POULTRY

1977

x

1978

POULTRY ③ Poultry

Fishmeal fund FM 15/7/77

New levies on protein feedstuffs look like hitting the broiler and egg industries. Yet, in the crazy world of poultry economics, producers scratching for a living don't think they've been hit hard enough.

Government's R14/t surcharge on fishmeal and R7/t (up from R2/t) on oilcake is being used to build a fund to cushion the cost of imported animal feed *if* lower-priced local supplies run out.

Prospects of a good sunflower crop virtually ensures abundant supplies of oilcake but poultrymen, relying on fishmeal at R227/t, fear the running out of local supplies will force them to import at the much higher world price of R480/t.

To avert this potentially disastrous R253/t price jump looming at the turn of the year the SA Poultry Association urged Economics Minister Chris Heunis and Agriculture Minister Hendrik Schoeman to slam a R50/t levy on fishmeal (and hike the oilcake levy to R5/t) so that a R5m kitty could be created. This fund would have paid the price difference on about 20 000 t of imported fishmeal.

Poultrymen warned the Ministers that delaying the start of the fund or levying less than R50/t would put the industry in a very serious financial position.

Annual oilcake consumption is running at about 200 000 t and fishmeal at 160 000 t. Poultrymen, basing their plea and calculations on Balanced Feed Association forecasts, predict a 30 000 t fishmeal shortfall early next year.

The Heunis-Schoeman R14 and R7 levies will raise nowhere near the R5m poultrymen's proposed fund minimum. Their own higher R50/t levy proposal would have raised broiler prices by 2,8c/kg and 1c for 20 eggs.

Poultrymen were willing to absorb these costs. Now they won't have to but still remain apprehensive about money. If the fishmeal *does* run out their feed costs will double.

Chamber of Mines Rhodesia, 9 April 1975.
ng statement is found: 'the availability
now and in the future, has become much more
overnment permitted Wenela to recruit
African mines. This decision, which could
s for our mining industry, was made without
ith the Chamber. This was a grave departure
nal proceedures but I am assured that it
the more unfortunate consequences which
erted by the co-operative attitude adopted

anuary 1975: Business and Financial Review,

view, 24 April 1975.

ted fall off in production noted in Grain
eport 1975, Salisbury.

extracted from the Agreement contained on
t form signed by each contractee. Additional
ela propaganda handed to contractees (docu-
anslated by Wilbert Garaba).

(Wenela) Ltd., Reports and Financial Statements
ember 1974, Johannesburg.

Salisbury explained these reasons as:
k, being 'trouble makers' and being 'dis-

reytenbach, The Black Worker of South Africa,
retoria, 1975, p.15, report a figure of 11 000
reported by the 1970 Census in South Africa.
Dept. of Bantu Affairs figures are much
Rhodesia Herald, 3 April 1976.

Dziva who conducted the interviews in the

the Acting Manager of Wenela (Mr. N.D. Nicolle)
eview of unemployment in and around Salisbury.
ation, he was well-satisfied as to the
n unemployment in Salisbury. It is also
t of the President of the South African
ff-take of 20 000 contractees 'would not
labour market'.

69/ See Business Herald, 6 February 1976; and Financial Mail, 9 May 1975.

70/ I am grateful to Ian Phimister for pointing this out to me.

71/ It is an interesting point to be recorded that, according to the General Manager of Wenela in Rhodesia, the publication of political news indicating heightening of the local political crisis and/or possibility of change has brought about immediate fall-off in recruitment intake levels.

72/ ......

31/1/78

③ Poultry

Poultry farm to lose licence?

EAST LONDON — The Divisional Council has served notice on Nu-Laid Poultry Farms that it intends to withdraw the authority for the company to keep poultry because of its failure to control flies breeding.

There will be a special council meeting tomorrow to which the company has been invited to send its representatives and it is believed some of the directors of the company will attend the meeting.

Nu-Laid was formerly Bonacord until it was acquired by Epol which is part of the giant Premier Milling Company. During a court case in 1976 in which the divisional council tried to get a court order against the poultry farms, it was stated that the investment of the farms was about R1,8 million and the business had a turnover of R1,3 million of which about R1 million was spent in East London.

On the other hand, a large area around Cove Rock and Greenfields has been infested with flies, and people in the area have lived a miserable existence for years.

The secretary of the divisional council, Mr L. Daubermann said yesterday he had delivered the notice to Nu-Laid Poultry Farms as the company had failed to abide by the terms of a notice served on them on January 7.

"By common law, the company must have an opportunity to give its side of the case and it will be able to do this on Wednesday at the special meeting.

"If the council is persuaded that the company is making a genuine attempt to solve its problems, then the council may withhold the notice, otherwise the council will withdraw the permit to keep poultry and the company will be given a reasonable time to get rid of the birds," Mr Daubermann said.

Representatives of the Cove Ridge Ratepayers Association met the divisional council secretary to discuss the fly problem yesterday.

After the meeting, the man who has been fighting the fly menace for years, Mr D. Dalldorf, said the notice was the first positive step the divisional council had taken.

"They've at last realised that the time has come for drastic action, now we'll just have to see what happens."

Mr Dalldorf said he hoped the council would not be persuaded to withhold the notice on the grounds that East London would be without an egg supply.

"There is an egg surplus in this country and I believe that firms in Port Elizabeth for example need only one day's notice to supply all the eggs East London needs."

Mr Dalldorf said if the farms wanted to continue operating, there was only one solution: the sheds had to be made fly, smell and noise proof. "This means the sheds have to be totally enclosed and air-conditioned so that if there is any outbreak of fly breeding, it is contained within the sheds," Mr Dalldorf said. — DDR.

2/2/78 DD ③ Poultry

Poultry farm told to close down

EAST LONDON — The divisional council unanimously decided at a special council meeting yesterday to withdraw the authority for Nu-Laid Poultry Farms to keep poultry on their premises from April 1.

The chairman of health, Cllr M. Mills, moved that as Nu-Laid had failed to comply with a council notice earlier last month, the council would withdraw its authority to allow the keeping of poultry until such time as the council was satisfied the company complied with the regulations.

The motion was seconded by Cllr M. Yazbek.

At the beginning of the meeting, the chairman, Mr M. Robb, said the council was determined to solve the fly problem that has been plagueing the Cove Ridge area for years.

Appearing for the company, Mr K. Bax applied for the meeting to be held behind closed doors as adverse publicity had already affected the company's business.

Mr Robb said the Executive Committee had felt the meeting should be open and he could not agree to this request.

Mr Bax then said he felt that Cllrs D. Lloyd and G. King should recuse themselves from the meeting because their relationships with the main objectors might cause a conflict between interest and duty and morally, they should refrain from voting.

Mr Robb ruled that as these councillors had no pecuniary interests in the matter, it was not necessary for them to recuse themselves.

Mr Bax then presented a memorandum to the council in which he said the council's notice to Nu-Laid was unreasonable and practically impossible to perform.

The council had called on the poultry farm to remove totally and immediately the manure from the sheds where there were signs of fly breeding.

"The notice was served on January 17 and allowed only six working days to clear all the farms where there had been an accumulation of manure due to the Christmas and New Year holidays."

Mr Bax said heavy rains had also fallen which made it impossible for the removal trucks to enter the farmlands where the manure was being spread and also for the spreaders to work on the lands.

In spite of this, the company had employed extra labour and hired trucks and removed the manure from all the sheds except the six referred to in the notice and these were cleared within 36 hours of the notice deadline.

Mr Bax said the company was now back in a position to comply with the council's request to remove the manure from all the sheds twice a week.

The council was told that although there was a backlog of manure between December 15 and January 10, fly breeding had been controlled by the use of an insecticide called SSB which killed the larvae and there was no serious adult fly problem during this period.

"The position appears to have been exaggerated out of all proportion by a campaign in the press and by complaints from certain ratepayers in the area led by Messrs Dalldorf and Weyer.

"Naturally, during humid weather the fly population everywhere increases, but the infestation about which the ratepayers have complained, certainly does not emanate from Nu-Laid Farms."

Mr Bax said there had been times when it had been impossible to remove manure from the poultry sheds twice a week because of the long weekends and the heavy rains.

"The regulations do not provide for poultry manure to be removed twice a week. This is a council requirement and if, at times, it is impossible to carry out, this can hardly be grounds for Nu-Laid's licence to be cancelled."

Mr Bax said in spite of the adverse criticism, the farms were in a better condition now than ever before.

On the complaint that manure infected with fly larvae and pupae had been spread so that the breeding of flies could not be prevented, Mr Bax said the manure was treated with insecticides which was considered sufficient to kill off the larvae.

Mr Bax said the company was investigating the installation of a manure drying plant at a cost of R130 000.

Nu-Laid had a considerable investment in the area and if it was compelled to close down, this would immediately affect the employment of about 200 people.

After the council's decision to withdraw the poultry keeping authority, a director of the company, Dr E. Brock, said they were discussing the matter with their attorneys.

The man who has been fighting the fly menace for years, Mr D. Dalldorf, said the decision was a great relief.

"At last the divisional council has done its bit and once that poultry goes and we can get back to living a normal life, I promise the divisional council won't get one complaint from me," Mr Dalldorf said. — DDR.

Health consultant Dr H. Hurwitz, a director of Nu-Laid, Dr E. Brock and area manager, Mr V. Kotze in one of the sheds on the farm Dambo.

A farm labourer sprays SSB insecticide under the poultry cages to kill fly larvae before the manure is removed.

4/2/78 (3) Poultry

Poultry man: we're doing our best

DD

EAST LONDON — With beautifully mown lawns and manure recently removed from beneath the poultry cages, the Nu-Laid Poultry Farm sheds were virtually fly-free when visited this week.

This was the first time the press was allowed to visit the farms since the fly menace became serious some years ago.

The Divisional Council of Kaffraria decided on Wednesday to withdraw the authority for the company to keep poultry on its premises in the Cove Ridge area from April 1.

A director of the company, Dr E. Brock, said the matter was being discussed with attorneys and would comment no further, but there seems to be a possibility that the matter will go to court.

Residents and ratepayers in the area have been complaining for years about the fly menace, which, they claimed, stemmed directly from the poultry farm.

Originally, the farms were called Bonacord and were owned by the Ryan Group. They were taken over by Epol, which is part of the giant Premier Milling Company, the chairman of which, Mr J. Bloom, is businessman of the year.

Dr Brock said the company knew full well of its social obligations and was doing everything in its power to ensure fly breeding did not take place on the farms.

"We are now clearing manure every three days and we are treating the manure with insecticide that kills off the larvae, in fact we spend R3 000 a month on insecticide.

"We also feel an obligation to our community and we applied to join the ratepayers association, but they never bothered to reply to us."

Dr Brock said the greatest pity was that it seemed impossible to arrange a dialogue between the ratepayers and officials of the poultry farm.

"They have invested in the area just as we have and we are in this thing together so if we could only get together in a reasonable and sensible way, we might be able to solve some problems."

Through their poultry farming operations throughout the country, the company had gained wide experience and had several experts that could be brought in to help solve some of the problems.

The public health consultant for the Premier Milling group, Dr H. Hurwitz, said there may have been problems in the past, but Nu-Laid had become the whipping boy and tests had shown the company was blamed for many of the flies which came from elsewhere.

"We had the SABS doing tests in one of our sheds. We fogged the shed with insecticide so that there were no adult flies and then we hung fly papers overnight. The next day we found an average of 250 flies on each of the 48 fly papers and there were also several varieties while we have had no indication of any other fly than the common house fly in the sheds."

Dr Hurwitz said one cow or ox voided as much manure as 100 birds and 1 000 head of cattle would void as much manure as the 250 000 birds kept on the poultry farms and this manure was not treated as it was in the sheds.

"We are also investigating a R200 000 housing scheme for our workers, but we cannot continue with this planning until we have some assurance about our tenure here."

Dr Hurwitz said although the insecticide SSB which was being used as a larvicide was not registered for this, two independent companies had recommended its use and it appeared to be effective.

Although all the poultry sheds had just been cleared and there was little accumulation of manure on any of the four farms visited, there were few adult flies and I could find only two live larvae in the sheds.

But when we left the farms, there were at least 100 flies in the motor car which had been parked with its windows open. — DDR.

3 (POULTRY) 11/2/78

Divisional councillor to see manure drier

EAST LONDON — The chairman of the Health Committee of the Divisional Council of Kaffraria, Cllr M. Mills, and the council's health inspector, Mr J. A. van der Walt, are to visit the Tongaat Poultry Farm in Natal to study the effectiveness of a manure drier in operation there.

This is the latest development in the Bonacord — Nu-Laid poultry farming and fly menace saga which developed at yesterday's meeting of the council.

But, contrary to the request of Nu-Laid, the visit will be at the expense of the council and the council's representatives will make the visit purely for the council's information and not with a view to advising Nu-Laid as to whether it is desirable to install such a drier on their farms here or not.

In a letter to the council Nu-Laid's legal representative asked that such a visit should be made as soon as possible at Nu-Laid's expense so the council could satisfy themselves the drier was operating adequately.

They believed should such a drier be ordered — and it would take a further six months to arrive — the council may accept this as bona fide evidence of the company's intention to install the plant.

Councillors stressed at yesterday's meeting the action of the council on withdrawing Nu-Laid's permit to keep poultry had been taken in terms of the poultry keeping by-laws and not in terms of the health regulations. If action had been taken in terms of these regulations it would have been up to the council to tell Nu-Laid how to deal with the fly menace.

In terms of the poultry regulations on which the council had acted all they had to do was tell Nu-Laid to see to it the menace ceased. As this instruction had not been complied with they had withdrawn the permit.

Also before the council yesterday was another letter from Nu-Laid's legal representatives, alleging flies were breeding elsewhere in the area near the poultry farms and not at the farms themselves.

They believed in view of this any steps taken by Nu-Laid would still not help as they would be accused of creating a fly menace regardless of whether this were true or not.

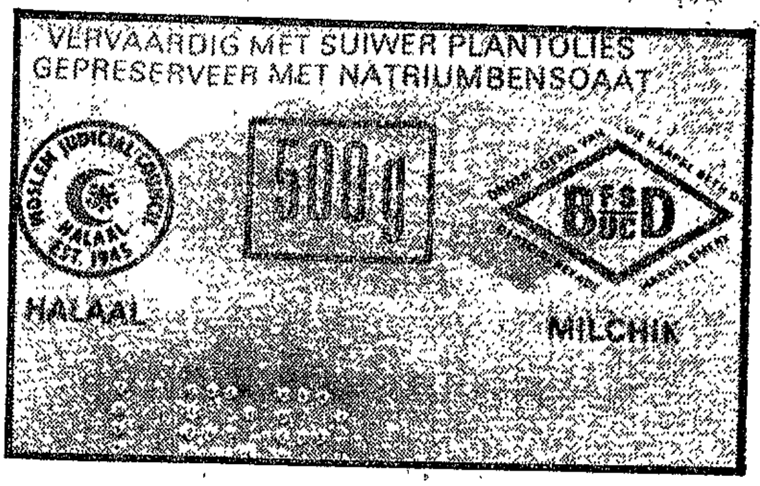
The council's health department has been instructed to do a full survey of properties in the Cove Ridge, Fort Grey and airport areas to check on fly breeding in the area.

Cllr Mills also insisted, and council agreed, on a count of all stock in the area being submitted with this report when complete.

Cllr B. Bursey said this would serve no purpose as it was well known flies did not breed in ordinary sheep or cattle manure, but Cllr Mills pointed out this was what he was trying to prove to the council. "That's exactly what I am getting at. This business of flies being bred elsewhere is a red herring being drawn across our paths," he said. — DDR.

SUNDAY TRIBUNE, FEBRUARY 12, 1978

THE ROW IS ALL OVER THIS RITUAL SLAUGHTER CERTIFICATE



The stamp that's caused all the trouble . . . the Muslim Judicial Council Halaal stamp

3 Poultry

Sunday Tribune

MUSLIMS URGE BAN ON CHICKEN

By PETER KNIGHT

SOUTH AFRICA'S 750 000 Muslims have been called on to boycott chickens produced by the country's biggest poultry concern, Rainbow, and those sold by Kentucky Fried Chicken.

