unfair as SA producers do not have access to the US market because of sanitary rules. The association's executive director, Zach Coetzee, says SA producers could compete in the US market with poultry breasts.

The association last applied to the Board on Tariffs and Trade (BTT) in September, when it called for a 64% tariff across the board on chicken and turkey products, scaling down to 44% by 2002. By that time, Coetzee hopes, the industry will be more competitive.

A spokesman for the National Agricultural Marketing Council, which advises the Agriculture Minister on tariffs, says the BTT has recommended the tariff and that it has



Local poultry industry ... being henpecked by flood of US imports

been fully supported by the Ministry of Agriculture. The matter is now believed to be with the Ministry of Trade & Industry.

"It should be announced shortly, and will be a means to stop the excessive imports. Whether it is sufficient, however, will have to be monitored by the BTT," he says.

US producers of leg quarters make such high margins from the sale of breasts in their own market that they can afford to sell the remaining parts at discounted prices even with the current 27% ad valorem duty in SA.

One group concerned about the developments is the Association of Meat Importers and Exporters, which opposes the latest application to the BTT on the grounds that any increase would "seriously deprive the majority of South Africans of their favourite protein." The association calculates that if a 64% tariff is imposed, chicken prices will go up by 21%, and that this — together with related increases in other meat products — will push up consumer expenditure by R1,8bn/year, assuming demand remains the same.

Most importers have resigned themselves to the likelihood that government will go ahead with the new tariff and that the association feels there is nothing more it can do. Association executive committee member Hendri Badenhorst says "from what we understand from the BTT and the Department of Agriculture, they have taken a view that if an industry has a chance of long-term survival it should be given short-term protection."

Much of the success of this move will depend on the nature of the tariff and the way it is monitored. Coetzee says having a modest set tariff at a time when the chicken price cycle appears to be on the decline will have little impact, since it will be less lucrative to import.

But he adds that if it is carefully monitored and extended over a longer period, it will enable the local producers to improve efficiencies, enjoy any upswings in the price cycle and return to profits in the future.

The effects of the dumping have been seen in the results of the listed chicken companies.

Heading the pack is Rembrandt-owned Rainbow, with its operating loss for financial 1997 of R133,5m (1996: R80,4m). A poor performance by Agrichicks contributed to Choice's R46m attributable loss during 1997, and the company now faces a possible takeover by Yabeng. Cape-based Sovereign Food has also taken a knock, but has so far managed to stay in profit.

Stuart Rutherford

RAINBOW CHICKEN

(3) POULTRY

Things keep going from bad to worse

FM 8/8/97

Price declines frustrate efforts to return to profitability

Shareholders do not seem to have become immune to bad news from Rainbow, despite having received regular servings from the broiler producer. When it was announced late last month that losses for the six months to September would be much higher than expected, the share price dived to an historic low of 50c.

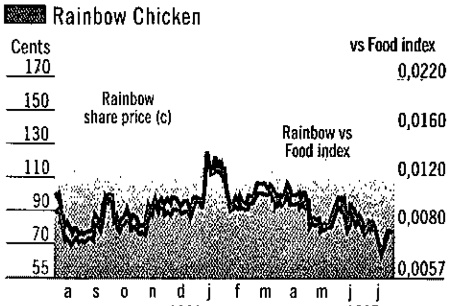
Rainbow says the losses stem from a chicken price plunge because of high local production while imports continued to flow in and demand was at a seasonal low. It says efficiency improvements have been overshadowed by these falls.

"The main reason is imports accounting for 15%-20% of annual consumption entering the trade up to 30% below the local cost of production," the group announced.

Rainbow says it is tackling the market problem but gives no details. New MD Jorge del Corral says in the 1997 annual report: "Some benefits of the programme of investment in facilities and people launched in 1996 should start to become evident in the second half." He says cash management retains priority. Capital expenditure is being limited to depreciation flow-back and allocated to projects with the highest returns.

The price weakness comes when Rainbow is desperately trying to get back into the black following the R750m rights issue, which reduced gearing to 8% (1996: 94,2%), and the appointment of a new MD and financial director. It reminds investors that profits will have to wait for improvements internally and externally. The obvious question then is: what will happen to prices?

Rainbow Chicken



SOURCE: I-NET

- **ACTIVITIES:** *Integrated broiler chicken producer and animal feed miller.*
- **CONTROL:** *Hunt Leuchars & Hepburn 82,3%.*
- **CHAIRMAN:** *D J Marlow. MD: J A del Corral Ibarrondo.*
- **CAPITAL STRUCTURE:** *396m ords. Market capitalisation: R325m.*
- **SHARE MARKET:** *Price: 82c. 12-month high, 136c; low, 63c. Trading volume last quarter, 14,2m shares.*

Year to March 31	'94	'95	'96	'97
ST debt (Rm)	360,2	386,4	540,1	89,2
LT debt (Rm)	0,2	0,1	—	—
Debt:equity ratio	0,45	0,46	0,94	0,08
Shareholders' interest	0,59	0,57	0,39	0,73
Int & leasing cover	1,4	1,5	—	—
Return on cap (%)	4,7	5,2	—	—
Turnover (Rm)	1 637	1 706	1 881	2 083
Pre-int profit (Rm)	64,0	76,2	80,4	133,5
Pre-int margin (%)	3,9	4,5	—	—
Earnings (c)	4,7	4,9	(43,4)	(60,5)
Dividends (c)	1,65	—	—	—
Tangible NAV (c)	208	213	156	95

SA Poultry Association executive director Zach Coetzee says producers have missed the poultry price cyclical upswing and are now heading for a catastrophic downswing. He says the last peak was in 1991 and, as cycles range from five to seven years, producers should have enjoyed improved prices in recent years.

"Whenever there was any sign of higher prices, though, it became lucrative to import; so there was a constant cutting process." Imports effectively imposed a price ceiling.

The association has been lobbying for higher tariffs on imports for this reason and appears to have achieved some success. Still, Coetzee says, even if tariffs are raised, it will be too little too late. "In a downswing, we do not need tariffs because prices are depressed and people do not want to export to SA."

Deutsche Morgan Grenfell analyst Karen Roux does not place much faith in cycles because of the way the industry's environment has changed. But she says "I don't think prices will go up in the short term. There could be further downward pressure due to the imports and local oversupply."

Another concern is that maize prices, a key component in chicken feed, will skyrocket. The El Nino weather phenomenon is expected to have a severe impact in December, bringing drought two months into the planting season.

Ironically, when Rainbow looks ready to make its long-prophesied recovery, the market isn't playing ball and may not do so for some time — a fresh reason not to invest in this accident-prone company.

Stuart Rutherford

PRESMED

Ahead of the opposition

A sound record may not be enough in a market hungry for excitement

Until Health Minister Nkosazana Zuma finalises health-care legislation, the local industry must continue to find its way in the dark. Most private hospital groups deserve

***Carl Grillenberger** . . . expansion into hospitals will follow*

Hanekom aims to lift ostrich export ban

CT(BR) 2/9/97 (3) POULTRY

FROM REUTER

Cape Town — South Africa yesterday took the first step towards lifting its ban on the export of ostrich breeding material, but market analysts said it had missed the boom years for ostrich sales.

Derek Hanekom, the agriculture minister, presented legislation to parliament which, once passed by the National Assembly and published in the Government Gazette, will allow the export of live birds and fertilised eggs.

Such exports have been banned for decades in a largely futile attempt to prevent the spread of foreign ostrich industries.

South Africa accounts for about 80 percent of world sales of ostrich products, but the birds are also being farmed on a large scale in the US, Europe, Australia, Israel and China.

Pieter van Zyl, an agricultural economist, said Hanekom was probably one of the driving forces behind changing the legislation.

"Some people in our industry don't want that to happen ... (but) the days that one or two people can decide what may happen are over," Van Zyl said.

He said two or three years ago a breeding pair of ostriches would change hands in the US for $50 000, but the price had fallen to below $3 000.

"Now there is not a huge market for breeding material ... We missed that boat a long time ago. Some farmers will be able to export, but not in large quantities."

Van Zyl said because of the cost of exporting adult birds, most farmers were likely to send out fertilised eggs or day-old chicks.

ying some
show was
po Molefe
THY PINNOCK

Ostrich farmers have missed boat — analyst

(3) POULTRY

CAPE TOWN — SA took the first step yesterday towards lifting its ban on the export of ostrich breeding material, but market analysts said the country had missed the boom years for ostrich sales.

Agriculture Minister Derek Hanekom presented legislation in Parliament which, once passed by the National Assembly and published in the Government Gazette, will allow the export of live birds and fertilised eggs.

BD 2/9/97

Such exports have been banned for decades in a largely futile attempt to prevent the spread of foreign ostrich industries.

SA still accounts for about 80% of world sales of ostrich products — leather, meat and feathers — but the birds are now being farmed on a large scale in the US, Europe, Australia, Israel and China.

Agricultural economist Pieter van Zyl said Hanekom, a firm believer in market forces, was probably one of the driving forces behind changing the legislation.

He said that two or three years ago a breeding pair of ostriches would change hands in the US for \$50 000, but the price now had fallen to less than \$3 000. "We missed the boat," he said.

Because of the freight expenses involved in exporting adult birds, most farmers were likely to send out fertilised eggs or day-old chicks. — Reuter.

Sinn Fein leaders Martin McGuiness, left, Gerry Adams and Caoimhglin O'Caolin meet reporters outside the White House on Wednesday after meeting Security Adviser Sandy Berger. Predicting a united Ireland 'in our lifetime', Adams said his group is prepared to compromise to achieve lasting peace. Picture: AP

Ostrich farming given a boost

Prof Malema

(3) POULTRY BD 5/9/97

GABORONE — The Botswana government aims to put the country's fledgling ostrich industry on the map, and a key step towards this will involve funding a 12-million pula abattoir.

Agriculture ministry officials say the move is in line with the government's policy to diversify the economy which is overly reliant on diamond mining and cattle farming.

Tendering for the construction of the abattoir has been completed and building is expected to finish next year. The ostrich products will largely be sold in the European Union (EU).

Botswana Ostrich Farmers' Association president Gatherm Richard says SA farmers far from the ostrich abattoir at Oudtshoorn would be able to send birds to Botswana's abattoir.

The ostrich project co-ordinator in the agriculture ministry, Kereng Masupu, has urged the public to take part in ostrich farming.

"Such an industry would help in the diversification of the meat industry, with ostrich meat having been identified as the safest meat with less cholesterol, and farming could eventually double as a tourist attraction," he says.

A wildlife biologist in the wildlife and national parks ministry, Cyril Taolo, says that although Botswana has the largest number of wild ostriches in the world, the numbers have been declining in the past two years.

The Botswana Ostrich Farmers' Association has 70 members — the key players being foreigners in the 10 registered ostrich farms around the country. Until now the focus of the industry has been the sale of eggs to farmers in north America. The new move will see the industry broadening into the export of meat products to the EU.

Locals have complained that they are unable to gain access to the industry because management of the birds is capital-intensive, with high veterinary and feeding costs.

POULTRY *Industry wants to double tariffs to protect itself from imports*

Chicken price could soar 30%

ET(BR) 11|9|97 (3) POULTRY

CHRISTO VOLSCHENK
ECONOMICS EDITOR

Cape Town — The retail price of chicken pieces could rise 30 percent if requests by the local poultry industry to double the 27 percent ad valorem import tariff on chickens are granted, sources said yesterday.

The requests had come from the poultry industry in an attempt to protect itself from cheaper American imports, said the sources.

"We cannot compete with foreign chicken farmers and requested the board on tariffs and trade almost a year ago to hike the tariff from 27 percent to 67 percent," said Connie du Toit, the chairman of the South African Poultry Association.

"About 10 000 tons of chicken meat was imported, mostly from America, last year at an average price of less than R5 per kilogram while the local production cost averaged R7 per kilogram.

"We need protection of at least R2,50 per kilogram on imported chicken."

Du Toit said the industry asked for five years' protection "to give the industry time to restructure for higher productivity".

The industry backed its request to the board with a business plan which detailed how it would "restructure for higher effectiveness and productivity to become internationally competitive".

Du Toit said: "The industry is in dire straits but we do not expect to be propped up by the government forever. We just need a protected environment for five years to give us time to get our house in order."

Danie Jordaan, the acting chairman of the board on tariff and trade, said the board was ready to advise Alec Erwin, the trade and industry minister, on the issue and a decision could be made either tomorrow or next week.

He would not say what the board intended to do but sources in the industry said the ad valorem tariff could be raised to between 30 percent and 50 percent.

But Du Toit said better management of stocks could depress production costs by lowering chicken deaths.

Rainbow Chicken, the struggling broiler company, would be an obvious beneficiary of a move to raise import tariffs on chickens.

At a recent annual meeting, Johann Rupert, the chairman of Rembrandt, denied speculation that the company had petitioned Derek Hanekom, the agriculture minister, for protection in the local poultry industry.

Rainbow, which is expected to record more losses in the six months to September 30 in the wake of surging chicken imports, ticked up 5c to 70c on the JSE yesterday as 71 400 shares changed hands.

Natchix was 16c stronger at R2,28, but Sovereign Foods, the Uitenhage-based poultry company, shed 10c to R4 in thin trade.

The announcement of the new tariff structure is expected in tomorrow's issue of the Government Gazette.

HENPECKED CONSUMERS *Regular households will bear much of the brunt of any price increases*
PHOTO: JOHN WOODROOF

SOVEREIGN FOOD 3 Poultry

A hardier type of bird

FM 19/9/97

This chicken producer can peck out profits even in the tough times

For much of the Nineties, integrated poultry producer Sovereign has thrived in the difficult conditions facing the SA industry, and has pushed operating margins and turnover up by healthy amounts. Last year these margins spiked at 20,6% — a level unsurpassed by Rainbow in its prime.

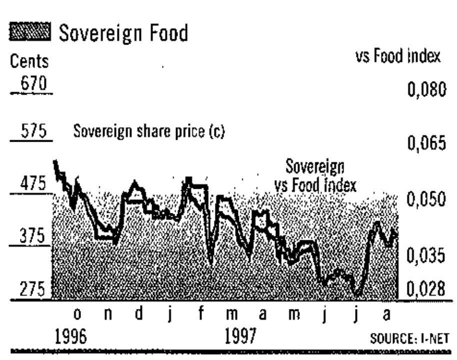
The company's success lies in its production of 300 value-added chicken products, which account for 70% of output and offer protection against downward commodity cycles.

"We are a food manufacturer. If we were simply making a commodity then we would be in trouble like Rainbow and Choice," says Sovereign MD Robert Spanjaard.

This strategy does not, however, protect Sovereign against increases in input costs. This year the company was hit by a 35% increase in raw material costs, without the cover of hedging.

Spanjaard says these cost increases could not be passed on to customers since the industry oversupply left poultry prices weak. The result was that operating margins in the first half crumpled to 6,5% and the company barely broke even.

In the second half of the year, Sovereign improved efficiencies and lifted operating margins to 8%, but with gearing rising, 1997 EPS were 64% down on last year. These results ex-dividend were scorned by the market, which sent the Sovereign counter plummeting below its listing price of R5.



Spanjaard says this rating isn't justified, and that major progress has been made in returning the company to its record margin of 20%, aided by improved raw material prices and economies of scale.

The company is also looking for organic growth in volumes of 20%/year indefinitely as it expands into other provinces, notably the Western Cape and Gauteng, and deals in high-margin feed and day-old chicks on the market. It will consider acquisitions, but this will have to await a better share rating.

Spanjaard says that with stronger cash flow in 1998 and continued growth in turnover, Sovereign is likely to produce EPS for the year of 60c-70c, and pay a dividend. That gives a forward p:e ratio of 6-7 times.

Sovereign's relative resistance to the industry woes and the growing importance of value-added chicken products in the market would suggest the share is a strong buy now, with good interims expected in about three weeks. And, perhaps with the benefit of experience, it may start buying raw materials forward.

Stuart Rutherford

- **ACTIVITIES:** *Involved in poultry breeding activities, broiler farming and processing, animal feed milling and value-added poultry processing and trading.*
- **CONTROL:** *Directors 66%.*
- **CHAIRMAN:** *C G Charlewood. MD: R B Spanjaard.*
- **CAPITAL STRUCTURE:** *25,7m ords. Market capitalisation: R100m.*
- **SHARE MARKET:** *Price: 390c. Yields: 5,3% on earnings; p:e ratio, 19. 12-month high, 550c; low, 290c. Trading volume last quarter, 1,1m shares.*

Year to February 28	'96	'97
ST debt (Rm)	2,9	5,7
LT debt (Rm)	14,3	21,2
Debt:equity ratio	0,18	0,27
Shareholders' interest	0,60	0,45
Int & leasing cover	8,9	2,3
Return on cap (%)	17,5	7,2
Turnover (Rm)	77,5	127,0
Pre-int profit (Rm)	16,0	9,5
Pre-int margin (%)	20,6	7,5
Earnings (c)	55	20
Dividends (c)	17,5	—
Tangible NAV (c)	213	233

Poultry producers win fight for higher import tariffs

BD 19/9/97 (3) POULTRY

Edward West

LOCAL poultry producers yesterday won their fight for a higher import tariff on chicken, but indications were that Trade and Industry Minister Alec Erwin turned down the request for a tariff on turkey cuts.

The Board on Tariffs and Trade said the minister had approved that the rate of duties on frozen chicken cuts be increased from 27% ad valorem to 220c/kg. The new rate kicked in yesterday and the move was supported by Land and Agriculture Minister Derek Hanekom.

Rainbow Chicken's share price reacted sharply to the news, gaining 15,6% or 12c on the Johannesburg Stock Exchange to close at 90c.

Rainbow Chicken chairman Dave Marlow said the industry welcomed the minister's decision.

But SA National Consumer Union spokesman Lillibeth Moolman said that tariffs increased the cost of food and could be justified only in cases where dumping could be proved.

Chicken tariffs may anger meat importers

(3) POULTRY

MARC HASENFUSS

CT (BR) 19/9/97

Cape Town — The government's decision yesterday to increase import tariffs on chickens will provide welcome relief for local poultry producers but the move could anger meat importers and consumers, with claims that chicken prices could soar by as much as 30 percent coming from certain quarters.

On the JSE, Rainbow Chicken appreciated more than 10 percent to 90c with 905 000 shares changing hands, while Sovereign Foods, the Uitenhage-based poultry company, surged 55c to R4,20.

The Board on Tariffs and Trade recommended that the rate on duties on frozen chicken pieces be increased from 27 percent ad valorem to R2,20 a kilogram with immediate effect.

A spokesman for the board said the move was aimed at protecting the poultry industry against abnormally low-priced imported frozen chicken pieces.

"The board found that, although the industry could improve its global competitiveness, the abnormal competition experienced from imported chicken cuts was undermining the industry."

Dave Marlow, the chairman of Rainbow Chickens, said the decision was an important step forward for the South African poultry industry.

"The matter has been going on for over a year now and we'll have to see what effect the decision has. We can't say for sure, but the move should help."

Connie du Toit, the chairman of the South African Poultry Association, indicated recently that the industry needed protection of at least R2,50 a kilogram on imported chicken. He said the industry did not need to be protected by the government forever but about five years were needed for poultry producers to get their house in order.

CT (BR) 22/9/97

Natchix brings Botswana joint venture to fruition

(3) POULTRY

RAVIN MAHARAJ

Durban — National Chick (NatChix) had brought its R6,5 million joint venture in Botswana to fruition with the delivery of its first hatching of 30 000 day-old chicks to the local broiler industry, Mike Walne, the managing director, said at the weekend.

Walne said NatChix, Africa's largest independent producer of day-old chicks for the broiler industry, would not only set Botswana "well on the way to becoming self-sufficient in meeting the chick needs of its growing broiler industry, but would also provide enough capacity to enable the country to become a chick exporter".

In addition, the new venture — National Chick Botswana — would unlock much-needed capacity at the company's hatching operations in Gauteng. These operations have previously been the source of supply to Botswana and have been hard-pressed to meet demand from NatChix's South African customers.

Walne said as a first phase, NatChix would commission three incubators, with a combined capacity of 100 000 chicks a week, at fortnightly intervals over the next six weeks. By the end of September the new company would be able to supply 50 percent of Botswana's day-old chicks, he said.

Botswana will soon become self-sufficient and in time become a chick exporter

"During the next 18 months we will double our capacity to 200 000 chicks a week, thus making Botswana self-sufficient with enough additional capacity to provide for market growth as well as to meet the needs of Namibia." Namibia is supplied long-range from the Western Cape at present.

NatChix's joint venture partner, Botswana's Associated Investment Development Corporation, has under its umbrella Tswana Pride, the largest broiler producer in Botswana. Tswana Pride, which will eventually take 40 000 chicks a week from National Chick Botswana, has been a NatChix customer for 15 years.

The Botswana operation is the third move NatChix has made into markets outside South Africa. The company has a joint venture hatchery operation in Lesotho that is being expanded with the addition of a 15 000-chick-a-week incubator. A new R2 million hatchery in Swaziland is a joint venture with Swazi Chick Limited.

Walne said the developments in neighbouring countries were "building blocks" in a four-year expansion plan to lift NatChix's total production in southern Africa from 1,1 million to 1,5 million chicks a week and "entrench it as by far the largest supplier to independent broiler producers in the region".

Company News

Poultry industry restructures 'at expense of consumer'

(3) POULTRY ET (BE) 25/9/97

Ravin Maharaj

Durban — The chicken industry had at least five years to restructure and become more internationally competitive before duties would be reviewed again, but the consumer would in the meantime be "penalised and deprived of a cheaper source of protein", the Association of Meat Importers and Exporters said yesterday.

Boet Venter, the association's executive chairman, said a five-year period seemed an unnecessarily long time for an established industry to become viable at the expense of the consumer.

He questioned whether any guarantees had been provided that the industry would "in fact" be cost effective and internationally competitive by 2002.

"Or is it a matter of the local industry buying time in terms of international competitiveness at the cost of the local consumer?"

The Board on Trade and Tariffs recommended late last week that the rate on duties on frozen chicken pieces be increased from 27 percent ad valorem to R2,20 a kilogram with immediate effect.

The board said the move was aimed at protecting the poultry industry against abnormally low-priced imported frozen chicken prices.

The board found that although the industry could improve its global competitiveness, the abnormal competition from imported chicken cuts was undermining the industry.

Venter said the government's announcement to increase import tariffs meant the landed cost of chicken cuts had increased by R1,55 a kilogram.

In statistical terms it meant that duty had increased by about 238 percent on the previous rate and the landed cost of frozen chicken cuts cut by about 30 percent in real terms.

"Should this 155c a kilogram be passed on to the consumer across the board on all poultry products, the extra cost for the consumer might come to R1,3 billion a year," Venter said.

"In addition, should other protein prices increase in conjunction with chicken, the consumer could be out of pocket by vastly more than R2 billion a year, depending on ... changes in consumption.... Poultry prices are the leading determinant in price formation of meat protein in South Africa."

Venter said the association welcomed the principle of amending the rate of duty from 27 percent ad valorem to a fixed rate a kilogram. This meant the duty would be the same for every importer.

But he said it was regretted that in an era of growing trade liberalisation, South Africa was sending its trading partners a negative sign of protectionism that might harden their attitudes towards South African exports.

Aeroflot flies ostrich meat to Moscow

BD 25/9/97 (3) POULTRY

Stephané Bothma

PRETORIA — Growing demand for ostrich meat in Russia is seeing Aeroflot carry up to half a ton of the meat at a time to Moscow, says Aeroflot's SA representative, Alexander Shilov.

The airline, which has been operating a weekly return flight to SA for the past five years, is also awaiting approval from SA's civil aviation body to start flying passengers from Tunisia in north Africa to Johannesburg.

However, discussions between SA Airways and the civil aviation authority about a blanket application by the national carrier for landing rights in the northern African region, were delaying a decision on whether Aeroflot would be granted fifth freedom rights to fly passengers from Tunis to Johannesburg, he said.

"Tunisian authorities have asked Aeroflot to introduce flights between Tunis and Johannesburg because no direct route between the two cities exists," Shilov said.

Aeroflot had no immediate plans to increase its number of flights to SA, he said, as traffic between the two countries was seasonal with a healthy mix of business and leisure travellers.

However, Shilov said, plans were underway to introduce an Airbus A310 on the route replace the Tupolev currently being used.

Financial Mail

POULTRY TARIFFS

Is the poultry industry worth saving?

Government has slammed the door on imports. Now will SA's producers become world players or simply raid the consumer's pocket one last time?

FM 26/9/97 (3) POULTRY

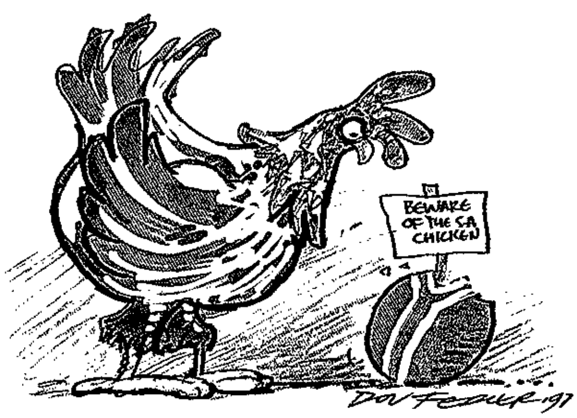
Government has finally yielded to the pleas of the chicken industry and increased the rate of duties on imported frozen chicken cuts from 27% of their estimated value to 220c/kg. The tariff is designed to stop the imports which have been threatening the remnants of SA's poultry industry.

This protection will be in place for at least two years and should revive this R3bn/year industry and benefit such listed companies as Rainbow Chicken, Choice Holdings, Sovereign Food and National Chick. But it has been justifiably criticised by free traders and by those concerned about resulting price increases of up to 30% in chicken and other meat products.

Another concern is whether this decision, coupled with the recent imposition of a quota to restrict imports of shoes from non-World Trade Organisation countries, will result in a string of calls for similar protectionist measures in other inefficient sectors of the economy.

But before a judgment can be made on the poultry tariff, several important points about the industry need to be considered.

During the sanctions era, SA chicken producers — among others — grew complacent behind import controls. When this protection was removed, SA not only had to compete against more efficient producers, but also against producers who enjoyed government subsidies on inputs and import barriers of their own. Board on Tariffs & Trade (BTT) chairman Danie Jordaan says the "unfair trade advantage" was one of the prime reasons for the decision to impose the tariff.



The US market posed an additional complication. According to Jacob Graaff of the National Productivity Institute (NPI), chicken breasts in the US command a premium of as much as 960% on the thighs and wings. This enables the producers to export thighs and wings competitively even after tariffs have been paid. SA producers are particularly sensitive to portion imports, since they are value-added products in a market dominated by whole frozen birds.

SA does not have access to the US market, because of its strict zoosanitary (hygiene) requirements. Graaff says if SA producers were given time to restructure and enter this market, there would be no need for local protection.

The NPI recently conducted an intensive study of the industry and conditionally supported the SA Poultry Association's call for a tariff. "The NPI is against tariffs, because they have made industry uncompetitive," Graaff says. "But there has to be a sunset clause."

He says SA producers will be assisted by changing patterns of consumption in SA (towards breast meat), and new markets opening up to the US. "One of the key areas for focus would be a national health strategy for broiler farming in SA, so that it can eventually conform to the zoosanitary requirements of the US," he says.

Jordaan says the BTT hopes that over the next few years the restructured industry will get to a level where it will be able to compete with only a moderate level of protection. "We do not necessarily think the industry will be able to compete without any protection in the long run," he says.

Neither Jordaan nor Graaff believes the tariff will have an immediate impact on prices of meat in SA. The relative abundance of production domestically should maintain pressure on prices. But they caution that prices are likely to rise over the Christmas period, purely because of the normal increase in demand.

This tariff will mean that the effective price ceiling — the level at which it becomes lucrative to import — will be raised, ultimately allowing for larger margins to be made during the peaks of the price cycle.

Considering the importance of this labour-intensive industry, the question is: does the poultry industry have a chance of becoming world competitive? Based on the NPI's study, the answer is yes.

Whether the producers will rise to the challenge is difficult to assess. Many chicken producers in the past have appeared incapable of adapting to the changing environment.

Government will need to police the industry closely to ensure that the interests of consumers will be protected. Jordaan's statement that the tariff will be up for review only in the next two to three years suggests this function may not be properly performed, even though the Department of Trade & Industry and the Department of Agriculture — which deals with improving international competitiveness — are participating in the Poultry Forum.

For now, the *FM* will give the producers the benefit of the doubt. But we will keep a beady eye on the industry in the hope that they don't abuse this second — and probably last — chance.

POULTRY *New tariffs affect only frozen portions, trade association says*

Chicken lobbies at import odds

CT(BR) 30/9/97 (3) POULTRY

RAVIN MAHARAJ

Durban — The South African Poultry Association (Sapa) hit back yesterday at allegations by the meat importers group that import protection on chicken pieces would deprive consumers of a cheaper source of protein.

The allegation was made by Boet Venter, the executive chairman of the Association of Meat Importers and Exporters, in reaction to the government's decision to increase tariffs on imported chicken pieces to give the local chicken industry time to restructure into profitability.