The call comes from a Muslim body, Mujlisul Ulama, and follows a major religious battle over the validity of certain Halaal certificates now being issued in the Cape to Rainbow and Kentucky.

Mujlisul Ulama claims the chickens are "diseased" because slaughtering methods used do not conform to Islamic custom.

A Muslim newspaper, The Majlis, has warned in its current issue all Muslims that they would be guilty of a "heinous" sin, if they ate, sold or even fed chickens with the Cape-issued Halaal certificate to their dogs.

The call has caused a storm among the different South African Muslim bodies. The Mujlisul Ulama has accused the Cape body, the Muslim Judicial Council (MJC), of "deceiving" Muslims into eating "carrion, dead, unhygienic and diseased flesh".

Koran

However the head of the MJC, Sheik Najjaar, said the Mujlisul Ulama had little say in the Cape Province.

"I don't recognise The Majlis as the overall supervisor of Muslim affairs in South Africa.

"The word of The Majlis in the Cape is of no value because Muslim affairs are controlled by the MJC," he said.

The Mujlisul Ulama claims the R21 million Rainbow plant in Worcester, approved by the MJC, does not slaughter by the accepted Muslim method.

Two veins, the wind-pipe and gullet have to be cut while a short prayer (Bismillaahi Allaahu Akbar) from the Koran is recited.

The Majlis reports that when the Worcester plant was visited by the Mujlisul Ulama it was found that:

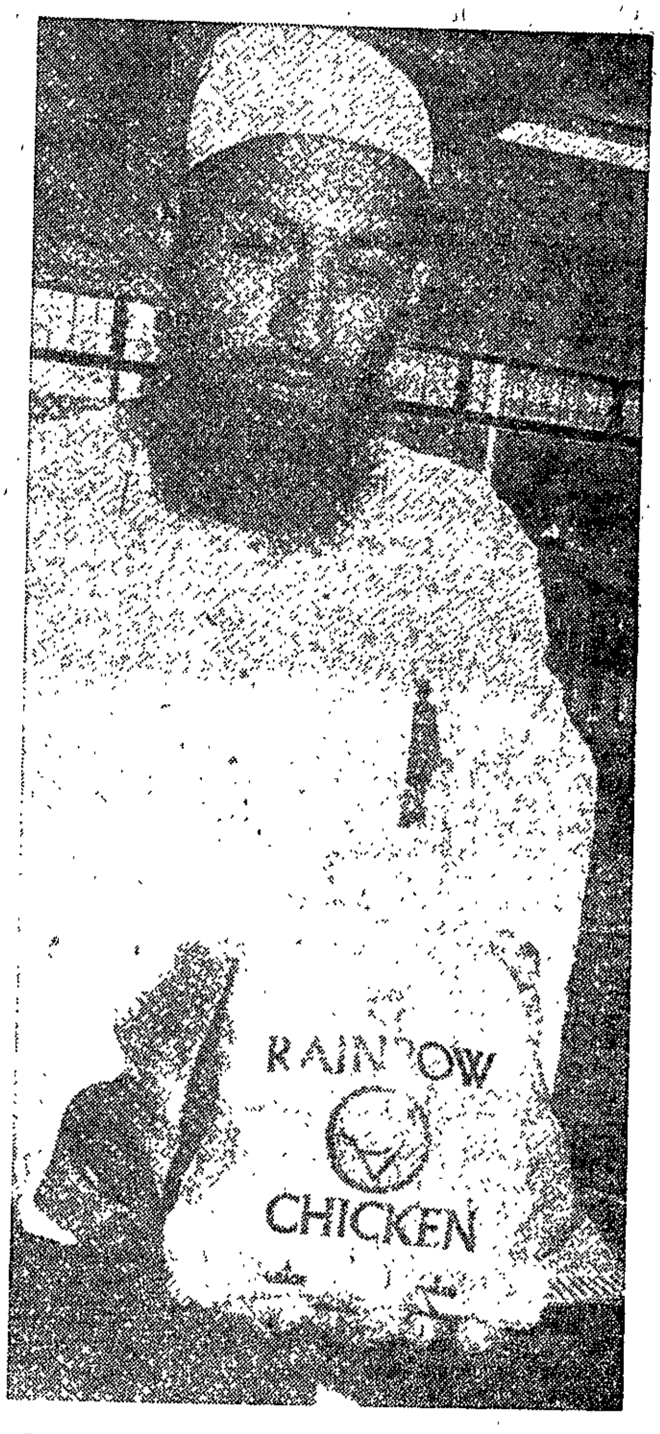
- The conveyor belt on which the chickens are suspended, moved too fast for the slaughterers to cut the neck and recite the prayer.
- The two slaughterers spoke to each other while slaughtering.

Prayer

- The slaughterers were not allowed time off for prayer as is required by Muslim custom.

This was all contrary to the teacing of the Koran, The Majlis claims.

Two smaller poultry farms based in the Western Cape and which hold MJC Halaal certificates, Farmer Brown chickens and County Fair Foods, have also been accused of producing Haraam (illegal) chickens by the Mujlisul Ulama.



Secretary of Mujlisul Ulama, Mr Mahamed Mahamed, holds a Rainbow chicken. The Halaal stamp is in the circle above the brand name

Sheik Najjazar has been accused by the Mujlisul Ulama of indiscriminately handing out Halaal certificates for which the producer has to pay up to R600.

Asians

The certificates have to be renewed every year.

Mr Harry Schwab of Kentucky Chickens said he had Halaal certificates for 72 branches throughout the country.

"I don't know why the call to boycott us has gone out," he said.

Mr Schwab said his company used Rainbow products from the Western Cape and Natal. "The boycott will affect us because in certain areas we have stores catering for Asians."

Mr Robin Grier, Cape Town manager of County Fair Foods and a spokesman for Farmer Brown Chickens said he was not prepared to comment.

A spokesman for Rainbow Chickens in Worcester referred me to the managing director Mr Stan Methven at Hammarsdale.

He could not be contacted and did not respond to messages left for him. His secretary, Mrs Baraman, said that Mr Methven had received the messages.

Rainbow refused to allow photographs to be taken of the slaughtering process.

Sheik Najjaar said a vendetta was being waged against him and the MJC by the Mujlisul Ulama. He had at no time handed out Halaal certificates indiscriminately and always supervised slaughtering methods.

Cost

"The Muslim Judicial Council emphatically denies that the chickens slaughtered at the Cape plants are not Halaal.

"These chickens are slaughtered by competent Muslims under constant supervision by the MJC.

Sheik Najjaar said the cost of the Halaal certificate varied and the money was used to pay for the supervision of the factories by members of the MJC.

AD 1/3/78 ③ Poultry

Fly row: poultry farm under fire

EAST LONDON — Although Nu-Laid Poultry Farms might be trying their best to keep down the fly problem, their best was not good enough for the people of Cove Ridge, according to a statement from the executive of the area's ratepayers association.

The executive is made up of the chairman, Mr M. Weyer, Mr F. Ferrucci, Mr D. Dalldorf and Mrs J. Bromley.

According to the executive's statement, the press was only allowed onto the farms after the sheds had been cleared and cleaned, but had they inspected the sheds on January 5 with the divisional council health inspector, the press would have seen the state of the sheds.

"We deny that Nu-Laid has ever made an approach to the Cove Ridge Ratepayers Association to join and the company could easily have arranged a dialogue with us because they know where the main complainants live, but they have never tried."

The statement said although the poultry farms denied they were a major breeder of flies, whenever a notice or court order was served on them, the fly problem was drastically reduced on the farms, but drastically increased at the place where the manure was disposed of.

"Officials of the farms state they fogged a shed with insecticide and in one night caught 12 000 adult flies. We would like them to show us one other farm in this area at which so many flies could be caught after fogging."

The statement said the executive would like to point out to the officials of Nu-Laid that there was a distinct difference between the manure from one ox running in the veld and 100 birds confined to a small space. The officials had said that one ox produced as much manure as 100 birds.

"The 100 birds kept in a confined space are ideal for fly breeding, the manure from the ox in the veld is not."

The ratepayer's statzment claims that the insecticide being used at the poultry farms, SSB was highly toxic and not registered for the control of flies in terms of the Fertilisers, Farm, Feeds, Agricultural Remedies Act which might not be in the interests of the community.

"We have heard about a housing scheme for blacks for years and about a manure drier for the past year, but still they delay and while they try to make up their minds, we have to live in our homes and suffer physically and financially.

"We cannot get anywhere with this sort of dialogue and there are those among us who are beginning to lose their patience and humour because from our experience, it is plain that whatever they try on the farms is just not good enough," the statement said. — DDR.

Star

2/3/78

3-Poultry

Cut-price war looms on chickens

Own Correspondent

DURBAN — Chicken prices are set to drop again, and a full-scale war between producers is expected by Easter.

Surpluses are believed to be building up at the rate of 300 000 a week, with total nationwide production at 2 500 000 and consumption at 2 200 000.

This is despite price cuts last month by Rainbow, the country's largest producer, which brought their price down from R1,03 to 90c a kilo and then to 85c for a limited period after the cancellation of a large export order.

A food industry spokesman in Durban said today prices were expected to stay at the present level for a few more weeks then to be cut drastically, possibly to as low as 60c a kg.

"The situation is building up to the point where all indications are that a cut-price war to end all wars will erupt during the next few weeks," he said.

11/3/78 DD 3 Poultry

Bonacord in building row

EAST LONDON — Bonacord Poultry Farms (Pty), who crossed swords with the Divisional Council of Kaffraria over a fly menace in the Cove Ridge area some time ago, are at loggerheads with the Divisional Council again, this time over erecting buildings without submitting plans to the council.

Bonacord have dropped out of the limelight on the fly menace issue following the takeover of their poultry operations by Nu-Laid (Pty) Ltd, but Mr T. W. Peinke, of the farm Green Hills, has submitted a complaint to the council about buildings being erected on the Bonacord farm, Triple Streams, within 100 m of his boundary. The council's health inspector, Mr W. S. Tocher, has reported an inspection revealed building operations were in progress and no plans had been approved by the council.

A statutory notice dated February 3 was served on Bonacord Poultry Farms by registered post calling on them to cease building operations and to submit properly drawn plans to council for approval.

On February 9 a reinspection revealed building operations were still proceeding and Mr D. B. Ryan stated no communication had been received from the council about the matter.

On February 10 a copy of the original notice was handed to Mr Ryan, but he said he did not have the authority to accept such a notice and refused to do so.

A further copy of the notice was delivered to Triple Streams on February 13 and placed on the desk in the office in the presence of the Health Inspector, Mr K. P. Bosman. This notice called for the council's requirements to be complied with within seven days.

Mr Ryan read the notice and then replaced it in the envelope and said it did not mean a thing to him. He crumpled it up and threw it in the waste paper container, according to Mr Tocher.

The council subsequently received an application from Bonacord to waiver their regulation about building within 100 m of a boundary. This was refused ..

Council has recommended the owners be required to demolish the structures within 30 days, failing which legal proceedings will be instituted against them.

In a further case against Bonacord, it appears they failed to comply with an order by council last year to demolish two structures built to house farm labourers — in contravention of council's regulations.

An inspection in April 1977 revealed two dwellings were built and six more marked out. Bonacord were required to demolish the dwellings and comply with council's regulations.

An inspection on February 2 this year revealed the two dwellings had not been demolished and were being occupied by black families employed on the farm.

The council has resolved that formal notice be served on the owners requiring them to demolish the dwellings within 30 days, after which time the council will take legal proceedings against them. — DDR.

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ly) Reasons for leaving

1.

2.

3.

4.

5.

12. Have you ever thought of doing different work?

    If yes, why don't you?

13. How much of the year do you spend doing this work?

14. How many farms do you visit each year?

15. When you are not doing this work, do you go home and/or do other work?

    What?

[illegible]

Council confirms ban on Nu-Laid poultry

EAST LONDON — The Divisional Council of Kaffraria has re-affirmed its decision taken on February 1 this year to withdraw authority to Nu-Laid (Pty) to keep poultry.

This withdrawal will be effective from April 1 and Nu-Laid have been advised that should they wish to continue their poultry operations after April 1, they must apply for a new permit.

Other new developments in the Cove Ridge fly saga were a decision by the council to call on Nu-Laid to cease depositing fowl manure on Mr Dalbock's farm, Klooflands, following complaints from Mr H. W. Kitchman of Bush View Farm.

The council received a telegram from Mr D. H. Green of Nu-Laid, saying the consequences of the withdrawal of their permit would be drastic and would involve an immense loss and claims for damages

A letter from the Cove Ridge Ratepayers Association has been sent to the council reporting that a Mr J. van Rensburg was said to have informed a member of the association the council would not force them to stop their poultry farming on Apr 1.

The Ratepayers Association was also worried at reports by a Dr Brock of Nu-Laid to the effect a poison SSB was used, one of the ingredients of which was carbon disulphide. This was a group 1 poison, while another ingredient, paradichlorobenzene, was a group three poison which was not permitted to be used on commodities for consumption.

A query about the use of SSB has been referred to the State Health Department.

Towards the close of yesterday's meeting of the council a new area suffering from the fly menace, Thorn Park, came under discussion.

The council decided to note the contents of letters of complaints received by residents of the area who believed the delivery of poultry manure to farms in the area was giving rise to a fly menace. — DDR.

11 2 1977

③ Poultry 24/3/78 DD

Poultry farm gets extension

EAST LONDON — The Divisional Council of Kaffraria yesterday gave the Nu-Laid poultry farming company at Cove Ridge until May 1 to control fly breeding in its chicken manure.

The council extended its deadline for cancellation of a permit allowing Nu-Laid (Pty) Ltd — formerly Bon Accord — to keep poultry.

The extension is an amendment of a unanimous decision in February to withdraw the permit on April 1.

If the council is satisfied with the company's fly-control and manure-disposal methods by May 1 it may extend the deadline by another month and continue to extend it month by month provided it stays satisfied.

Yesterday's decision followed a motion by Cllr D. Radue who suggested the council be given time to experiment with manure drying and pesticides and State and divisional health officials be allowed to investigate the situation and make recommendations.

Cllr D. Lloyd said he could not support the motion without an assurance that the manure would be disposed of satisfactorily in the meantime.

"We followed a truck in which manure was being transported down Devereux Avenue. Smelly, fluid manure was dripping out the truck. We smelt the stench of the stuff and you can't tell me it isn't unhealthy. Why health and road transportation authorities haven't stepped in here I don't know," he said.

Cllr R. de Lange said the council was not prepared to sit back and let the matter fall by the wayside. But it had to accept the company as an industry and, at the same time, be fair to ratepayers who had called for action against it.

Cllr M. Yazbek said the ratepayers had given the council a mandate to reaffirm its February decision.

"By taking a middle course we're only going to get into trouble on both sides."

He urged the council to stand by its previous decision to withdraw the permit on April 1. — DDR.

Vraelys aan boere (3)

3. Is u van plan om u getal arbeiders in die te
   of te vermeerder? Hoekom?

4. Dink u 'n tekort aan arbeid sal ontwikkel, b
   die volgende 5 jaar? Indien wel, hoe ga
   teenwerk?

5. Bestaan daar werkloosheid onder afhanklikes
   plaas (d.w.s. is daar mense wat graag wil
   werk kan kry nie)? Indien wel, watter

6. Die werkers op u plaas het ..... afhanklike
   Hoeveel van hulle sal op u plaas kan werk
   wanneer hulle ouer is?

Skool

1. As 'n werker op u plaas kom werk soek, vra u
   skool gevorder het, of nie?

2. Merk u enige verskille in bekwaamheid op t
   skoolgegaan het en die wat nie skoolgega

3. Gee u liewer werk aan 'n werker wat 'n paar
   of nie? Hoekom?

31/3/78 3 - Poultry

Produce up but chicken price cut

Mercury Reporter

THE price of chickens is down — but vegetable prices have rocketed since Durban's market opened after the Easter weekend.

The wholesale price of chickens has been cut from 90 to 80c kg with the lower price expected to last for one to two weeks.

Prices of vegetables on the other hand have been rising since the weekend.

And this, according to market director, Mr. Peter Venter is because of a shortage caused by heavy rains in all production areas over the past few months.

He added that all national markets were experiencing a shortage which was expected to continue for another few weeks.

Although Rainbow Chickens would not comment yesterday, the price drop is understood to be due to a current surplus.

Mr. G. R. Gilzean, regional manager of Checkers said: "There is obviously a glut. We shall be selling at 84c a kg from Monday."

Mr. A. S. Aboo of Joosab Supermarkets said although fresh chicken cost 85c wholesale, they would be dropping the price of all chickens to 79c, from next week.

Mr. Michael Knowles of the Knowles Group, said he had confirmation of the price cut and they would be selling at 79c.

Mr. Aubrey Zelinsky of Pick 'n Pay Hypermarket, which will continue selling at 79c, said he thought the surplus was due to prospective export orders not materialising.

Skeerders

Vraelys aan boere (2)

14. Waar slaap die span terwyl hulle op u plaas werk?

15. Kry hulle enige ander betalings terwyl hulle op u plaas werk? Indien wel, gee besonderhede.

Wat is die waarde aan u van die betalings?

16. Gaan u dieselfde span aanstaande jaar gebruik? Waarom/Waarom nie?

17. Is daar op die oomblik 'n tekort aan skeerders?

18. Dink u so 'n tekort sal in die toekoms ontwikkel? Indien wel, waarom?

Hoe gaan u hi

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3 Poultry 31/3/8 90

Cuts in prices of frozen chickens

South Africa's largest producer of frozen chickens will be cutting its wholesale prices by 11 percent from Monday (from 90 cents a kg to 80 cents).

Our Durban correspondent reports that the drop in Rainbow prices follows mounting surpluses and the loss of a large export order.

Early last month Rainbow cut the wholesale price of frozen chickens from R1,03 to 90 cents a kg and then dropped it further to 85 cents a kg for a limited "promotion" period.

Other frozen chicken producers are expected to follow suit. Mr Joe Bloom, chairman of Premier Milling, which markets Sunnyside frozen chickens, said today that consumers could anticipate a price drop next week.

A spokesman for Checkers said today that their Johannesburg and Witwatersrand stores will be selling Sunnyside frozen chickens at 83 cents a kg from Monday.

Pick 'n Pay dropped the prices of Rainbow and Sunnyside frozen chickens to 84 cents a kg yesterday.

5/4/78 eds

3 (Poultry)

Frozen chicken operation in export market

Total investment in Panmure Chickens, located at Mdantsane, currently amounts to over R3,5 mil.

A view of the overhead conveyor at Mdantsane's Panmure Chickens' processing plant.

Last year approximately R99 000 was invested in extensions and on new equipment to produce pet foods, and process manure.

Panmure specialises in frozen chickens, but no part of the chicken is wasted. The "insides" are used in the manufacture of pet foods by dividing them into correct proportions according to weight. A special machine automatically packs and seals the food, which is then distributed and sold by major supermarke networks.

The 250 tonnes of chicken manure, available each month, is extremely high in protein. New machines process the protein-rich manure into chicken litter.

In 1976 Panmure Chickens was slaughtering and freezing 60 000 birds per week. They now handle, on an average, 67 000 per week, many of these for export.

③ Poultry 15/4/78

Nu-Laid: permit to be withdrawn

EAST LONDON — A permit allowing the Nu-Laid poultry farms to keep fowls is to be withdrawn on May 1 to ensure an end to the Cove Ridge fly problem.

This decision was made by the Divisional Council of Kaffraria yesterday after it considered an application for renewal of the permit.

The council decided to give Nu-Laid (Pty) Limited — formerly Bon Accord — two months to get rid of all its poultry.

The decisions followed a proposal by Cllr N. Yazbek that the council refuse Nu-Laid's application because there was no guarantee the fly menace would not arise again.

Reports by the Divisional Health Inspector, Mr J. van der Walt, showed there had been no excessive adult fly population on the farms since March 22, but this was no guarantee for the future, Mr Yazbek said.

Cllr R. de Lange moved that consideration of the application be postponed until April 27.

"I would support a motion that they be given one more month," he said.

In February the council decided unanimously to withdraw the permit on April 1 but later postponed the withdrawal date to May 1 with the intention of continuing to postpone it month by month provided it was satisfied Nu-Laid was preventing fly breeding in its chicken manure.

Mr De Lange's motion yesterday was lost by eight votes against three, then he voted in favour of Mr Yazbek's motion which was carried by nine votes against two.

The council also decided to advise 56 petitioners of its resolution.

The petitioners, from the Cove Ridge and Thorn Park areas, had called for a public meeting with the council to discuss the voting for the decision to postpone withdrawal of the permit.

In support of the application at yesterday's meeting, a director of Nu-Laid, Dr E. Brock, said the company had suffered under a stigma which it was trying hard to put right and believed it could put right.

The company's legal representative, Mr K. Bax, said a new formula had been devised to produce drier manure and the manure could easily be composted.

The State Health and Agricultural Technical Services Departments were co-operating with the company and problems should be solved by the next fly breeding season, he said. — DDR

POULTRY

FM 5/5/78

Slim pickings

(3) poultry

There's nothing like a spot of healthy competition for putting a poultryman on his toes just before he goes broke.

Producers who have survived the past two lean years will find the going even harder during the next few months, as chicken products flood an already glutted market.

Delegates at next week's SA Poultry Association's fifth agm in Port Elizabeth will have to work out some pretty good tactics for handling the oversupply. Or their ranks will be even thinner at the sixth agm.

In the past two years, an estimated 24% of egg farmers have given up the business. Many small broilermen have been squeezed out as the six big producers (Rainbow, Farm Fair, Festive, Delmas Kuiken, Early Bird, Country Fair) pushed their aggregate market share from 72% to 80%.

Adding now to the poultry industry's woes are the scrapping of the egg production control rules and predictions of a drop in chicken consumption per capita as production is climbing now that farms worked up over three and four years are hitting full production.

Egg Control Board statistics show that 9,45% of the 3 600m eggs produced last year were brought in as surplus at the floor price of 43,75c a kg (with an average 18 eggs to each kg).

Producers argue that, because about 7%-8% of eggs laid are natural wastage (under-size or poor quality), the true surplus of unsold marketable eggs is nearer 2%-3%. Whatever the equation, the surplus is expected to jump 40% this year.

Broilermen may fare no better. Last year's record 157m chickens put on the market is likely to reach 160m this year. While output rises 1,9%, annual consumption per capita is expected to fall from 8,04 kg to 7,94 kg.

The outlook is almost as bleak for the chickenmen as it is for their chickens.

Religious row over chickens

3 Kowley 19/6/78 M

EAST LONDON — An East London chicken processing factory is at the centre of a massive row that has split the more than 50 000 Muslims in the Cape over whether its products are "halaal" (slaughtered according to Muslim rites).

Panmure Chickens Ltd, whose products are sold throughout the Cape and parts of Natal and Transvaal, have had their products declared "haraam" (unclean according to Muslim rites) by a Port Elizabeth-based Muslim theological body, the Jamiatul Ulama.

But yesterday the spiritual leader of East London's 100 Muslim families, Imam Fuad Samaai, said: "I swear by Allah the Almighty that these chickens are halaal. I take full responsibility in this matter."

The row erupted when a member of the Jamiatul Ulama, Moulana Nazeer Desai, contacted Imam Fuad for permission to visit the plant and was told he could do so and that he should contact Imam Fuad when he arrived in East London.

"I was shocked when I received a telephone call from the management of the plant to find that Moulana Desai had pitched up at the plant alone. The management refused to allow him to inspect the plant because they were not sure of his credentials.

"I felt insulted as the leader in East London that I had not been contacted by Moulana Nazeer when he arrived in East London and I told him so. He agreed he had erred," Imam Fuad said.

He said Moulana Desai then returned to Port Elizabeth and issued pamphlets throughout South Africa to the effect that Panmure chickens were haraam and the firm had denied him permission to visit the plant despite the insistence of Imam Fuad that he be allowed to do so.

Imam Fuad denied this. "I did not insist that he be allowed to inspect the plant. As leader of the community, I have full control over the matter."

Imam Fuad said he had written to the Jamiatul Ulama about the matter and hoped to receive a reply before June 25 when he leaves on a religious trip to Saudi Arabia.

A spokesman for Panmure Chickens said the firm were issued with a certificate from Cape Town and the local authorities could vouch for their abiding by the rules of the certificate.

No spokesman for the Jamiatul Ulama was available yesterday, but the chairman of the East London Muslim Society, Mr Yusuf Masoet, said: "We don't want Port Elizabeth meddling in our affairs. Our Imam is fully qualified in these matters and he checks on the plant once a month. We are satisfied." — DDR.

3/7/78 Star

3) poultry
2)

Price of chicken to rise again

Own Correspondent

CAPE TOWN — Chicken prices, which rose today, will go up a further 5c or 8c a kilogram in the next six or eight weeks, predicts Mr Desmond Lurie, head of the County Fair group of food companies and one of the biggest producers in the Cape.

But, he said, producers will make sure that it remains well below the price of red meat.

"We have no intention of pricing ourselves out of the market," he explained.

Mr Lurie said that, because of a surplus, chicken producers had been selling at a loss for the past six months.

"We have put our price up now because supply and demand are again in balance," he said.

UNAFFECTED

Food remains unaffected by the cuts in sales duty announced by the Minister of Finance at the weekend.

This was confirmed today by the Secretary for Customs and Excise, Mr D Odendaal, who said there was no sales duty on food and Senator Horwood's weekend announcement would therefore have no effect on food prices.

This has prompted consumer bodies to appeal for immediate relief in the form of food subsidies.

1/9/78 Star
3 Poultry

Govt may move to control poultry

The Minister of Agriculture, Mr Schoeman, says controls might be introduced in the poultry industry to overcome surplus egg production.

He was responding to a call by the Egg Board for protection of the small poultry farmer.

Mr Schoeman told a gathering of farmers last night that he did not know how some survived in present conditions.

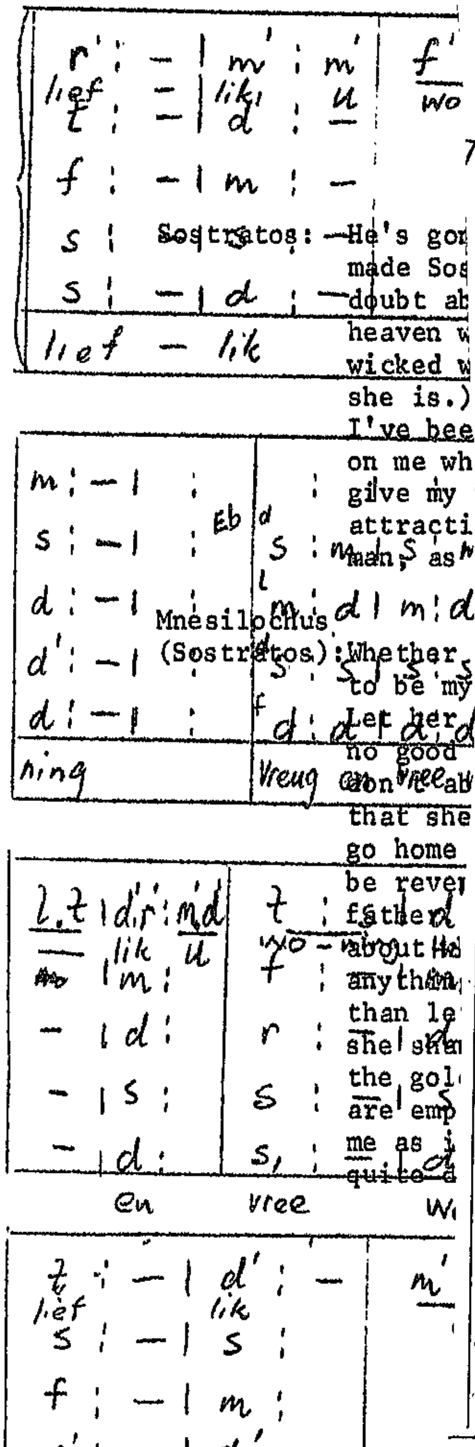
He referred to price cutting in Natal and the Western Cape, where eggs are now being sold at well below cost.

BROILERS

Production of broilers had leapt from 59-million in 1970 to 157-million in 1977 and consumption had not increased as expected.

The export of 988 000 cartons of surplus eggs last year at a loss of R4,7-million had been subsidised by consumers. It had added about 3c to the price of a dozen eggs.

But it was important to keep the industry in full production. He pointed out that food production was declining in Africa and that some countries which previously exported food, were now importing.



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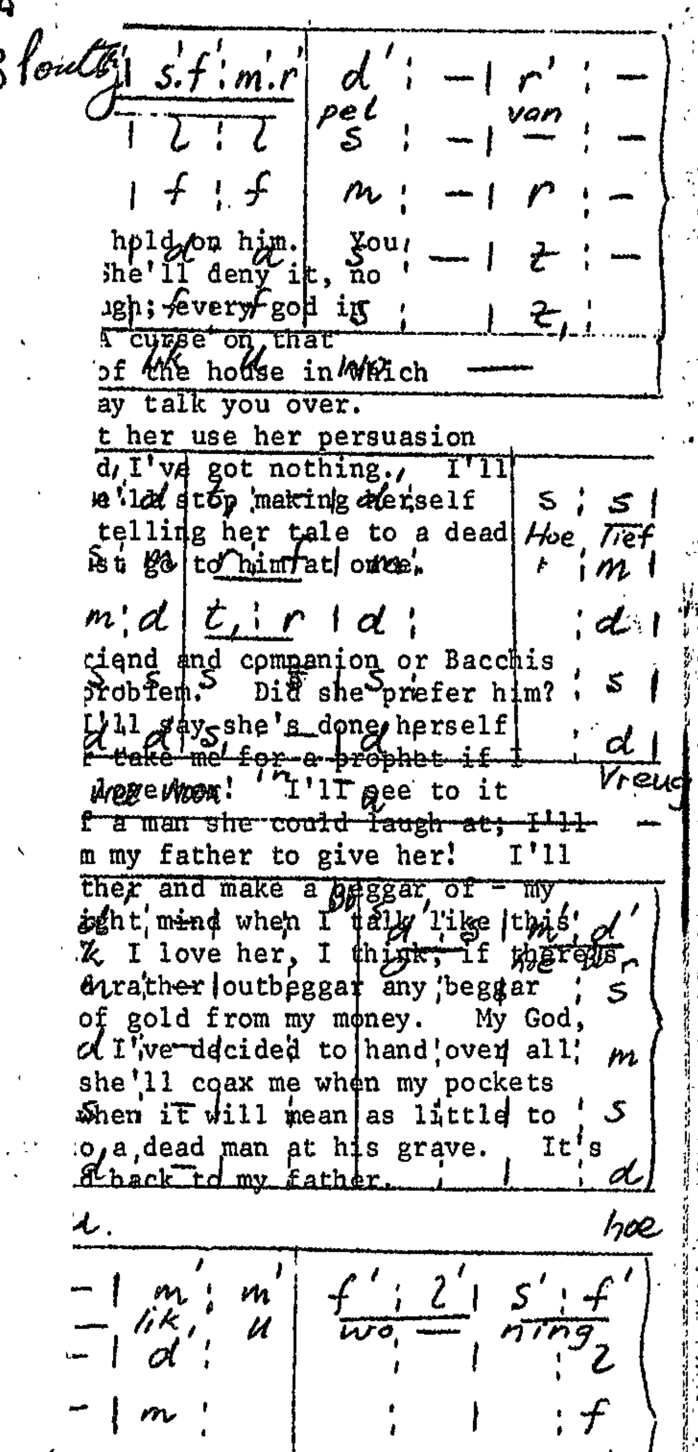