Venter said last week the government's announcement to increase import tariffs meant the landed cost of chicken cuts had been raised by R1,55 a kilogram.

He said it meant duty had increased by about 238 percent and the landed cost of frozen chicken cuts cut by about 30 percent in real terms. He said should this R1,55 a kilogram be passed on to the consumer across the board on poultry products, the extra consumer cost might come to R1,3 billion a year.

His comments followed recommendations by the board on trade and tariffs that the rate of duties on frozen chicken pieces be increased from 27 percent ad valorem to R2,20 a kilogram with immediate effect.

But Zach Coetzee, the executive director of Sapa, said the new tariff rate addressed only frozen chicken portions.

"The export of frozen portions from the US even succeeded in closing down industries in some countries. The landed price of the US leg quarters is still well below the domestic production cost of whole birds, not to speak of portions — R7 vs R8,50 — after the implementation of the new tariff," Coetzee said.

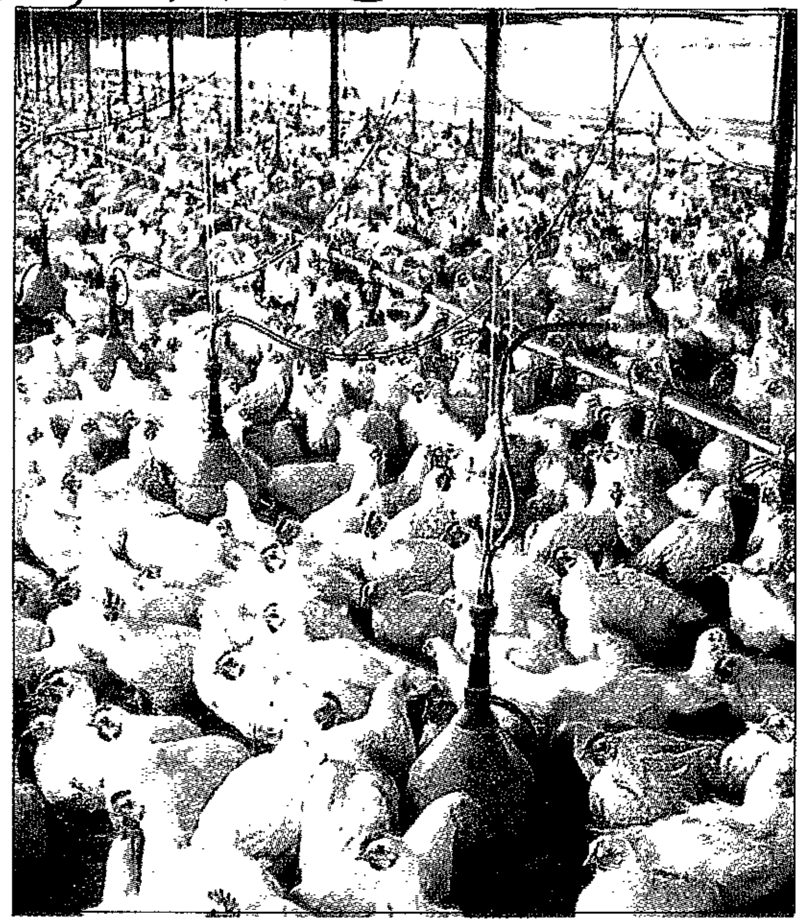
Coetzee said Venter's assumption of a rise because of the difference in landed price at present, against the pre-adjusted tariff, was false as importers were not selling at cost.

"It is most likely they would sell at as close to domestic prices as possible to secure maximum returns. If their cost increases, it may not change the immediate domestic pricing as dramatically as suggested."

He said the importer would be out of pocket, not the consumer. The importer, without the infrastructure and employment comparable to the poultry industry, could take the profit and returns away from the producer whenever the domestic price, in relation to the international price, allowed.

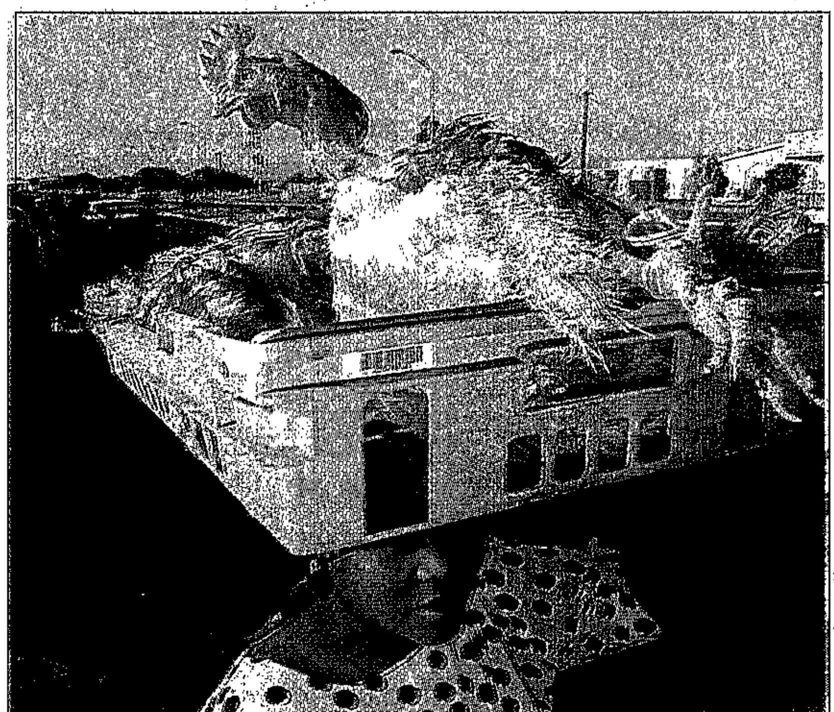
"Listed poultry companies belong to the public, and the eventual losses accrue to the public," Coetzee said.

He said the new tariff was long overdue and absolutely necessary as the unfair competitive position could not continue without causing harm to the already wounded industry.



CHICKEN RUN *The state has been accused of raising tariffs on imported poultry portions at the expense of the consumer*

CAPE ARGUS, MONDAY, OCTOBER 13, 1997



ANDREW INGRAM

For the pot: Elizabeth Gojo of Khayelitsha heads home with her purchases

At the market, customers confident poultry is safe

ARG 13/10/97

BLACKMAN NGORO (3) POULTRY
STAFF REPORTER

The chicken market at Philippi swarms with people from 5am to midday.

The chickens they buy are usually more than a year old – tired broilers that have laid eggs which consumers buy from the supermarkets.

They weigh up to 4kg, unlike the supermarket chickens that are slaughtered when they are just 42 days old and weigh under 2kg.

The traders buy the chickens from Cape Town poultry farms, where farmers want to get rid of them to recoup production costs.

When chickens reach the age of one year and four months, egg production slows and feed costs get higher. "So the farmers are only too happy to sell them to us because they are much sought after by people from Guguletu, Khayelitsha and surrounding areas," said trader M Ahmed.

Joyce Mvabula bought six chickens at R26 each.

She said she would eat some and sell the rest in the township.

She laughed off the suggestion that the chickens could be infected with a disease that could affect her, her children and customers.

As far she was concerned the chickens did not look sick and that was the end of it.

Mr Ahmed was also convinced the chickens were healthy.

"They sort them out on the farms. All diseases are treated. I remember a time when the farmers had to destroy all their chickens after they learnt of the infection of Newcastle disease.

"If they look a little bit sick they get rid of them."

'Mad chicken' row erupts in SA

Warnings over battery hens fed poultry protein

ARG 13/10/97 (3) POULTRY

BLACKMAN NGORO
STAFF REPORTER

A health scare has arisen in the poultry industry over the disclosure that chickens are being fed processed chicken carcasses.

Said to be at risk are those who eat egg-laying chickens which are sold after they have been used in battery egg production. In the Cape, most of these chickens are sold in disadvantaged communities.

But the poultry industry claims the health warnings are merely a response by the red meat industry to the collapse of beef sales after the mad cow disease scare.

In Britain, 21 people are known to have contracted a brain disease directly linked to mad cow disease, or bovine spongiform encephalopathy (BSE), thought to be caused by feeding animals protein of their own species.

But South African Poultry Association spokesman Zach Coetzee pointed out that the BSE-like condition which affects the nervous system in chickens is caused by five other conditions – Newcastle disease; fowl cholera; tremor diseases which affect the nervous system; middle ear, a rare disease; and pastarella, a bacterium which causes diarrhoea but is easily treated.

Peter Koon, a veterinarian in the Department of Health, was adamant that a mad-cow-type disease could not infect chickens.

"Chickens cannot be infected by this disease. It is a far-fetched theory. I know there are rumours out there by lay persons. I will only be led by scientific evidence, not by opinion," he said.

But British expert Narang Harash, an independent scientist based in London, has caused the British government to examine the possibility that a BSE-type disease may have spread to chickens.

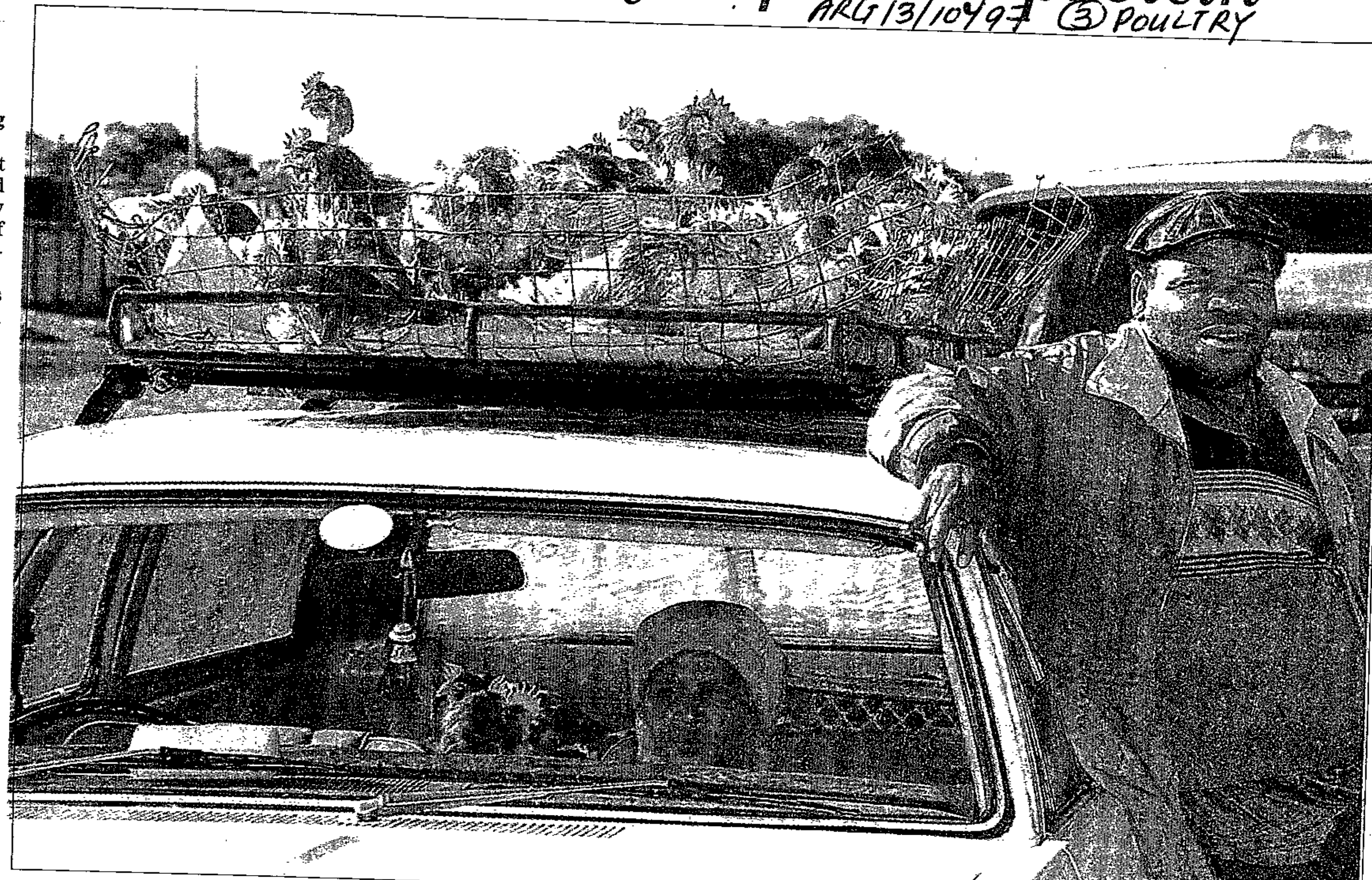
"In terms of human safety, we ought to know the disease exists," Dr Harash told the Cape Argus.

"Clinically the disease takes about two years to develop, but up to 18 months if a poultry by-product is used to feed chickens. If you use one chicken that has died, for whatever reason, to feed other chickens, the incubation period is 18 months or less."

Generally speaking, young birds were not exposed to this disease, but older egg-laying chickens could carry the disease.

When BSE was discovered in Britain, there was a tremendous drop in the consumption of British beef and beef in general. Chicken consumption picked up as a similar condition in sheep, scrapie, also caused a decrease in the consumption of lamb.

Veterinarian Jan Wicht said: "The chance of BSE in chickens is remote. Chickens have such a short lifecycle there is no time for the chronic spread of the disease."



Danger or delicacy? Nelson Nthlaba earns a living re-selling chickens in Nyanga. A health scare has arisen in the poultry industry

ANDREW INGRAM

Indonesian group in SA ostrich coup

Louise Cook

(3) POULTRY BD 27/10/97

A CONSORTIUM of Indonesian businessmen, Royal Ostrindo, has embarked on a buying spree of SA ostrich farms, abattoirs, tanneries and birds, injecting more than R300m into the industry in less than a year.

A spokesman, who did not want to be named, said the latest acquisition was 20 ostrich farms near Oudtshoorn in the Western Cape for R70m-R100m.

The consortium "may well use" the farms, acquired from one of the world's biggest ostrich producers, Saag Jonker, to supply meat and hides to Dryx, a Krugersdorp abattoir/tannery bought by the consortium last month.

Royal Ostrindo MD Mike Youmans was not available for comment.

The spokesman said the consortium would focus on production, processing and exporting of meat and hides.

Jonker has retained four farms and will stay on as Western Cape production manager for the consortium.

COMPANIES *2 000 workers may lose jobs*

CT 3/11/97 (BR)

Rainbow to close four operations

(3) ~~CHICKEN~~ POULTRY

RAVIN MAHARAJ

Durban — Rainbow Chicken, the integrated broiler producer, would close four of its farming and processing operations by mid-January next year, which could cost some 2 000 jobs, the Food and Allied Workers' Union (Fawu) said at the weekend.

Thabiso Pule, Fawu's national negotiator, said the company's operations in Nottingham Road (KwaZulu Natal), East London (Eastern Cape), Krugersdorp (Gauteng) and Belville (Western Cape) were likely to shut down on January 16 next year, pending discussions with union representatives and company management on Wednesday this week.

The company, which employs 10 680 employees, would retain its operations at Worcester (Western Cape), Hammarsdale (KwaZulu Natal) and Rustenburg (North West Province), Pule said.

Dave Marlow, the group chairman of Rainbow, said discussions with employees were under way, and meetings were planned with both parties this week. He declined to make further comment.

Pule said the company had already informed workers about the proposed job losses, and a letter had been forwarded to the Fawu's head office in Cape Town.

Union representatives would caucus among members over the issue tomorrow and thereafter meet with the company, he said.

Shop stewards said members were unhappy with the limited time given to conclude negotiations.

Pule said the rise in chicken feed prices and core competition had affected operations.

The cost of feed to Rainbow had risen by 22,6 percent, mainly owing to worldwide shortages of maize, as well as other main feed constituents which have to be imported, said Pule.

The company planned to use stocks and equipment at existing operations in the remaining plants to increase capacity, cut losses and earn some benefits from its investment in a facilities programme, which was initiated last year, he said.

Industry sources believed the closures were the result of management problems and fresh retrieval attempts by the company.

They said smaller producers were surviving, as margins appeared to have improved after the government's decision earlier this year to increase import tariffs by 27 percent ad valorem on chicken.

Rainbow reported its largest attributable loss of R223 million (R159,8 million) for the year to March 31. Capital expenditure of R68,5 million (R43,3 million) was incurred to improve efficiencies at all operations.

A further loss is expected for the interim results to September, the company said earlier this year.

There has also been speculation that Rainbow was likely to be delisted when Hunt Leuchars and Hepburn Holdings, Rainbow's holding company, cautioned shareholders in September on proposed unbundling and group restructuring.

Rainbow slashes plants to avoid complete closure

(3) POULTRY BD 4/11/97

Nicola Jenvey

DURBAN — The decision for integrated broiler producer Rainbow Chicken to close smaller farming and processing operations in favour of the larger production plants was heralded by analysts yesterday as a move towards resolving the serious problems facing the Hunt Leuchars & Hepburn subsidiary.

Following weekend reports by the Food and Allied Workers' Union (Fawu) that Rainbow would close down four of its farming and processing operations by mid-January, resulting in about 2 000 job losses, analysts said Rainbow suffered from severe management-skills shortages.

"By reducing the plants to only the larger concerns, Rainbow can concentrate on economies of scale for its production and hope to prevent the complete closure of its operations. Total collapse would mean more than 10 000 people lose their jobs," one analyst said.

Fawu national negotiator Thabiso Pule said Rainbow's operations in Nottingham Road (KwaZulu-Natal), East London (Eastern Cape), Krugersdorp (Gauteng) and Belville (Western Cape) faced closure from January 16. The company, which employs 10 680 employees, would retain its operations at Worcester (Western Cape), Hammarsdale (KwaZulu-Natal) and Rustenburg (North West Province).

Rainbow Chicken thrown to wolves

(3) POULTRY BD 7/11/97

Nicola Jenvey

DURBAN — The unbundling and restructuring of Huntcor to disassociate ailing company Rainbow Chicken from Hunt Leuchars & Hepburn (HLH) unlocked the underlying assets in HLH and eliminated the trading discount caused by the Rainbow association, analysts said last night.

In terms of the new structure announced yesterday, Huntcor would distribute its HLH preference shareholding to Huntcor shareholders at a 2:1 ratio in consideration of the cancellation of Huntcor preference shares.

Huntcor would distribute its HLH ordinary shares to Huntcor ordinary shareholders at a 1,986:1 ratio by way of a distribution in anticipation of liquidation.

HLH would also distribute its Rainbow shares to its shareholders at a 3,626:1 ratio. The group had extended an offer to acquire the 9,2-million outstanding Rainbow preference shares from minority shareholders for 85c each, amounting to R7,82m.

Assuming the offer was fully accepted, the restructure would leave Remgro holding 64% of the HLH preference shares and 60% of the ordinary shares as well as 51% of Rainbow. HLH would then solely hold Robertsons and Transvaal Sugar Beperk. Huntcor would be delisted on November 28 and voluntarily liquidated.

Rembrandt said the restructure was intended to enable shareholders to realise the difference between the market value of Huntcor and HLH and the value of Robertsons and Transvaal Sugar.

Basing calculations on the Huntcor and HLH share prices before news of the proposed restructure was announced, Rembrandt evaluated that the underlying value of Huntcor's ordinary shares increased 85,3% to R17,23. HLH shares lifted 66,8% to R8,67.

Analysts said the market had accounted for short-term effects of the new structure, but HLH's share price would grow without being dampened by Rainbow.

Battle of words at Rainbow

(B) Poultry

RAVIN MAHARAJ

CT (BR) 11/11/97

Durban — A war of words between Rainbow Chicken, the integrated broiler producer, and the Food and Allied Workers' Union (Fawu) was likely to escalate after the union decided to reject Rainbow's plan to close four of its farming and processing operations, Fawu said yesterday.

Thabiso Pule, Fawu's national negotiator, said the union would "totally reject" the company's plans to close operations in Nottingham Road (KwaZulu Natal), East London (Eastern Cape), Krugersdorp (Gauteng) and Belville (Western Cape) which were likely to shut down on January 16. About 2 000 jobs could be lost.

Pule said Rainbow wanted to conclude all discussions with the union by the end of November. This had angered Fawu, which wanted more time to come up with alternatives.

"We cannot co-operate under such limited time constraints. And membership has indicated that this is totally unacceptable.

"In addition, members want to know why operations are closing down. They are not convinced that the company cannot afford to keep them on."

Pule said the union would engage in its own verification process and come up with alternatives to closure.

"We want to gain an insight into Rainbow's strategic plans. Why are production losses so high? And what are the company's intentions regarding its programme of investment into people and facilities launched in 1996?"

Pule said members had indicated they had not been "adequately consulted" over the proposed plans. "We cannot understand why the company has indicated that performance improvement and rationalisation programmes aimed at higher productivity are receiving sensitive attention when it is becoming clear that all they want to do is close those four operations."

Rainbow was unavailable for comment. The share closed at 54c yesterday.

Imports take toll of embattled Rainbow

Nicola Jenvey

BD 13/11/97 (3) POULTRY

DURBAN — Embattled broiler producer Rainbow Chicken stretched operating losses to R113,4m (first half 1996: R110,2m) in the six months to September, despite measures taken over the past 12 months to improve efficiencies.

Analysts did not know when a turnaround might be achieved. Rainbow said yesterday the industry had been under "extreme pressure". Cheap imports, accounting for 15%-20% of consumption, had been trading at a 30% discount to local production.

"While the recent introduction of an increased tariff on imported frozen chicken should assist the local industry by tempering import volumes, this was too late to affect the period to September," the firm said.

Group revenue rose 8,7% to R1,1bn, primarily due to the 11,8% higher Epol sales, but this was offset by declining poultry selling prices. A rights issue tempered the attributable income loss to R128,6m (R165,9m) and the dividend was again waived.

Société Générale Frankel Pollak analyst John Moses said both management's lobby for higher tariff protection, and its proposal to shut down four plants and reduce the labour force by 2 000, were necessary in the company's bid to save itself from further losses.

He was unable to say whether the steps would resolve the company's long-standing problems.

Rainbow reports interim losses

CT (BR) 13/11/99 (3) POULTRY

Ravin Maharaj

Durban — The bad times are continuing at Rainbow Chicken, with the group once again reporting large losses over the six months to September 30.

The company said yesterday the South African broiler industry had been under extreme pressure. In addition to strong local production, increased volumes of cheap imports accounted for 15 to 20 percent of consumption and were selling for as much as 30 percent below the local cost of production.

There had been a modest recovery in line with seasonal demands, but to below the levels of last year, the company said.

The company said the excess of overall supply relative to demand had led to a large build-up of stock in the industry and at Rainbow. But inventory had declined to more reasonable levels towards the end of the period.

Rainbow also said it had made satisfactory progress in achieving processing production targets, but continued poor performance in farming production had negated those improvements.

Rainbow Chicken

FOR THE YEAR ENDED SEP 30 1977

	latest	previous	% change
Turnover (R)	1,1bn	987,6m	8,7
Operating profit (R)	(113,4m)	(110,2m)	2,9
Attributable income(R)	128,5m	165,8m	-22,5
Headline eps (c)	(32,5)	(45)	-28

Epol continued to perform well and lifted its operating profit. Its increased sales of 11,8 percent contributed significantly to the increase in group revenues.

Interest paid had dropped to R13,3 million (R56,4 million) following the cash received from the 7 percent compulsorily convertible cumulative preference shares issued in September last year.

The company said capital expenditure of R31,4 million (R22,2 million) was incurred in upgrading group facilities in farming and processing areas.

That expense, and the trading losses incurred, increased interest bearing debt by R116,4 million to R205,6 million, resulting in a debt-equity ratio of 21,3 percent (19,9 percent).

Looking to the future, Rainbow said it had engaged employees in a consultative process aimed at restructuring and streamlining the business to reduce costs and improve efficiencies, while maintaining and developing sales volumes.

"The time it takes Rainbow to return to profitability will depend on the successful implementation of these processes," the company said.

Rainbow said measurements taken would involve more once-off costs during the six months to March 31 next year. Further losses during this period would result in a substantial loss incurred for the year as a whole.

☐ **Business Watch**

COMPANY NEWS

Chicken producer still unable to pay way after recapitalisation following Huntcor and HLH unbundling

Restructuring still leaves Rainbow bleeding

CT (BR) 18/11/97 (3) POULTRY

SHIRLEY JONES

Durban — Rainbow Chicken was still haemorrhaging despite its recapitalisation, analysts pointed out yesterday in the wake of details of the delisting and liquidation of Huntcor and the restructuring of Rainbow and its parent company, Hunt Leuchars & Hepburn.

The consensus yesterday was that Huntcor and HLH had been left with no option but to unbundle, feeding Rainbow through to its controlling shareholder, Rembrandt. Removing the loss-making Rainbow from the HLH balance sheet and leaving it with just the profitable Robertsons, the spice producer, and Transvaal Sugar, would ultimately give the stock some appeal, analysts concurred.

In short, the restructuring comprised the distribution of Huntcor's shares in HLH and Rainbow to its shareholders followed by the delisting and liquidation of the ultimate holding company. The restructuring of HLH would include an offer to acquire the remaining 7 percent preference shares in Rainbow for 85c, their conversion to ordinary shares and the distribution of these shares directly to shareholders.

According to the company's directive, the rationale behind this restructuring was Rainbow's inability to service the 7 percent coupon on the preference shares, issued when the loss-making broiler producer was recapitalised in October last year.

The restructure also signals the winding up of SC Methven, which would be liquidated.

Analysts agreed that, following a R128,6 million attributable loss at the interim stage, these moves fuelled the persistent talk that Rainbow would ultimately be delisted in a last-ditch attempt to save the company.

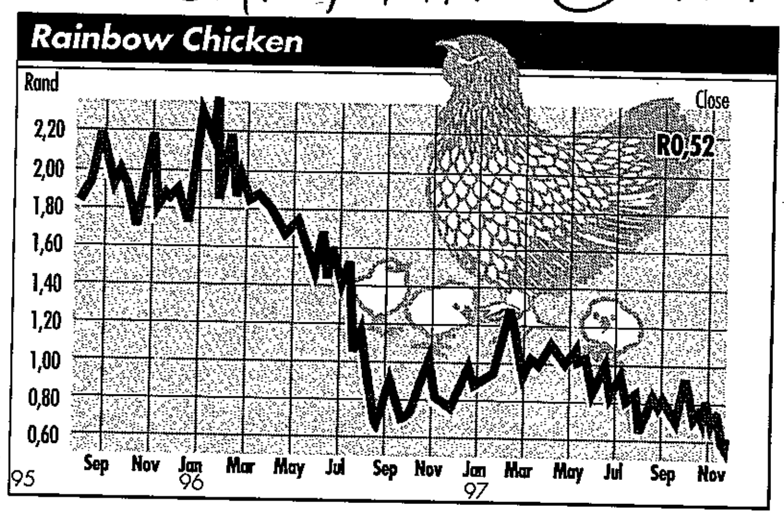
It would be the kindest thing to do, a Durban analyst said, pointing out that there was little more damage that the latest restructuring announcement could do to the beleaguered Rainbow, which was already trading at a low of 52c. He said Rainbow had failed dismally in converting from an essentially entrepreneurial company to a large corporate business.

He likened Rainbow's problems to those of supermarket group OK Bazaars, which also had to be delisted before it was sold. However, he pointed out, it would be difficult to find a buyer for Rainbow and few, if any, buyers would be able to do anything for the company that Rembrandt was not already capable of doing.

He said unlike OK, however, there appeared to be less light at the end of the tunnel. He said many things were out of control. Although Rainbow could do little against dumping of cheap chicken portions in the South African market by American producers, losses stemming from this problem had been exacerbated by poor management, a failure to incentivise the labour force and runaway production costs.

Another analyst pointed out that the time left for Rainbow to set things right was running out. Rainbow did not seem to have a grip on controlling costs, despite declarations that a far-reaching strategy was under way.

Dave Marlow, Rainbow's chairman, could not be reached for comment.



Import duties 'will aid industry'

BD 28/11/97 (3) POULTRY.

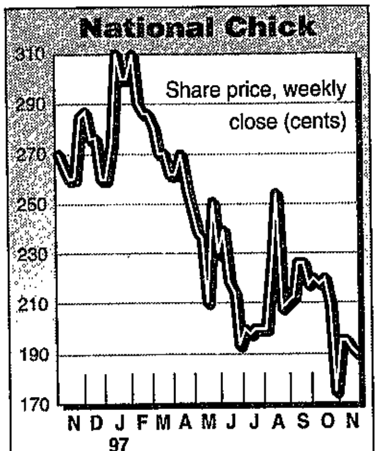
Nicola Jenvey

DURBAN — The deterioration of the rand and the long-awaited increased duties on imported chicken hindquarters should provide the local industry with the breathing space to stabilise and return to "reasonable" levels of profitability, National Chick (Natchix) chairman and MD Mike Walne said yesterday.

Reviewing the group's year to September, he said dumped chicken imports and the local overproduction had compounded the difficult trading conditions in the past year. Natchix had also inherited high input costs from the previous year.