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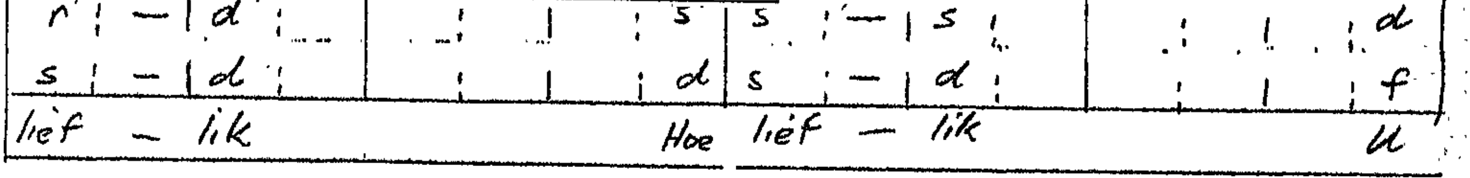

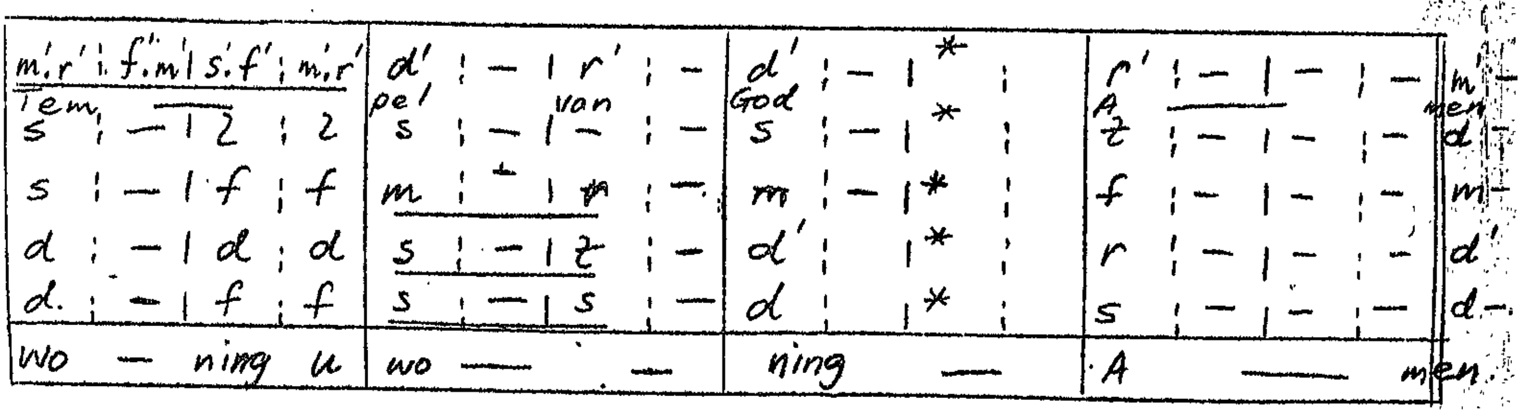

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14/3/78 DD (B Poultry)

Poultry farm appeals to the Administrator

EAST LONDON — The battle of the flies goes on.

Nu-Laid poultry farms have now appealed to the Administrator to overrule a decision made by the Divisional Council of Kaffraria in which the council withdrew the firm's permit to keep poultry.

The firm's attorneys, in a long letter before council, said the firm had done more to ensure no flies bred on their premises than the council had asked.

Nu-Laid has acquired a cab truck for the removal of the fowl manure, 15 nine cubic-metre metal bins for the storage of manure until such time as it is removed — all the bins will be fitted with plastic covers to prevent the breeding of flies while the manure is in the bins — and the acquisition of a mechanical manure spreader.

This spreader will be lent out to any farmer to whom manure is supplied — with the provision that the manure will be mechanically spread.

The firm of attorneys said in their letter: "Notwithstanding the fact that an appeal against the council's previous decisions has been lodged with the Administrator, application is again hereby made in terms of regulation three .... for the keeping of poultry by the company."

The acting chairman, Mr D. Radue, said Nu-Laid were taking the matter to Province, claiming the divisional council was acting illegally in withdrawing the permit.

"If Province upholds our decision then we can go to court and get a firm ruling there," Mr Radue said

Cllr Mike Mills asked: "Are we going to get a reply from the Administrator? Surely the reply will go to Nu-Laid and not to us?"

Mr Radue said he was not sure whether council would get a reply, but he assumed council would be advised of any reply to Nu-Laid.

The Secretary, Mr L. Daubermann, said he thought council would get a reply.

Cllr Blumenthal: "I hope we won't have to wait two years for a reply." — DDR

NM 24/8/75

3 - Poultry

R6m plant nearing production

African Affairs Correspondent

A R6 000 000 project that includes the most modern poultry slaughtering and processing plant in southern Africa, backed by a large hatchery and rearing farms, will begin full operation in KwaZulu, near Ladysmith, before the end of September.

Apart from providing employment and training for about 600 Zulus, it is intended to provide an outlet for Zulu poultry farmers.

Launched on the agency basis by Farm Fare, a subsidiary of Premier Milling, the project will establish nine poultry farms in the KwaZulu district of Ezakheni.

Primary producers of broilers in Natal, however, told the Mercury yesterday that the plant might create an over-supply if its chickens were intended for the local market.

One executive said that if Rainbow Chicken Farms Ltd., was not exporting chickens to the East, the market might now be over-supplied.

It is understood that Farm Fare does intend entering the export market, and officials of the Corporation for Economic Development believe the project is a "feasible proposition."

Mr. Jim Horn of Premier Milling, however, felt the Mercury's inquiries were "ill-judged and not in the public interest."

CED officials have said the scheme is sound and long-term and when Zulu farmers can begin supplying the plant with birds they will be given financial help by the corporation.

The total cost of the project is R6 500 000 of which about R4 000 000 was spent on buildings and infrastructure by the CED.

Certain functions within the factory, which could have been highly mechanised, have been made labour-intensive to provide additional employment for 100 local people.

B. A. (HONOURS)

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NM 31/8/78

Poultry at end of the rainbow

3- Poultry

Mercury Bureau

PIETERMARITZBURG — The great Hammarsdale chicken heist came to an end when the flood of cheap poultry in Durban alerted the authorities, the Camperdown Regional Court heard yesterday.

Three employees of Rainbow Chickens — Terence Cinnamon (47), Ronald Singh (30) and Henri Rouillon (38) pleaded guilty before Mr. H. A. Steyn to stealing 2 280 chickens worth R3 571 between June 26 and July 26 this year.

Asked by the Court to explain how the operation had been carried out — Cinnamon, a production supervisor at Hammarsdale — said the process of pre-pricing chickens had been changed and stocks became redundant.

Cartons of chickens were removed from the cold room after being put back into production "to lose their identity," and were then checked out by Singh — a loading attendant.

Cartons

A total of 285 cartons containing eight chickens per carton were loaded on to a Rainbow Chickens truck driven by Rouillon — a transport supervisor.

The vehicle, with Cinnamon as a passenger, was driven to a quiet spot in Hammarsdale where the goods were transferred to a truck owned by an Indian middleman.

Cinnamon said they were paid R5 per carton for the stolen goods.

He pointed out that chickens had been stolen twice in this manner by he and the other accused but the State had only charged them with one offence.

All three accused undertook in mitigation of sentence to refund Rainbow the full value of the poultry stolen.

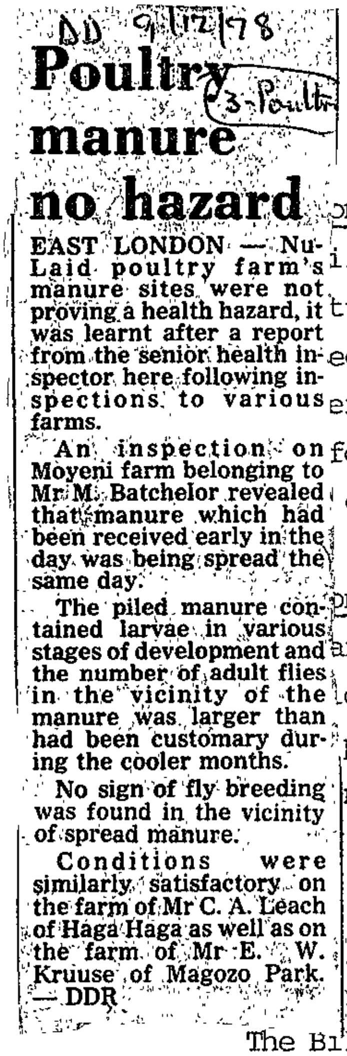
Rainbow was holding R6 000 in back pay and pension money due to the men, who had since been fired.

Passing sentence, Mr. Steyn took into account that the accused had signed acknowledgements of debt to Rainbow for repayment of up to R5 000, including the value of stolen goods for which they had not been charged or convicted.

Mr. Steyn said an aggravating factor was that they had stolen from their employers after being placed in positions of trust.

Cinnamon as the most senior official was sentenced to 18 months in jail while Singh and Rouillon were jailed for 12 months, all the terms being suspended.

One of the conditions of suspension was that the accused pay back R3 571 before November 30 this year.



DD 9/12/78

3-Poultr

Poultry manure no hazard

EAST LONDON — Nu-Laid poultry farm's manure sites were not proving a health hazard, it was learnt after a report from the senior health inspector here following inspections to various farms.

An inspection on Moyeni farm belonging to Mr M. Batchelor revealed that manure which had been received early in the day was being spread the same day.

The piled manure contained larvae in various stages of development and the number of adult flies in the vicinity of the manure was larger than had been customary during the cooler months.

No sign of fly breeding was found in the vicinity of spread manure.

Conditions were similarly satisfactory on the farm of Mr C. A. Leach of Haga Haga as well as on the farm of Mr E. W. Kruuse of Magozo Park. — DDR

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on and Works Committees

ill also presages the removal of the presumption favouring liaison ttees over works committees and provides that a works committee may ected irrespective of whether a liaison committee already exists. erster investigation had shown that some organisations were employing forms of committee and that others felt that this was desirable. This constitute modest progress from the African workers point of view.

on Committees

ar as liaison committees are concerned the intention is to extend their ions beyond consultation to a limited form of in-plant negotiation. provision would also allow any employer with more than one establishn an area to provide a single liaison committee for all the workers various establishments provided that at least one employee member ach establishment were elected.

Committees

The Bill would remove the lower limit of more than twenty employees for establishments entitled to elect works committees. This would allow smaller firms to introduce some system of representation.

Industry Committees

The most important change envisaged by the legislation would be the introduction of industry committees. A group of liaison,works or co-ordinating works committees in any trade or area would be entitled to apply to the Minister of Labour for the establishment of an industry committee. If the Minister deemed them sufficiently representative of the African employees in the trade and area he could sanction the application. The relevant inspector or Bantu Labour Officer in the area would preside over a meeting called to elect the members of the industry committee and would determine the number of members of the various committees allowed to attend. This obviously provides this State official with broad discretionary powers. Membership of the industry committee would be limited to no fewer than five or more than ten persons with an equal number of alternates. Their period of office would be limited to three years.

It is obvious that this provision would provide for a larger measure of African participation in industrial relations and at a higher level than

AGRICULTURE – OTHER – Poultry

7 Feb. 1979 —— 27 July 1981

Poultry ③ 7/11/79 DD

Chicken prices may drop

DURBAN — The price of frozen chickens is expected to drop by more than 25 per cent in the next few weeks following the cancellation of large export orders.

This was forecast yesterday by Mr Alan Gardiner, head of a giant supermarket chain here. He said the surplus, estimated at hundreds of thousands, had been caused by disruption of exports to Iran.

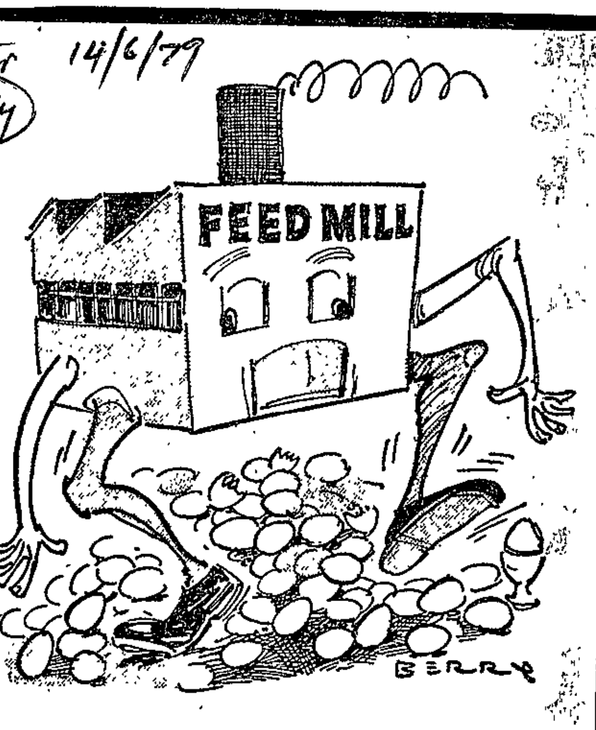
He predicted the price would drop from R1,20 a kg to 85c — 90c a kg in the next few weeks. The vast stocks held in cold storage would have to be moved.

Mr S. Methven, head of Rainbow Chickens, the country's biggest producers of broiler chickens, is overseas. He is believed to be trying to find alternative markets. — DDC.

Star 14/6/79

3 - Poultry

Feed mill 'farmers' hit smaller egg men



Farming with HANNES FERGUSON

Oh, what a tangled web we weave when we deceive ourselves that a feed mill is a farmer.

Over the years the egg industry has changed. Modern commercial egg farming involves flocks of thousands of hens, scientifically fed and managed. Capital investment is high, about R10 to R12 a hen.

There are about 500 producers with more than 2 000 hens. The most efficient flock size is between 20 000 and 30 000.

There are only about 20 producers with more than 50 000 hens, but among them are the large feed milling companies — only a handful of them — with nearly half of South Africa's 9-million hens. They very much dominate the industry.

The mills produce stock feed, mainly for cattle, pigs and poultry. Some are in the oilseed-pressing business as well, selling vegetable oils and using the oil cake in their rations. And now they have gone into egg farming in a big way, competing with their farmer clients.

Some six years ago the feed companies put up new expensive mills, creating huge extra capacity. As the growth in demand at the same time happened to be flattening out, there was much overcapacity.

The companies took the obvious way out by buying egg farms, thus creating a movement of vertical integration and expansion. The aim was clearly to create a market for their unused feed mill capacity.

All this was perfectly rational, but a glut of eggs on the market was the inevitable result, exerting a heavy downward pressure on egg prices.

In this situation, it was, for the feed companies, only a matter of sound management to take advantage of their oil and non-poultry turnover as a basis for covering joint fixed costs, such as capital charges, salaries and other overheads.

Their own egg operations, for the feed they consume, may then be charged only variable costs, like feed ingredients and labour.

Seen in terms of total costs — fixed and variable — the mills' pig and cattle feed customers may then well be subsidising the egg operations.

No villain

Seen as marginal costs, if the mills do proper cost accounting, the egg operations will show a book profit, justifying expansion of production and creating an even larger surplus of eggs.

There need be no villain in their piece at all. Just a matter of bookkeeping. Elementary, my dear Watson.

Workmen appear and build a stage, called the Egg Control Board. It has no price fixing powers at all. Its main job is to buy surplus eggs, sell them at a loss, and charge local consumers a levy to pay for the loss.

Enter Nepco (the National Egg Producers' Co-operative), essentially a feed mill organisation with a number of smaller outside members, beautifully dressed up as a farmers' co-operative.

Nepco effectively controls the Egg Control Board. It sells its members' eggs, some at the full wholesale price which they, as market leaders, more or less fix themselves, and their growing surplus to the Egg Control Board at a low price for processing and export.