Walne said the strong second-half performance had enabled the day-old broiler chick producer to lift revenue 22% to R117m and increase operating profit before depreciation nearly 12% to R20,7m.

However, the 36% rise in finance charges and depreciation to R10m reduced attributable profit 8,8% to R9,7m. This also reflected the lower second-quarter earnings and the intensive capital expenditure programme.



Graphic: KAREN MOOLMAN Source: I-NET

Headline earnings a share dropped to 28,6c (1996: 39,4c) on a 19% increase in the number of shares in issue, but the annual dividend rose to 12c (7c). Walne said the 2,5 times cover was in line with the stated policy on future dividend cover and he was "satisfied" with the results given the conditions under which Natchix had operated.

Reviewing operations, Walne said the temporary reduction in hatching egg supplies and resultant lower chick production in the first half-year was corrected and full-year levels were on target.

"An increased flow of fertile eggs from the breeding division coupled with a high hatchability rate, pushed output to record levels and, despite the severely depressed market, product was sold at standard prices," he said.

The Lesotho and Swaziland hatcheries made meaningful contributions, while the new R6,5m venture in Botswana would come into effect at the end of the year. In the current year Walne believed this venture was poised to add further weight to the group's cross-border operations.

He said Natchix had completed 75% of its expansion programme and was "well placed" to take advantage of a more confident industry expected in the near future.

Retrenchment plan details at Rainbow

CT (BR) 3/12/97 (3) POULTRY

RAVIN MAHARAJ

Durban — Rainbow Chicken, the ailing broiler producer, and trade unions representing about 2 000 workers, who will lose their jobs when four of Rainbow's operations close in the new year, had put into place a rationalisation agreement outlining conditions of retrenchment packages for the workers, the Food and Allied Workers' Union (Fawu) said yesterday.

Fawu said last month that Rainbow would close four of its operations — East London (entire operation), Krugersdorp (processing operation), Nottingham Road (pedigreed breeding operation) and Bellville (processing operation) — in mid-January next year.

The company, which has 10 680 employees, would retain its operations at Worcester (Western Cape), Hammarsdale (KwaZulu Natal) and Rustenburg (North West Province).

Thabiso Pule, Fawu's national negotiator, said the rationalisation agreement outlined issues that had been agreed by all parties.

But, he added, Fawu would also speak to Rainbow's management about creating joint ventures with Rainbow at its remaining operations.

In addition, Pule said the union wanted to know what the company intended to do with machinery and equipment at operations that were going to close, and what strategic plans were being put into place to ensure the efficiency of remaining operations.

Employment of supervisory staff at remaining operations would also be examined, Pule said.

According to the rationalisation agreement, one month's notice would be given to all affected employees, which would run from December 15 to January 16 next year.

With reference to severance packages, all affected non-salaried employees would receive 2,75 weeks' pay a year of completed service up to a maximum of 10 years of service, thereafter 0,25 weeks' pay a year of completed service.

In addition, the company had undertaken to set aside a budgeted amount for the vocational training of any retrenched employee who wanted to embark on a training programme to help that employee find a new job.

Monthly reports on the utilisation of this fund would be made to the union's offices.

The fund would remain in operation for six months from the date of closure of the operation, after which any outstanding funds would revert to the company.

Ostrich no threat, SA to assure EU

ARG 9/12/97

A South African delegation will meet European Union veterinary officials this week to persuade them ostrich meat can be imported without risk of disease.

(3) POULTRY

Agriculture Minister Derek Hanekom said yesterday: "The delegation will visit Britain, Belgium, Germany, France and Italy. Its main purpose will be to gain support for the South African view that the export of ostrich meat does not pose a threat of transmitting Newcastle Disease or Crimean Congo Fever to importing countries.

"It will also be essential to convince the European Commission that South Africa can deliver the sanitary guarantees required by our trade partners."

Newcastle disease affects poultry and is usually fatal. Congo fever, carried by ticks, can be transmitted to humans, but not by eating the meat of infected birds.

An outbreak of Congo Fever at South Africa's biggest ostrich abattoir in Oudtshoorn last year led to a temporary ban on exports of ostrich meat to Europe. – Reuters

Nulaid deal a 'role model for blacks'

CT(BR) 4/12/97

ROY COKAYNE

Pretoria — Although black economic empowerment was something the government truly wanted to embrace, this did not not mean special protection for black economic empowerment projects, Derek Hanekom, the agriculture and land affairs minister, said this week.

"As soon as you start introducing special measures, you defeat the objective of achieving a competitive economy and economic growth," he said.

Hanekom said recent measures taken to increase poultry tariffs were appropriate, but stressed this was a temporary measure introduced on the basis of an analysis of the situation in the country and as a result of product dumping.

INSPIRATION *Agriculture Minister Derek Hanekom*

He stressed the tariff increase had nothing to do with black economic empowerment projects, and there was "a difference between support measures for black economic empowerment projects and the protection of these projects," he said.

Hanekom was speaking at a function at which 16 employees at the 25ha Hirise Farm at Olifantsfontein near Pretoria of Nulaid, the national egg producer, signed an agreement to acquire the farm property, poultry sheds, equipment and 163 000 hens for more than R8 million.

He said the Hirise project embraced true black economic empowerment and also addressed the important issue of worker empowerment.

Hanekom said the Hirise worker empowerment project needed to succeed to serve as a source of inspiration and a model for other enterprises which wanted to embark on similar projects.

(3) POULTRY

US chicken dumping row continues

CT (BR) 4/12/97 (3) POULTRY

RAVIN MAHARAJ

Durban — Poultry that the US was exporting to South Africa was a by-product of the US market demand profile and was the main reason for unfair competition, Zach Coetzee, the executive director of the Southern African Poultry Association, said yesterday.

Coetzee said in the US, chicken breasts were sold at well over $1.50 — up to $2 a pound — as opposed to leg quarters, which sold between 23c and 50c a pound.

"They are getting rid of an unwanted item which cannot raise a decent price in the US," he said.

"So strictly speaking, American chicken is not being dumped in South Africa and the association has never claimed that this is the case."

Coetzee said this situation also disproved a statement by Jim Sumner, the president of the US Poultry and Egg Export Council, who said the South African notion was that US companies charged a premium for breasts to subsidise the rest of the market.

Coetzee said there was a basic efficiency backlog of 27 percent between South Africa and the US, which was covered with a general tariff. He said the R2,20 a kilogram tariff — instituted earlier this year by the Board on Trade and Tariffs — addressed the "disruptive" by-product sales into South Africa and still left the importers with a R2/kg profit margin above the local production price.

"The US industry represents between 30 and 40 percent of the world production. The South African industry only represents 0,8 percent. A small surplus on the US market can totally wipe out the South African industry."

Coetzee said the imported product was not offered to consumers at cost, as importers were not charitable institutions. South African consumers were not reaping any benefits (as the landed price would suggest) from the cheaper price.

The great Namibian ostrich scam

MG 0-11/12/97

(3) POULTRY

Donald McNeil *reports on one of the greatest ostrich-smuggling scams of all time*

Timotheus Voges says he has gone straight these days, but there was a time when he was the most devious ostrich smuggler in Africa.

He's just another businessman now — like any other who owns 8 000 birds that dress like model Carol Channing, kick like king of kung-fu movies Jackie Chan and have the brains of gnats. But in the heady days of the early 1990s, when Texans with visions of low-cholesterol red meat and pimply looking Gucci bags dancing in their heads were paying as much as $150 an egg, he was an ostrich lord.

He pulled off his greatest scam in 1994, when instead of smuggling birds over a border he smuggled the border out from under 860 birds.

To explain that, one must go back to 1982, when Voges, who has dabbled in everything from tyre retreading to commercial fishing, decided to try his hand at ostriches.

At the time, South Africa dominated the trade the way Russia dominates sables or the Netherlands once dominated tulips. Oudtshoorn, the world's ostrich capital, still boasted "feather palace" mansions built when the Victorian craze for ostrich-feather boas made millionaires of a few farmers. To protect its near-monopoly, the powerful ostrich-ranching lobby had prevailed on the government to outlaw the export of live birds or eggs.

Taking a risk, Voges bought some South African birds and started for the border. "The conservation people were waiting for us there with shotguns," he said. He blamed the Klein Karoo Koöperasie for tipping them off.

But in 1982 Namibia was still virtually a colony of South Africa. A court ruled that he wasn't really exporting them and, after the birds spent a few months in quarantine, they were released to him.

At first he was not very good at it. His chicks had an 85% mortality rate. As another rancher has lamented: "These stupid birds just go looking for things to die of."

But he struggled along, eventually building a large ranch in the town of Mariental, which nowadays has 7 581 people and more than that number of ostriches.

In 1990, when Namibia gained independence, Voges and other ranchers persuaded the new agriculture minister to legalise exporting, and he began making money at that.

A year later, for reasons no one really understands, the American ostrich market went wild. "It might have been cowboy boots, I don't know," Voges said. "Americans seem to like fads."

Would-be flightless-biped magnates from New Jersey to California drove the price of a breeding pair up to $35 000, and of a fertile egg to $150.

Meanwhile, in South Africa, farmers were forced to trade at prices set by the Klein Karoo Koöperasie and were getting less than a tenth of that. Opportunity pecked.

From 1991 to 1994, ostrich-smuggling arrests soared. South Africans would drive up to remote sand dunes on the Namibian border, cut holes in the fence and chase their birds through to confederates on the other side. They would even scatter corn to attract guinea fowl to cover the big birds' tracks and wipe battery acid on the fence wires to make the cuts look old.

One enterprising family bought a ranch that straddled the frontier and imported birds on one side while exporting them from the other.

And — lest one be accused of sticking one's head in the sand — it must be noted here that Voges was part of those scandals. The Great Namibian Ostrich Trial opened on July 27 1993, heralded by the headline "Ostrich tycoon faces 137 charges".

He and four workers at his ranch were accused of being the last stop for a smuggling ring based in Boshof, in the western Free State, that flew small planes over the border by night. They were charged under everything from the Animal Disease and Parasites Act to the Riotous Assemblies Act.

The trial's high point was the testimony of Willie Hattingh, a bush pilot whose fiery night-time crash led to the arrests and unravelled the whole scheme.

As Hattingh told it, his last cargo was not the usual eggs or chicks but 37 adult birds, carried loose in the cabin behind him, not even wearing their seat belts.

On his final approach to a dirt runway lit by flaming tyres, he dipped the nose too low. Normally he could have adjusted, but his passengers, whether unbalanced or simply curious, suddenly shuffled forward, pressing "right up against the cockpit seat".

The plane tipped and began to plummet. Veering to avoid a windmill in the dark, he clipped a tree and crash-landed, skidding 550m but walking away alive. Only two birds died, and another broke a leg and had to be killed.

As luck would have it, Zimbabwean President Robert Mugabe was due to visit the area the next day to study modern ostrich farming. Voges and three others, worried that the wreck would draw the police, cut up the plane and threw the pieces into a dry well — to no avail.

The trial dragged on for months, and even included Namibia's first ostrich DNA tests to see whether the birds were wild, a more serious offense. In the end Voges was fined R400, for interfering with the investigation of an aircraft accident.

"We had good advocates," he said. "The laws were old South African laws, full of loopholes. We walked."

The scheme was admittedly illegal, he added, "but everybody did it in those days". — *New York Times*

SA's high chicken prices coming home to roast

(3) POULTRY ARG 6/12/97

Johannesburg – South African consumers pay the highest chicken prices in the world, according to Jim Sumner, president of the United States Poultry & Egg Export Council based in Atlanta, Georgia.

For example, he said, whole fresh chickens sold for R6,98/kg in the US, while they sold for R11/kg or more in South Africa. Quality boneless, skinless chicken breasts sold at R19/kg in the US, while the equivalent product in South Africa sold for R25/kg.

Mr Sumner said accusations that the US dumped poultry in South Africa were "completely untrue". He said US chicken producers had no incentive to dump chicken anywhere, especially when demand far outstripped supply as it did at present.

He said the South African market accounted for less than one percent of US chicken exports.

"South African sources claim that the import of US products is disadvantaging the local producers," he said. "About 10 000 tons of poultry product is coming into South Africa each month. Last year imports represented only about 14% of total local production."

Mr Sumner said the US government did not subsidise the production or export of poultry. The domestic price of US poultry determined its export price.

"Market preference is one of the factors which enables us to export poultry at a good price," he said.

"In the US, consumers have an overwhelming preference for breast meat and also are prepared to pay premium prices for a fresh and further processed product.

'Regardless of local costs, if import prices go up, so do local prices'

"South African consumers tend to prefer the darker meat of the chicken and we are therefore able to sell our chicken leg quarters as a commodity item at an exceptionally good price." But, he said this price would apply worldwide.

He said the entire poultry market in South Africa was smaller than the poultry market in California alone and much smaller than the market in Russia. This gave South African importers little leverage in negotiating a good price.

He said when he met major importers and distributors in South Africa a few months ago, the unanimous view was that the new higher chicken tariffs would only provide local producers with the justification to increase local prices.

"Their prediction was that, within a few weeks of tariffs being increased, the local industry would raise its prices. The only one to lose would be the South African consumer.

"We should also point out that America does not have a board on tariffs and trade to control prices. In America, prices are purely the result of supply and demand."

Mr Sumner said South African producers had allowed imports to become the price-market leaders and maintained a policy of pricing their products at just under the import price.

Regardless of the operating costs of local producers, if imports went up in price, so did local market prices.

This had the effect of steadily driving up prices for South African consumers, without any increase in quality or competitiveness for the industry, he said. – Sapa

JSE MICROSCOPE

ETIENNE SWANEPOEL

Unbundling Rainbow Chicken is straight out of the textbook

BD(BR) 8/12/97 (3) POULTRY

Hunt Leuchars & Hepburn (HLH) was the controlling shareholder of Rainbow Chicken. HLH was in turn controlled by Huntcor. HLH also holds controlling interests in Robertson and TSB, both of which are high-performance companies.

Regrettably, the same cannot be said of Rainbow Chicken, which has realised losses over the last year or so. As a result of the Rainbow losses, HLH's shares have traded at a considerable discount to their true value.

In order to unlock the underlying value within HLH it was resolved that Huntcor would be liquidated and its shareholding in HLH distributed to its shareholders, of which Remgro is the controlling shareholder.

HLH in turn resolved to distribute its underlying shares in Rainbow Chicken by way of an unbundling exercise to its shareholders, the controlling shareholder of which is now Remgro.

The unbundlings were approved at various shareholder meetings last week, and share certificates in respect of the affected shares are to be posted from today.

The market has responded favourably to the unbundling exercise, and the shares of HLH have gained substantially since the announcement and implementation of the restructure.

This restructure has been a textbook exercise in shedding a poor-performing investment in a company of which other parts perform well. As the restructure has taken place by means of an unbundling in terms of section 60 of the Income Tax Act, No 113 of 1993, no transfer costs were incurred in the restructure.

It would seem as if one issue has not been addressed in the circular to the shareholders of Rainbow Chicken relating to the restructure, namely, that the unbundling has resulted in a change of control in Rainbow Chicken from HLH to Remgro.

An "affected transaction" is defined in section 440A of the Companies Act, No 61 of 1973, as including any transaction or scheme which has or will have the effect of vesting control of any company in any person in whom control did not vest prior to such a transaction or scheme.

Section 440L of the Companies Act in turn provides that subject to any exemption by the Securities Regulation Panel no person shall enter into or propose an affected transaction except in accordance with the rules of the Securities Regulation Code.

The change of control of Rainbow Chicken is more academic than real in the sense that ultimate control in Rainbow Chicken did in reality vest in Remgro prior to the restructure.

However, according to the relevant provisions of the Companies Act, the restructure would seem to fall within the definition of an affected transaction and would therefore be subject to the jurisdiction of the Securities Regulation Panel.

The mere fact that the relevant circular did not deal with the issue does not mean the issue will not be dealt with in the future. Alternatively, the relevant consent from the Securities Regulation Panel may have been obtained already.

☐ *Etienne Swanepoel is a director of the Cape law firm, Fairbridge Arderne & Lawton. The opinions expressed do not constitute advice. Readers should direct any queries to their legal advisers. Company information was supplied by Stock Press.*

SA team has answers on ostrich meat

Louise Cook

3 POULTRY

AN SA delegation headed by Land and Agriculture Minister Derek Hanekom is to meet European Union (EU) member countries in Brussels today to head off a threat to SA's lucrative ostrich meat export market in Europe.

The market could be under threat if the European Commission decides to harmonise health import requirements within the EU.

European countries, with the exception of France and the UK, imported 80% of all their ostrich meat from SA each year, the agriculture department said yesterday.

Hanekom and several official veterinarians would hold talks with veterinary authorities of the UK, Belgium, Germany, France and Italy this week in an attempt to persuade them that there was no danger of transmitting Newcastle disease or Congo fever through the meat.

The department said the main purpose of the trip was to gain support for the SA view that the export of ostrich meat posed no health threat.

Neither France nor the UK, it said, allowed the importation of SA ostrich meat for fear of contamination.

However, other European countries were relaxed about the imports.

BD 9/12/97

OSTRICH FARMING

Hong Kong pulls its head out of the sand

CT(BR) 11|12|97 (3) POULTRY

PETER HUMPHREY

Wary of losing money in volatile financial markets? Don't stick your head in the sand. Invest in an ostrich.

A Hong Kong company is offering the chance to buy into farms that raise the huge flightless birds for their high-grade meat, leather, feathers and oil.

In a region where investors seeking quick fortunes have lost money in recent stock market crashes, Global Ostrich group's marketing and investment companies are touting an investment which they say can generate annual income three times the size of the original investment in six years.

But patience is a prerequisite.

"You need enough cashflow to wait two or three years for a good return," said Raymond Lam, the managing director of Global Ostrich Investments, one of the Australian-based Circle C International/Global Ostrich group of companies.

"It's not a short-term get-rich-quickly programme. It's not for that kind of speculator," said Karen Chan, the marketing manager. "It's a longer-term investment for a steady income."

Global Ostrich projects a 291 percent annual return on investment in six years.

The calculation is based on starting with three ostriches to produce a breeding flock of 34 birds after six years while selling 170 birds a year.

Investors can buy a share of the farm in a variety of packages. Sold in units of one, two or three birds for A$9 750 to A$29 250 (R31 718 to R91 156), the scheme involves a down-payment and monthly installments.

The birds are raised on Global's farms in Australia, where a hot dry climate provides ideal breeding conditions. Eggs are produced after two years, and the birds can lay up to 70 a year. An adult stands about 2,5m tall, weighs 130kg and can live for 70 to 80 years.

Global Ostrich has pulled in 104 clients for the scheme in its first year, and in 1997 launched a marketing company to sell the meat, leather and feathers in southeast Asian markets.

While ostrich products have scored well with middle-class consumers in Singapore, Lam says the group now hopes to push the goods upmarket in Hong Kong and Japan, where it intends to launch a new company next year.

A good ostrich produces 30kg of meat valued at US$7 to US$8 a kilogram, yielding about US$240 worth of meat, Lam said.

The Australian Heart Foundation has rated the meat healthy because it is low in cholesterol and fat. "It's an alternative for people worried about heart conditions or cancer. They can eat ostrich instead of red meat or chicken," Lam said.

Hong Kong nutritionists are examining the meat to judge whether it could be used to feed hospital patients.

The meat is currently offered by a Hong Kong fast food chain, the Cafe de Coral, in the form of an ostrich hotpot and distributed in frozen packets through a Hong Kong foodstore chain.

Some Chinese restaurants in Hong Kong have ostrich dishes on their menus, and five-star international hotels in the city have offered ostrich steaks to their guests.

But not all diners are delighted. "When they told me what it was, I almost became a vegetarian," one hotel guest said.

Ostrich hides produce 14,5 to 16 square feet of leather worth an average of US$26 a square foot, so the smallest bird is worth US$377. Together with the meat, a single ostrich can therefore yield US$580 or more.

Japan consumes 70 percent of the world's "Rolls-Royce" of leathers, a durable hide with a distinctive natural quill pattern. Ostrich oil is an ingredient in cosmetics and drugs.

The feathers are also a valuable product. "Ostrich feathers are free of static electricity, and when you brush something with them the dust is cleaned off completely," Lam said.

Apart from traditional use in ladies' fashions, the feathers are used to dust off cars before they are spray-painted, and they can be used in the assembly of computer disks.

Ostrich products were first used by the ancient Egyptians. Europeans first encountered the birds in the 13th century.

Europeans tried farming ostriches a century ago in South Africa, which is the biggest exporter today with an ostrich industry generating annual turnover of US$200 million.

Attempts at ostrich farming in Britain and Belgium were shut down after it was revealed the firms were selling birds they did not actually own, or were selling birds three or four times, Lam said.

"We only sell the birds we have. We don't sell birds we don't have. That's why we offer different packages at different times of the year, depending on how close we are to the breeding season," Lam said.

The search for alternative meats has received a kick from the recent "mad cow" disease beef scare, which caused some Britons to turn to ostrich and kangaroo as a safe alternative red meat.

Ostrich farming has been cast into controversy in many parts of the world where it is being tried.

Heated debates have raged in the letter pages of newspapers over the nutritional value or popularity of ostrich meat, and whether ostrich farming is really viable.

But there has been a proliferation of interest, not least on the Internet, where chat groups debate the industry's pros and cons and ostrich farmers exchange tips.

A search of the World Wide Web throws up more than 850 document sites dealing with ostrich farming. Some of them market the idea, others teach you how to do it.

One extensive site, "Ostriches Online", offers services ranging from training for would-be ostrich breeders to "ostrich farming software" and recipe books. — Reuter

Poultry disease threatens SA ostrich exports to the EU

(3) POULTRY Star 22/12/97

Country has been given another chance to clean up its act and meet new standards

BY PRISCILLA SINGH

South Africa is again in the running as a major supplier of ostrich meat to the European Union, but a persistent poultry disease here could stop all exports if it is not stamped out in the next six months.

After a meeting in Europe last week between the standing veterinary committee of the European Commission and a South African delegation, it was decided to give the local ostrich industry another chance to clean up Newcastle disease and meet the new EU regulations and standards.

In July, the European Commission published a list of countries outside the EU which would be allowed to export ostrich meat to EU countries from next month, and left out SA and countries within the Southern African Development Community region.

SA vehemently objected to the EU and said six abattoirs were already approved for export to the EU and their names supplied to the European Commission last year, according to Dr Gideon Brückner, director of public veterinary health.

Currently, more that 80% of all ostrich meat exported to the EU originated from SA, according to the Department of Agriculture.

Brückner said yesterday that the Commission's decision was a temporary reprieve for SA and that if major moves to eradicate the disease in the next six months were unsuccessful, the EU would stop importing South African ostrich meat.

"The presence of Newcastle disease in poultry and ostriches in South Africa is still a major stumbling block in convincing the European Commission that the export of poultry meat poses no risk of transmitting disease to European countries," he said.

Newcastle disease was a viral infection, affecting poultry throughout the country, and had been in South Africa for many years, Brückner added.

"While it (Newcastle) is a controlled disease, our goal is to eradicate it. We have to give the EU guarantees that there is no threat of disease or infection before they close imports."

CAPE ARGUS, TUESDAY, DECEMBER 23, 1997

Disease threat to ostrich exports

ARG 23/12/97

SA bids for key EU trade

(3) POULTRY

ARGUS CORRESPONDENT

Johannesburg – South Africa is again in the running as a leading supplier of ostrich meat to the European Union, but a persistent poultry disease could halt exports if it is not stamped out in the next six months.

This is the message from a meeting in Europe last week between the Standing Veterinary Committee of the European Commission and a South African delegation. It was decided to give the local ostrich industry another chance to clean up Newcastle disease and meet the new EU regulations and standards.

In July, the European Commission published a list of countries outside the EU which would be allowed to export ostrich meat to EU countries from January, and left out South Africa and other countries within the Southern African Development Community region.

Gideon Brückner, director of veterinary services said South Africa objected and said that six abattoirs had already been approved to provide exports to the EU and their names supplied to the European Commission last year.

Currently, South Africa provides more than 80% of all ostrich meat exported to the EU, according to the Department of Agriculture.

Dr Brückner said this week that the commission's latest decision was a temporary reprieve. If moves to eradicate the disease in the next six months were unsuccessful, then the 15 EU countries would stop importing ostrich meat.

"The presence of Newcastle disease in poultry and ostriches in South Africa is still a major stumbling-block in convincing the European Commission that the export of poultry meat poses no risk of transmitting disease to European countries," he said.

Newcastle disease was a viral infection, affecting poultry throughout the country, and had been in South Africa for many years.

"While it (Newcastle) is a controlled disease, our long-term goal is to eradicate the disease. We have to establish areas of outbreak of disease and try and give guarantees to the EU that there is no threat of disease or infection before they close imports.

"So far, exporting ostrich meat to the EU has been on a bilateral agreement. A team of experts will be inspecting ostrich farms in the middle of next year to check if we meet the sanitary requirements," Dr Brückner said, adding that ostrich farmers were keen to get rid of the disease.

Ostrich meat industry in bid to increase its market share

(3) POULTRY BD 30/12/97

HENGELO — Move over chicken. Watch out beef. Ostrich meat wants some respect — and market share.

Farmers, exporters and breeders of the tall, awkward bird are facing a glut of meat, low prices and a sceptical public.

Frustrated that the meat is shrugged off as an exotic oddity, they banded together at a recent trade gathering in the Netherlands to promote it as a healthy, everyday staple.

Organisers of the new International Ostrich Association planned mass-market advertising campaigns to spread the word about juicy steaks with half the fat of beef.

And they cooked up a storm, with a gold-medal chef offering everything from ostrich paté to sushi and stir-fry.

It will be a battle, though, to win over a wary public, says the chairman of the new group.

"There is resistance to eating it. Some people think, how could they eat such a beautiful bird," said Peter Strijdom, who exports ostrich meat from leading producer SA.

"It's a lack of knowledge. A lot of people think of it as a zoo animal," said vice-chairman Fred van der Horst, a Dutch ostrich farmer.

The drive to promote ostrich meat was spurred by a burgeoning industry faced with an oversupply of meat, especially in SA where prices have plummeted.

The sector is also undergoing a shake-out in countries such as the US and Britain, where disappointed investors who were promised easy profits are getting out of the business.

Compared to the livestock, pork and poultry sectors, the ostrich industry is tiny.

"World production of ostrich meat is about 4 000 tons. That's about the same amount of pork slaughtered around the world on one day," Strijdom said.

But the ostrich industry itself has grown by leaps and bounds over the past few years. This year about 300 000 birds are expected to be slaughtered, more than triple the 1993 level of about 93 000 birds.

That has sent meat prices tumbling by up to 50% in SA, which produces the bulk of the world's ostrich meat.

Hence the move to develop new markets.

The International Ostrich Association, launched at the Dutch meeting, has members scattered across the globe.

Ostriches like dry, warm climates such as Israel, the second biggest exporter, China, an emerging player, and Spain and Portugal.

"We're planning a global marketing campaign," said Van der Horst.

Television advertisements would extol the low-fat, iron-rich meat, sports stars would be pictured eating robust ostrich steaks and TV chefs would show how to cook the meat.

The promotion, still in early planning stages ahead of a push for funds from members, would bombard two or three markets at first.

"If we can just get 1% of Germans to eat ostrich meat, it would take up the total world production," Strijdom enthused.

Part of the drive to gain acceptance involves dreaming up recipes for the meat, which is red.

One bird can be carved up into about 30kg of meat, with drumsticks weighing in at about 4,5kg each.

Most of the cuts are fillets or steaks, but German-born chef Hubert Schmieder has let his imagination run wild in coming up with suitable recipes.

Schmieder, who has won 16 culinary gold medals during his 54 years as a chef, likes to smoke the meat like Westphalian ham, and creates impressive displays of hors d'oeuvres with ostrich paté.

"Ostrich meat is also very good in sushi and stir-fry," said the 69-year-old who emigrated to the US and now teaches at Purdue University's hotel management institute.

The German chef confided: "I prefer it very simple; grilled or pan-fried very quickly."

The chef's wizardry intrigued conference-goers, many of whom see ostrich farming as an exciting challenge.

Nathalie Ameloot, who left university in Belgium four years ago, joined her brother in an ostrich farming business after a short stint in a conventional job.

"You look for something that has a future ... the meat is healthy and the leather makes fashionable products," said Ameloot.

Her brother Frederik switched from raising cattle after the BSE crisis hit Europe and beef prices fell, she said.

"Now we do everything from eggs to skins," Ameloot said.

Nathalie and other farmers have no sympathy for investors who lost money in get-rich-quick schemes.

"It was doctors and dentists who threw money into it instead of stocks or bonds. Some in the US paid $50 000 for a breeder a few years ago," Van der Horst said, adding they sold for a couple of thousand dollars now.

"We don't want those types in this industry," he said. — Reuter.

Feathers fly as SA farmers face ostrich meat ban

(3) POULTRY

Louise Cook

BD 30/12/97

SA's ostrich meat exporters were facing a threat of having their products banned by the European Union if the EU decided in the second half of next year to set up more stringent regulations to combat the spread of Newcastle disease.

A delegation, including Land and Agriculture Minister Derek Hanekom, visited European countries recently to try to keep open the export channels to Europe.