Not allowed

Other producers, who rarely have surpluses to sell to the board and even experience temporary shortages of eggs, are not allowed to buy from the board's surplus stocks. The board currently pays 39c a kilogram for surplus eggs, which is below the present variable cost of egg production by independent egg producers, which stands at approximately 45c a kilogram.

Nepco, however, is in a position to average out the price by way of pooling the sales proceeds of its members' eggs. Being a co-op this is precisely how they should act — again there is no villain in the piece.

If the pooled average turns out to be above the marginal cost of production, or even more if it should be above the total cost of egg production when feed can be bought at cut prices based on variable feed mill costs only, there is little incentive to cutting production.

It may be good business, a mark of good management, to continue to expand egg production to the point where the gains by larger volume of egg as well as feed production is balanced out by the losses caused by a lower average payout from the co-op pool.

So the trend of thought is towards compulsory slaughtering of hens, for feed mills and farmers alike, although, say the egg farmers, the mills are the people who really cause the surplus. Up to 95 percent of the surplus bought by the board is sold by Nepco.

With compulsory slaughtering or by the action of below-cost prices alone, smaller producers, even if they are more efficient, are forced out of the business, creating an even larger monopoly in the hands of feed mills.

Pig farmers already fear that they will be next in line — that after the egg surplus years the feed mills will put up egg prices and start to compete with their pork rations customers.

Having accepted feed mills as farmers, and Nepco as a farmers co-operative, how do we stop this Rio carnival? Significantly, the Consumer Council seems to have hatched out the best answer.

First, they say, sell the surplus at a two-tier price. Regard a number of eggs equal to about 10 percent of the normal sales as a strategic reserve which independent egg farmers, if they have a temporary shortage, may buy at a market related price from the board.

The rest of the surplus would then be sold at a price so low as to bring the averaged-out Nepco realisation below the marginal egg production cost of the feed mills, who would then find it unprofitable to continue expansion.

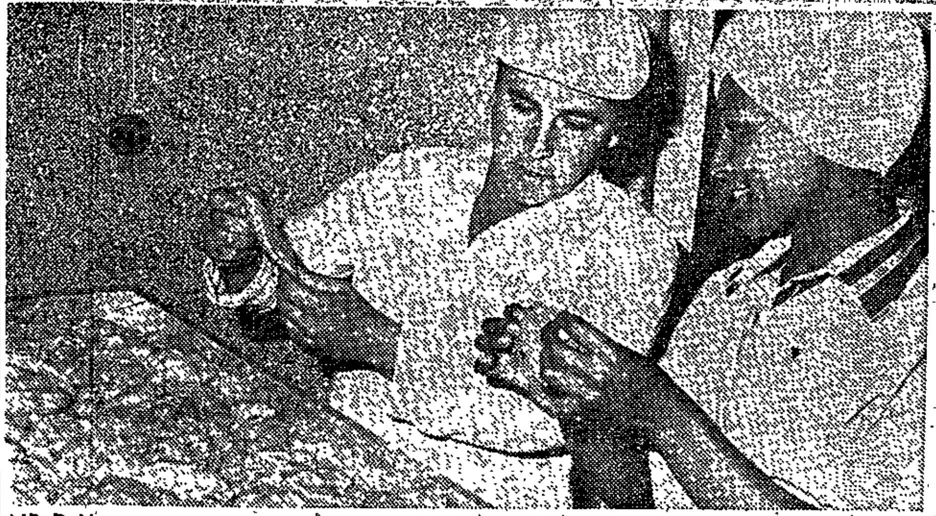
Secondly, relate compulsory slaughtering to sale of surplus eggs to the board, bringing home the blame for overproduction squarely where it belongs.

Independent egg farmers add a third suggestion: Alter the composition of the Egg Board to bring about a majority of non-Nepco members.

Thus, the magic wand has been passed to the State. The ball is now in the State's court. It can now lead the egg-dancing samba school until the masquerade has driven all of us mad, or it can bring the industry back to earth and sanity, and do some constructive re-organising.

Advertisement Feature

27/9/80 ③ ~~Chicken~~ Poultry B. Argus



MR D Mostert, assistant factory manager, and a supervisor, Frances Africa, check chicken portions on their way to Cape consumers.

Big future forecast for poultry industry

A FUTURE of substantial growth and increasing importance is predicted for South Africa's poultry industry by the Cape poultry business Cape King Foods (Pty).

The managing director, Mr Jeremy Owen, based his forecast on the improvement taking place in the living standards of all population groups, the increasing spending power of the black communities, and the rising cost of other protein foods.

'Poultry, I am convinced, is going to play a role of much greater importance in the future in the feeding of South Africans.'

Cape King Foods, had embarked on its R650 000 expansion programme at its Stikland plant because of the company's confidence in the future of the poultry industry and of the South African economy in general.

POTENTIAL

'But, apart from the increasing consumer demand which we expect, we also see, as a company, a substantial potential in the development of new processed poultry and other meat products for the convenience foods market.'

This has been demonstrated by the growth in the company's turnover, which rose rapidly when it moved in this direction three years ago, concentrating on fresh rather than frozen chicken and on the production of portions rather than whole chickens.

'We have since come out with a lot of new ideas,' Mr Owen said. 'At one stage we were pushing out a new product every month. The response was tremendous. Our sales rocketed.'

COMBINATION

The new product lines, marketed under the company's Westcape label, included a variety of combination packs — four drumsticks and four breasts, four thighs and four wings, four drumsticks and four thighs, a casserole pack, an oven-ready chicken stuffed with sage and onion, a ready-to-cook curried chicken, a party pack of chicken quarters, a braai pack, and a braai pack of marinated chicken.

Other factors had also played a part in the company's successful growth since 1972, Mr Owen said.

'We have, right from the start, given unremitting attention to quality and hygiene. Our factory was the first built under the new Government regulations for poultry abattoirs and the latest developments in hygiene were incorporated in the design.

CLEANLINESS

'An independent vet visits our factory every day to inspect our premises, equipment, birds, and staff to ensure that the highest standards of cleanliness and hygiene are maintained.

'We are under constant surveillance — and we welcome it. Our whole policy is geared to the production of quality poultry for the consumer.

'We also have our own kitchen for the testing of our products after cooking and we also work up recipes there for in-store cooking demonstrations. The consumer's reaction to our products is of the utmost importance and our kitchen staff help us to meet this challenge.'

LABORATORY

The extensions to the company's plant will include a larger laboratory and kitchen, he said.

Mr Owen also believes the company's success is due in part to the fact that it is a family business.

'Although we have outside financial backing, we are an independent group and we are not tied up in any way to any of the large milling companies. We are all totally involved in it — our top management's wives as well.'

CONTRIBUTION

Mr Owen also praised the contribution made to the company's growth by the staff, the majority of whom are coloured.

'Our general manager, Mr Ron Jowett, has trained our coloured women and men to levels of management that I haven't seen in any other factory.

'Mr Enoch Ponwane, a black man, is an illustration of this. He is the manager of our largest farm and has been a great success in that position. He has control over a staff of 30 and more than 250 000 birds.

'A coloured woman, Mrs Magda Booysen is in charge of our fresh production in the factory, a position of high responsibility.

MR Jeremy Owen, managing director of Cape King Food: the producers of Westcape chicken products.

'As these two appointments will indicate, we have given our staff a large measure of responsibilty. Our reward has been a high standard of productivity, loyalty, and support in our striving to produce quality poultry.

'The result is our factory runs like clockwork — not because of th top management bu because of the quality (our middle management.

'Because our staff hav stayed with us, the increasing experience h: become an asset of gre importance to us.'

The company breeds i chickens in the old-fas ioned way — not in co trolled - environmer houses or in cages — ar

(Continued on Page 5

LOTS OF SUNLIGHT

(Contd from Page 4)

believes that this has also contributed to the success it is enjoying with the consumer.

'Our chickens are grown in open-type housing with lots of sunlight and plenty of good food. They grow up naturally and this has paid dividends. We believe we give the customer a high-quality bird as a result.

The company, Mr Owen said, gave continuing attention to ways and means of improving the taste of its poultry products.

'We have set up tasting panels and carried out tasting tests at regular intervals, spending large sums of money in the process, to ensure that the consumer will find our products appetising.

'We also condition our birds before they are processed to ensure that they are not tough or stringy, and we put a date on every pack for the guidance of the consumer so that she can buy her chicken fresh and preferably use it within three days of that date.'

27/9/80 ③ [illegible] Poultry

[illegible]

B.R

Chicken firm plans major expansion

A MAJOR expansion programme which will mean an investment of more than R650 000 was announced today by the Cape poultry business, Cape King Foods (Pty), based in Stikland Industria.

The expansion programme will include extensions and improvements to the company's existing factory which will cost R250 000, a new factory to be built on an adjoining site at a cost of R300 000, and additional equipment, most of it for the new factory which will cost a further R100 000.

Work has already started on the new factory which is scheduled to go into production towards the end of the year.

Making the announcement, the managing director, Mr Jeremy Owen, disclosed that the company is also planning to extend its range of products which are marketed under the company's Westcape label.

IN 1972

Cape King Foods was started in 1972 by Mr Owen, a chartered accountant with previous experience in the poultry industry, in co-operation with a partner and it is still a private company with 50 percent of the shares held by private individuals and the balance by a financial group.

From an output of 10 000 birds a week production has grown to 40 000 a week now and turnover is running at R300 000 a month.

The new factory and the extensions will place the company in a position to increase its output and turnover substantially.

'Our aim is to double our sales within the next few years,' Mr Owen said.

FOUR FARMS

In addition to the processing plant at Stikland Industria, the company operates four poultry farms with an estimated 500 000 birds and has a staff of nearly 200.

'The new factory will mean the creation of new job opportunities and we expect we will need to take on another 40 men and women.'

The first of the new products — chicken on a stick — has just been launched under the trade name of Chiccles. The chicken meat, moulded to sticks for easy eating, is crumbed and spiced.

The product has been developed to meet the increasing consumer demand for convenience foods. Each pack contains six sticks.

The company sees its chicken-on-a-stick as ideal for TV watching, picnics, school lunches, and in-between snacks.

'This is a totally new concept,' Mr Owen said. 'And we believe the price is very reasonable compared with what the consumer is paying for sausage rolls and pies. It works out at under 20c a stick.'

The other new products the company is developing are still under wraps but they will be introduced to the Cape food market in stages in the near future.

They will not all take the form of processed chicken, Mr Owen said.

MEAT LINES

'We think there is a potential for other meat lines as well and we intend to add to our chicken products when our new plant goes into production. We have already brought out and test-marketed a cooked beef product.'

But poultry will remain the company's main interest.

The extensions and improvements to the existing factory, which was built in 1972 at a cost of R750 000, will give the firm more working space, better staff facilities, and an improved laboratory service.

The main object of the extensions, however, will be to give the company scope for further development in processed convenience food products.

Chicken portions already represent 60 percent of the market and the company expects this trend in consumer preference to continue.

The general manager is Mr Ron Jowett, who has 35 years of experience in the poultry industry, in Britain as well as South Africa.

TRIBUTE

In a tribute to Mr Jowett, Mr Owen said: 'He brought to the company ideas he had been formulating over many years in charge of poultry plants and persuaded us to move away from the conventional poultry business we had previously operated to portion production.

'He has also been outstandingly successful in the training of unskilled coloured and black staff to positions of responsibility.

'The result is that today we have a loyal and experienced team.'

MR Ron Jowett, general manager, discusses the company's new product, chicken-on-a with Mrs Magda Booysen, the supervisor in charge of fresh production.

MR Enoch Ponwane, left, who has a staff of 30 and 250 000 birds under his gives delivery instructions to one of his drivers.

The chicken run-in

6/11/80

3- Poultry

Imports won't stop — yet

Mercury Reporter

CHICKEN imports will not be stopped this year, but producers will try to prevent future imports which they say will be harmful to the industry.

Reacting to reports that the Poultry Producers' Association wanted to halt chicken imports, an association spokesman said yesterday that although they could not stop the present orders, they had made representations to the Minister of Agriculture to prevent unlimited imports.

Unlimited imports might eventually lead to a surplus once local producers had caught up with the shortage.

The spokesman said poultry exports had started about three years ago when there was a surplus brought on by a decline in demand growth for chickens because of the recession.

'However, since the red meat price shot up, consumers have turned to poultry without realising the industry has also been hit by production cost increases,' he said.

'We would like to place exported chickens on the local market to take advantage of the increased demand and higher prices. But this would be shortsighted and overseas customers would lose faith in South Africa.

'You never know when we might need these contacts again. At the moment, the United States is in the same position in which South Africa found herself three years ago. They are desperate to get rid of their surplus and are prepared to sell way below cost,' he said.

But the national marketing manager of Checkers, Mr Harold Greenstein, who has ordered chickens worth R2 million from the United States, said all he was doing was filling the gap between supply and demand.

'If the producers can meet demand at a reasonable price to the consumer, then we would stop importing chickens. But at the moment I don't see why we should support inefficiency and incompetence,' he said.

Reacting to allegations that large scale importation might harm the industry, Mr Greenstein said the producers were at fault.

'When they realised there would be a shortage, why didn't they import chickens. I have never said they must drop their export contracts, but it's their duty to look after their customers. As soon as they can catch up with demand we will stop importing.'

Mr Greenstein emphasised that Checkers was buying against immediate delivery and had not entered into contracts. There was no reason to fear an egg surplus once the industry increased production, he said.

RDM 17/10/80

Chickens may be imported

③ poultry

By VITA PALESTRANT
Consumer Mail

CONSUMERS may be able to buy low-priced chickens by Christmas — if a major supermarket chain succeeds in importing cheaper chickens from Europe.

Soaring local prices and shortages have led Checkers to begin negotiations with European producers and they hope to sell their imported birds at R1,39 a kg.

And while Checkers is trying to look after the householder, hundreds of thousands of chickens are being exported from South Africa weekly.

If Checkers are successful in their negotiations, this would give consumers a saving of about 44% — if current high prices continue through the Christmas period.

"Chicken prices have risen so fast and so high. This, and the shortages, have led us to open negotiations to import from European countries which have a surplus," said Mr Rex Glanville, the managing director of Checkers, said yesterday.

Mr Glanville said it would be the first time chickens had been imported and a number of factors had yet to be finalised. "If our plans are successful, we should have stocks by mid to end November," he said.

Yesterday Mr Raymond Ackerman, head of Pick 'n Pay, said he would continue to accept stocks from local producers — but refuse to pay the high prices.

Last week he accused producers of engineering the shortage and exploiting high red meat prices.

About 300 000 chickens are exported a week — at under R1 a kg. Producers have denied this, saying the price hikes are the result of shortages resulting from increased demand.

But the Housewives' League is unconvinced, slating producers for "quick profit-making".

Mystery of the chicken price war

Poultry

~~Meat~~ 3

STAR 4/12/80

By Charlene Beltramo

Behind the chicken price war that was launched today is months of cloak-and-dagger manoeuvring.

The latest move in the month-old battle is an announcement by Pick 'n Pay that they have pressed suppliers into cutting back exports and supplying them with almost 650 tons of chickens at a markedly reduced rice.

These chickens will be on sale at R1,39/kg — 50c cheaper than normal from today.

Mr Norman Leibov, national perishable buyer for Pick 'n Pay, said that about 60 to 80 percent of the 550 000 chickens came from the three major suppliers — Festive, Farm Fare and County Fare.

He said the remaining 25 percent came from stocks they had kept in their warehouses since early this year, for sale at Christmas.

DENIAL

But Mr Tony Bloom — chairman of Premier Milling (Farm Fare), the largest poultry producers in the country — denied ever making such an arrangement with Pick 'n Pay.

"We haven't cut down on our export commitment at all."

Mr Bloom quoted from a letter he wrote Mr Raymond Ackermas of Pick 'n Pay in October in which he listed their export commitments for the following three months.

"In October, we exported 20 tons, November and December 10 tons each. This represents 2 percent of our total production, or 40 000 birds out of a total production of 12-million.

"It can hardly be considered 'vast exports'."

Mr Bloom said they were selling poultry at R1,85 a kilogram to retailers and would not drop to R1,39 a kilogram as Pick 'n Pay claimed. "It would not be economically viable," he said.

TOO MUCH PROFIT

Industry sources have said local production costs are between R1,45 to R1,55 a bird.

However, Mr Leibov said Pick 'n Pay were convinced poultry producers were making excessive profit and a price of R1,39/kg would not constitute a loss to them.

Other producers were not available for comment, although an official at one company commented bitterly that "the whole chicken fiasco is a publicity move generated by the retailers."

On the other hand, Checkers, who are importing 750 tons of poultry from the United States, say their shipments will be late because "someone" prevented the first consignment leaving on its scheduled ship.

Mr Harold Greenstein of Checkers said they had not called in the police but were conducting an internal investigation. He said they would only release the results, "if we consider it newsworthy."

The first shipment of their chickens should arrive on December 10, and the second "a little later."

Feathers start flying as chicken price war hots up

4/12/80

STAR ~~[illegible]~~ 3 Poultry (Chicken)

By Charlene Beltramo

The chicken price war has started.

One major supermarket chain has pre-empted its main rival and will be cutting the prices of frozen chickens by 50c a kilogram in all stores nationwide from today.

A few weeks ago Checkers announced it would import frozen poultry to combat the local shortage and high prices. They said they would sell the chickens at R1,39/kg — 50c cheaper than the current local selling price.

Pick 'n Pay, who claimed to have forced producers to cut back on exports — although producers deny this — will be selling more than half a million frozen chickens for R1,39 from today.

Mr Richard Cohen, a director of Pick 'n Pay, said they were limiting frozen chickens to two per customer, so that as many people as possible could take advantage of the offer.

Normal consumption of poultry was about 25 000 chickens a week in the Transvaal, he said. But he could not give an estimate of how long supplies would last.

Mr Cohen said at the same time they would be launching their own house brand frozen vegetables.

Checkers are expecting their first consignment of cheap imported frozen chickens next week.

At the same time, retailers have confirmed that paper products are expected to go up 10 percent in the new year, and oats should increase by about 15 percent in price.

● **Page 31: Mystery of the chicken price war.**

8/12/80 3 (Poultry) TMe

No need for price war claims Poultry Association

By Charlene Beltramo

The Poultry Association has leapt, spurs first, into the chicken controversy by claiming there is no need for a price war or rationing.

More than 200 000 extra broilers were coming on to the market each week, said Mr Zac Coetzee, the association's director.

And at least 25 percent more chickens were being supplied to the local market than at the same time last year, he added.

He said the increased supply of chickens had been reaching retailers since the beginning of November. Mr Coetzee said this was one of the reasons his association had attempted to prevent chicken imports reaching South Africa.

He said part of the increased supply was due to "a few producers" cutting back on exports, but most was due to increased production.

Mr Coetzee said producers always increased production for the festive season. But had intensified their efforts when red meat high prices pushed up the demand for poultry.

He said members of his association, which includes major producers, also refused to enter the chicken price war and cut prices below production costs, which were about R1,40 to R1,50/kg.

Mr Richard Cohen, of Pick 'n Pay, which is selling frozen chickens at R1,39/kg, rationed to two customer, disputed Mr Coetzee's figures.

"To the best of my knowledge 200 000 is only about 10 percent of the weekly market.".

He did not dispute the increased production. either exeported or sold as fresh chicken portions.

At the same time, OK Bazaars has quietly entered the chicken price war. Undercutting its two major rivals by 4c a kilogram, with frozen chickens selling at R1,35/kg.

11/11/80

Fowls from US to arrive soon

Report (poultry)

Checkers poultry

By PAT SIDLEY
Consumer Mail

MOVES by the Poultry Association to stop Checkers importing cheap chickens from the United States have failed and the first batch of the R2-million order arrive at the end of this month.

Last week the Rand Daily Mail reported that the Poultry Association had asked the Government to halt the import. Checkers say they will import chickens worth R2-million which they hope to sell for about R1,39 a kg. Local chicken producers are selling chickens to supermarkets for up to R2 a kg and prices in the supermarkets vary from R1,50 to R2,30 a kg.

Dr D J de Villiers, Minister of Industries, Commerce and Tourism, said in a statement yesterday that after meeting representatives of chicken producers and distributors, the Government had decided to issue permits to import a limited quantity of chickens before the end of December.

"By virtue of the information received from the representatives concerned, the Government came to the conclusion that a temporary shortage of dressed chickens exists in the market," the statement said.

"Consequently it was decided to issue permits to import a limited quantity of dressed chickens before the end of December 1980."

CURRICULUM VITAE

Klaas van der Poel

Has a degree in Operations Research from Tilburg, Holland. He has been with Shell International for 10 years and worked for that company as an international consultant in several countries around the world. His experience includes the design and development of systems for financial management, manufacturing control and production optimisation.

He has taught courses in Management Information Systems and Operations Research at the Bus ersities of Cape Town and Stellenbosch.
He is recognised as nts group of the Computer Society of South Af equirement definition and design of industrial

in terms of its influence on the size and regional distribution of unemployment.

We must thus return a verdict of 'not proven' on the necessity thesis. This is not to say that it cannot be proven: further argument on the subject would be of considerable interest.

<u>The regional distribution of economic activity and unemployment: evidence from the Current Population Survey</u>

The Current Population Survey has published the following estimates of the size of the labour force (economically active population) and of unemployment in the four region types of South Africa in November 1979.

TABLE 9: THE AFRICAN LABOUR FORCE AND UNEMPLOYMENT BY REGION, NOVEMBER, 1979

(thousands)

Region	Labour force	% unemployment
Metropolitan	2 107	11,1
	1 032	8,6

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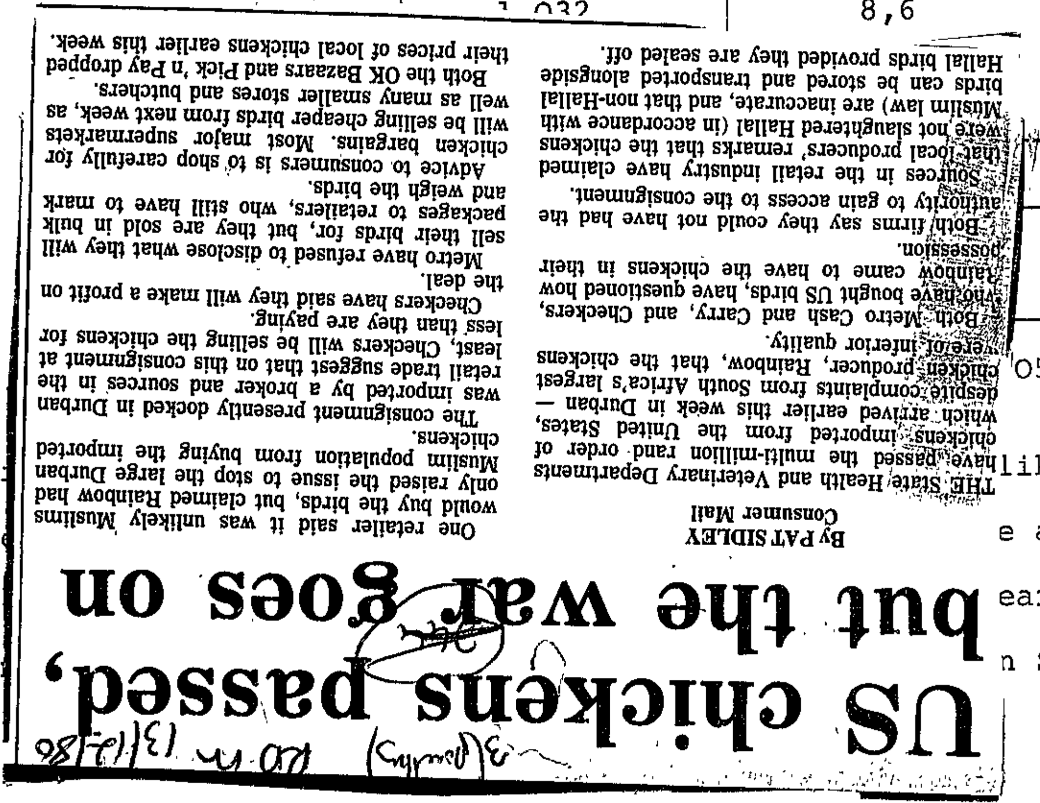

3 (poultry) RDM 13/12/80

US chickens passed, but the war goes on

By PAT SIDLEY
Consumer Mail

THE State Health and Veterinary Departments have passed the multi-million rand order of chickens imported from the United States, which arrived earlier this week in Durban — despite complaints from South Africa's largest chicken producer, Rainbow, that the chickens were of inferior quality.

Both Metro Cash and Carry, and Checkers, who have bought US birds, have questioned how Rainbow came to have the chickens in their possession.

Both firms say they could not have had the authority to gain access to the consignment.

Sources in the retail industry have claimed that local producers' remarks that the chickens were not slaughtered Hallal (in accordance with Muslim law) are inaccurate, and that non-Hallal birds can be stored and transported alongside Hallal birds provided they are sealed off.

One retailer said it was unlikely Muslims would buy the birds, but claimed Rainbow had only raised the issue to stop the large Durban Muslim population from buying the imported chickens.

The consignment presently docked in Durban was imported by a broker and sources in the retail trade suggest that on this consignment at least, Checkers will be selling the chickens for less than they are paying.

Checkers have said they will make a profit on the deal.

Metro have refused to disclose what they will sell their birds for, but they are sold in bulk packages to retailers, who still have to mark and weigh the birds.

Advice to consumers is to shop carefully for chicken bargains. Most major supermarkets will be selling cheaper birds from next week, as well as many smaller stores and butchers.

Both the OK Bazaars and Pick 'n Pay dropped their prices of local chickens earlier this week.

NM 20/1/81 3-Poultry

Frozen chicken prices drop by 15 percent

Mercury Reporter

CHICKEN prices, which rose to unprecedented levels last year, are dropping and there are indications that the price might fall even further as the effect of last year's increased production comes through.

Rainbow Chicken announced yesterday they had decreased the price of frozen chicken by 15 percent. Last year their prices peaked at R1,95 kg.

The shortage and cost of local chickens forced retailers to import chickens from the United States, Israel, and the United Kingdom. At least 4 000 tons of chickens arrived in the country during December.

According to Mr Clive de Witt, Rainbow's national distribution manager, the fall in the price of chickens was not extraordinary.

'Its a seasonal drop. The demand has lifted, and of course prices move with consumer demand,' he said.

Asked whether the price would be increased again when the Minister of Agriculture announces the new price of maize in May, Mr de Witt said prices were reviewed on a weekly basis.

The general manager of Pick 'n Pay in Natal, Mr Alan Gardiner, said he welcomed Rainbow's decision.

'We still have stock left over from Christmas and as soon as that's finished we'll draw from Rainbow.'

He said he believed the price of chickens would continue to fall.

'I think the price will eventually stabilise about R1,70 kg,' he said.

Spokesmen at Checkers, who headed the campaign to import chickens from the United States rather then pay the 'exorbitant local prices' said they did not know of any decrease, but would be looking into it.

A spokesman for Spar, Mr Brian Beavon, said his group had been buying chickens at the reduced price since the beginning of last week.

'Price decreases are always welcome,' he said.

● The price of eggs was officially increased by 2 c a dozen in Natal yesterday. Another price rise is expected when the cost of animal and fowl feed is increased in May.

No more chicken imports

NM 14/1/81

Mercury Reporter

3 Poultry

THE Government will not issue any permits for the import of chicken in 1981

A spokesman for the Department of Agriculture said yesterday that towards the end of last year permits had been issued for about 4 000 tons of chicken to be imported from Britain, the United States and Israel This had been done because of the sudden increase in the price of red meat and the subsequent run on chicken

Earlier a leading chicken producer has called for the Government to make a statement of policy on the issuing of permits for importing and exporting chickens

Mr Tony Bloom a spokesman for Premier Milling which is one of the largest poultry producers in the country, said producers felt that permits should have been distributed among the producers They would then have worked out a reasonable price and distributed the chickens fairly

'What we want now is a statement of policy from the Government. Producers can't invest in an industry which is uncertain.'

Mr Bloom said his company was considering a R15 million expansion, however they had to be assured that the Government would not allow retailers to import chicken at will

DD 16/3/81 ~~156~~ ~~142~~

Saawu call for boycott

138

(3 Poultry)

DURBAN — The South African Allied Workers' Union (Saawu) has called for a boycott of Wilson-Rowntree, Huletts and Rainbow Chicken products, following disputes with the companies.

At a Saawu meeting, attended by church organisations and other trade unions, the union also condemned the Springbok rugby tour of New Zealand. — SAPA.

STOP THIS

ALLAN STUART . . . Chicken challenge

Four major fee companies are accused of 'monopolistic stranglehold'

CHICKENFEED CONSPIRACY

S. Tribune 10/5/81 3 chickens/poultry

By TONY SPENCER-SMITH

MAJOR feed companies — the Tiger Oats, Premier Milling, Tongaat Sugar and Bokomo Milling groups — have a monopolistic stranglehold over the poultry industry which is against the public interest, Mr Allan Stuart, a director of a poultry farm in the Paarl district, claimed in the Supreme Court, Cape Town, this week.

This was just one of several sensational claims made by Mr Stuart of Dundarach Poultry Farm (Pty) Ltd, when he went to court to stop the Egg Control Board forcing him to cut back heavily on his number of egg-producing hens.

Miss Justice Leonora van den Heever has reserved judgment.

In his founding affidavit, Mr Stuart stated:

- He had seen a secret masterplan drawn up by Tiger Oats, Premier Milling and Tongaat Sugar, to gain control of the whole industry.
- This plan involved forcing small producers to become subservient to them, or into bankruptcy, to acquire a still greater monopoly in the market and thereafter a vast increase in egg prices.
- The major feed companies were largely instrumental in forming a co-operative known as the National Egg Producers Cooperative (Nepco) which they controlled.
- The current investigation into a poultry industry monopoly ordered in 1979 by the Minister of Industries, Commerce and Consumer Affairs, could well reveal that Nepco was a marketing cartel in the guise of a cooperative.

Companies control

- The major feed companies controlled the Egg Control Board, with the majority of board members being Nepco members.
- The Egg Control Committee, appointed by the Egg Control Board, was controlled by the major feed companies, with again the majority of members being members of Nepco.
- The major feed producers controlled the bulk of feed milling, the bulk of day-old pullet production, and a substantial portion of egg production.

Mr Stuart said he had about 40 000 laying hens on the farm — the minimum number to make a reasonable profit. But the Egg Control Board had granted him a permit for far fewer birds and threatened prosecution if the excess hens were not slaughtered.

Appeals to the former Minister of Agriculture, Mr Hendrik Schoeman, had been unsuccessful.

Mr Stuart quoted a statement by Mr Schoeman in late 1979, in which he accused Premier Milling, Tongaat and Tiger Oats, of not behaving honourably.

Their cutting of the egg price at that time was intended, said Mr Schoeman, to harm the small producers.

The smaller farmers had neither resources nor opportunity to diversify and there was a danger they would disappear altogether.

"If that happens, we shall have to apply the Monopolies Act," said the minister.

Excess of permits

Mr Stuart told the court in his affidavit that while the enforcement of the permit would put him out of business, it was well known that the feed companies were maintaining laying hens to a large extent in excess of their permits.

Mr Stuart wants the court to interdict the Egg Control Board from enforcing the permit pending review proceedings to be instituted by Dundarach Poultry Farm, and also pending the results of the poultry industry probe.

He said the poultry farm had been established by his grandparents more than 50 years ago.

A few years ago, the farm reverted to egg rather than chicken production.

"The decision was in reality forced upon us by the activities of the major feed companies which by this time were in virtual control of the industry as a whole.