Little Karoo ostrich abattoir GM Coenie Coetzee said yesterday nothing definite was decided during the visit and talks between SA's state veterinary division and the EU would continue.

"The biggest problem is the fact that, when it came to Newcastle disease — an ailment common to chickens, but transmitted recently to ostriches — the EU made no distinction between the species.

"The local industry will have to wait and see if the EU is going to tighten controls over poultry and, if it does, it will impact on ostriches. Local inoculation programmes will have to be adapted to meet the new requirements," Coetzee said.

The delegation visited Europe to support the point of view that ostrich meat posed no health threat.

At present, neither France nor the UK allowed the importation of ostrich meat from SA for fear of contamination.

However, 80% of all ostrich meat exports went to other EU member countries.

Agriculture department director of veterinary health Gideon Bruckner said indications were that the EU was more interested in the type of measures used to control Newcastle disease than actual research on it.

See Page 4

Broiler industry 'to return to profitability'

BD 30/12/97 (3) POULTRY

Nicola Jenvey

DURBAN — The depreciation of the rand, coupled with higher duties on imported chicken hindquarters, should help local broiler producers stabilise and return to "reasonable" levels of profit, National Chick (NatChix) chairman and MD Mike Walne said in the latest annual report.

With the day-old chick producer having completed 75% of its expansion programme, the group was well placed to take advantage of "a more confident" industry.

Since acquiring Malan Chix in October, NatChik has become the largest layer chick producer in southern Africa and Africa's biggest producer of day-old broiler chicks. Walne said the group remained focused on the breeding and hatching of chickens.

Reviewing the year to September, he said production had been maintained above forecasts. Hatcheries had achieved good figures and the combined effect of the increased flow of fertile eggs from the breeding department and higher hatchability had raised chick output to record levels.

Meaningful contributions were received from the Lesotho and Swaziland operations at the operating level, while Botswana came on line at year-end.

Walne said 12% (1996: 3,8%) of total revenue was generated from sales outside SA and this figure was expected to rise substantially in the new year as the regional operations became fully utilised.

Capital expenditure totalled R21,3m, lifting total spending on new investments to R46m over the past two years. Expenditure in the year would be limited to essential items and the final expansion of the Gauteng breeding farms.

AGRICULTURE - 3 - Poultry

1998

RAINBOW CHICKEN

A break-out of new problems

FM 23/1/98

This soap opera enters its 1998 season with all the usual intrigue

Those familiar with Rainbow's troubled past won't be surprised to hear that its new list of ailments looks as terminal as ever.

For starters, it has been hit by yet another departure, of sales and marketing director on the operational Rainbow Farms board Steve Pattinson. He is said to have left about a month ago; it's not known why.

More crucially, it seems the long-awaited rationalisation programme is running into trouble, with Rainbow heading for a showdown with the Food & Allied Workers Union (Fawu) over alleged stripping of four farming and processing operations earmarked for closure.

Fawu national negotiator Thabiso Pule says the union is attempting to find buyers for each of these to avoid job losses, but is being frustrated by Rainbow's scorched earth policy. "Rainbow is killing the breeding stock or moving it to new areas and taking some of the features which are part of the buildings. It will take six months to get the operations started up again."

Pule claims Rainbow is doing this to ensure no-one will buy its existing facilities and directly compete against it. He says Rainbow could gain R10m-R15m in selling its Krugersdorp, Gauteng facility and R70m from selling the other in East London, but that this policy has already led two potential buyers to reconsider. Rainbow also plans to shut operations in Bellville, Western Cape and Nottingham Road, KwaZulu-Natal and shift production to Worcester, Western Cape, Hammarsdale, KwaZulu-Natal and Rustenburg, North-West.

Pule says the company expects to shave R1,7m off costs each month by this programme, but this will hardly dent its average monthly loss of R20m. "By the fiscal year-end (March 31) Rainbow will have lost R200m. The company is in an ICU state and still doesn't have a plan to break even."

Chairman Dave Marlow declines to comment on these claims. Thys Visser, MD of controlling shareholder Rembrandt, was not available.

This restructuring is bound to involve big costs. If no new work can be found for the 2 000 employees affected, Rainbow will have to cough up for retrenchment packages. Presumably it will also have to invest in extra capacity at its remaining facilities.

That will stress the finances further, despite the R750m rights offer in September 1996. Results for the six months to September show interest-bearing debt at R205,6m and a debt:equity ratio of 21,3%. Fawu says it has been told by Rainbow that Rembrandt is not planning to put in more money.

As to new MD Jorge Del Corral, heralded as the saviour from Mexico, Pule says: "We are not sure of his status, but Rembrandt has put in some consultants." One industry source says Del Corral's contract expires at the end of this year.

These developments and the unfavourable weather evidently encouraged the slide in the share price in December from 50c to a historic low of 17c on January 7 despite a new duty on frozen chicken cuts to stem cheap imports. The share is now trading at about 24c.

One insider says many smaller broiler producers have delayed expansion until they establish whether there is anything to be picked off the bones of Rainbow.

Stuart Rutherford

Dept raises duty on value-added poultry products

THE trade and industry department has raised the duty on value-added poultry products to 220c a kilo from the present 27% ad valorem tax.

This step has been taken to try to close a loophole in the higher duty on frozen products.

The department, which raised the duty on frozen cuts of chicken last September to give some protection to the domestic poultry industry against cheap imports, said yesterday that some importers were sprinkling small amounts of seasoning on poultry to get them reclassified as value-added products.

"The Board on Tariffs and Trade consequently recommended that the duty at 27% ad valorem be adjusted to 220c/kg."

Alwyn Kraamwinkel, chief director of industrial promotion at the department, said: "We have raised the duty with the intention of removing a loophole.

"By merely adding a few bits of seasoning, people can change poultry from frozen into prepared or preserved meat," he said, explaining how some importers had attempted to circumvent the higher tariff on frozen chicken.

The department said the new duty on value-added portions had come into effect on January 8.

The department said that as the price of value-added poultry was generally higher than that of the frozen product, the effect of the newly implemented duty would be considerably less on value-added imports than on frozen cuts.

It said the new duty would, in fact, be lower than the old tariff on some value-added imports.

"Furthermore, a duty of 220c a kilo on high-valued products, which are normally imported under chapter 16 (value-added agricultural products) will be lower than the duty paid in terms of a rate of 27% ad valorem," said the department. — Reuter.

BD 14/1/98 (3) POULTRY

Award-winning system to save Eskom R80m

Tim Cohen

LONDON — Eskom is expected to save R80m this year after implementing a power transmission system to rural areas which won an award here yesterday.

Gibb Africa, the company which perfected the system, won the Shell Technology for Development Award at the Worldaware Business Awards, in which Shell SA was also a prize winner.

About 400 homes in Southern African villages now have mains power thanks to the power transmission system which transmits power to small users in outlying areas more cheaply than conventional transmission.

The power goes out along a single wire mounted on simple poles with long spans, but the system generates the same standard 230V power at a 20% cost reduction.

Eskom expects to use the SWER system for more than half of the 500 000 power connections it plans for this year.

Gibb Africa won the award for the adaptation and implementation of this technology, and also for good working practices and community involvement.

Shell SA won the Lawrie Group Award for Social Progress for its long-term commitment to teacher training. It spent about R1,6m in KwaZulu-Natal last year on the Centre for the Advancement of Science and Mathematics Education in KwaZulu-Natal.

Leadership courses are run to encourage teachers to set up their own workshops for other teachers and funds formal two-year part-time courses leading to further diplomas in maths, science and technology.

In 1995 Shell SA also established a scheme called Livewire for encouraging young people to go into business.

BD 14/1/98 (355)

Govt warns of Cape land scam

GRAHAMSTOWN — Estate agents have been posing as land department agents in the Eastern Cape and trying to cream off thousands of rand in illegal commissions, the department said today.

The department noted "with concern" that "some estate agents are posing as departmental agents". The department had no "agents" in the Eastern Cape, said Mzimasi Ngudle, provincial land affairs communications officer.

He advised local councils and the public not to use these agents, who were operating in Steytlerville, Somerset East, Jansenville and Humansdorp.

"These agents advise local councils and potential land reform beneficiaries to apply for land reform grants and in the process are trying to collect commissions.

"This results in a supply-driven land reform approach instead of it being essentially needs driven." This could upset the land market and inflate land prices, he said.

Ngudle said the department had officials who advised municipalities and communities on land reform projects. They were paid by government and received no commission for their tasks. — ECN.

SA Youth Council sacks Mashapa over lost money

Pule Molebeledi

BD 14/1/98 (288)

THE SA Youth Council had dismissed its general-secretary, Naledzane Mashapa, for gross negligence after R28 560 of its funds had gone missing, council president Freddy Pilusa said yesterday.

Pilusa said Mashapa, a former SA Students Congress president, had been found guilty of negligence by an inquiry conducted by Edwin Molahlehi of the Independent Mediation Service of SA in December last year.

The missing money was made up mainly of R1 000 subscription fees from 30 youth organisations that had affiliated to the council, which was launched in August last year.

Pilusa said that the council would be consulting member organisations to decide whether criminal charges should be pursued against Mashapa, who had already repaid R5 000.

The inquiry followed the completion of an investigation by the council's executive committee into Mashapa's "poor" performance of his official duties.

It was then discovered that the money was missing.

Pilusa said Mashapa had claimed he had lost the money after attending two social functions late in the evening.

"Asked why he had kept this information to himself, he told the inquiry he was afraid to report it to the executive committee, as he felt it was a sensitive matter," said Pilusa.

Chemist Khumalo, the council's deputy president, has been appointed acting secretary general.

Sapa reported that the SA Youth Council's decision to sack Mashapa had been welcomed by the African National Congress Youth League yesterday.

RAINBOW CHICKEN SURGES ABOUT 20% ON IMPORT DUTY RISE ANNOUNCEMENT

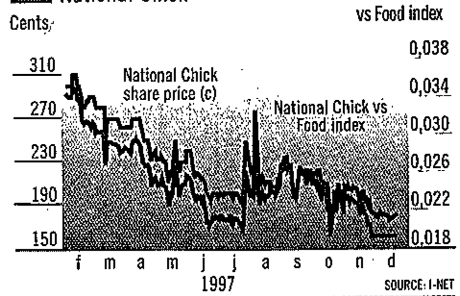
Cape Town — Rainbow Chicken, the battered broiler producer in the Rembrandt coop, surged more than 20 percent on the JSE yesterday following an announcement by the department of trade and industry that the import duty on value-added poultry products had been raised.

(3) POULTRY

Although Rainbow closed 5c firmer at 29c with over 19 million shares changing hands, Thys Visser, the managing director of Rembrandt, discounted the effects of the tariff protection. "It would be unfair for me to comment now on the company's prospects." He stressed that the department had merely closed a loophole in the increased duty structures, which were announced late last year. "I suspect some of the market interpreted the announcement as new protection for the local poultry industry." — Marc Hasenfuss

CT (BR) 15/1/98

National Chick



NATIONAL CHICK

FM 16/1/98

Running afoul of hot stock

(3) POULTRY

Nothing is certain when living things are key to production cycles

National Chick (NatChix) management tell anyone who will listen that they are a different type of bird to Rainbow and Choice. The company is, they explain, exclusively involved in the production and sale of day-old chicks to independent growers, which means they are less susceptible to diseases, imports, and ultimately financial woes.

But for all this talk, the market has been sceptical since the company listed on the JSE in April 1996, and — judging by financial results — justifiably so. Earnings per share (EPS) in its debut year to September 1996 rose by 25%, but failed to meet prospectus forecasts. The real disappointment came in financial 1997, when EPS fell by 24% from 40c to 30,5c.

The reason for the drop? Heat stress. High temperatures in the second quarter meant the breeding stock was too hot to breed, which caused a shortage of eggs and big losses. While NatChix financial director Gavin Jardine says this is the first time that the company has been this badly affected by heat stress, it demonstrates that NatChix is not immune to Rainbow-style ailments.

Not that the company had much room for error last year. An expansion programme put stress on the balance sheet and meant that both depreciation and finance charges were substantially inflated. This programme is 75% complete and Jardine says the balance sheet should begin to recover in the second half of financial 1998.

Once this programme is finished NatChix will have the capacity to produce 1,9m eggs a week, which should drive turnover. Current production is 1,8m a week and the company says its order books for the year are already full.

Operating margins are, however, under pressure, because of higher input costs and difficulties in getting price increases in the depressed market. NatChix will attempt a 5% price increase in March, but much will depend on the success of the increased import duty on chicken hindquarters.

Other factors coming into play this year include additional income from the acquisition of Malan Chix (about R3m after tax); an insignificant tax bill; diversification into the supply of animal health products; and expansion into neighbouring countries.

The company's confidence in the future is demonstrated by its decision to increase dividends last year. Barring other surprises its confidence may prove to be merited, but the rating is unlikely to recover much in 1998 after last year's showing. This company offers a promising future, but it is best avoided for now.

Stuart Rutherford

- **ACTIVITIES:** *Produces and sells day-old chicks for the broiler industry and sells and distributes animal health products.*
- **CONTROL:** *Gambier Holdings 50,9%.*
- **CHAIRMAN:** *Mike Walne.*
- **CAPITAL STRUCTURE:** *31,6m ords. Market capitalisation: R49m.*
- **SHARE MARKET:** *Price: 155c. Yields: 7,7% on dividend; 18,5% on earnings; p:e ratio, 5,4; cover, 2,5. 12-month high, 320c; low, 150c. Trading volume last quarter, 666 000 shares.*

Year to August 31	'96	'97
ST debt (Rm)	2,7	7,4
LT debt (Rm)	6,9	10,4
Debt:equity ratio	0,17	0,29
Shareholders' interest	0,59	0,51
Return on cap (%)	17,2	13,9
Turnover (Rm)	96	117
Pre-int profit (Rm)	15,4	16,2
Pre-int margin (%)	16	13,8
Earnings (c)	40	30,5
Dividends (c)	7	12
Tangible NAV (c)	160,8	180

Star 21/2/98

Contaminated chickens

(3) POULTRY

"South Africa has a low incidence of salmonella compared to many other countries. Ten years ago we had a 40% contamination rate," De Bude said. "You find salmonella everywhere.

"We don't close plants down. Most have adequate control programmes. Farmers tend to correct the problem quickly because they are scared of giving the industry a bad name.

"There's a major problem with what's happening outside the abattoir. Meat which is bought direct from farms which are not inspected gets into the system."

SA Poultry Association spokesman Zach Coetzee confirmed that members had reported cases of *salmonella typhimurium* in the Western Cape and Gauteng. *Salmonella enteritidis* was reported in Worcester and Port Shepstone early last year.

Steps to prevent illness from handling and eating salmonella-contaminated chicken are:

- Keeping it in the refrigerator until you are ready to cook it.
- Preventing water from defrosting chicken dripping on to other items.
- Do not cook in a microwave if the chicken is still frozen. Cold patches deep inside the chicken can harbour salmonella.

Van Wyk said his department had clamped down on importers of chicken from China – but not because of the dreaded "bird flu" virus. The World Health Organisation had given China a clean bill of health over the virus.

"Within three months last year, nine chicken consignments tested positive for *salmonella enteritidis*," he added.

Five chicken abattoirs in China have suspended exports to SA, but officials expect to visit China this year to check on hygiene control.

Star 21/2/98

Chicken tainted by mice and rats on SA shelves

(3) POULTRY

By JACKIE CAMERON

One in 12 chickens on local supermarket shelves is contaminated with potentially deadly strains of salmonella.

This emerged during regular spot-checks on locally produced chickens by Gauteng's department of agriculture at supermarkets last year.

Department spokesman Dr Malcolm de Bude said: "Last year we found that between 20 and 30% of chicken on all supermarket shelves was contaminated with salmonella.

"Most salmonella strains won't cause disease. We found the disease-causing salmonellas in about 8% of all the chicken we tested."

Worrying

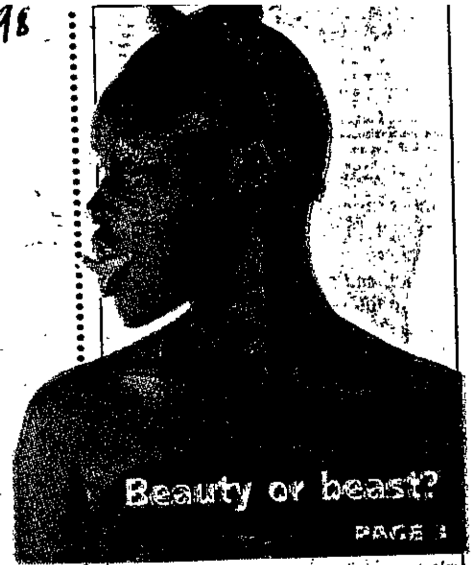
Salmonella enteritidis and *salmonella typhimurium* can lead to food-poisoning symptoms, which include diarrhoea, vomiting, chills and headaches, and can be deadly to the elderly, children and HIV sufferers.

"It's a bit worrying that we are seeing *salmonella typhimurium*. It's associated with mice and rats."

De Bude said 70% of food-poisoning cases in Gauteng were connected to "exotic strains" of salmonella.

Tons of salmonella-contaminated chicken imports – much of which is used for processed and fast foods – were also turned away from local harbours last year.

Several Chinese chicken abattoirs were blacklisted by the SA Department of Agriculture last year. Inspectors found "unacceptably high levels" of the salmonella virus, according to department spokesman Dr Johann van Wyk.



Workers who refused Eid work penalised

(3) POULTRY

JUDITH SOAL

27/2/98

RAINBOW Chickens in Worcester has suspended 14 Muslim workers for refusing to work on Eid-ul-Fitr — one of the holiest days in the Muslim calender.

The workers, who call themselves the "Muslim Judicial Slaughterers", said yesterday they had tried to negotiate with the company to get recognition for two Muslim holidays — Eid-ul-Fitr and Eid-u-Adhaa — but to no avail.

Two weeks before the end of the fast of Ramadaan the group told Rainbow Chickens' management they would not come to work on Eid and offered to work on Saturdays to make up for the loss of production, but the company turned down the offer and threatened to dismiss them.

On the day of Eid, Friday January 30, the 14 slaughterers stayed at home as promised. "On Monday, when we returned to work we were told that we had been suspended and were facing dismissal," the statement said.

Rainbow Chickens could not be contacted for comment last night.

Rainbow, Fawu hold layoff talks

eT (BR) 6/2/98 (3) POULTRY

Ravin Maharaj

Durban — The Food and Allied Workers' Union (Fawu) will meet Rainbow Chicken, the troubled broiler producer, next week to seek clarification on its rationalisation programme.

Thabiso Pule, Fawu's national negotiator, said after meeting Rainbow management this week that both parties had agreed to discuss the future structure of management and staff, the role of external consultants in the restructuring process and the future of the company's retained farming and processing operations. Rainbow's operations in Nottingham Road (KwaZulu Natal), East London, Krugersdorp and Bellville closed last month and 2 000 jobs were lost. Fawu is attempting to find buyers for each of the closed operations so that some of the workers can have jobs. Operations were retained at Worcester, Hammarsdale and Rustenburg.

Rainbow said that at the time of its interim results last year that it would restructure and streamline the business to reduce costs and improve efficiencies, while maintaining and developing sales volumes.

The company is expected to report another massive loss for the full financial year to March 31 1998. Pule said the union was "running out of patience" and wanted to know the company's intentions regarding its operations.

"We are concerned about a possible battering the breeding stock could take if stock is moved between operations. Management must realise that time lost will cost the company further, and they cannot afford this now. The poultry industry is cyclical, and environmental factors can also aggravate the situation," he said.

'No salmonella threat in SA poultry'

POULTRY

BD 25/2/98

Josey Ballenger

SA POULTRY lovers need not feel plucky about eating chicken, as the local industry ranks among the best in the world, the Gauteng agriculture, conservation and environment department says.

Chicken bought from Gauteng supermarkets was safe, and one in 12 chickens was not contaminated with potentially deadly strains of salmonella, the department said in response to an "alarmist and factually incorrect" article in the Saturday Star.

"The SA poultry industry and veterinary authorities have stringent control measures in place to prevent contaminated products reaching the consumer. The true figure (for salmonella contamination) for the formal sector would be considerably less than even one in 10 000," said Malcolm de Budé, the department's director of veterinary services.

De Budé said the survey, which was one of several routinely commissioned by the department, included chickens from the informal sector — meaning they were not slaughtered at state-regulated abattoirs. Of 6 000 samples, 25 chickens were suspected of containing disease-causing organisms. Only two were found to have salmonella; both were slaughtered at abattoirs, but one was sold at a spaza shop.

De Budé said the Saturday Star report had incorrectly interpreted two of the 25 suspected cases as an overall 8% contamination rate.

He said the true formal sector figure came from the average rate of contamination found in surveys over the past two years. Products from the informal sector were more likely to be contaminated, and the department was formulating policies "to handle it".

It is legal to raise chickens for one's own consumption, but not to sell them.

De Budé said comparative studies done around the world indicated that SA had a low rate of contamination, which he attributed to the "serious and highly rigorous manner" in which the local poultry industry carried out its hygiene control.

Most salmonella food poisonings traced back to poultry products have proven to come from poorly handled salad dressings and marinades, the department said. In addition, animals and humans are carriers, and many infections are caught from the environment — including air and water — not food.

SA imported China chickens at height of the bird flu scare

Six-month permits not cancelled

(3) POULTRY ARG 21/2/98

JEAN LE MAY

Frozen chickens are still being imported into South Africa from mainland China, in spite of the "bird flu" which is said to have killed seven people and sparked a mass slaughter of poultry in neighbouring Hong Kong.

Hong Kong banned the import of chickens from China – about 75 000 a day – on Christmas Eve because, authorities claimed, it was found that the disease originated there.

Hundreds of tons of frozen chickens from China were imported by South Africa at the height of the "bird flu" scare in December and January.

However, Emily Mogajane, director of veterinary health in the South African department of agriculture, told Saturday Argus that a moratorium on the issue of import permits was imposed on December 17 but that it would be lifted next week.

But existing permits, valid for six months, were not cancelled. This means that chickens slaughtered in China during the "bird flu" epidemic were imported by South Africa on valid permits.

"The issue is whether the disease is transmissible to human beings," said Dr Mogajane.

"The World Health Organisation and the International Organisation for Epizootic Diseases have assured us that the 'bird flu' virus H5N1 cannot be transmitted in frozen chickens. Moreover, we have established that none of the chickens came from Hong Kong.

"We placed a moratorium on the issue of import permits because that was the responsible thing to do in the circumstances."

The Department of Customs and Excise said that between 600 and 700 tons of frozen chicken were imported from China every month, with 651 tons coming into the country in January.

This is roughly 10% of all imports, most of which come from the United States, Britain and France.

The health authorities in Hong Kong, however, are more cautious. About 1,3-million chickens, as well as all ducks and geese in the territory, were suffocated by carbon dioxide in sealed plastic bags as Buddhist monks chanted to pacify the souls of the slain birds.

The Hong Kong ban on chicken imports from China would stay in force until a strict inspection system was in place on the border, said agriculture director Lessie Wei. In addition, shipments of chickens from China would need an official clearance certificate.

Since then chickens from China have been allowed into Hong Kong again.

An official in the Western Cape provincial administration who insisted that his name should not be used, said that "precautions were taken to protect the public", but admitted that there were no special procedures in place to check frozen chicken imports from China.

Andrew Jamieson, medical director of British Airways travel clinics, said the disease had been identified in Hong Kong because the territory was equipped with one of the most advanced disease-control systems in the world.

"It has been found that the virus originated in wild birds in the wetlands of mainland China," he said. "The fear was that it would mutate with a known virus, producing an epidemic similar to the Hong Kong flu which killed 46 500 people worldwide in 1968."

People who lived and worked with the live poultry and those who slaughtered the birds were in the greatest danger of contracting the disease. There had been 11 confirmed and nine suspected cases in human beings in Hong Kong, said Dr Jamieson.

Zach Coetzee, spokesman for the SA Poultry Association, said the association supported Dr Mogajane's suspension of import permits but added that he suspected "the real truth is that somebody is trying to curb the import of frozen chickens from China".

Because of tariff changes in terms of international agreements, "everybody is trying to find non-tariff barriers such as health regulations."

Ramadan sackings: bid to settle

BUSINESS REPORTER (3) POULTRY ARG 16/2/98

The Muslim Judicial Council (MJC) is to meet Rainbow Chicken representatives this week in a bid to settle a dispute over the dismissal, two weeks ago, of 13 workers.

The workers had taken a day off to celebrate the end of the religious month of Ramadan. The Food and Allied Workers' Union (Fawu) is considering calling a boycott of Rainbow Chicken products in protest against the dismissals. Fawu regional secretary William Thomas said the workers had asked for time off, but Rainbow Chicken had refused.

He said the workers had even committed themselves to working extra hours to compensate for the day they had taken off.

"It's a failure by Rainbow Chicken to show common decency and respect," said Mr Thomas.

The MJC spokesman did not want to comment before the meeting.

Ostrich deal hit by Asian flu

(3) POULTRY

BD 4/3/98

Louise Cook

PART of a R300m deal by Indonesian consortium Royal Ostrindo, entailing the acquisition of SA ostrich farms, abattoirs, tanneries and birds, is in jeopardy following last year's Asian markets crash.

One of the world's biggest ostrich farmers, Saag Jonker of Oudtshoorn, confirmed yesterday that the consortium had failed to deliver on its contractual obligations to wrap up the sale of 20 of his farms for between R70m and R100m.

The problem arose from the Asian market crash late last year, he said, although discussions with the consortium were continuing. Jonker said he was not optimistic about the deals going through.

The consortium was not available for comment yesterday, but a source close to its members said the sharp depreciation of the Indonesian rupiah against the dollar could be blamed for the likely cancellation of the sales, as the deal was clinched in dollar terms.

Indications were that Royal Ostrindo would lose its deposit of at least R7m, the source said. However, the sale of the Krugersdorp abattoir would not be affected as this had gone through before the crash.

Other prominent Asian investments in SA appear to have been little affected by the currency crisis. Both Telecom Malaysia's participation in the partial privatisation of Telkom and oil company Petronas' purchase of a stake in Engen were completed well before the trouble hit. And TA Bank, which is building its SA headquarters in Rosebank, said yesterday its Malaysian parent company, TA Enterprises, had transferred R150m to SA long before the markets crashed.

NEWS

Fawu has high hopes after company and union bury the hatchet

Turnabout at Rainbow predicted

(3) POULTRY (CT/BR) 11/3/98

RAVIN MAHARAJ

Durban — Ailing Rainbow Chicken would achieve a turnaround after a new, consultative approach adopted between the Food and Allied Workers' Union (Fawu) and management, Thabiso Pule, Fawu's national negotiator, said yesterday.

In a departure from the war of words between the two parties, Pule said Rainbow, the chicken producer, would become a "cost efficient" operation, achieve real growth and become globally competitive.

"We are convinced that a turnaround is now possible, despite industry pessimism. We are confident that the positive approach from management will ensure that Rainbow will not die," Pule said.

Dave Marlow, the chairman of Rainbow, said he was "delighted with Fawu's sensible approach" in helping Rainbow through the transformation.

He said both parties had achieved "remarkable success" in getting through the process.

"I am pleasantly surprised, and I am glad that we have reached this stage," Marlow said.

Pule said that following a series of meetings between management, union officials and external consultants, strategic task teams had been appointed to reassess all of Rainbow's operations and its role in the changing poultry industry.

The industry has been flooded with cheap chicken imports that have accounted for between 15 and 20 percent of local production. In addition, it is going through restructuring.

"Together we will take Rainbow forward. Losses for the year ending March 31 will be substantial, but we are confident of good prospects in the new financial year," Marlow said.

Dave Marlow, Rainbow's chairman

Pule said company executives and the workforce would undergo training. In addition, both parties would take a critical look at the budget and assess the ramifications of the closure of some of Rainbow's operations.

Earlier this year 2 000 people lost their jobs when Rainbow shut down its operations in Nottingham Road (KwaZulu-Natal), East London, Krugersdorp and Belville.

The company still has operations in Worcester, Hammarsdale and Rustenburg.

Pule said both parties would look into upgrading existing plants and investing in new machinery. The distribution, marketing and sales structures of the company were also being investigated.

A risk management strategy would be put together, especially in the light of an increase in poultry theft, Pule said.

Counting chickens and change in Nelspruit

MHG 13-19/3/98 (3) POULTRY

Sharon Hammond

Unknown to the rich and idle in Nelspruit's version of Sandton, farm workers have established a small village and self-sustaining chicken farm in their midst, as part of a unique land project.

Four workers at Hoogland Estates, which borders the upmarket suburb of Steiltes, have qualified for a share-equity scheme on the farm, and have become the first land recipients in the country to get hard cash directly from the Department of Land Affairs.

"This is the first time land affairs is giving money directly to the community, instead of buying land or equipment on their behalf," explains senior planner at the Nelspruit land-affairs office, Chris Williams. "Unfortunately, this also means that there were delays in getting the money to the community, because we've never done a project like this before."