"Farmers became economically dependent on them, they had high pressure salesmen continuously knocking on the doors of farmers, and soon they were in the position where farmers were purchasing their feed and they were contracted to take over their whole production through various subsidiaries."

Mr Stuart said the Minister should call urgently for the resignation of the Egg Control Board since the board represented the opinion of the major feed companies, and was not independent.

QUANTITY SURVEYING

(Continued)

Bell-John Prize

For the best all-round student in any year of study.

P C Key

The Committee of the Western Cape Chapter of Quantity Surveyors' Prize

For the student obtaining the highest marks in Professional Practice.

P R Swift

LTA Prizes

For the best student in each of the courses of Building Economics I, II and III in the third, fourth & fifth years respectively.

I : N D G Sessions

II : A R Low Keen

III: No award

S A Brick Association Prizes

For the best student in the subject of Building Construction.

C W von During

For the second best student in the subject of Building Construction.

K Strong

URBAN & REGIONAL PLANNING

Student Planners Award

For the student who has shown greatest promise at the end of the first year.

M P Morkel

RDM 14/7/81

3 ~~meat~~ poultry

More chicken pledge

Consumer Mail

SOUTH African chicken producers are increasing their production and cutting back on exports to avoid having to import chickens again at Christmas.

A statement released by the South African Poultry Association yesterday said the industry hoped to produce 12,5% more chickens.

QUANTITY SURVEYING

(Continued)

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M P Morkel

Meat Board may take over chickens

(3paulty) ~~[illegible]~~

RDM 14/7/81

Own Correspondent

CAPE TOWN. — Meat Board moves to take South Africa's chicken industry under its wing are strongly hinted at in the latest edition of "Meat", a bilingual magazine for the livestock and meat industry, dairy, poultry and allied trades.

According to an editorial article, poultry meat has captured at least 25% of the country's meat market, and feedlot owners, who recently formed an association to get statutory recognition as well as representation on the Meat Board, supply about one third of the beef on controlled markets.

"Both these wings of the meat industry play imporant roles in the meat supply of the country and it is of the utmost importance that the authorities look ahead in dealing with these vital food supplies," the article said.

"With the general election over and done with the authorities can now afford to take the long term view and fit policies to the real needs of the country."

The article continues: 'Since the Prime Minister launched his pro-private enterprise moves some time ago, we have had the incredible situation that many business organisations jumped on the bandwagon, claiming to be part and parcel of the private enterprise system.

"It is, therefore, of the utmost importance to differentiate between the pseudo private enterprise organisation with some Government backing and the genuine free enterprise organisations enjoying no such privileges in competition from any source or Government."

QUANTITY SURVEYING

(Continued)

Bell-John Prize
For the best all-round student in any year of study.

P C Key

The Committee of the Western Cape Chapter of Quantity Surveyors' Prize
For the student obtaining the highest marks in Professional Practice.

P R Swift

LTA Prizes
For the best student in each of the courses of Building Economics I, II and III in the third, fourth & fifth years respectively.

I : N D G Sessions

II : A R Low Keen

III: No award

S A Brick Association Prizes
For the best student in the subject of Building Construction.

C W von During

For the second best student in the subject of Building Construction.

K Strong

URBAN REGION PLANNI

tudent Planners Award
or the student who has shown reatest promise at the end f the first year.

P Morkel

Local producers cry fowl . . .

SAR 10/7/81

By Caroline Braun
Consumer Reporter

Moves are afoot to control the import of chickens into South Africa.

A meat industry spokesman said the Minister of Agriculture, Mr P du Plessis, and the Minister of Industries, Commerce and Tourism, Dr D de Villiers, had recently held talks on ways to control chicken imports.

This comes after complaints by the Meat Board and local poultry producers that cheaper imported chickens "wreaked havoc" with the orderly marketing of the meat industry as a whole.

Last year chickens imported from the United States and Israel were selling at almost R1 a kilogram less than the local product.

This eventually forced local producers to cut their prices.

The consumption of red meat also dropped drastically.

A meat board spokesman said it was unfair for local meat producers to have to compete with imported products at unrealistic prices.

A final decision on how to control chicken imports has not yet been made, but a likely solution would be to place control in the hands of the Department of Agriculture.

RAND DAILY MAIL, Wednesday, July 15, 1981

Chicken control moves denied by Meat Board

RDM 15/7/81

Poultry ~~Red meat~~

By PAT SIDLEY
Consumer Mail

THE Meat Board and the Department of Agriculture have denied suggestions that moves are afoot to control the chicken industry — but import control measures have been instituted.

These measures will prevent the large-scale import of chickens, as happened at Christmas last year.

An editorial in a livestock and poultry magazine, "Meat", suggested this week there might be moves afoot to control the poultry industry, which has captured 25% of the meat market.

But this was denied by the Meat Board and other organisations concerned with agriculture, meat and chicken production.

A spokesman for the Department of Agriculture said there had been no discussions on, or intentions to, control the poultry industry.

But he said a "gentlemen's agreement" with the Departments of Customs and Excise and Imports and Exports meant that when a permit to import chicken meat was requested, this was first referred to the Department of Agriculture.

The agreement was instituted after a South African Agricultural Union congress in Kimberley earlier this year, where concern was expressed over the depression of red meat prices last Christmas when millions of chickens were imported from the United States.

The spokesman said that in terms of the Marketing Act, a majority of producers would have to ask for controls and only then could the Government consider the possibility.

A spokesman for the South African Agricultural Union also denied the reports.

Mr Peter Wrighton of Premier Group, one of the major chicken producers in the country, said it was "highly unlikely" the industry would ask for controls.

It had proved it could operate without them, he said, and added that the industry was ensuring a good Christmas supply by producing more chickens and exporting fewer.

QUANTITY
SURVEYING
(Continued)

Bell-John Prize
For the best all-round student
in any year of study.
P C Key

The Committee of the Western
Cape Chapter of Quantity
Surveyors' Prize
For the student obtaining
the highest marks in
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URBAN &
REGIONAL
PLANNING

Secret talks on chicken deal with Iranians

S. Express 27/9/81

3 poultry

By CHARLENE BELTRAMO and ANN PALMER

SOUTH AFRICA'S largest poultry producer will secretly meet Iranian importers in Zurich this week to discuss a large export deal at cut prices — less than a month after increasing local prices — according to authoritative sources.

Mr Stanley Methven, chairman of Rainbow Chickens which controls 40% of the R400-million a year poultry market, put up the price of chickens to South African consumers at the beginning of the month. The wholesale price of chickens was increased from R1,84 a kilogram to R2,04 a kilogram.

Consumers pay between 10% to 50% more than the wholesale price.

The remainder of the country's chicken producers have kept wholesale prices of fresh and frozen chickens to R1,85 a kilogram.

This week, in a top secret meeting, Mr Methven, who is already in Europe, is expected to negotiate a deal with Iranian importers to export poultry to that country at R1,39 a kilogram, according to informed sources. No-one was prepared to comment on behalf of Rainbow when the Sunday Express contacted them in Natal this week.

This move comes at the same time as other major producers have cut back their exports in preparation for the increased local demand for poultry over the Christmas season.

Last year, poultry exports topped R15,4-million and for the first five months this year export values for poultry exceeded R5,6-million.

Mrs Yvonne Foreshaw, vice-president of the Housewives' League, said she would be shocked if it were true that Mr Methven was prepared to export poultry at prices about 38% cheaper than they were on the local market.

"If this is true, and it is how Rainbow are prepared to deal, perhaps the South African consumer should rather support the producers who have not only kept prices lower than Rainbow's, but who have cut back on exports to ensure the South African market does not go short over Christmas.

Mr Raymond Ackerman of Pick 'n Pay said their suppliers had been exporting about 30 0000 chickens a week to the Middle East and Switzerland — and that this had resulted in the shortage South Africa was experiencing at the moment.

"Overseas countries are getting the chickens for less than R1 a kilogram. I don't see why they should pay less than the South African public."

Mr Ackerman said his company would attempt to keep the retail price below R2 until Christmas. They would not be importing any stocks of chickens, as some retailers did last year, to ensure cheap prices to consumers when wholesale poultry prices rocketed above the R2 a kilogram mark.

Producers have already indicated to the Sunday Express that consumers should budget for a chicken price increase toward the middle of October and again during November.

The public relations officer for Checkers, Miss Peta Lomberg, said her company considered Rainbow's prices excessive.

"There is a high chicken mortality rate, but my company feels it does not justify the increase."

● Cape Town-based Angela Swain, 20, taking a break and relaxing in the glorious heat of the Sun City sun. A Springbok water-skier, Angela is taking part in a ski show at Sun City over the weekend.

POULTRY. —

1982, 1983 — 1984 — MAY

D. Dispatch 24/3/82 [illegible] (3) Poultry

Farmer not guilty of barring health visit

EAST LONDON — A proprietor of the Bonacord Poultry Farm at Triple Streams was found not guilty yesterday of refusing to allow a health inspector to inspect the farm.

Mr S. D. B. Ryan, 25, of McJannet Drive, Baysville, pleaded not guilty when he appeared before Mr A. Nell in the Magistrate's court.

A senior health inspector of the Divisional Council of Kaffraria, Mr Walter Kenneth Paul Smith, said he and another inspector, Mr J. Turner, went to the farm to do a routine inspection.

He told Mr Ryan it was their intention to inspect the poultry farm. Mr Ryan told them they could not, because they had not made an appointment.

"I then explained to him that, according to the Public Health Act, it was not necessary to make an appointment.

"I also told him it was an offence to refuse access to a health inspector during the execution of his duties. Mr Ryan told us to go ahead and prosecute him if we wished to do so," said Mr Smith.

They then left the premises.

Under cross-examination by Mr J, Oosthuizen, for Mr Ryan, Mr Smith admitted he did not produce and show Mr Ryan his identity card because he thought Mr Ryan knew him.

Immediately after the State closed its case, Mr Oosthuizen applied for Mr Ryan's discharge.

In his judgment, Mr Nell referred to a subsection of the Health Act which required an inspector to show his appointment card.

Mr Nell found that Mr Smith did not produce this document to Mr Ryan. As a result of this serious discrepancy in the State case, Mr Ryan was entitled to a discharge, he said.

Agency, has been appoin a di ational manager for Nedlloyd SA

③ Poultry
E. Post 25/3/82

Poor outlook for broiler chicken trade

By FRED ROFFEY
Business Editor

THE outlook for the broiler chicken industry was one of diminishing returns as a result of the recession and mounting costs.

This warning was given by the chairman of the broiler organisation of the South African Poultry Association, Mr George Hoskison, at the organisation's annual congress in Cape Town today.

He said the average price realised for the year was insufficient to enable large-scale investments in expansion by the industry.

"These low prices were mainly due to the importation of poultry allowed in 1980 but which only arrived in the country in early 1981.

"The fact that some of this imported product is still in the country, unsold at wholesale level, proves that importers were unwise in their decision to import large quantities of frozen poultry.

"It is known that a number of the importers incurred considerable losses in the importation of poultry, some of which was substandard quality and unsuitable for our market.

"We are pleased to note that the authorities have, to date, heeded our advice, with import permits only being issued for de-boned poultry meat which could not be supplied locally."

On the export of chicken meat, he said it was becoming difficult to compete internationally.

This was due to the "tremendous escalation" in South African production costs, caused mainly by the local price of maize, which he said was "way out of line" with world prices.

Referring to black housing, he said: "We think that all housing, schooling and recreation facilities for farm employees of all race groups should be fully tax deductible, similar to other farm improvements."

Mr Hoskison said the present system encouraged farmers to invest in equipment and buildings for production purposes but ignored the improvement in labour productivity which would be achieved by better housing.

The annual meeting of the egg organisation of the South African Poultry Association was also held in Cape Town today.

"In the short term we may run into short periods of surplus but a good supply management scheme can contain excess production," said the chairman of the egg organisation, Mr I W Bartlet.

He pointed out there were possibly an extra one million to two million hens in production by backyard producers.

"If these hens go into the traditional moult in the next couple of months, we can expect a big winter shortage again.

"In the medium to long term, producers will have to invest more money to meet consumer demand.

"One of the main problems at present is that of high interest rates.

"Financing such expansion at short notice will cause problems," said Mr Bartlet.

Year	Total
1970	
1971	
1972	
1973	
1974	
1975	
1976	
1977	
1978	
1979	
1980	

Frozen chicken prices tumble

③ Poultry Mercury 3/8/82

Agricultural Correspondent

A MASSIVE surplus sent the price of frozen chickens tumbling in most of the country's chainstores yesterday.

In Durban a spokesman for the Pick n' Pay hypermarket, Mr Martin Rosen, said trading had been 'berserk' over the past week since prices dropped to R1,45 a kilogram.

The store had sold more than 1 000 chickens a day since Friday, compared to a normal monthly turnover of about 2 500.

A spokesman for Checkers said they had started selling frozen chicken at R1,48 yesterday and the demand had been quite 'hectic'.

She said there had been a stampede on chickens throughout the country as consumers took advantage of the low prices, in many cases almost 30 c cheaper than at the beginning of last month.

The wholesale price had been slashed because a producer had a surplus of more than 1 000 000 chickens.

When the surplus is cleared prices were expected to climb again.

EXPRESSCOPE LOOKS AT SUBSIDISED FARMING

(3) Poultry

S. Express 22/8/82

How the cost of that roast chicken adds up

IF SOUTH African maize was priced as low as the international price it would save poultry farmers about R3-million a year.

This finding is made in the Assocom report into the maize industry.

Assocom says the saving would be 2c per export bird and 3c for locally sold birds. "A saving of 3c a bird for a producer marketing 1-million birds a week amounts to R1 500 000 a year," a spokesman said. About 3-million birds go to market each week.

A drop of 10% in the maize price would also reduce the egg price by about 2c a dozen.

A price drop to 25c for a dozen eggs in the Cape was recently introduced by supermarkets in protest against the Egg Board exporting eggs at a loss of 33c a dozen.

The Assocom report noted that eggs could not be sold profitably on the export market and during the past eight years farmers — and ultimately consumers — have had to bear export losses of more than R50-million.

Pig farmers recently accused millers of keeping feed prices high to make their own animal farming more cost-effective and reduce the profits of smaller farmers — ultimately forcing them out of business.

However, the Assocom report found South African pig consumption was low by world standards and did not seem likely to increase, despite pork being lower priced than beef or mutton.

An agricultural economist said it would not be detrimental to the pig industry if it was taken over by large conglomerates, as has happened in the US.

"Low pig consumption is due mainly to religious or tribal beliefs," he said.

Frozen chicken prices reach record low in Durban

(3) Poultry Mercury 25/8/82

Pietermaritzburg Bureau

FROZEN chicken prices tumbled to a record low of R1,29 a kg in Durban yesterday, signalling what could be the start of a bitter price war between two major chain stores.

The general manager of Pick 'n Pay, Mr Colin Clark, said he had bought about 70 000 chickens from a local producer recently and was able to offer them at a good price.

Stocks were expected to last about three weeks, but if the buying continued at the present rate they would disappear sooner, he said.

However, the general manager of Checkers in Natal, Mr Geoff Gilzean, told the Mercury yesterday his company would be investigating new suppliers to match the prices given to Pick 'n Pay.

He said Pick 'n Pay was selling chickens at below the price Checkers was being forced to buy at.

Early this month prices started sliding from just under R2 a kg to R1,35 in the Cape and R1,45 in Natal as a result of a surplus of nearly 1 000 000 birds by a major frozen chicken supplier.

Mr Raymond Ackerman told the Mercury at the beginning of the month that he had bought in large stocks of frozen chickens when prices dropped because he hoped to 'cushion' the consumer from rapid price hikes near Christmas time.

Mr Clark said it was largely the lower income groups that were taking advantage of the cheap chicken.

'This should show suppliers they don't need to look for overseas markets. All they have to do is sell chicken at reasonable prices and the demand will increase,' he said.

An OK Bazaars spokesman, Mr Peter Old, said from Johannesburg that his group concentrated on fresh chicken.

Because there was little difference between frozen and fresh prices, customers preferred the fresh chicken.