The department took eight months to approve the project, and another nine months to give the project its first cheque of R29 000. Impatient with the initial delays, the workers accepted an interest-free loan of R50 000 from a farmer, Kleinste van Rensburg, and built three chicken houses two years ago. "If it wasn't for Kleinste, we wouldn't have been able to start the chicken project so soon," explained one member of Hoogland Chickens, Frans Mohale.

The R29 000 from the department is R31 000 less than the R60 000 grant they qualify for. Offers of free training were not received with enthusiasm. "They've already learned through trial and error how to run a chicken business," said Van Rensburg, a former town planner for the Kangwane homeland.

The manager of Hoogland Chickens, Richard Mawela, adds: "We lost almost 100 chickens the first time round because we did not know what we were doing. But by visiting other farms, we've taught ourselves, so it's too late for them to want to train us now."

Van Rensburg said the department would only pay out the difference of the R60 000 grant when the workers submitted claims for what they'd already spent. "The government does not give money up-front because of the way governments are, and this gives the impression that they don't trust people."

She said her decision to lend the workers R50 000 was not philanthropic, but economic: she wanted to use the manure from the chickens for her essential-oil farm, which she runs on environmentally friendly principles.

"I knew the government wasn't going to give the workers any money until something was already built, and I needed the manure," Van Rensburg added. "Although one appreciates [the department] making great strides in improving administrative drag, one hopes the officials who deal with administrative matters learn from this and become more efficient, because that's where the problem lies."

Fowl farming: Richard Mawela, manager of the self-sustaining Hoogland Chickens in Nelspruit, hopes to buy his house with money generated by the company

The chicken houses currently makes a profit of about R3 000 every six weeks. The money goes into a float for current expenses, such as chicken feed, day-old chickens and vaccinations. Profits will later be used to repay Van Rensburg's loan and build capital for expansion.

Mawela says although the workers don't yet feel the financial benefits of the business, they understand the profits will eventually be theirs to buy the houses Van Rensburg built for them.

Van Rensburg explains: "I just thought I could get the money back for the building expenses, by selling the houses back to the workers at cost, and at the end of the day they would be proud home owners of high-quality homes and be responsible for the upkeep."

The houses and chicken houses will eventually form part of an upmarket township Van Rensburg is designing. The township will include a theatre, pre-school, designer townhouses and an art school, surrounded by fields of essential oils, lemon grass and koi dams.

But what do the neighbours think? Across the valley, they marvel at the pretty "classrooms" on the hillside, but are promptly silenced when told the buildings are, in fact, hen houses. "Oh! That's nice?" comes the tentative response.

Van Rensburg laughs: "We are doing our part in helping under-developed people, and at the same time practising sound environmental principles by using chicken manure. The workers have a strong sense of pride, and their children, who will get quality education from profits from the farm, will grow up with dignity." — African Eye News Service

Rainbow claws back 30% on its share value

(3) POULTRY

RAVIN MAHARAJ

CT(BR) 17/3/98

Durban — Shares in Rainbow Chicken, the troubled broiler producer in the Rembrandt stable, clawed their way up by about 30 percent on the JSE since late last week, but analysts were not convinced that renewed relations between management and a trade union had been responsible for the dramatic move.

Yesterday the share rose another 2c to close at 26c, on fairly brisk volumes of 14 million shares. The share was trading as low as 18c last Wednesday.

One analyst said an overhang in the market was being absorbed, subsequent to the unbundling of Huntcor and Hunt, Leuchars & Hepburn (HL&H).

Rainbow has haemorrhaged despite its recapitalisation in 1996. Consensus earlier this year was that Huntcor and HL&H had been left with no option but to unbundle, feeding Rainbow through to Rembrandt.

The analyst said Rainbow has had a long history of bickering with trade unions. Another opinion was that the share price had improved as a result of external factors in the poultry industry rather than change within the company.

But the analyst did not write off the effects of "management attempts to save the company", saying what Rainbow needed was good management.

Investment companies buy into fast food chicken franchise for two unions

Finger-lickin' good for labour

CT (MR) 25/7/98 (~~1999~~) (3) POULTRY

RAVIN MAHARAJ

Durban — The investment companies of two Cosatu-affiliated trade unions had bought a 53 percent stake in Chicken Management Services (CMS), which controls the franchise and operating interests of 21 Kentucky Fried Chicken (KFC) outlets, Chris Tod, the chief executive of CMS, said yesterday.

Tod would not reveal the value of the deal.

The two unions involved are the National, Education, Health and Allied Workers' Union (Nehawu) and the National Union of Metalworkers of South Africa (Numsa).

The CMS group represents one of the five largest KFC franchise groupings in the country, with a projected turnover of about R50 million. KFC accounts for more than 40 percent of quick-service restaurant franchises.

Of the remaining 47 percent of CMS, 37 percent is owned by Futuregrowth Structured Equity Fund, which is a division of Southern Life Association, and RMB Corvest. Management holds 10 percent.

Tod said the transaction had allowed management with long service and those from primarily disadvantaged communities to gain a "meaningful equity stake in the business that they helped develop, in partnership with the trade unions".

The decision by the unions to get directly involved in business would also influence business transformation in the country and that would increase shareholder value, Tod said. Profit-sharing schemes would be created so that all employees would be able to share in the company's growth.

The company would pursue expansion aggressively in South and southern Africa, he said.

The union investment companies had identified food services and related enterprises as strategically compatible with their investment focus, where they could initiate empowerment within targeted businesses, Tod said.

COMPANY NEWS

INSIDE AGRICULTURE

SA's ostrich industry buries its head in the sand

(3) POULTRY CT (BR) 27/3/98

While most of South Africa's agricultural sectors have done well in the first year or two of deregulation, ostrich farmers are battling to survive.

Deregulation for the ostrich industry came when the Klein Karoo Co-operative's monopoly of ostrich processing and marketing fell away. Recently it became legal to export fertilised ostrich eggs.

The result of deregulation was a flood of entrants to the market. There are now more than 20 ostrich abattoirs all over the country, with ostrich farms in the most unlikely places.

As often occurs when this state of affairs exists in agriculture, the two losing groups are farmers and consumers, the two ends of the chain. Producer prices drop but consumer prices remain as high as ever.

This predictable situation goes unappreciated by the Klein Karoo Co-operative, which is still the main processor and marketer of ostrich products in the world. It has failed to find new markets and market niches for ostrich products, preferring to stay with the traditional markets and even traditional marketing channels.

The co-operative in Oudtshoorn has processed ostrich skins piled to the rafters, which it is unable to sell at the usual high prices and is unwilling to sell for less. The co-op is paying its member farmers the lowest prices possible.

JUSTINE NOFAL

In the past two years ostrich production in the Little Karoo has suffered serious decline. Right now, each link in the production chain, from the smallest farmer to the largest, realises that it is not profitable to farm ostrich. Farmers are trying to diversify into other farm products, but often this is not a possible option in the arid Little Karoo.

There are reasons why this industry in particular is in such as serious predicament. The Klein Karoo Co-op apparently has unlimited power to make decisions affecting the entire market and, more saliently, its members. Incredibly, the roughly 1 400 member farmers accept whatever the co-op decides.

That is, except 14 leading ostrich farmers who this week took the co-op to the Cape High Court. They are disputing a statutory amendment they believe discriminates unfairly against them as a group.

However, the regulation affects dozens more farmers, but only 1 percent of members were willing to stick to their necks out and litigate. Judgment in the case is pending but, if the small group is victorious, it could lead to further pressure on the co-op.

Lack of unity and joint action among ostrich farmers in the Little Karoo, never mind farmers nationwide, is another reason their affairs are out of control. They operate in a haze of uncertainty.

Ostrich leather and ostrich meat are elite products that fetch a premium in the world's richest countries. Everyone, from Texans to Indonesians, is in on the action. Yet there is no central organisation that gathers and distributes information for the benefit of the industry as a whole.

It is a fallacy that ostrich bury their heads in the sand. The same does not apply to the established ostrich industry in South Africa.

Rainbow's share stumps analysts

(3) POULTRY

Nicola Jenvey BD 1/4/98

FOOD group Rainbow Chicken's erratic share price movements over the past few months have left analysts stumped.

Since holding company Hunt Leuchars & Hepburn unbundled and restructured Huntcor to disassociate the ailing Rainbow earlier this year, the share has bounced between a 15c low and 26c high.

Analysts agreed yesterday there was no fundamental reason behind the moves, as neither Rembrandt, the peak in the pyramid-holding structure nor Rainbow had released positive news.

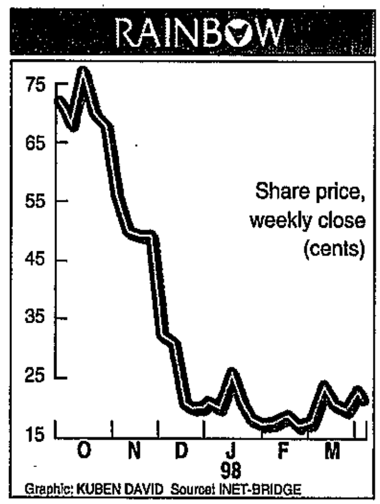
However, Société Générale Frankel Pollak analyst John Moses said that with the unbundling, the number of Rainbow shares in the market had leapt to 1,25-billion from about 250-million and a vast number of small investors had a collection of shares to play on the market.

He said that given the low price, speculators could buy and sell significant quantities and gamble on large percentage moves. A 5c gain on 20c was a 25% move and speculators enjoyed watching these growths.

One analyst said Rainbow was still experiencing severe operational problems and although the chicken price had risen, it remained lower than this time last year. Hence, the share movements were "a mystery".

She believed Rembrandt would not buy out minority shareholders until after the company returned to profitability and "a reasonable" price could be offered.

Moses said Rembrandt had already invested R750m through the rights issue and would not continue pumping money into Rainbow by purchasing minorities before there was a possible return on this investment. Hence,



Graphic: KUBEN DAVID Source: INET-BRIDGE

speculation that Rembrandt was buying the shares in small deals with minorities was dismissed.

Another analyst said the moves were "pure speculation" and with losses amounting to R600m, there was no inherent investor confidence in Rainbow.

She said the fluctuations may be related to general movements in the food sector, but since Rainbow management was not speaking to the analysts, this was also guesswork.

Tough call for new Rainbow boss

BT (PMR) 17/4/98 (3) POULTRY

Ravin Maharaj

Durban — Jorge Del Corral Ibarrondo, the outgoing group managing director of Rainbow Chicken, said yesterday he was leaving the company "firm in the belief that the foundation for its return to profitability was well in hand".

His replacement is Yannick Lakhnati, who will become chief executive officer.

The company said Lakhnati had "extensive international experience in business management and consulting". He had played a leading role over the past nine months in the restructuring and transformation process under way at Rainbow.

Lakhnati's appointment follows the recent appointment of Thys Visser, the managing director of Rembrandt, as deputy chairman of Rainbow, with a view to assuming the non-executive chairmanship when Dave Marlow, the chairman of Rainbow, retires in May.

But analysts have questioned the role that Ibarrondo had played in rebuilding Rainbow's management team, as he was tasked to do in last year's annual report.

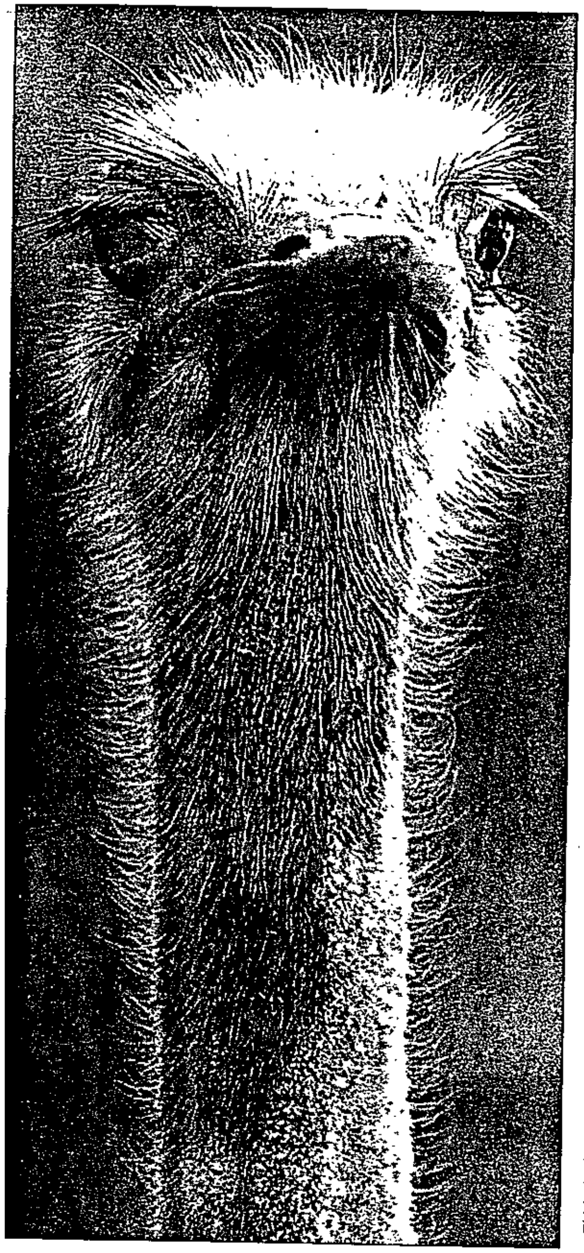
Analysts said the new chief executive officer would have a tough time convincing the market that a return to profitability and meaningful change — with a new management team — was possible.

And this excluded external factors, which industry commentators said did much to aid the poultry industry and the food sector in recent months.

The department of trade and industry announced earlier this year that the import duty on value-added poultry products had been raised. There has also been technological advances.

But despite continued market pessimism about the share, the Food and Allied Workers' Union has maintained a positive outlook about the company, given the recent adoption of a new, consultative approach between both parties.

Rainbow's share price surged 30 percent this week, and closed at 26c yesterday, after reaching a high of 27c. The share was trading as low as 18c in early March.



COMEBACK KID: the ostrich industry is aiming for new heights after overproduction set it back Picture: ANDREW INGRAM

Farmers had heads in sand

Too many producing too much leads to ostrich glut crisis

(7) POULTRY AAG 2/5/98

PAUL OLIVIER

BOSS: Casper Wolff, chairman of the Western Cape Ostrich Producers' Organisation

Too much of a good thing has damaged South Africa's once hugely successful ostrich industry.

The giant birds turned many farmers in the arid Little Karoo into millionaires. But farmers now are fighting to survive as an oversupply of ostrich products threatens to destroy the industry.

They are also battling to reduce large stockpiles of ostrich skins built up since 1994.

In an effort to counter overproduction, the Klein Karoo Co-operative, which for 40 years regulated the industry, has reduced its slaughter programme substantially.

"Hopefully, we have now learnt that the market dictates," said Western Cape Ostrich Producers' Association chairman Casper Wolff.

The ostrich industry was deregulated in 1994 and the co-operative's monopoly of ostrich processing and marketing fell away.

The result was a flood of entrants into the market. More than 20 ostrich abattoirs set up business all over South Africa and ostrich farms mushroomed in the most unlikely places.

"After deregulation, Silveroaks, a company listed on the Johannesburg Stock Exchange, entered the ostrich market, paving the way for non-members to join, but creating a volatile situation," said Mr Wolff.

This led to reaction from the Klein Karoo Co-operative, which increased advance payments to farmers to retain a market share.

"Producers believed that the market for skins was far bigger than was being supplied. They were convinced that at a lower price, more people would be able to afford the product."

However, a price war resulted in overproduction and a drop in sales.

"Pricing, supply and quantity became speculative, causing confusion in the industry and leading to a crisis," Mr Wolff added.

"Oudtshoorn farmers started buying surplus birds from the Eastern Cape at cheaper and cheaper prices. Continuous slaughtering led to a stockpile of skins and a shortage of cash reserves.

"The Congo fever scare and Oudtshoorn floods further depressed the industry."

According to Mr Wolff, the situation could be effectively turned around if overproduction is controlled and cash becomes available.

Abattoirs throughout the country are now slaughtering at half of their capacity.

Producers are now forming groups to market their products on an organised basis.

"Quality levels have reached new highs and farming methods have improved as operations are starting to find new niche markets.

"Although the industry is undercapitalised because of its problems, it is now heading in the right direction," said Mr Wolff.

■ South Africa controls 80% of the world ostrich market with no serious international competition.

Ostrich leather and ostrich meat are sought-after products that fetch a premium in the world's richest countries.

Ostrich meat is considered a delicacy in some of the world's finest restaurants.

Ostrich skin, processed and tanned in South Africa using the latest technology, is an integral part of the world's fashion markets.

Year ahead is 'make or break' for Rainbow

Poultry(3) ET (BR) 5/5/98

RAVIN MAHARAJ

Durban — It was no mystery that Rainbow Chicken would report a huge loss for the year to March 31, but the crunch question was whether new management could achieve a turnaround in the year ahead, analysts said yesterday.

The troubled broiler producer in the Rembrandt stable last year posted its largest attributable loss of R223 million and passed its final ordinary dividend. The company yesterday postponed its results for two weeks.

Analysts were expecting similar losses this year. One analyst placed her bet at R160 million, while another suggested the loss could be well over R200 million.

They said part of the problem was that the feed conversion ratios were still inefficient, and there were production problems at farming operations.

But the more optimistic felt Rembrandt would play "turnaround agent" and scrutinise the business, more than Jorge Del Corral Ibarrondo, the former managing director, ever did.

One analyst said management, especially from the Rembrandt front, would play a leading role in Rainbow's restructuring and transformation.

Rainbow recently appointed Yannick Lakhnati as its new managing director. Thys Visser, the managing director of Rembrandt, is the non-executive chairman.

Analysts also felt an improvement in market conditions in the poultry (including eggs) industry — now South Africa's largest agricultural sector — would augur well for an improvement at Rainbow.

In recent months the health of the country's chicken flocks combined with more stable feed prices and an expected bumper maize crop have created more favourable trading conditions.

One analyst said Rainbow should pay more attention to its production chain, which is a highly complex one in the poultry industry. This would improve efficiencies.

The analyst suggested that Rainbow was a "sleeping giant". She said that if the company, which has a market share of about 25 percent, could turn chicken mortalities around it could produce more birds than any of its competitors.

White meat was the cheapest source of protein, so the market could absorb increased demand, the analyst said.

NatChix to spread its wings into nutrition

Nicola Jenvey (3) POULTRY

DURBAN — National Chick (NatChix) was looking to diversify further into the nutrition division of the chicken industry now that the industry was back on an even keel and on the road to recovery. BD 5/5/98

Chairman Mike Walne said yesterday that since listing in April 1996, NatChix had diversified from producing only broiler chicks to include a layer chick division and an animal health division. Expanding the nutritional side of the process was an obvious extension.

Operating income before depreciation grew 72,4% to R13m in the six months to March due to the combined benefits of a R40m capital expenditure over the past 18 months and management consolidation. Attributable income rose 17% to R4,3m and headline earnings increased 4,2c to 12,5c. The inclusion for the first time of Hy-Line Chicks helped lift turnover 57% to R79m.

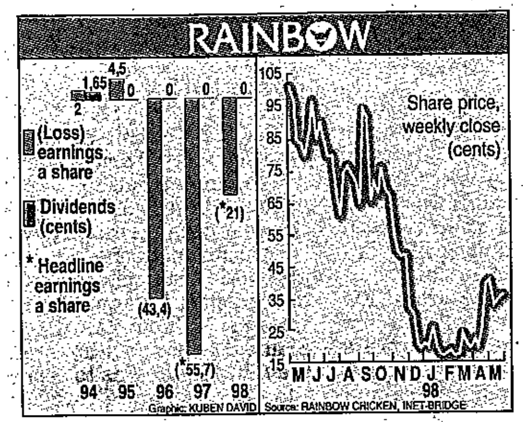
Walne said the R4m interest charge and debt-to-equity ratio of 58,1 were on budget and arose from the now-completed expansion programme. The interest burden would reduce over the next few years as repayments gathered momentum.

A higher duty on imported chicken hindquarters, the better state of health of SA's chicken flocks, more stable feed prices and an expected bumper maize crop had created a turnaround in the industry, Walne said.

Rainbow Chicken faces another year in the red

(3) POULTRY

BD 20/5/98



Nicola Jenvey

DURBAN — Rainbow Chicken's attributable loss worsened in the year to March to R268,4m (1997: R229,1m) and newly appointed CEO Yannick Lakhnati expects another year in the red, despite efforts to slash losses and become operationally cash positive.

Headline loss a share was 21c (1997: 55,7c loss restated) on a 58% rise in shares in issue. The unbundling and restructuring of Hunt Leuchars & Hepburn in November, which removed Rainbow from the HL&H stable and made it a wholly owned Rembrandt subsidiary, boosted the number of shares in the market.

Revenue grew 3,1% to R2,1bn primarily on higher Epol sales of 5,7%, but Lakhnati said this was offset by falling chicken prices and volumes. Although satisfactory progress was made in reaching processing production targets, these were negated by poor farming performances.

Epol performed well and lifted its operating profit over the previous year.

Operating losses before exceptional items rose to R146,9m (R114,6m) comprising R113,4m and R33,5m in the first and second six-month periods respectively. Interest payments dropped to R28,5m (R62,8m) following the recapitalisation last year and the extensive focus given to cash management. Lakhnati said cash utilised in operations showed "a substantial improvement" in being reduced to R98,3m (R234,6m), owing mainly to a turnaround in the working capital investment requirements.

Capital expenditure amounted to R71m (R68,4m) of which R22m (nil) related to the restructuring. The remainder was incurred to improve farming and processing efficiencies.

Lakhnati said the restructuring announced in November had meant closing three processing facilities and transferring the production to the remaining three plants. This move was expected to promote significant cost savings and revenue improvements.

Looking to the current year, he said the market was more stable and inventories of finished products were "normal". US imports of low-priced hindquarters were continuing, but at less disruptive levels following the tariff increases.

Lakhnati believed the restructure would materially lower Rainbow's fixed costs, while further investments in equipment would improve processing efficiencies. The group would concentrate on improving broiler production, since progress in this regard was vital to the overall group results.

RAINBOW CHICKEN (3) POULTRY

IN THE RED AND ON THE BRINK

Enter Rembrandt's finest

FM 29/5/98

If Rainbow Chicken really was a bird it would have been eaten a long time ago. But its owners, Rembrandt, have been godly and it has been allowed to stumble on into 1998 to produce its worst attributable loss ever — R268m.

This, despite the best efforts of Mexican messiah Jorge Antonia Del Corral Ibbarondo, who spent 18 months at the company. He failed to stem the huge operating losses and merely added another R91,8m exceptional item to this year's figure.

Of more concern, the cash from the R750m rights offer in late 1996 is fast running out. Another R165m (1997: R287m) was soaked up by operations during the year — admittedly, with some improvements in working capital — and interest-bearing debt is up at R253m and debt:equity up to 30,8%.

Del Corral has now left. Rembrandt claims the parting was "friendly". One informed source claims the contract was for three years and Rembrandt decided to terminate it early. This makes more sense, since Del Corral totally transplanted himself in the country when he moved, even bringing with him his prize polo horses.

Into his place and retiring chairman Dave Marlow's will step two of Rembrandt's finest — MD Thys Visser (who will take over as chairman) and star business consultant Yannick Lakhnati (as CEO). This greater Rembrandt involvement is in line with its new position as immediate controlling shareholder.

Lakhnati is said to have won favour at Rembrandt for work done in Stellenbosch Farmers Winery and has led a team of Del Corral-sanctioned consultants at Rainbow since mid 1997. But he is not familiar with the industry and his appointment flies in the face of Rembrandt's earlier obsession with getting an experienced poultry man into the top job. Long-time Rainbow watchers may recall acting MD Neil Morris's 12-month search for a suitably qualified MD, before finding Del Corral.

But Visser says the skills needed to take the business forward are not industry-specific.

"There is no way at this stage that we

can approach shareholders for more capital until we have proved ourselves," he says. That rules out both a recapitalisation and a delisting (accompanied by an offer to minorities by Rembrandt) for the short term, and suggests this will be the last chance for Rainbow to make good.

Visser says the company will be able to operate in its current debt environment, but that much of the focus will be on cash management, with expenditure limited to projects with the highest returns. The target is to become cash positive in operations in the latter months of the new financial year.

Rainbow's cash position should be helped by the fact that restructuring, involving the reduction of the processing facilities from six plants to three, is complete. The focus now is training staff and improving efficiencies. So exceptional costs in 1999 figures are less likely.

Visser says the target for this year is to reduce losses materially. He is convinced that by dropping the cost base and increasing efficiencies Rainbow can return to profits. Tax is not a consideration, with tax losses available of R300m-R400m. The approach will preclude any expansion or a move into value-added poultry products until it gets the basics right.

This is bold stuff, considering the inaccurate predictions of the past, and compares favourably with the likes of: "A meaningful indication of the expected results for the second half of the year cannot be given at this time." (*Fox* April 25 1997).

Visser's openness marks the end of a gagging order at Rainbow which has infuriated journalists and analysts for years. He explains that previous management was "more in the press than on the chicken farm" and new management needed time to devote to the business. But this approach to communication is not in anyone's interests — least of all the investing public's.

Finding an analyst who looks at Rainbow is now difficult. Finding one bold enough to prophesy a recovery is near impossible — too many have called it wrong in the past. It's not a question of whether money can be made in poultry (it can — look at CG Smith's poultry interests and Sovereign Food), but whether Rainbow can make money in poultry.

These latest results mean the risk associated with investing in Rainbow has just got higher and the company is now getting dangerously close to extinction. People thinking of buying Rainbow Chicken should do so only in a supermarket.

Stuart Rutherford

RAINBOW CHICKEN

OLD BOYS FLY THE COOP

(3) POULTRY

Rainbow Chicken must have one of the biggest and fastest growing old boys clubs in SA. Most managers have left the firm after a shorter company lifespan than an average chicken. The last executive abandoned the helm after the share price sank from R1,80 in early 1997 to 18c in January.

The company entered dire straits three years ago and hasn't yet recovered

With all the revolving door appointments and office stealth, the *FM* has tapped the gossip line to find out the fortunes of those recently departed MDs.

We hear Jorge Antonia Del Corral Ibarrondo (MD January 1997-April 1998), instead of a Mexican wave, chickened out of returning to his native Mexico and would now like to do consulting work for the local poultry industry. It is not known if he is successful or whether his ideas will fly.

Del Corral was a peculiar character who managed to avoid having his picture taken by the press during his 16 months at Rainbow. The only time he uttered a cheep to reporters was at a Rainbow AGM. There was early media speculation that the appointment was an elaborate fabrication by Rembrandt.

There are unconfirmed reports that Del Corral insisted on having a team of four bodyguards (estimated cost: R100 000/month) during his tenure.

RAINBOW

Why the battalion? One source suggests it was to protect the Mexican from Rainbow employees.

Meanwhile, the *FM* hears that Rick Griffiths (MD September 1993-December 1995) has taken wing and gone back to his roots of "surfing and farming" somewhere on the east coast. Probably out of sniper's range of recently retired Rainbow chairman Dave Marlow, who has found a roosting place near Jeffreys Bay.

Stuart Rutherford

FM 3/7/98

Cash management rules roost at Rainbow Chicken

(13) POULTRY

RAVIN MAHARAJ

Durban — Cash management was now a top priority at Rainbow Chicken, Yannick Lakhnati, the recently appointed chief executive officer, said in the company's annual report released this week.

He said capital expenditure would be limited and allocated to projects with the highest returns. He said short-term borrowings should peak around the half-year stage, when raw material inventory holdings were at a maximum.

The troubled broiler producer was unbundled last year from Hunt Leuchars & Hepburn, the investment holding company. Rainbow became a subsidiary of Industrial Partnerships Investments, a wholly owned subsidiary of Rembrandt.

Analysts are upbeat about growth prospects in the poultry industry. They said chicken still remained a relatively cheap protein source.

The local industry has been battered recently by a flood of low-priced hindquarters from the US, but the situation has recently improved.

Lakhnati said the market had become more stable and inventories of finished product were normal. US imports were now at less disruptive levels, he said.

Rainbow initiated a major restructuring programme last November to streamline the business and reduce costs, improving efficiencies and maintaining and developing sales volumes.

Capital expenditure amounted to R71 million during the year to March 31. Of this amount, R22 million related to the restructuring programme. The remainder went to improve efficiencies in farming and processing operations.

The company's debt-equity ratio has risen to 30,8 percent from 8,2 percent.

Lakhnati said this restructuring of facilities would materially reduce the group's fixed cost levels, while further investments in equipment would improve processing efficiency.

The company would direct efforts to improve the performance of broiler production in farming functions, as progress made in this connection was vital to overall group results.

He said although the group did not expect to be profitable for the year to March 1999, it did expect to materially reduce losses and become cash-positive in its operations during the latter months of the new financial year.

Rainbow reported an attributable loss of R268,3 million, up from R229,1 million in the previous year, for the year ended March 31.

CT (BR) 9/7/98

COMPANIES

Rainbow tightens capital spending

(3) POULTRY BD 15/7/98

Nicola Jenvey

DURBAN — Although chicken producer Rainbow Chicken would be unprofitable in the year to next March, the directors expected the Rembrandt subsidiary to "materially reduce losses and become cash positive" in the second half-year.

In the latest annual report, newly appointed CEO Yannick Lakhnati and nonexecutive chairman Dave Marlow said cash management remained a top priority. Capital expenditure had therefore been limited to projects with the highest returns.

Short-term borrowings would peak by September, when raw material inventory holdings were at a maximum and the current unsecured short-term borrowing facilities would provide adequate cover.

Lakhnati was appointed in April after the company said Jorge Corral Ibarrondo had "completed his contract" while Marlow, who would retire at next week's annual meeting, would be replaced by Thys Visser.

Lakhnati said restructuring of facilities would reduce fixed costs, while investments in equipment would raise processing efficiency. Efforts would be concentrated on improving broiler performance among the farming functions, as this was "vital to the overall group results".

Flock health depended on good farming practice and significant progress had been made in retraining personnel. Lakhnati said declining mortality rates indicated that Rainbow was succeeding in this regard.

"Broiler growth rates and feed conversion efficiencies have improved, but are still short of standard. Strong focus has been and will continue to be given to maintenance."

The attributable loss worsened in the year to March 1998 to R268,4m (1997: R229,1m loss) despite moves to slash losses and become operationally cash positive.

Headline loss a share was 21c (55,7c loss restated) on a 58% rise in shares in issue. The unbundling and restructuring of Hunt Leuchars & Hepburn in November, which removed Rainbow from the HL&H stable and made it a wholly owned Rembrandt subsidiary, boosted the number of market shares.

Revenue grew 3,1% to R2,1bn on higher Epol sales of 5,7%, but Lakhnati said this was offset by falling chicken prices and volumes.

MANAGEMENT

Rainbow comes out of hiding

Rainbow's new boss is changing the company and opening up communication with staff, media and shareholders. **Nicola Jenvey** reports from Durban

(3) POULTRY
BD 23/7/98

RAINBOW Chicken has broken years of silence with the media and analysts and, under newly appointed CE Yannick Lakhnati, opened its doors to explain the radical management style changes intended to save SA's largest chicken producer.

Rainbow has also increased communication with employees, a move aimed at restoring pride and identifying and removing problems.

Since the year to March 1996, Rainbow's slide into the red appeared unstoppable, culminating in an attributable loss to March this year of R268,4m.

This was despite revenue growing about R100m annually, as sales of chicken, the cheapest source of protein, increased in line with population growth.

Yet attempts to ascertain from senior executives and management what policies were being implemented to redress the situation resulted only in unanswered telephone calls and speculation from analysts fighting the same stony silence as the media.

The unexpected exit of MD Rick Griffiths in December 1995 was followed by an almost year-long search for a replacement. The position was eventually filled by Jorge Corral Ibarrondo, but during the entire time of his leadership until Lakhnati took over in April this year, no explanations came from management.

The chapter on management non-communication seems to have been closed.

The first indication that Rainbow was lifting the veil of silence was when the year-end results were released with extensive commentary and explanations on the losses incurred, as well as directions for the current year.

This was followed by a five-page report to shareholders in the annual report, extensively detailing the results and balance sheet, operations, controls and prospects. The footnote boasted contact telephone numbers for Lakhnati and Thys Visser, who was appointed chairman at yesterday's AGM, with an invitation to shareholders to direct their enquiries to either executive.

This week Lakhnati spent the day with invited media, showing them the chicken business and then opening himself to answer questions.

Since arriving at Rainbow in August last year, he has instilled a vastly changed management style. Lakhnati not only shows the business community how he plans to restore the company's fortunes, but also communicates with the 8 400 employees across three processing and distribution regions.

In-house newsletters are distributed weekly, monthly and quarterly, while the company has been divided into "mini-businesses", each with its own team leader to manage the operation. Over the past six months, Rainbow has created 350 mini-businesses and aims to extend this to 500 by year-end. Each identifies customers and suppliers (both in the production chain and then the outside world, where Rainbow markets its product) and records volumes, attendance and performance.

Each team has its own board displaying the team name and photograph as well as the records for daily, weekly and monthly targets and general information.

Lakhnati said this empowerment is rebuilding pride among Rainbow employees. The system also gives accountability and management to process leaders, while identifying and removing problems at source rather than allowing them to escalate through a single supply chain.

"People drive asset performance," Lakhnati said.

The system was custom-designed for Rainbow following in-house surveys to establish the requirements. Extensive, company-wide staff training highlighted the natural leaders and has boosted the management development programme.

"The business demanded radical changes and this system gives people the opportunity to release their full potential," Lakhnati said.

However, there was "a very long road ahead".

Although expecting Rainbow to be cash positive in this year, there were many factors — including interest rate hikes and exchange rate changes — that will affect when Rainbow will again show a profit.

Although there were guiding principles involved in returning Rainbow to profitability, there was no cast-iron strategy. It would focus on fundamentals, but Lakhnati was open to suggestions and improvements.

Rainbow restructuring well under way

(3) POULTRY BD 23/7/98

Nicola Jenvey

DURBAN — Industrial food group Rainbow Chicken is to move its head office from rented Kloof premises to its Hammarsdale processing plant next month, returning executive management to the offices it vacated five years ago.

CEO Yannick Lakhnati said the move was part of the restructuring that began last year, which saw Rainbow close down its Krugersdorp, East London and Bellville processing plants and concentrate on operations in Hammarsdale, Rustenburg and Worcester.

He said Rainbow had committed R71m in total capital expenditure over a two-year cycle, with R45m dedicated to upgrading the remaining processing plants to international standards and production levels.

The Worcester plant was upgraded in May and Rustenburg would be finished by next month. Hammarsdale processed 1,2-million chickens weekly, in line with world standards.

Lakhnati said on completion of the programme, Rainbow would produce 3,4-million chickens weekly and, within a few months, would have reached 3,6-million chickens.

Minimal further capital expenditure would push this to 4,2-million chickens but Rainbow had not yet ascertained local demand for these amounts.

Responding to media queries, Lakhnati said he hoped Rainbow would return to profitability in the year to March 2000, but "there are many factors which can hinder reaching these predictions".

However, he said at yesterday's annual meeting Rainbow expected cost-reduction measures, instigated last year, would place it in a cash-positive position in the last quarter of this financial year.

Chairman Dave Marlow retired at yesterday's meeting, allowing deputy chairman Thys Visser to assume chairmanship.

Out of hiding: Page 20

'Slow to promise, quick to deliver', says new man at Rainbow's helm

ET (MR) 23/7/98 (3) POULTRY

RAVIN MAHARAJ

Durban — Yannick Lakhnati, the recently appointed chief executive officer of embattled Rainbow Chicken, is running the broiler producer according to his personal motto: "I'm slow to promise but quick to deliver."

If things proceed according to Lakhnati's plan, Rainbow, which reported tremendous losses over the last two years, should be able to reduce fixed costs, get the biggest possible return on assets and raise its production of 3,4 million processed chickens a week to about 4,2 million.

Rainbow turned in an attributable loss of R268,4 million for the year ended March 31, following a previous annual loss of R229,1 million.

In a departure from the company's recent icy silence, the new chief executive spoke about corporate strategies and past mistakes.

He said the company had identified its core interests — farming, processing and selling poultry products — and would concentrate on improving its cost structure.

Lakhnati said Rembrandt, Rainbow's parent company, had validated Rainbow's revised strategies and had given "no indication" of abandoning its investment in Rainbow, contrary to market speculation.

BULLISH ON POULTRY
Yannick Lakhnati says Rainbow Chicken will increase production and make a profit PHOTO: BARRY TUCK

Shareholders were also "solidly" behind Rainbow's new image, Lakhnati said.

He said Rainbow was not hopping on to the offshore bandwagon or looking at external empowerment deals. Instead, the priorities were to return to basics and resuscitate people performance.

"It's a long and difficult process," Lakhnati said. "But I do not want to create false expectations. Let the share price do its thing, and we will concentrate on profitability."

Dave Marlow, Rainbow's outgoing chairman, endorsed Lakhnati's views at the company's annual general meeting yesterday and assured shareholders that the company was committed to becoming cash-positive.

Rainbow started restructuring and streamlining its business late last year, closing three of its six operations at a cost of R35,4 million and upgrading the remaining facilities at a cost of R22 million.

Lakhnati said Rainbow might have grown too quickly, especially with the acquisition of Bonny Bird Farms.

"Rainbow raced for market share and forgot about profitability in the past. There was also a very bad understanding of the supply chain," he explained.

The new focus is now on people, he said: "People performance drives asset performance."

CT (BR) 20/8/98

Fawu strike to continue

(3) POULTRY

RAVIN MAHARAJ

Durban — The Food and Allied Workers' Union (Fawu) would continue a nationwide strike until the resolution of a wage dispute with Rainbow Chicken, the loss-making broiler producer, the union said yesterday.

Thompson Ramalala, Fawu's national negotiator, said the union, which represented more than a quarter of Rainbow's workforce, had rejected Rainbow's offer of 6 percent across the board.

Rainbow has offered a minimum wage package of R1 972,08 a month for factory workers, and R1 778,18 a month at farming facilities.

Four of five recognised unions — the Food and Beverages Workers' Union, South African Typographical Union, South African Workers' Union, and the Farm, Food, and Rural Workers' Support Association — have accepted a Rainbow offer of a 6 percent increase across the board from December 1 and an annual bonus.

Rainbow had two offers on the table, the other being a 7 percent across the board increase, without an annual bonus, effective from April 1.

Rainbow said Fawu had been privy to all financial information and had rejected offers to send its own auditors to study the books.

Both parties said they would try to iron out these problems in Durban this week, to prevent further strikes and loss of production.

In the meantime, Ramalala said the strike at Rainbow's farming and processing operations across the country would continue for at least another week, if agreement was not reached this week.

Ramalala said in principle the union could accept Rainbow's offer if it was backdated to April 1. But the company said Fawu was then in fact asking for an 18,33 percent increase, taking into account back-pay.

Rainbow has also offered to negotiate a gainshare scheme outside the present scheme.

Rainbow, which is in the Rembrandt stable, said it could not afford to better its wage offer in the light of substantial losses. Rainbow reported an attributable loss of R268,3 million for the year to March 31, and R229,1 million in the previous year.

Rainbow said that despite its losses, it had been a leader in improving wages and working conditions for employees during this period.

Fawu, Rainbow seek strike resolution

(3) POULTRY

CT (BR) 21/8/98

RAVIN MAHARAJ

Durban — The Food and Allied Workers' Union (Fawu) and the management of Rainbow Chicken, the troubled broiler producer, would meet in Durban today to seek a resolution of a 10-day-old wage dispute which had turned violent, both parties said yesterday.

Yannick Lakhnati, Rainbow's chief executive, said he could not believe the "blatant breach of strike rules and disrespect for property and people" in the light of several violent incidents at Rainbow's operations in Rustenburg and Hammarsdale.

He said these incidents meant the company would incur unnecessary additional expenses. Rainbow has reported massive attributable losses in the past two years.

Lakhnati and Thompson Ramalala, Fawu's national negotiator, said more than 13 workers had been injured since the start of the strike last week.

Lakhnati said in Rustenburg buses carrying casual labour had been stoned, the homes of supervisors had been petrol-bombed, and workers had been shot. Property in Hammarsdale had also been damaged. Police investigations were under way and several dockets had been opened.

"This is an unacceptable position.... We are trying to do our level best for workers," he said.

Ramalala said the company's security guards had shot workers. The matter has been referred to Fawu's lawyers.

Fawu has rejected Rainbow's offer of a minimum wage package of R1 972,08 for factory workers, and R1 778,18 at farms.

Rainbow and Fawu settle 10-day strike

Sowetan 25/8/98

Ravin Maharaj

Durban — The Food and Allied Workers' Union (Fawu) and Rainbow Chicken, the broiler producer, have resolved a 10-day-old wage dispute which was marred by violence, both parties announced yesterday.

Thompson Ramanala, Fawu's national negotiator, said management had accepted the union's initial demand of a 6 percent increase across the board, backdated to April 1, and including an annual bonus.

He said some 2 000 to 3 000 workers would return to work at Rainbow's farming and processing operations around the country today. The wage agreement would also be signed today, Ramanala said.

Four out of five recognised unions accepted Rainbow's offer early last week.

However, when Fawu rejected the offer, the strike turned violent. Buses carrying casual labour in Rustenburg were stoned, the homes of supervisors were petrol-bombed and workers were shot. Property in Hammarsdale was also damaged. Some 13 workers were injured.

Yannick Lakhnati, the chief executive officer of Rainbow, said despite its losses in the past two years, Rainbow had been a leader in improving wages and working conditions during this period.

Rainbow hoped to become cash-positive by the end of the 1999 financial year.

Revival of broiler plant creates jobs

(3) POULTRY

BD 17/9/98

Louise Cook

A BROILER and egg production scheme which had been lying dormant at Rust de Winter outside Pretoria for years, is set for revival to empower several communities uprooted by the former government.

The land and the broiler plant, which belonged to the Premier Group at the time, was expropriated by the former government. After the plant was shut down, no further development took place, leaving four communities in the doldrums.

The land affairs department said yesterday a R9,2m injection from the Development Bank of SA and R2 000 a partner from community members would soon see the broiler and egg scheme revived and the Rooykop Broiler Breeding Farm set up to offer employment to the communities.

The plan was that the Rooykop Farm would produce 140 000 eggs a week and that Transvaal Chicks market the entire production.

Transvaal Chicks director Rob Greenwood said the main objective was to empower the previously disadvantaged community.

The land affairs department said the project was part of the people's upliftment in terms of the reconstruction and development programme and government's growth, employment and redistribution macroeconomic strategy.

The population of the area is comprised of about 1 165 households or 5 000 residents, of whom almost 30% are unemployed.

The Rooykop Farm, registered as a nonprofit company, is to be launched this weekend.

US set to unload surplus poultry on SA

BD 28/9/98 (3) POULTRY

Louise Cook

RUSSIA's financial woes could see SA's poultry industry severely affected due to import orders being cancelled by China and Russia, the local poultry industry said at the weekend.

Southern African Poultry Association chairman Zach Coetzee confirmed reports that Russia and China were cancelling orders for large consignments of imported chicken portions from the US. He said SA was a "sitting duck" for the diversion of the consignments and was likely to be targeted by the US as an alternative market.

Coetzee said 2% to 3% of US production was "enough to wipe out SA's poultry industry. The US produces 26% of world poultry consumption; SA produces 0,8%. The US is on an export drive unsurpassed by any other poultry producer in the world."

He said the first batch of 600 tons of chicken portions originally destined for Russia arrived in SA last week. "This is just the beginning. We are extremely vulnerable."

Before the Russian economy crashed last month, poultry was coming into SA from the US at a steady rate of about 5 000 tons a month. This followed a prolonged battle between local producers, importers and the Board on Tariffs and Trade to adjust the import tariff on poultry.

When tariffs were first introduced about four years ago, chicken cuts from large US producers flooded the local market, pushing down prices and virtually crippling some producers such as Rainbow Chicken and Early Bird.

After years of lobbying, producers managed to persuade the board last year to put up tariffs on certain cuts. In the US, thighs and wings are regarded as inferior and exported on a large scale around the world.

Coetzee said producers outside the US could not produce at the low rates of the US, due to economies of scale.

Any major increase in the local market of thigh and wing cuts would affect prices of whole birds as producers were likely to increase production of whole birds to compensate for the additional imports, Coetzee said.

Decision on outsourcing imminent, says union

Rainbow's new pecking order still a mystery

ET (PR) 26/10/98 (7) POULTRY

RAVIN MAHARAJ

Durban — Rainbow Chicken, the broiler producer that hopes to turn the corner at the end of financial 1999, could sell some of its operations or outsource farming operations as part of its restructuring process, analysts suggested last week.

The share, which has enjoyed limited institutional support, closed at 28c on Friday after trading massive volumes and reaching an earlier high of 31c.

Analysts also hinted at the possible sale of Rainbow, the poultry sector's market leader, to an international broiler company who has been looking at direct investment in South Africa.

The other view was Rainbow could sell its feed mill in Rustenburg, most likely to OTK Holdings, the cash-rich diversified agricultural company.

But Japie Gouws, the general manager of finance at OTK, said this possibility was not on the cards, at least in the short to medium term.

One analyst said outsourcing made sense, in support of Rainbow's view that restructuring of facilities would materially reduce the group's fixed cost levels.

Efforts in improving the performance of broiler production in farming operations was considered vital to overall group results.

The analyst said imminent direct investment in South Africa's poultry industry would broaden the base of the sector's operations in South Africa.

The weaker rand would make it easier to export from South Africa.

But industry leaders said there had been some conflict as to whether chicken imports, especially from the US and China, were on the increase or the decline.

The Southern African Poultry Association says as little as 2 to 3 percent of US imports could slaughter the local industry.

But the broiler industry has become a lot more attuned to the threat of imports, according to industry leaders.

Most players are restructuring to focus on core strengths. Sovereign and National Chick (NatChix), for instance, are paying dividends, while Rainbow and Choice Holdings are reshaping themselves.

The former is digging itself out of massive attributable losses, while the latter says it has finally wiped out all losses.

Analysts said it seemed Rainbow was on the right track in revitalising itself, especially with assistance from the tariff rises and the weaker rand.

Indications were that Rainbow had made profits in the past few months, but borrowings on operating losses was still a major issue, they said.

Simon Malaza, the sector's national negotiator of the Food and Allied Workers' Union, said it seemed Rainbow was close to making a decision about outsourcing and the direction of restructuring with regard to processing and farming operations.

A meeting with the management would be held in November, he said.

US eyes SA as market for its surplus poultry

Louise Cook

(3) POULTRY

NEW markets including SA would have to be found for surplus US poultry after Russia's economic collapse, the US Poultry and Egg Export Council said yesterday.

Council president James Sumner said the US was not conspiring to flood SA systematically with cheap, poor-quality products.

Reacting to the Southern African Poultry Association's comments on SA's vulnerability to additional imports from the US because of the shrinking of Russia's market, Sumner said the US realised the local poultry industry could not compete effectively with lower-priced imports.

"It is true that there is an excess of poultry on the world market, a result of the sudden and severe financial crisis that beset Russia. The country consumed more than 40% of all US exports of chicken and a quarter of turkey exports."

Sumner denied reports of dumping.

"American chicken leg quarters are being offered on the world market at the same price as they are sold domestically." Thighs and wings, which made up the bulk of the exports, were not "inferior", but Americans liked white meat better than dark meat.

All US poultry products had passed rigorous inspection standards set by the US agriculture department, Sumner said.

BD 6/10/98

FOOD *Fundamentals still point to loss for year to March 1999, say analysts*

Rainbow Chicken's revival 'may take a few more years'

CT(BR) 13/11/98

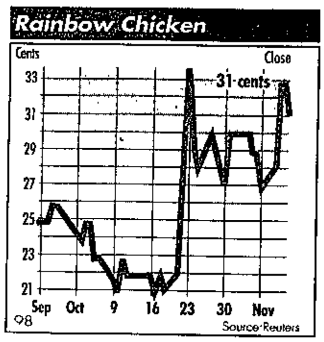
(7) POULTRY

RAVIN MAHARAJ

Durban — A realistic turnaround at Rainbow Chicken, the troubled broiler producer, could only happen after two or three years, analysts suggested yesterday.

They said fundamentals were still pointing to a loss for the full year to March 1999. This was despite "relatively decent interims" expected this week, thanks to a decrease in input costs and growth from Epol, its cash-positive animal feed business.

Analysts again suggested an international broiler company could soon make an announcement either to buy Rainbow, take a controlling stake in it, or enter into a joint venture with the company.



However, neither Rainbow nor Rembrandt, Rainbow's parent company, was prepared to comment on the matter.

But Yannick Lakhnati, the chief executive officer of Rainbow, said after the company's annual general meeting earlier this year that Rembrandt had given no indication of abandoning its investment in Rainbow.

Lakhnati said cash management was now a top priority, and he hoped to turn the corner at the end of financial 1999. But short-term borrowings were expected to peak at around the half-year stage, when raw material inventory holdings were at a maximum.

Rainbow produced an attributable loss of R268,4 million for the year to March 31 after a previous annual loss of R229,1 million.

One analyst said the interims should improve marginally as the company's input costs had come down.

Maize accounts for about 60 percent of input costs, but a fairly decent season should help the company. However, borrowings on operating losses was still an issue.

Analysts said it would be important to continue scrutinising chicken imports, which the local industry said was slaughtering profitability.

Chicken imports were still coming in. The problem has been exacerbated by some importers who are importing lightly salted chicken, which they claim is a value-added chicken product. This has resulted in a further flooding of the local market.

Rainbow shares fell 2c to close at 31c on the JSE yesterday.

Rainbow pursues pot of gold

ET(PM) 16/11/98 (?) POULTRY

Ravin Maharaj

Durban — Rainbow Chicken, the market leader in the broiler industry, has begun to deliver on its promises. It reported an operating profit before exceptional items of R14,9 million for the half-year to September 30 from a previous interim loss of R113,4 million.

Defying tough market conditions, the continued threat of value-added imports and industrial action, Rainbow also improved its attributable earnings position, even though it is still a loss-maker.

And while the company does not expect to be profitable at the attributable level for the full year to March 1999, it expected to materially reduce losses and continue to be cash positive for the remainder of the year. Dividends in the future were also possible.

The company, which is in the Rembrandt stable, posted a R7,5 million attributable loss, but the loss improved substantially from a R128,5 million loss in the previous interim.

The loss a share on a fully diluted basis was 0,6c a share, from a previous interim loss of 15,9c a share. An interim dividend was not declared.

The company released R12,2 million of its provisions raised in previous years, which was taken as an exceptional item.

The planned reduction in volumes following restructuring resulted in a marginal decrease in turnover to R1,064 billion, from R1,073 billion in the previous interim.

The focus on cash management gave a reduction in working capital investment of R56 million, and the debt-equity ratio improved to 25,5 percent.

Yannick Lakhnati, the chief executive officer, remained cautious, saying the true potential of Rainbow was still far from being realised. He said there was no "quick fix" at Rainbow. The idea was to build the foundation for a "solid, sustainable" organisation, based on human resources and processes development, not just financial strategy.

Reviewing the results, Lakhnati said the company had experienced fairly stable pricing in both raw material procurement and product price realisations. High interest rates during the later half, however, had negated potential cost savings from reduced funding requirements.

With restructuring complete, Rainbow would focus on improvements in throughput efficiencies and performance at farms. Epol, the animal feed operation, continued to perform well.

Lakhnati said market volatility, high interest rates and the continued threat posed by low-priced imports would make for difficult trading conditions over the next six months.

RAINBOW CHICKEN

FM 20/11/98

AND FARMER BROWN'S ANIMALS

Squawk, moo, woof, oink and cock-a-doodle-doo for Rainbow

(3) POULTRY

There'll be no more nasty jokes about Rainbow Chicken. Ahead of its stated target, the company that defined big-time corporate failure for the Seventies is back in a cash-generating position and there's a good chance it will deliver attributable profits before the next millennium. So, from now on this poultry group needs to be treated with some respect.

Rainbow's MD and the man responsible for the cash miracle, Yannick Lakhnati, isn't shouting "turnaround" just yet. "We have started doing a job and we are where we wanted to be," he says, "but we are far from sustained profitability, which is the second part of the challenge."

The numbers for the six months to September 1998 promise an end to a chilling chapter in the history of parent company Rembrandt. This smoking giant lost oodles of money and face during the Nineties because of Rainbow's failures and its stubborn insistence that the company could be turned around. The highlights are: cash generated: R46,0m; operating profits (before depreciation): R46,7m; working capital: down R56m; and borrowing: R208m.

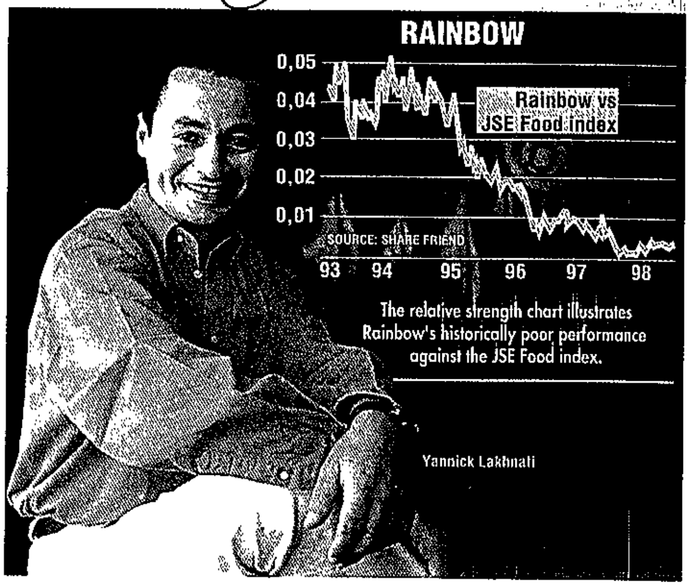
All good stuff. And the operating turnaround is spread through the group. Lakhnati says profits from feed subsidiary Epol, historically the lone star, came in at 1997 levels, and that the real progress came from the core businesses of growing, processing and distribution.

From the outset, it needs to be stressed that Rainbow's winning performance was wind-assisted. Most of the key external variables affecting the poultry industry were better than they have been in some time (see graphs). Producer prices remained high and imports low compared with previous years, because of the depreciation of the rand and the introduction of a higher tariff in September 1997.

Feed prices (which make up 55%-60% of production costs) followed the international trend downwards and chicken mortality was low, with only a small outbreak of Newcastle disease in July. The only negative for the broiler industry was the poor economy and its impact on consumer spending.

Lakhnati insists that conditions were challenging, pointing specifically to the economic conditions, unpredictable rand, higher interest rates and strike action by the Food & Allied Workers' Union (Fawu). But the *FM* gives overall market conditions roughly six out of 10 — which is a good mark compared with previous years.

That is not to take anything away from what has been achieved. If the road outside Rainbow was fairly smooth, there were still obstacles within the company. It is a triumph for Rainbow, Rembrandt and the management team that made it happen. Lakhnati easily earns his place alongside the likes of Shoprite's Whitey Basson on the 1998 table of turnaround superstars.



The relative strength chart illustrates Rainbow's historically poor performance against the JSE Food index.

Yannick Lakhnati

Rembrandt MD and Rainbow chairman Thys Visser says: "There is huge relief (at Rembrandt). He (Lakhnati) has made a hell of a difference. But he still has a hell of a task ahead of him."

The modern story of Rainbow Chicken really begins in 1989 with the listing of the company and Rembrandt's involvement. Before this move, Rainbow was a family-controlled entity under the watchful eye of founder Stan Methven.

Besides his colourful language, Methven is remembered as an autocratic and uncompromising leader, whose acute personal attention to all aspects of the business made Rainbow the leading power in poultry in SA. He was loved and hated in equal measure, and the chicken-growing regions of KwaZulu-Natal still ring with stories about him.

When Rainbow went public, it began to lose that owner-operator strength and many things just flew out the window: attention to detail, company pride, a fixation with costs and a closeness between managers and the chickens. While this was happening the market also got tougher. Imports began to escalate, disease ripped through the industry, there was a glut of broilers on the market . . .

The broiler industry is unforgiving. Consultant Rudi Kruger, who spent some time working at Rainbow, explains: "If the supply chain is working properly it is a huge money-maker, but if there is one thing wrong then you have serious problems."

The result was Rainbow slit its own throat. There were three successive years of losses (financial 1996-1998), a string of management changes and a drop-off in staff morale. There were real problems, for example, with what is called "gumboot disease" — people standing on the chickens and killing them because they simply didn't care.

In management, a culture of non-accountability became entrenched. Rainbow staff talk of the "Rainbow salute" — crossed arms with fingers pointing in opposite directions, as if to say: "It's not me, it's somebody else."

This is the kind of environment in which Lakhnati took charge, after the departure of Mexican poultry man Jorge Del Corral

"We are far from sustained profitability — the second part of the challenge"

Chicken workers claim foul treatment

(3) POULTRY

Sowetan Reporter

WORKERS at Early Bird Farm, a chicken processing company, have stopped work and threatened to take industrial action after a dispute in which management allegedly failed to meet their demands.

The strike is by members of the Food and Allied Workers Union (Fawu), which claims that most of the workers at Early Bird, in Midrand, had not received bonuses and other allowances.

Fawu's regional chairman, Mr Ndzipho Kalipa, said yesterday about 1 500 workers were demanding a 9,6 percent wage increase, better housing loans and an improvement of working conditions.

Kalipa claims workers are only getting an average of R250 a week.

Management had offered an eight percent increase across the board.

Kalipa claims procedures to kick off the strike had begun as far back as the first week of this month, and that because of this management had failed to pay Christmas bonuses to some workers.

This had caused severe hardship, according to Kalipa.

However, the union leader was optimistic that a settlement would be reached as Fawu was scheduled to meet late yesterday with management on the issue.

Early Bird's group human resources manager Mr Arnold Prinsloo confirmed the strike yesterday.

Top payers

But he was quick to add that his company was one of the top payers in the industry.

He claimed Early Bird paid on average R1 680 a month and believed its eight percent offer was more than fair. Workers also got a 13th cheque.

Prinsloo denied the company had not paid Christmas bonuses but said workers should not expect to be paid for time they had spent on strike.

Fawu to extend strike against Earlybird

BD 31/12/98 (3) POULTRY

Themba Hlengani
and Taryn Lamberti

THE Food and Allied Workers' Union (Fawu) intensified its month-old strike against Earlybird yesterday by giving notice of a secondary strike against all business units of the poultry company.

The intensified action is expected to cripple the company's production, as more than 1 500 workers will be involved. The strike was previously concentrated at the company's Olifantsfontein slaughterhouse only.

Fawu spokesman Nzipho Kalipa said the union decided to call for a secondary strike after an attempt to break the deadlock with employers on Tuesday night was unsuccessful.

He expected the company's Standerton works to join the action today.

Arnold Prinsloo, Earlybird's human resource manager, said the union's notice was in contravention of the Labour Relations Act, and the company was waiting for the union to talk to them before taking action against the expansion of the strike.

Workers and management deadlocked a month ago after they failed to reach a settlement on a wage increase.

The company is offering an 8% increase while the union is demanding 10,5%. Kalipa said the union was prepared to compromise at 9,6%, but the company had not agreed.

"We reduced our demand according to inflation. The 8% the company is offering is far less than the inflation figure which is above 9%," Kalipa said.

The Commission for Conciliation, Mediation and Arbitration and an independent mediator have failed to break the deadlock.

Kalipa said the company had agreed to increase Christmas bonuses from R300 to R500. He said workers had not yet received their bonuses for 1998.

Prinsloo denied this, saying workers had all received their 13th cheque.

Meanwhile, striking National Union of Mineworkers (NUM) members and Anglo American Platinum (Amplats) again failed to reach agreement yesterday over a wage dispute. The dispute has resulted in 5 000 workers downing tools over the Christmas season at four mines and a smelter in the North West and Northern provinces, Amplats spokesman Steve Calladine said yesterday. The parties will meet again on Monday with an independent mediator in a bid to settle the dispute.

Something to crow about

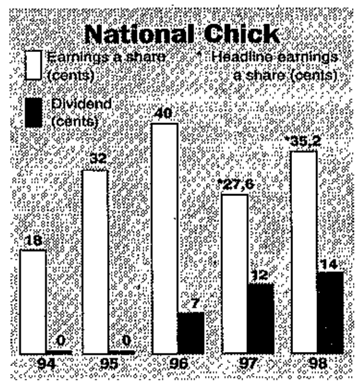
(3) POULTRY BD 4/12/98

Chick producer Natchix boosts income 26% through growth

Nicola Jenvey

DURBAN — Day-old broiler and layer chick producer National Chick (Natchix) has begun reaping the benefits of its acquisitional investments and organic growth, posting budget-beating results in the year to September.

Attributable income rose 26% to R11,8m, pushing headline earnings a share to 35,2c (1997: 27,6c). A 14c (12c) annual dividend was declared. Pretax profit increased 56% to R16,4m, as sales climbed 43% to R167,3m.



Chairman Mike Walne said the higher interest bill at R8,1m (R5,7m) reflected the effects of the capital expenditure incurred mainly during the first half-year. However, this amount was significantly below forecasts, due to the restraints put on to expenditure in the face of spiralling interest rates.

Recent acquisitions Malan Chix — renamed Hy-Line Chicks — and animal health products company National Veterinary Supplies contributed 12% and 8% respectively to group income during the year.

Walne said other factors which contributed to Natchix's satisfactory performance were increased chicken consumption as the product remained the cheapest form of protein, stabilised production costs and a market that was less volatile as a result of the higher duty on imported chicken hindquarters.

Increased production capacity, which came on stream during the year, enabled the group to raise its production of day-old broiler and layer chicks to a record 1,6-million a week.

Following the commissioning of new hatchery facilities in Botswana and Swaziland, cross-border operations now account for 18% of group revenue.

Walne was confident about Natchix growth prospects in the current year. He said as a key high-tech upstream supplier to the poultry industry, the group was experiencing a steady flow of demand for its products and continued to grow its market share.

There were "encouraging prospects" for expansion into relatively untapped markets to the north.

"While management attention will continue to focus on reducing borrowings in the immediate future, certain capital projects which have been put on hold as part of this process, may well be revisited should there be any significant drop in interest rates in the new financial year," Walne said.

AGRICULTURE- POULTRY

1999

NI

LABOUR *Controversy over halaal procedures adds to wage-related stress*

Muslim workers stage walkout at Earlybird

CT (MR) 6/1/99 (13) POULTRY

BONTLE HEADBUSH

Johannesburg — Muslim workers at Earlybird, the chicken processing company, stopped work yesterday after the company allegedly failed to follow the appropriate procedures for processing halaal chicken.

Zaid Shongwe, a Muslim worker at Earlybird, said the company employed scab labourers who did not follow halaal processes.

"At the moment it is only the Olifantsfontein plant that is on strike, but workers at other plants have given notice and will be joining the strike next week," Shongwe said.

Earlybird already had more than 1 500 workers on strike after a deadlock on wage increases. It also faces a secondary strike by the Food and Allied Workers' Union (Fawu) from the beginning of next week.

MOUTHPIECE *Workers protest in front of Earlybird's plant in Olifantsfontein, near Johannesburg, yesterday as they began their fifth week on strike. In addition, Muslim workers accused the company of neglecting procedures for processing halaal chicken* PHOTO JOHN WOODROOF

The company offered a wage increase of 8 percent, while the union is demanding 10,5 percent.

The Commission for Conciliation, Mediation and Arbitration (CCMA) and an independent mediator have failed to break the deadlock.

Arnold Prinsloo, Earlybird's human resource manager, dismissed claims that the company had employed people not qualified for halaal production.

"We have employed halaal slaughterers and also halaal supervisors," he said yesterday.

He said Earlybird would meet the CCMA today to seek a solution to the dispute with Fawu.

Striking Food and Allied Workers' Union members at the Earlybird poultry farm in Olifantsfontein, north of Johannesburg, toyi-toyi in protest against a wage dispute yesterday. The workers are in the fifth week of the strike.

Picture: TREVOR SAMSON

Earlybird workers announce sympathy strike

3) POULTRY

BD 6/1/99

Taryn Lamberti

STRIKING workers at the Olifantsfontein plant of Earlybird poultry producers north of Johannesburg gave management notice yesterday that their co-workers at the company's Standerton branch would embark on a sympathy strike in a week's time.

With the Olifantsfontein strike in its fifth week, Food and Allied Workers' Union regional chairman Ndzipho Kalipa said talks with management over a settlement to the wage dispute had "totally broken down".

Management have offered 8% while the union has said it will accept 9,6%.

Both parties accused the other of "not budging" yesterday.

Kalipa said the union had given notice of a secondary strike in Standerton last week but it was legally flawed. The union issued another notice yesterday but Earlybird human resources manager Arnold Prinsloo said he had not received it by close of business.

Prinsloo confirmed that negotiations had deadlocked although the parties met a mediator from the Commission for Conciliation, Mediation and Arbitration yesterday to discuss picketing rules. Prinsloo said the two sides failed to reach agreement on the rules.

The strike by 700 workers had not affected production at the Olifantsfontein plant because striking workers had been replaced by temporary labour.

Prinsloo denied an allegation by Kalipa that Muslim customers were boycotting buying Earlybird chickens because the company was not using Muslim slaughterers. The company had employed slaughterers recommended by the Muslim Judicial Council.

Sympathy strike at Earlybird called off

(3) POULTRY CT(BR) 7/1/99

Bontle Headbush

Johannesburg — The Food and Allied Workers' Union (Fawu) yesterday called off the secondary strike planned for next Tuesday against Earlybird Farm, the chicken processing company.

The strike, in support of Fawu's month-old strike on Earlybird's Standerton plant, was cancelled because Fawu failed to fill in the appropriate documentation for it.

Tumi Mohube, the union's legal officer, said it would have been unprocedural for Fawu to hold a secondary strike without filling in the required paperwork.

"If we were going to stage the secondary strike, Earlybird was going to issue an interdict against Fawu on Friday," said Mohube.

"Because we decided to call it off, we've been able to avoid this."

He said the strike at Earlybird's Olifantsfontein plant, including the Muslim strike over halaal chicken that was not properly processed, would continue.

Arnold Prinsloo, Earlybird's human resources manager, said there had been some progress in talks between Earlybird and the Commission for Conciliation, Mediation and Arbitration.

"We're having discussions to try and agree on picketing rules because the union has applied for certain conditions for its members, for instance, for them to be able to use the water and other such facilities while picketing," Prinsloo said.

Mohube hoped Fawu's cancellation of the secondary strike would help break the deadlock, even though Earlybird's discussion of picketing rules showed a willingness to prolong the strike.

Confusion over Earlybird strike

(3) POULTRY CT (PR) 12/1/99

FRANK NXUMALO

Johannesburg — Earlybird, the poultry farms management company, yesterday denied claims by the Food and Allied Workers' Union (Fawu) that more than 2 000 workers in Standerton had resolved to strike in sympathy with colleagues at Olifantsfontein.

"The information we have received from Standerton management is that workers there have declined to go on a sympathy strike," said Arnold Prinsloo, Earlybird's human resources manager.

Prinsloo said his company had also not received any notice of a strike action, which is a stringent requirement of the new Labour Relations Act.

However, Khalipha Nzipho, Fawu's spokesman, said the sympathy strike was on for next week after Standerton workers had "endorsed" a weekend meeting's resolution on the issue.

Hundreds of workers allied to Fawu at the Olifantsfontein works have been on strike since early last month to press their demands of wage increases of 10,5 percent against management offers of 8 percent.

Fawu also demanded substantial improvements on night shift and coldroom allowances.

Mike Maloba, the union campaign organiser for the Gauteng region, said over 600 Olifantsfontein workers and other Fawu members from the surrounding industrial area would march on the works on Tuesday or Wednesday next week.

Prinsloo said the way forward was to try to resolve the matter. "We are willing to engage in talks at any time (and to) look at a restructured package," he said.

Earlybird, Fawu talks broken off

3 POULTRY

FRANK NXUMALO

Johannesburg — Mediation talks between the Food and Allied Workers' Union (Fawu) and Earlybird broke down yesterday after the company failed to accede to workers' demands, the union said.

Sam Mashilwane, branch organiser for Fawu's greater PWV region, said the union demanded a 9 percent wage increase backdated to September 1 1998.

Mashilwane said Earlybird also rejected union demands for increased night shift and cold-room allowances and the inclusion in the negotiation process of other categories of workers who were still not part of the central bargaining unit.

He said the company refused to consider the case of 10 workers who were dismissed for striking at the poultry works' Olifantsfontein factory.

However, Earlybird accused the union of adding new items to the list of demands, using the wrong forum for some of their grievances and leaving the negotiation table too early when management was prepared to talk as long as necessary.

"We are a bit disappointed in their attitude and unwillingness to sit down and talk," Arnold Prinsloo, the Earlybird human resources manager, said.

Prinsloo said his company was offering a total package of 8 percent and not an 8 percent increase on each individual union demand.

He said the other category of workers the union wanted included in the bargaining unit were supervisory staff. Earlybird opposed this as it regarded supervisors as part of management.

Prinsloo said the matter of the 10 dismissed workers should be "pursued through the right channels".

CT(BR) 15/1/99

"They must take the dismissals to the Commission for Conciliation, Mediation and Arbitration if they are not happy with them," he said.

Fawu also served Earlybird with a sympathy strike notice by about 2 500 Earlybird's Standerton workers. The strike is scheduled for next week.

The Standerton workers will be striking in solidarity with their colleagues at Olifantsfontein who have been on strike since early December.

At the same time about 800 Olifantsfontein workers will march to their factory on Tuesday or Wednesday next week.

(3) POULTRY ARG 13/2/99

Liberty bell sounds for EU's caged chicks

Battery bans lead to egg shortages, but South Africa may have to follow suit to export

TWEET GAINSBOROUGH-WARING

Hens in Europe are being liberated but South Africa's chickens are still cooped up in cramped batteries.

Egg-laying hens in Europe may soon be free to roam their runs, instead of being squashed into batteries, unable to move.

However, the lower cost of battery eggs compared with free-range eggs may mean the hens will continue to be confined in South Africa.

Most European Union countries recently voted to phase out battery hens over the next 10 years. Should the proposal be approved by all EU member countries, Europe's hens will be free range by January 3 2009.

The news has delighted animal-rights activists, who for years have campaigned against the cruel practice of keeping hens in minute cages to produce eggs.

The decision could have repercussions for South Africa, which is on the verge of signing a trade agreement with the EU.

Cape Town animal-rights activist Louise van der Merwe said: "There are 15 million hens in batteries in South Africa, and if the country wants to be seen as part of the European community it must keep up with developments."

Ms Van der Merwe told Saturday Argus that battery chickens were kept in cages a third of the size of an A4 sheet of paper.

"They cannot move, which affects their legs," she said.

She said the hens were sold when they came to the end of their productive egg laying lives and went "through hell" before being slaughtered.

"They are tied by their legs to the roofs of cars and often carried for hours in the hot sun," said Ms Van der Merwe, who called on consumers to switch to free-range eggs.

Allan Stuart, a poultry farmer who farms caged and free-range hens, said numerous workshops and seminars had been held to debate the controversy. He said black consumers had opposed phasing out caged hens because battery eggs were cheaper than free-range eggs.

"A very low percentage of eggs sold are free range," he said.

He said it was easier to keep caged hens disease-free. The eggs were cleaner and less likely to spread disease to consumers, he said.

Mr Stuart said that in Sweden a ban on caged hens had been repealed as the demand for eggs could not be met.

"The trend in Sweden is now for enhanced cages," he said. The cages were airier, larger and, in some cases, had perches.

He said batteries had also been banned in Switzerland. However, the country had to start importing eggs to meet demand.

Zak Coetzee, of the South African Poultry Association, said that although South Africa took its cue from overseas trends, the prime consideration in a developing country was to keep food prices down.

Complaints that US poultry is flooding SA

Louise Cook (3) POULTRY

PRETORIA — The SA poultry industry will apply for antidumping measures against the US following a spate of "ineffective" tariff adjustments to certain imported chicken cuts since 1992, the Southern African Poultry Association says.

The association's executive director, Zach Coetzee, said the adjusted tariffs of September 1997 contained imports of chicken hindquarters by only 20% last year.

Between November last year and January this year there were still 11 000 tons of leg quarters streaming in from the US.

"A 3% surplus in the US is enough to replace total local poultry production."

Late last year imports of US poultry into SA surged when Chinese and Russian markets which usually took up large parts of the US poultry exports, collapsed.

At the time, US Poultry and Export Council president James Sumner denied US poultry was dumped in SA, saying that the US realised that SA could not compete effectively with lower priced imports.

"It is true that there is an excess of poultry on the world market ... American chicken leg quarters are being offered at the same price as they are sold domestically."

Yesterday Coetzee said dumping could be difficult to prove against the US as the poultry was sold to SA at that country's domestic prices.

"A reconstructed price ... may assist in the poultry industry's antidumping application."

The US produced 26% of the world's poultry consumption against SA's 0,8%.

BD 8/3/99

Producers outside the US lacked the economies of scale of farmers of that country.

After a drawn-out investigation into the local poultry industry, Trade and Industry Minister Alec Erwin agreed in late 1997 to the third tariff adjustment on certain chicken and turkey cuts to R2,20/t of the international price. Coetzee said yesterday this led to imports dropping to 83 000 tons in the following year from 104 000 tons the year before. "Government is now less dogmatic and prescriptive in its policy (on the sector). Its earlier aggressive policy of underprotecting agriculture in an effort to be correct in terms of perceived international trade ... cost the SA broiler industry dearly."

Indications are that an antidumping ruling would take considerable time.

Rainbow gains 8% on hopes of profit

Ravin Maharaj (3) POULTRY

Durban – Expectations of long-awaited profit from Rainbow Chicken, South Africa's largest broiler producer, could be responsible for the share's marginal gains last week, analysts suggested on Friday.

The share gained about 8 percent by the end of the week and closed on Friday at 40c.

Food sector watchers predicted the company, which was in the throes of a sustained turnaround, could break even or even post a small profit for the year to March 31, after years of massive attributable losses.

The company, which is in the Rembrandt stable, reported an operating profit before exceptional items of R14,9 million for the half-year to September 30.

The R7,5 million attributable loss improved substantially from a R128,5 million loss in the previous interim.

In early February, the share stumped analysts when it gained 41 percent without expectation of any announcements. Consensus was its fundamental value did not justify the run.

Late last week, analysts felt Rainbow seemed to heading for a profit.

The focus on people management, operating performance, and customer service was expected to boost earnings.

But analysts pointed out fundamentals were still poor. There was massive oversupply in the market and tariff protection was still not working efficiently.

The poultry industry has applied for anti-dumping measures against the US following a spate of ineffective tariff adjustments to certain imported chicken cuts since 1992.

One analyst suggested profit would come from restructuring. The company started streamlining its business in late 1997, resulting in the closure of some operations and an upgrade of remaining facilities.

The analyst said Rainbow had become a punter's stock. Short-term hype surrounding results could translate into share-price movement in the build-up to the results, he said.

Food sector watchers said the poultry industry was still in pretty bad shape.

Chicken continued to be consigned to South Africa after Russia's financial woes resulted in the cancellation of large orders of imported US chicken in China and Russia. South Africa became the alternative market.

Zach Coetzee, the executive director of the Southern African Poultry Association, said 2 percent to 3 percent of US production was "enough to wipe out South Africa's local poultry industry."

CT (BR) 26/4/99

Natchix is to spread its wings

Nicola Jenvey (3) POULTRY

DURBAN — Industrial food group National Chick (Natchix) begins exporting broiler chickens to Mozambique next week and is considering establishing a factory in the country in the medium term.

Releasing interim results to March, MD Gavin Jardine said yesterday Mozambique represented a new market for the group, which operates in Swaziland, Botswana and Lesotho.

Natchix demonstrated its resilience to difficult market conditions by posting a 28,6% rise in headline earnings to 17,05c in the period under review. The group pays a single annual dividend.

Jardine said the commercial sector of the broiler industry was adversely affected by the increased flow of chicken imports to SA, while the commercial egg industry suffered the effects of local overproduction.

However, Natchix, which produces 1,6-million broiler and layer chicks weekly, managed to raise attributable income 22% to R5,5m.

Continued growth in demand for Natchix products coupled with a higher market share nationally and in neighbouring countries boosted sales 18% to R79,4m. The higher volumes together with improved production pushed operating profit 19,5% up to R15,6m.

Jardine said notwithstanding high interest rates, finance charges rose 4% to R4,2m, while gearing dropped to 37% (1998: 49,4%). Net asset value was 15% higher at 247c.

BD 17/5/99

Back to former glory 'by next March'

Rainbow triumphs over losses

ET(PR)12/5/99 (3) POULTRY

RAVIN MAHARAJ

Durban – Rainbow Chicken, South Africa's largest integrated broiler producer, has taken a giant leap in its bid to achieve a focused and sustained turnaround.

The company, part of the Rembrandt stable, yesterday reported an operating profit before exceptional items of R34 million for the financial year to March 31, against a loss of R146,9 million last time.

Even though some analysts expected the company to swing back into the black on the attributable level, Rainbow substantially reduced the attributable loss to R13,5 million, compared with the previous loss of R268,4 million.

This translates into a loss a share, on a fully diluted basis, of 0,7c, compared with the previous loss of 21c. A dividend was not declared.

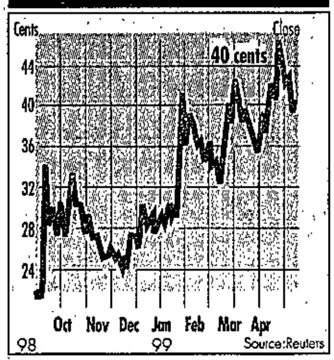
Analysts said improvements were substantial, given the volatility in international markets, which exposed the local poultry industry to an even greater threat of low-priced imports in the past year.

Analysts expected the company to swing back to "its former glory" in the year to March 2000.

They said Rainbow had made remarkable strides in reducing fixed costs, improving production efficiencies and improving cash flow. But the company, which is operating in what some commentators have described as one of the toughest years in the R5 billion a year poultry industry, was still not over its hurdles yet.

While the poultry industry had applied for anti-dumping measures against the US, chicken diverts from Russia continued to flood the local market, analysts said.

Rainbow



Yannick Lakhnati, the chief executive officer of Rainbow, said the results corresponded with the first phase of a recovery process, which began with restructuring in late 1997.

The past year had been essentially inward-focused to establish cost competitiveness and align itself to consumer requirements.

Lakhnati said both farms and processing performance results had shown encouraging progress in the past year. Although production volumes ended the year 2,5 percent lower than the previous year, more stable price realisations, as experienced up to the third quarter, and an improved focus on product mix, enabled the company to marginally improve turnover to R2,15 billion from R2,14 billion in the previous year.

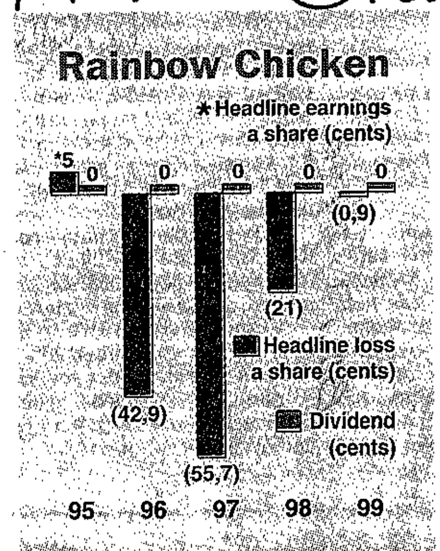
Epol, the animal feed operation, continued to be profitable despite pressure on margins.

Rainbow shares gained 1c to close at 40c on the JSE yesterday.

A rainbow forms after bad weather for broiler

BD 12/5/99 (3) POULTRY

Nicola Jenvey



KUBEN DAVID Source: RAINBOW CHICKEN

DURBAN — Restructuring Rainbow Chicken into a profitable organisation has taken another step closer with the broiler group declaring a R92,79m operating profit before depreciation (1998: R80m loss) in the year to March.

Although reporting a full-year loss of R13,5m, this was substantially improved from the R268,4m loss in the corresponding period last year. Headline loss a share dropped to 0,9c (21c).

CEO Yannick Lakhnati said Rainbow had significantly improved its operating performance with broiler growth rates and feed conversions nearing competitive standards. Processing had also realised gains from the restructuring.

Depreciation and amortisation reduced operating profit to R34m (R146,9m loss) which consisted of R14,9m and R19,1m for the first and second periods respectively.

Both Rainbow farms and processing facilities showed "encouraging progress" over the year, but Lakhnati said industrial action during the annual wage negotiations regrettably hit performance levels in August and September.

Although volumes dropped 2,5%, the more stable price experienced until the third quarter, coupled with an improved product mix, kept sales constant at R2,15bn.

Lakhnati said even though interest rates softened slightly towards year-end, average rates were still materially higher thus negating potential savings arising from lower funding requirements. However, interest-bearing debt still dropped to R203,8m (R254m) meaning the debt-to-equity ratio improved to 25,3% (30,8%).

Asian and Russian chicken consumption declined dramatically, while US production remained high, forcing international surpluses to seek alternative markets.

Lakhnati said despite competitive pricing, the entire local broiler industry came under pressure by unfair import practices.

Cautiously optimistic, he said Rainbow still needed emphasis on identified areas before returning to a sustained profitability. However, should that process bear fruit, the group might be profitable in the next financial period.

Poultry sector to file against US

3 POULTRY

Ravin Maharaj

Durban – Leading participants in the R8 billion poultry industry would file an application for anti-dumping measures against the US, the Southern African Poultry Association said yesterday.

Zach Coetzee, the association's executive director, said the application had arisen out of the massive recent surge of chicken imports from the US.

Chicken consumption declined significantly in Asia and Russia during the recent financial upheavals. But US production remained high, resulting in massive surpluses going to alternative markets, including South Africa.

Coetzee said there had only been a 17 percent reduction in imports between 1997 and 1998 despite the introduction of tariffs to help protect the local market.

Yannick Lakhnati, the chief executive officer of Rainbow Chicken, the integrated broiler producer, said that in spite of competitive pricing, the entire local broiler industry had been placed under extreme pressure by unfair import practices.

The industry had informed the government of its concern about the "serious implications" of those practices. Discussions were continuing with a view to solving the problem, Lakhnati said.

The industry could not tolerate dumping, which was hampering any attempt at being competitive, he added.

Reduced consumption in Asia and Russia meant surpluses were sent to SA

In the meantime Rainbow would continue its "intense process" to turn itself around.

The group reported yesterday that it had substantially reduced attributable losses and was on track for profitability in the 2000 financial year, provided market conditions improved and the company could successfully complete its transformation process.

Lakhnati said: "Rainbow's people, including the trade unions, have come to the party. "The key factor in restoring Rainbow to profitability on this fantastic but rough ride has (been), and will continue to be, the human factor."

Rainbow would continue to scrutinise business basics, which would help improve working capital requirements, improve cash flow and reduce debt.

"Rainbow is like a gold mine. The more you dig, the more you find things to do.

"The best is yet to come. Our turnaround is no quick fix," Lakhnati said.

Part of the discovery process meant Rainbow would review its product mix, from a market view and not just a cost perspective, and investigate the value-added market in the year ahead.

Export markets beyond Africa were also in the exploration phase, Lakhnati said.

□ Business Watch, Page 2

CT (BR) 13/5/99

RAINBOW CHICKEN

(3) POULTRY

LET THE SHEEP, COW, PIG & GOAT BE SLAUGHTERED

FM 21/5/99

And bring in the praise singer for the victory dance

So, in honour of what Monsieur Yannick Lakhnati has done at Rainbow, I decided to rewrite that Frère Jacques song. I've called it "Stan we have the man". Give me a note:

Frenchie's done it, Frenchie's done it.

At *#@+%ing last, at *&?@#ing last.

Johann (Rupert) can breathe now, Stan (Methven) can rest now.

Cock-a-doodle-do, cock-a-doodle-do.

Next verse:

All have failed, all have failed.

Mexican amigo (Del Corral), Mexican amigo.

Griffiths, Morris & Co; Griffiths, Morris & Co.

Yan's the Man, Yan's the man.

Ok, well you get the general idea. The *FM* (nearly) got it right: in its year-end results Rainbow made fast its turnaround and came within a whisker of attributable profits (headline loss per share 0,9c)! And that qualifies Rainbow's French general for a victory song.

The most impressive area of Rainbow's results (again) was cash flow. During the year, the group stripped out working capital and succeeded in generating R60,8m in cash from its operating activities. A small miracle, considering that operations gobbled up R98,4m in financial 1998 and R234,7m during 1997.

The stronger cash generated turned the course of Rainbow's long battle against debt. Borrowings dropped at year-end by R50,2m, from R254m to R203,8m, and gearing retreated from 30,8% to 25,3%.

The story of how Lakhnati set about turning this beast around was recorded when the *FM* covered the company's half-year results (*Companies & Markets* November 20). But it involves a wide variety of "ings": outsourcing, delayering, empowering, decentralising, rationalising . . .

The career turnaround artist now says of the exercise: "What happened over the past 18 months is so intensive and varied in terms of initiatives. In my entire business career I have never seen so many in-depth actions in a single organisation in such a short period."

He says phase one of the revival exercise at Rainbow is now complete: getting the supply chain in working order and improving quality. That's no pee-wee accomplishment. "Until recently, the survival of the company was questionable. Now we are alive, we are here."

Lakhnati's next area of focus is on improving the efficiency of the redesigned supply chain. He says in this phase (two), Rainbow will widen its attention to include both ends of the chain, the customer and the raw materials. "In SA, it (success) is about customer service. And we are trying to become more of a partner with the customer. At each plant we now have a regional planner and several customer service managers, whose sole purpose is to monitor where the product is and to keep customers informed." He says this may result in Rainbow moving into more value-added chicken production.

Getting efficiency/profit/cost-cutting targets out of Lakhnati would take more wine than I care to drink. The most he is prepared to offer is: "Every organisation has its true potential, its 100%, and we are at about 50%." So, there is clearly much still to do. Lakhnati expects a third stage to this revival operation, but won't say what its focus could be. "Rainbow is like a gold mine," he says. "The more you dig the more you find to do."

For all the internal progress, Rainbow still has a big exposure to domestic macro problems and US imports. That overshadows everything that has and can still be achieved at the company. Check out the *FM*'s interim piece for an explanation of the dynamics.

This exposure clearly concerns Lakhnati and co. They take a step backwards on the published prospects when they say: "If that (recovery) process continues to be successful the company expects to return to profitability for the (2000) financial year ahead, *provided that current economic conditions improve during the course of the year.*"

Lakhnati indicates he is concerned particularly about the massive surpluses of chicken on the world market and SA's exposure to this. He says "the industry has informed government of its concern about the serious implications of those (dumping) practices and discussions are continuing with a view to alleviating the situation."

SA Poultry Association executive director Zach Coetzee says frozen chicken imports reached their highest recent level during November and December last year, and

Arnold Pronto

Yannick Lakhnati . . .
Rainbow is like a gold mine

The Rainbow song:

Verse 1: Fren-chie's done it.
Frenchie's done it
At *#@+%ing last, at *&?@#ing last.
Johann (Rupert) can breathe now,
Stan (Methven) can rest now.
Cock-a-doodle-do, cock-a-doodle-do.
Verse 2: All have failed, all have failed.
Mexican amigo (Del Corral), Mexican amigo.
Griffiths, Morris & co; Griffiths, Morris & co. Yan's the Man, Yan's the man.
(To the tune of Frére Jacques)

that with the volatility of international markets it is a "danger time" for the industry.

Coetzee says the industry will be lobbying government to maintain the R2,20/kg duty on imported frozen chicken when it is reviewed in the next few months, and will also be asking for an "antidumping" duty that will protect the industry against the more severe shifts in world demand and supply.

I still have serious reservations about the SA broiler industry's long-term competitive position without tariffs. We have fundamental disadvantages, like the high cost of labour and a disease-friendly climate. Lakhnati stands by his position that every problem can be managed.

Interestingly, Tiger Oats MD Nick Dennis reckons their broiler operation, County Fair, is already competitive in the world arena, and that it has been structured around the fact of imported chicken. So maybe I'm wrong.

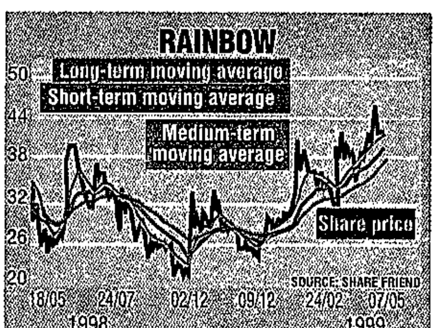
Rainbow's advance on attributable profit should be helped in the next twelve months by huge assessed tax losses (as yet undisclosed), a lower interest bill and a continuing decline in depreciation — with relatively small capital expenditure envisaged.

Lakhnati is doing a great job and it must be nice for Rembrandt executives to go out in public and not be sniggered at. Many songs may still be written about Rainbow's progress.

But two factors suggest real caution is needed when looking at Rainbow. First, the state of the market — and protection. Second, the proposal of a share consolidation by the Rainbow board. Beware of this.

A consolidation is clearly needed, with about 1,4bn shares in issue. But it could mean that Rainbow loses its penny stock appeal and its speculative followers. And I'm afraid the speculators may be the only investors who still look at Rainbow.

Stuart Rutherford



Rainbow's strong bull trend was confirmed in January when the positions of the moving averages switched to short term above the medium term above the long term. As the price bounces off the short term moving average, new buying indications are given.

David Gleason

WHAT'S CHRISTO WIESE SITTING ON?

Apart from sitting on a fat cash pile — and apparently doing nothing with it — what else is happening at Invicta, the Cape-based engineering company concentrated in the agricultural sector? Frankly, not much — which raises questions about why it raised R108m from the market in October 1997, when its share price was 570c, and why the counter now languishes at around 175c while the cash just sits there.

Invicta is now part of Christo Wiese's extraordinary empire. He's non-executive chairman and, at last count, held 22% of the equity. He says he remains a buyer "at these prices". Since Wiese has a reputation for avoiding dogs, does this mean something is about to be revealed that will give the company a better sense of purpose after a couple of years of drift?

Wiese says, as a general philosophy, he's averse to handing cash back to shareholders — it signals an inability to put it to good use. In any event, he followed his rights at the time and claims he's as blue as other shareholders who acted likewise. Several projects are being examined but he won't say what or when an announcement will be made.

Meanwhile, the company's year-end results are expected shortly. Asked if last November's forecast of improved second-half earnings will be achieved, Wiese says the company is on track, but adds that interest income distorts the results. That won't enhance the counter's p:e.

One aspect I didn't appreciate when the interims were issued is the paucity of information about sources of operating income. This was given merely as R21,5m. No mention was made of interest income.

Financial director Arnold Goldstone says interest income isn't disclosed because it isn't an accounting standards requirement (financing charges are). He confirms that, roughly, interest earned would have accounted for about half of the operating income, around R11m.

If this does anything, it is to underline Invicta's reliance on its cash resource. The counter's present market price of around 175c is only slightly more than its bank deposits, which means the market is putting no value on the underlying business.

Wiese isn't one to chair a company going nowhere. Nor would he signal his willingness to pick up stock without a belief in its ability to grow and develop.

So, though he remains tight-lipped about prospects, as you'd expect him to be in the closed period ahead of the results, I'm inclined to the view that some important acquisitions are just around the corner.

What is to happen to the Rand Club? A suggestion by property developer Conrad Penny to move it, brick by brick, to a friendlier site in northern Johannesburg is apparently being examined seriously by the club committee. The effect, says Penny, would be to preserve the club's ambience and the cost is likely, he believes, to be cheaper than erecting a new clubhouse. The present building, first occupied in 1904, has a steel structure that would make moving it comparatively easy. A new — and much smaller — clubhouse could easily cost around R25m.

Translocating may not be that far-fetched. London Bridge was shipped off to Texas and the construction of Egypt's Aswan High Dam prompted the piece-by-piece move of the Temple of Ramses II.

The Rand Club's problem is that most of its members have migrated — along with their businesses — to the northern suburbs; many members no longer go near the CBD.

The present clubhouse, which was modelled on London's Reform Club, has certainly attracted plenty of attention. "An immense stone pile," huffed traveller and author W C Scully scornfully. "It is an abode for giants . . . it is a megalomaniac's dream realised; as exaggerated as the wealth of the magnates who built it."

Whatever. These days, though, the club seems increasingly out of place, an anachronism in a city whose heart, as property boss Gerald Leissner mournfully observed a few weeks ago, "has already left". So have many members — the club's membership has fallen alarmingly.

And, as the support base for Johannesburg's clubs shrinks, so their finances become increasingly fragile. Mergers may be inevitable, hence the talk of one, despite the passions this will inflame, between the Inanda and Rand Clubs.

POULTRY *Lakhnati battles imports with low costs and high quality*

Rainbow wants to be world class

RAVIN MAHARAJ

ET (BR) 26/5/99 (3) POULTRY

Durban – Rainbow Chicken, South Africa's largest integrated broiler producer, is in for the long-haul challenge to become a low-cost producer at world standards in a local market fluttering with imports.

Yannick Lakhnati, Rainbow's chief executive officer, said last week that being a low-cost producer, linked with quality products and good customer service, was essential for growth and to swing back into the black.

"It is indeed what we are working towards. Under these conditions we will be able to compete with imports," Lakhnati said.

At the outset, however, it was important to distinguish between imports representing unfair competition – which would require participation with the government by the industry as a whole – and equitable competition in the open market.

He said that on their own companies would find it difficult to cope with imports or to have sufficient structures in place to ensure the industry was not plucked away.

Analysts agreed, saying poultry fundamentals were now the toughest in years, with improved efficiencies and internal structures in many producers.

In the past year 43 percent of broiler imports came from the US. South Africa and the Southern African Customs Union represent only 0,8 percent of world production, compared with the US, which produced more than 26 percent.

So a small production surplus in the US that found its way into the local market could "easily derail" the local industry, Lakhnati said. The peak of import volumes in 1997 was 104 000 tons, causing estimated losses of R88 million in the local industry.

Lakhnati said Rainbow was treating imports as a "local competitor", coping "as best we can". A big problem was that the playing field was not level, partly as a result of rand weakness.

In addition, "unscrupulous importers are capitalising in times like these to avoid custom duties and tariffs to maximise their returns", Lakhnati said. But his team would doggedly continue to scrutinise business basics, which would help improve working capital requirements, improve cash flow and reduce debt.

Rainbow reduced its annualised attributable loss from R268,4 million to R13,5 million during the year to March 31. The turnaround had thus far been "intensely emotional and fascinating", Lakhnati said.

He was distancing himself from the share price, more concerned with business fundamentals and the performance of staff.

"I do not intend to carve up Rainbow and then let it loose again. I am here for the long haul."

Capital growth and dividends would be important, but were definitely not the focus. "It is our responsibility to maximise the returns achievable by the company and not to concern ourselves about the share price or its trading circumstances, as this will follow automatically, based on what we are able to achieve."

Rainbow's objective was to provide Rembrandt, its controlling shareholder, "with a return of at least equal to, but preferably exceeding, that which would normally be expected from a company like Rainbow".

Rainbow Chicken to report loss in first half

CT (BR) 23/7/99 (3) POULTRY

RAVIN MAHARAJ

Durban - Rainbow Chicken, the broiler producer in the Rembrandt stable, would report an interim loss in the six months to September 30 on blunted consumer demand, high inventory levels and pricing pressures, Yannick Lakhnati, the chief executive officer, said yesterday.

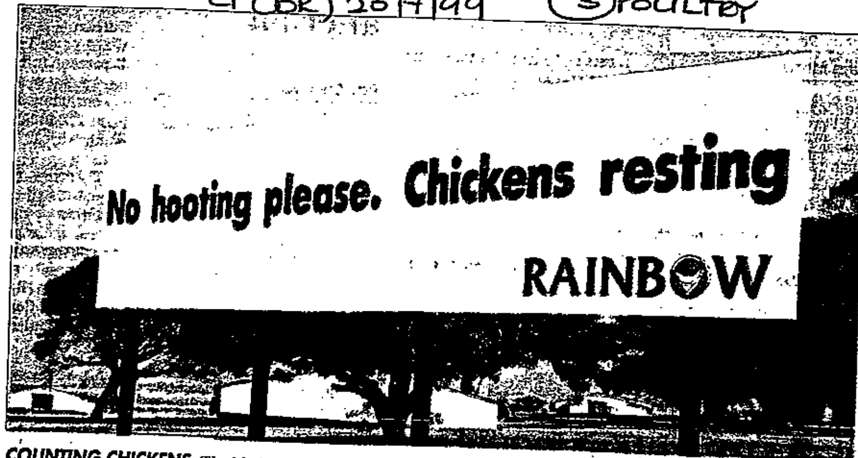
He said Rainbow had pinned its hopes on a return to profitability for the year to March 2000 on an improvement in economic conditions.

Although interest rates had declined in recent months, they remained high in real terms.

This problem, aggravated by the increased level of imports into South Africa's R9 billion poultry market had placed considerable short-term pressure on Rainbow's plan to return to profitability, Lakhnati said. The imports arose from the international glut of chickens.

Analysts said the situation was largely in line with their expectations. Rainbow was delivering on its promises, but a sustained turnaround, especially in a tough poultry market with increased input costs, could not be achieved overnight, they said.

Lakhnati said farms and processing performance results had shown "encouraging" progress over the past year,



COUNTING CHICKENS *The birds may be resting, but Rainbow is not fluffing around. Restructuring and cash management should enable the company to swing back into the black by March next year* PHOTO: [illegible] TUCK

and production costs had improved.

He said Rainbow, which has enjoyed limited institutional support despite materially reducing attributable losses, had completed the first part of its essentially inward-focused restructuring and streamlining process to establish cost competitiveness and reduce production costs.

Lakhnati said the company would also focus on its redesigned supply chain and the implementation of a human resources strategy this year.

Rainbow's performance was not yet up to the desired standard. "A continued emphasis on all focus areas is required," Lakhnati said.

Tough market conditions had adversely affected price realisations which, in real terms, were the lowest in the past six years.

Rainbow substantially reduced the attributable loss to R13,5 million, compared with the previous loss of R268,4 million.

Rainbow shares were 1c down at 32c on the JSE yesterday.

Little to crow about at Rainbow

BD 23/7/99 (3) POULTRY

Nicola Jenvey

DURBAN — Rainbow Chicken nonexecutive chairman Thys Visser says he does not expect the broiler producer to be profitable in the six months to September with the first quarter results "reflecting the outlook for the half-year".

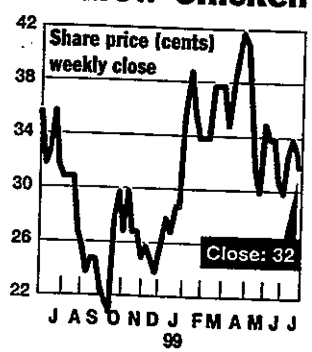
Visser said at the annual general meeting that although interest rates declined recently they remained high in real terms. Consumer demand was low as adverse economic conditions persisted and stocks in the industry were still "higher than required".

Trading conditions had thus remained depressed and downward pressure on prices continued.

The situation was aggravated by increased imports arising from international surpluses. CEO Yannick Lakhnati said the industry had lodged an antidumping petition with the trade and industry department this week in a bid to fight imports.

Visser reminded shareholders that the group, which has floundered in the red for several years, could only return to profitability in the present year "if economic conditions improve". The interim

Rainbow Chicken



KAREN MOOLMAN Source: I-NET BRIDGE

results would be negatively affected by prevailing conditions.

This was despite the farms and processing plants delivering "encouraging progress" in line with expectations. Production costs were still falling.

"The market conditions … have adversely affected realisations which in real terms are the lowest in the last six years. In certain product ranges they are also lower than the cost of production," Visser said.

In the annual report he highlighted external factors that might impede Rainbow's recovery, including the depressed economy, high interest rates, broiler market volatility and abnormally higher stock levels.

Responding to shareholder Derek Reynolds, Visser said major shareholder Rembrandt had "great faith and confidence" in the senior management team now heading the Rainbow recovery. Reynolds said that even though Visser was nonexecutive chairman shareholders expected him "to actively participate in getting the company back on its feet".

He said his share investment club had reckoned on Rainbow achieving a 6c per share attributable profit in the year to March 2000, followed by 12c the following year and 30c and 60c in the years ahead. "Shareholders also have their forward budgets," he said.

Ostrich industry flying high again after long sleep

(3) POULTRY   CT (BR) 2/8/99

JEREMY LOVELL

Oudtshoorn – The ostrich industry, which has gone from boom to bust and back this century, is hoping for a major boost from ballroom dancing and celebrations surrounding the millennium.

"There is a tremendous demand for wing plumes and the long feathers of the ostrich," said Alex Hooper, a leading farmer in Oudtshoorn, lying at the heart of a sprawling valley on the edge of the Karoo.

"We are, as ostrich farmers, quite terrified of the millennium because the celebrations in Rio (de Janeiro) alone take about half of the wing plumes that are being produced in this valley."

Ballroom dancing, making a steady comeback, is also a serious consumer of dyed ostrich wing feathers to decorate the female dancers' ornate dresses.

"Wing plumes are fetching anything up to R1 500 to R2 000 a kilo. There are about 150 to 200 feathers in a kilo," Hooper said. A male produces about one-quarter to a half a kilo of the prized wing feathers at each plucking.

Hooper, whose family arrived in the valley in the last century and whose Highgate Ostrich Show Farm was the first to open to the public in the 1930s, is a prominent member of the local industry, which is the centre of the world's ostrich business.

The industry, now worth about R300 million a year to the valley, has had a roller-coaster ride since its sudden fashion-led boom between 1902 and 1913.

At the height of the boom there were about 750 000 birds in the valley. But World War 1 and the advent of the open-topped motor car put paid to the wearing of hats with fashionable ostrich plumes.

By the end of the war the number of birds had dropped to just 25 000, with many farmers forced into bankruptcy.

A slow recovery since the late 1930s and the recent surge in demand for low-fat ostrich meat, curios, leather and feathers has brought the numbers up to about 200 000 today.

But a three-year drought in the valley, last year's meteoric rise in interest rates and the collapse in demand from the Far East because of the economic crisis there also took its toll, with yet more farmers going bust.

Hooper, however, remains optimistic for the future. "I am very positive. There will always be a demand for ostrich products," he said. "I think we can only see better days in our area."

The change in the industry in the past 90 years has been nothing short of revolutionary. At the outset only the long wing feathers were used, with the birds plucked every nine months.

It was not until the late 1930s that farmers tried to attract tourists, and not until the 1970s that any attempt was made to market the meat.

"It was not a very popular dish in the beginning," Hooper said. "But today there is a tremendous demand for ostrich meat. Any part of the ostrich that you can eat is sold."

Ostrich leather is also in high demand from the fashion houses of Europe and the Far East. "We are probably tanning in this valley approximately 200 000 to 220 000 skins annually. Eighty percent of those skins are exported." Hooper said each skin was worth about R1 000 to the farmer.

There is also a thriving trade in ostrich eggs, which contain the equivalent of 24 hen's eggs, and egg shells which are often ornately carved or painted. The bones are also ground up and put into pet food.

The industry has even embraced the computer age, making dust-attracting feather dusters to clean screens with the short body feathers that were previously discarded. "The only part of the ostrich that is thrown away is the content of the intestines," Hooper said.

Tourism also plays a prominent part in the survival of the Karoo ostrich industry. Some 300 000 people a year visit the handful of Oudtshoorn ostrich show farms, where they are introduced to the birds, told about their behaviour and invited to stand on their eggs to demonstrate their strength.

At the end of the tour the visitor is guided to the curio shop to be tempted with the delights of some of the vast range of ostrich products on sale.

But for most, the highlight of the tour is the ostrich race, with jockeys and even some intrepid tourists straddling the birds and trying desperately not to fall off as they speed round a circuit.

"An ostrich can run at up to 80km an hour," said Hooper. "We have had the odd tourist falling off and landing up in hospital. But they never forget their experience." – Reuters

ANALYSIS

SA ostrich industry booming

ET 2/8/99 (3) POULTRY

JEREMY LOVELL

The South African ostrich industry is flourishing and sales in ostrich products are increasing.

THE South African ostrich industry, which has gone from boom to bust and back this century, is hoping for a major boost from resurgent ballroom dancing and celebrations surrounding the millennium.

"There is a tremendous demand for wing plumes and the long feathers of the ostrich," said Alex Hooper, a leading farmer in what is known as ostrich town, which lies at the heart of a sprawling valley on the edge of the Karoo.

"We are, as ostrich farmers, quite terrified of the millennium because the celebrations in Rio (de Janeiro) alone take about half of the wing plumes that are being produced in this valley," he added.

Ballroom dancing, making a steady comeback, is also a serious consumer of dyed ostrich wing feathers to decorate the ornate dresses.

"Wing plumes are fetching anything between R1 500 and R2 000 per kilo.

"There about 150 to 200 feathers in a kilo," Hooper said, adding that a male produced about one quarter to half a kilo of the prized wing feathers at each plucking.

Hooper, whose family arrived in the valley in the last century and whose Highgate Ostrich Show Farm was the first to open to the public in the 1930s, is a prominent member of the local industry, which is the centre of the world's ostrich business.

The industry, now worth about R300 million a year to the valley, has had a roller-coaster ride since its sudden fashion-led boom between 1902 and 1913.

At the height of the boom — brought to an abrupt end by World War I and the advent of the open-topped motor car which put paid to the wearing of hats with fashionable ostrich plumes — there were about 750 000 ostriches in the valley.

By the end of the war the numbers had dropped to just 25 000, with many farmers forced into bankruptcy.

A slow recovery since the late 1930s and the recent surge in demand for low-fat ostrich meat, curios, leather and the feathers has seen numbers rise to around 200 000 today.

But a three-year drought in the valley, last year's meteoric rise in interest rates and the collapse in demand from the Far East because of the economic crisis there, also took its toll with yet more farmers going bust.

Hooper, however, remains optimistic for the future despite the events of the past.

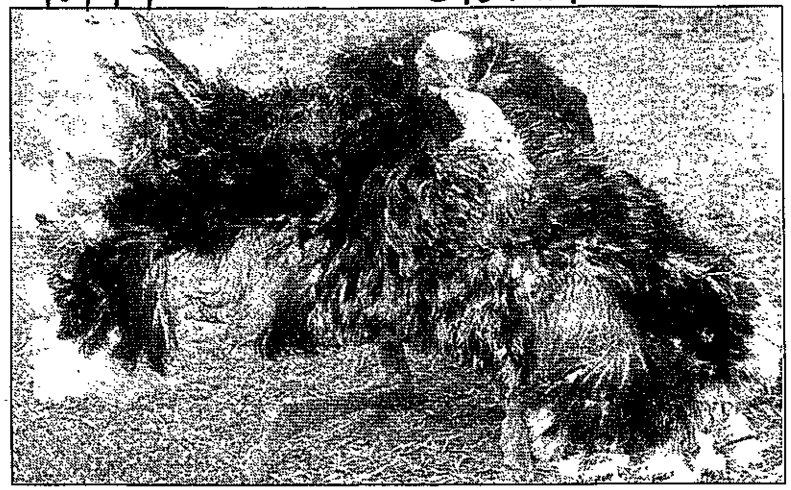
"I am very positive. There will always be a demand for ostrich products," he said. "I think we can only see better days on our area."

The change in the industry in the past 90 years has been nothing short of revolutionary.

At the outset, only the long wing feathers were used, with the birds being plucked every nine months.

It was not until the late 1930s that farmers tried to attract tourists, and until the 1970s that any attempt was made to market the meat.

"It was not a very popular dish in the beginning," Hooper said. "But today there is a tremendous demand for ostrich meat. Any part of the bird that you can eat is sold."



FINE FEATHERS: Ostrich farmers fear that there will be a greater demand for ostrich feathers for millennium partries. Here an ostrich shows off its plumage.

Ostrich leather, too, is in high demand from the fashion houses of Europe and the Far East.

"We are probably tanning in this valley approximately 200 000 to 220 000 skins annually. Eighty percent of those skins are exported," he said, adding that each skin was worth about R1 000 to the farmer.

Not only the feathers, meat and skins are used. There is also a thriving trade in ostrich eggs — which contain the equivalent of 24 hen's eggs — and egg shells which are often ornately carved or painted. The bones are also ground and added to pet food.

The industry has even embraced the computer age, making dust-attracting feather dusters to clean screens with the short body feathers that were previously discarded.

"The only part of the ostrich that is thrown away is the content of the intestines," Hooper said.

Tourism too plays a prominent part in the survival of the Karoo ostrich industry.

Some 300 000 people a year visit the handful of Oudtshoorn ostrich show farms each year. At the end of the tour, the visitor is guided to the curio shop where they are tempted with the delights in the vast range of ostrich products on sale.

But for most, the highlight of the tour is the ostrich race, with jockeys and even some intrepid tourists straddling the birds and trying desperately not to fall off as they speed round a circuit.

"An ostrich can run at up to 80km/h," said Hooper. "We have had the odd tourist falling off and landing up in hospital. But they never forget their experience." — Reuter

US poultry dumping investigation launched

(7) POULTRY (74)

Local industries 'suffer damage' due to dumping of chicken cuts

Louise Cook

GOVERNMENT will launch an antidumping investigation into imports of certain chicken cuts to SA and Southern African Customs Union countries from the US.

This followed a petition some months ago to the Board on Tariffs and Trade (under Trade and Industry Minister Alec Erwin), by Rainbow Farms and the Southern African Poultry Association, to conduct the probe.

They told the board that the cuts were being dumped on the markets of Southern African Customs Union countries, including SA, and that the local industries were being damaged as a result.

The board announced in a notice in the Government Gazette on Friday that it would press ahead with a full antidumping probe after deciding that there was "sufficient evidence and a prima facie case to justify ... an investigation".

The US Poultry and Egg Export Council was not available for comment yesterday.

If the probe finds that the US is indeed guilty of dumping its chicken cuts onto the local markets, stiff antidumping duties set by the World Trade Organisation will come into effect.

Southern African Poultry Association chairman Zach Coetzee said during the year to August this year, 31 000 tons of US poultry leg quarters landed in SA.

"US poultry production is 33 times higher than SA's. Prices for leg quarters keep dropping because Russia cut down on imports from the US a while ago.

"This created a complete oversupply of leg quarters which the US is now dumping in SA," he said.

He added that local importers did not pass price advantages on to local consumers. "Importers who sell at the highest price the market allows are enriched.

"An antidumping duty could stabilise import volumes and secure better employment in the SA poultry sector," Coetzee said.

Broiler Association chairman Mike Kingston said perceptions that the SA broiler industry's lack of global competitiveness was caused by ineffective operations had been proved wrong. SA producers' overheads were higher than the US and UK due to differences in consumer preferences.

The board's probe is expected to last several months.

BD 10/11/99

Rainbow has very little to crow about

(3) POULTRY BD 11/11/99

Nicola Jenvey

DURBAN — Rainbow Chicken has little to crow about in the six months to September after reporting a R40,7m loss (R7,5m) as rising stock levels and falling prices took their toll on bottom line.

The long-awaited recovery of the broiler producer took the backseat, as the operating profit before depreciation crashed to R6m from R46,7m. Rainbow sustained a R24,1m operating loss before interest against a R17,9m profit in the comparable period last year. Headline loss a share climbed to 17c (4,2c) after Rainbow restated its figures to account for the five-to-one share consolidation in July.

Rainbow CEO Yannick Lakhnati said in the annual report yesterday that the company had "expressed concern regarding the depressed economy, the continued high interest rates and the volatility of both local and international markets".

Shareholders were informed that local stocks had risen to a level beyond that which the market could absorb. The fact that imported product landed at prices below the SA production costs, compounded the problems.

"We cautioned (in the annual report) that price realisations would remain low until stock levels normalised," he said.

These sentiments were echoed by nonexecutive chairman Thys Visser at the annual general meeting four months ago.

Lakhnati said that while interest rates have declined, they remained high in real terms. Consumption demand has not improved significantly and stock levels only normalised during September.

"Prices have therefore remained low during the whole period under review. These factors have significantly impacted on industry profitability and threatened the survival some of its members," Lakhnati said.

He believed that the group would have attained "a meaningful profitability" if the pricing levels achieved last year had prevailed.

However, the restructuring and streamlining process in Rainbow "continues to make good progress". Despite dropping the selling prices 11%, turnover improved marginally to R1,1bn from R1,06bn due to the higher production and sales volumes and an improved product mix.

Lakhnati forecast more balanced stock levels and improved price realisations in the second six months, but warned that the local economy has not yet significantly improved and trading is likely to be difficult.

US accused of selling chicken pieces at below the value of the product

CT(POR) 17/11/99 (3) POULTRY

Poultry dumping inquiry launched

JOHN FRASER

Johannesburg – The government had launched an inquiry based on complaints by producers that US poultry meat was being dumped on the local market, the Board on Tariffs and Trade said yesterday.

Zach Coetzee, the spokesman for the South African Poultry Association, said: "We believe that the chicken products in question – drumsticks and thighs – are being sold at below the value of the product."

He said these cuts of chicken were sold for "at least 74c a pound" in the US market, but they were being exported to South Africa for 24c for the same weight.

"We asked the government to instigate an anti-dumping investigation, and we welcome this move.

"I am pleased that our government seems willing to back us. There are 58 000 workers in this country who are dependent on the success of the poultry industry."

Coetzee said the US poultry industry was 33 times larger than South Africa's and he was at a loss to explain why the alleged dumping was taking place because the local market represented a tiny outlet for US breeders.

All interested parties were asked to submit their views on the dumping allegation. If the government was satisfied there was dumping, it could impose a duty on imports of poultry drumsticks and thighs from the US.

In deciding to initiate the investigation, the government had already concluded that the US poultry exporters did have a case to answer.

After comparing the domestic US prices against import prices, the board "found that there was prima facie proof of dumping".

South African producers claim that because of this alleged dumping, prices are being kept artificially low in the local market, and the board has found prima facie of "material injury" to domestic producers.

In another development, anti-dumping duties of up to 65,47 percent have been placed on imports of electric cables from India.

Stake in ostrich co-operative pays off for farmer members

BD 1/12/99 (3) POULTRY

Louise Cook

OUDTSHOORN-based Klein Karoo Co-operative, the world's largest supplier of ostrich products, has pushed up its turnover by 7,2% to R408,1m for the year ended in June this year.

The co-operatives' seed section experienced its most successful year to date. Since July 1 when the new financial year started, the co-operative paid its farmer members R58m in the form of bonuses, pool closings, membership levies and interest.

Last week the co-operative announced payment of a further R36m to members.

"The higher turnover is mainly as a result of a recovery in the international market for ostrich products," Klein Karoo chairman Piet Kleyn said.

"Another factor is the co-operative's continuing efforts to generate income from industries outside the ostrich business, including vegetable seed," he said.

The world market for ostrich leather — Klein Karoo's main source of income — is, however, still experiencing unstable levels of supply and demand.

Despite this, the marketing of leather contributed R226,9m to the co-operative's total turnover in the year to end-June, compared with R169,7m last year.

Although the free fall in leather prices which characterised the industry during the past few years seemed to have been checked, the co-operative's turnover was still constrained by various factors. One factor was reduced prices for ostrich skins, despite record sales.

Although reduced slaughterings saw Klein Karoo's ostrich meat sales decline by 25% to R69,7m in the past financial year, the income per bird went up.

Fewer birds were slaughtered in a bid to normalise ostrich leather supply levels.

There was a hefty improvement in seed section turnover, to R27,1m up to end-June, on the back of better marketing.

"One of the biggest challenges Klein Karoo faces in the year ahead is to expand its client base to make it less dependent on the fickle fashion world and eastern markets," Kleyn said.