Price war hots up in Durban

Poultry ③

28/8/82 Mercury

Agricultural Correspondent

NATAL'S chicken price war hotted up yesterday when a chainstore sold frozen chicken at R1,26/kg in Durban.

The Game group entered the fray offering 24 000 broilers at 3 c/kg less than the record set by Pick 'n Pay last week.

The chickens were sold out within hours of the shop opening, according to a spokesman for Game's butchery section, Mr Tony Robinson.

He said the usual turnover for a Friday was about 2 400 chickens.

'I had no idea those chickens would move so fast — it was quite an incredible experience,' he said.

Mr Robinson described scenes of shoppers stampeding trolleys with chickens and assistants fleeing out of the path of price-hungry consumers.

He said he bought the freshly frozen chickens from a Transvaal producer, and had taken most of his stock. He would not say who his supplier was.

Mr Robinson said he hoped to conclude a similar deal next week — provided the supplier had sufficient stock.

Hyperama sparked off a similar rush on chickens when they sold it at R1,19/kg at their new branch at the Sandton centre outside Johannesburg yesterday.

In the Cape, Grand Bazaars and Pick 'n Pay were selling frozen chicken for R1,28/kg and R1,29/kg respectively.

However, a Checkers spokesman warned that the 'so-called price war' was now being limited to specials.

The surplus which had existed over the past three weeks had been siphoned off and prices were expected to start climbing.

Rainbow chickens, he said, had already indicated the price of fresh chickens would be increased by 10 c/kg soon.

Farmers cut hens but no price change

③ Poultry
Mercury
29/12/82

Pietermaritzburg Bureau

NATAL egg farmers have been compelled to cut the number of their hens by 15 percent as a result of lower consumption by the public and greater efficiency among producers — but the price of eggs is to remain the same.

The chairman of the Natal Commercial Poultry Producers' Association, Mr Noel Leitch, said yesterday his association had recommended reduced quotas to the Egg Board following a special general meeting a few months ago, and the board had accepted their recommendations shortly afterwards.

He told the Mercury the decision, which was binding only on egg producers in Natal, was made against the background of a market which was insensitive to normal price fluctuation, and a non-existent export market.

He said egg farmers co-operated very extensively in tailoring supply to anticipated demand and their predictions for the annual Christmas increase, for which they had stockpiled eggs, had been less than 1 percent out.

The cutback on hens was intended to counter an over-supply for the first three months of 1983.

Running fewer hens did mean increased production costs. The majority of farmers supported the cuts.

Eggs ease export yoke

S.Times 13/3/83

(13) poultry

By Vera Beljakova

SOUTH Africa's egg export losses of R7-million in 1978/79 were slashed to R1,9-million last year, making the egg industry attractive once again to newcomers.

The Egg Board says much is due to hens' increased productivity — and fertility. Egg numbers have increased and eggs are becoming increasingly popular as a food item.

South Africans swallowed 2 363,76-million eggs from mid-1981 to mid-1982 — or almost 11% more (in fact, 22,6-million dozen more) than the previous year.

According to the Egg Board's latest report, South Africa's per capita egg consumption rose by 11 eggs, following an increase of six eggs a person in 1980-81.

The egg retail price rose by 15,4% during the year compared with an increase of 22% in production costs.

Hen feed comprised 84% of the total production costs, and producers, who determine their own prices, were able to keep prices in check through higher productivity.

The average hen laid 7,6 more eggs than the previous year, increasing production to 270 eggs a hen a year, and better-bred hens have been responsible for a 50% increase in egg production over the past 12 years.

HARARE — Three men have been arrested in connection with the murder of Zimbabwean Senator Paul Savage, 70, his daughter and a British tourist, the Zimbabwean Government announced yesterday.

The arrested men were identified by a Government spokesman, Mr Justin Nyoka, as being dissidents loyal to the runaway Opposition leader, Mr Joshua Nkomo.

One of the men, allegedly part of a group of up to 30 rebels who raided the Senator's farm in Matabeleland province, was also accused of murdering a black woman nearby, the spokesman said.

Senator Savage, a member of the former Rhodesian Prime Minister, Mr Ian Smith's Republican Front Party, his daughter, Colleen, 20, and a British visitor, Miss Sandra Bennett, 38, were gunned down during a braai on April 3 at the farm near Gwanda, 130 kilometres south of Bulawayo.

Mr Savage's wife, Betty, was wounded.

The spokesman said police had also established that a dissident injured during the shooting was taken to a traditional healer near the Botswana border and later taken into Botswana,

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Prices set to soar in wake of maize rise

② ~~[illegible]~~ E. Post

③ ~~[illegible]~~ Poultry

23/4/83

By LINDA GALLOWAY
Weekend Post Reporter

FARMERS, reeling under the worst drought in memory, have been dealt a body blow by the 9,6% increase in the price of maize, farmer union officials said today.

The increase will filter through to the shops within the next fortnight, with poultry and eggs probably heading a price spiral.

And fears have been expressed that the rise could contribute to malnutrition among blacks. Maize is a staple and the increase comes at a time of high unemployment and unparalleled drought.

The general secretary of the SA Poultry Association, Mr Z Coetzee, said price rises were inevitable because of the high percentage of maize in animal feeds.

And according to an honorary life vice-president of the East Cape Coastal Agricultural Union, Mr Edgar Crews, the maize price rise is "going to go like a bullet through every sector of the population"

"As a dairy farmer I can say that it will hit the farmer hard because he will have to buy maize meal to supplement his stock-feed, and in greater quantities because of the drought."

The maize increase would therefore be passed on to the consumer by way of rises in the price of meat, poultry and dairy products.

Some of the money generated by the increase will find its way by way of a levy to the depleted Stabilisation Fund, a cushion to offset maize export costs, and this has been broadly welcomed.

A spokesman for a large supermaket chain, Mr Gordon Utian, said the Government could have afforded to defer the increase until conditions in the country improved.

"Farmers already hit by the drought will suffer the most," he said.

"The recession has hit the economy hard, unemployment is rising as is malnutrition.

"The poor people of South Africa eat mealiemeal, not bread.

"It is ironic that the rural areas need emergency relief feeding, and the cost of their staple food is to be increased."

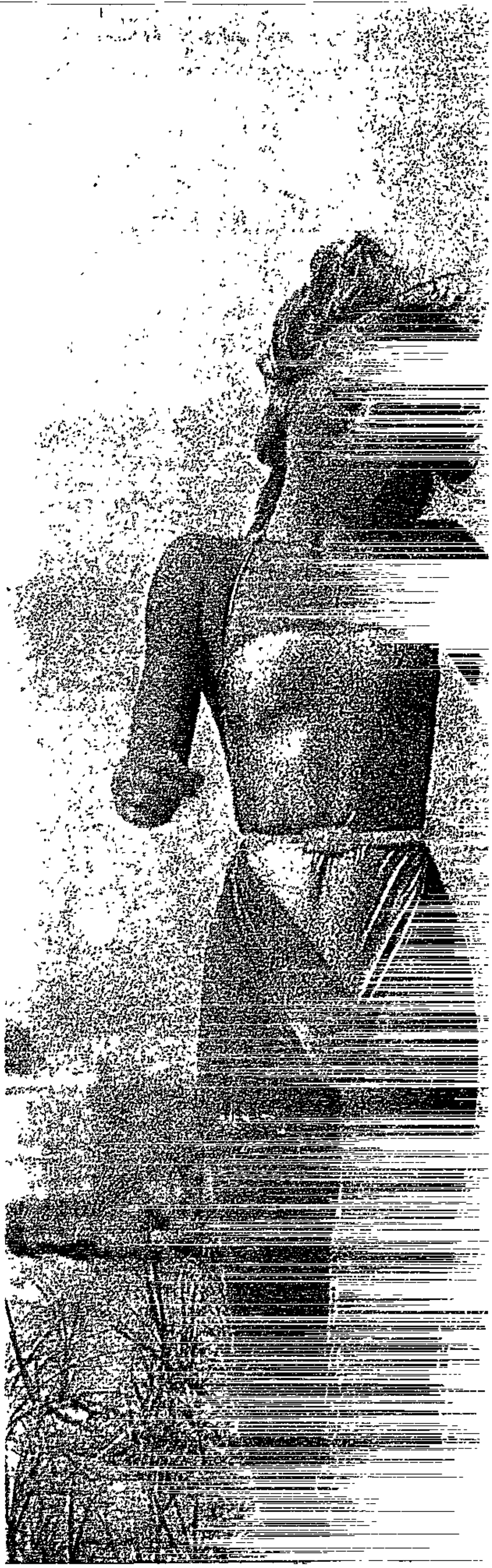
In Cape Town the secretary of the Western Cape Agricultural Union, Mr Gert Bosch, said the increase wopuld seriously affect his region.

The region's intensive stock feed industry, already damaged by high maize transport costs from inland, would be dealt another severe blow.

Production costs of dairy, pig and poultry farmers would rise sharply as maize formed the main part of their feed supplies.

In a statement the director of the Consumer Council, Mr Jan Cronje, said the price rise was especially regrettable as the combating of inflation was a Government priority.

The council sympathised with drought-stricken farmers, but maize was the staple of people in the lower income groups, many of whom would find it increasingly difficult to provide for daily needs,.



Eggs, poultry will follow rise in maize price

~~(2) maize~~ (3) poultry ~~(2) eggs~~ Star

By Sheryl Raine.
Pretoria Bureau.

23 APR 1983

The price of eggs and poultry will rise rise within two weeks as a result of the Government's announcement to raise the price of maize by 9,6 percent. Mr Z Coetzee, general secretary of the SA Poultry Association, confirmed yesterday that the increased maize price would affect the production costs of poultry and eggs due to the high percentage of maize in animal feeds.

He predicted the price of eggs and chickens would rise within two weeks or as soon as the various parties involved in egg and poultry production had been consulted. Neither consumers nor farmers were happy with the Government's latest maize price hike.

Farmers who had demanded a 25 percent price increase angrily accused the Government of arbitrary price fixing, and of approaching price fixing from a predominantly political standpoint.

In a statement issued yesterday, the National Maize Producers Organisation regretted the number of man-hours wasted by the maize industry in determining price recommendations when the Government arbitrarily fixed prices anyway.

A spokesman for the Meat Board said although the price of red meat would not automatically rise immediately because of the maize price increase, it could affect the floor price of red meat when this was fixed towards the middle of the year.

According to the South African Agricultural Union, milk production will rise 0,75 c a litre.

The Consumer Council regretted that the maize price had to be increased, but was pleased at the 9,6 percent limit.

Mr Jan Cronje, director of the Consumer Council, warned that blacks especially would find it increasingly difficult to provide their daily needs.

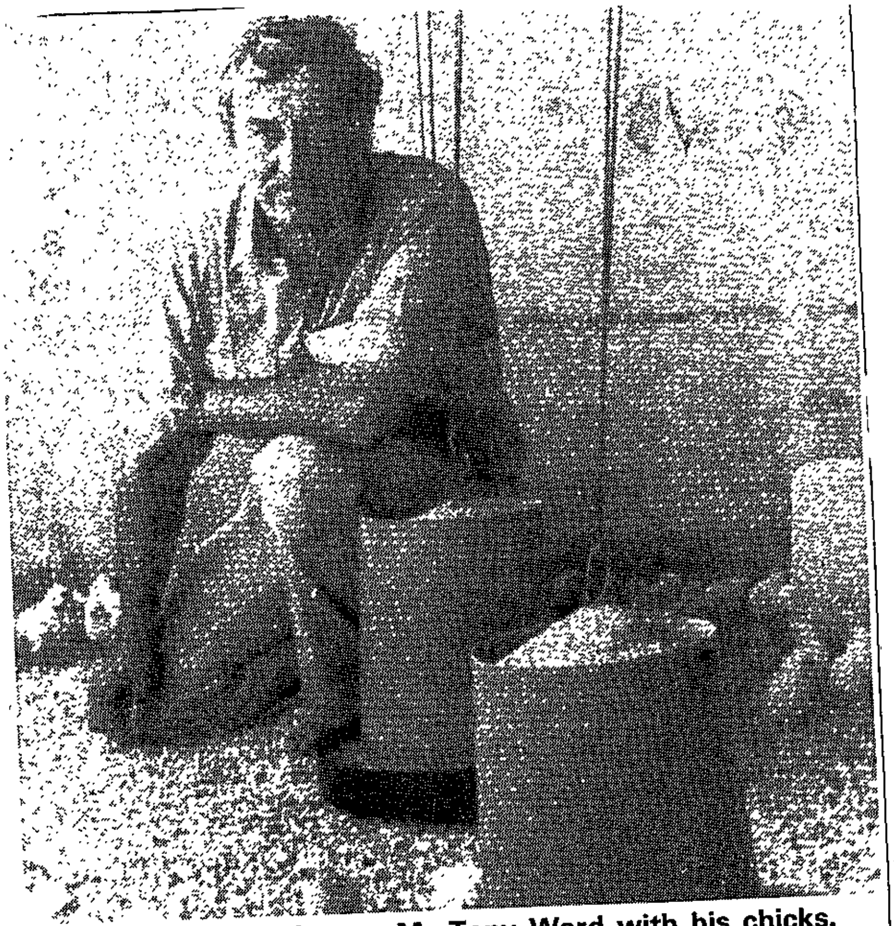
A spokesman for a supermarket chain, Mr Gordon Utian, said last night the increase in the maize price would not help the drought-stricken farmer.

"We are deeply disturbed that the Government has allowed any increase at all in maize prices," he said in a statement

"It will exacerbate the situation caused by the recession and the drought.

"On the one hand, the rural areas are needing emergency relief feeding, on the other the price of their basic food is being increased.

"The poor people of South Africa eat mealie meal not bread. The government could have afforded to, and should have, deferred the price increase until the siutuation had improved," said Mr Utian.



Angry chicken farmer Mr Tony Ward with his chicks.

They're trying to wipe us out, says small chicken producer

3 Poultry ~~[illegible]~~

W/E Argus 4/2/84

Weekend Argus Bureau

PORT ELIZABETH. — Big Business is waging a chicken price war in the Eastern Cape with the aim of wiping out the small independent producer as a prelude to taking over the whole market and then raising prices through the roof.

This is the view of one of the largest of the independent producers, Mr Tony Ward, who has recently resigned as chairman of the Eastern Cape Poultry Producers Association in protest against the Big Brother takeover.

"I have seen them do the same thing to the egg industry and now they are moving in on the chicken industry," says the disgruntled farmer. "These big companies are allied to the big feed producers, have no place in agriculture."

Down to eight

"If they succeed in their long term aims of controlling the chicken industry then they will eventually destroy the small farmer who is the backbone of the agricultural sector in South Africa."

Mr Ward said that he had seen the number of independent poultry producers in the East Cape drop from 47 a decade ago to a mere eight this year.

"I was no longer prepared to sit around a table with a group of men with whom I have no common interests — now both the chairman and the vice chairman of the association work for big companies.

He said the method the big companies used to get rid of the small operators was to start a price war which they knew the smaller producers could not survive.

"That is not capitalism at work, it is monopoly capitalism and the only loser is the consumer."

FEATHER FASHION


Some of the 120 000 ostriches in the Oudtshoorn district.

Argus 25/5/84 (3 Poultry)

Ostrich feathers and leather are news again

Staff Reporter

OSTRICH feathers and ostrich leather are in the news again with the recent visit by a group of fashion experts to the Klein Karoo and the gift of a white boa to the Princess of Wales.

But farmers in the area are wary of predicting a big increase in the sale of feathers.

"I sent a boa to the Princess of Wales as a gift at the beginning of the year," said Mr Alec Hooper, of Highgate ostrich farm near Oudtshoorn. "We are hoping that she will be wearing it sometime."

A group of French fashion experts visited the area — the only supplier of ostrich feathers in the world — at the beginning of the month, presenting a leather coat and feather articles to the C P Nel musuem.

Fortunes have been made and lost in the industry as the demand for feathers rose and fell according to the dictates of fashion.

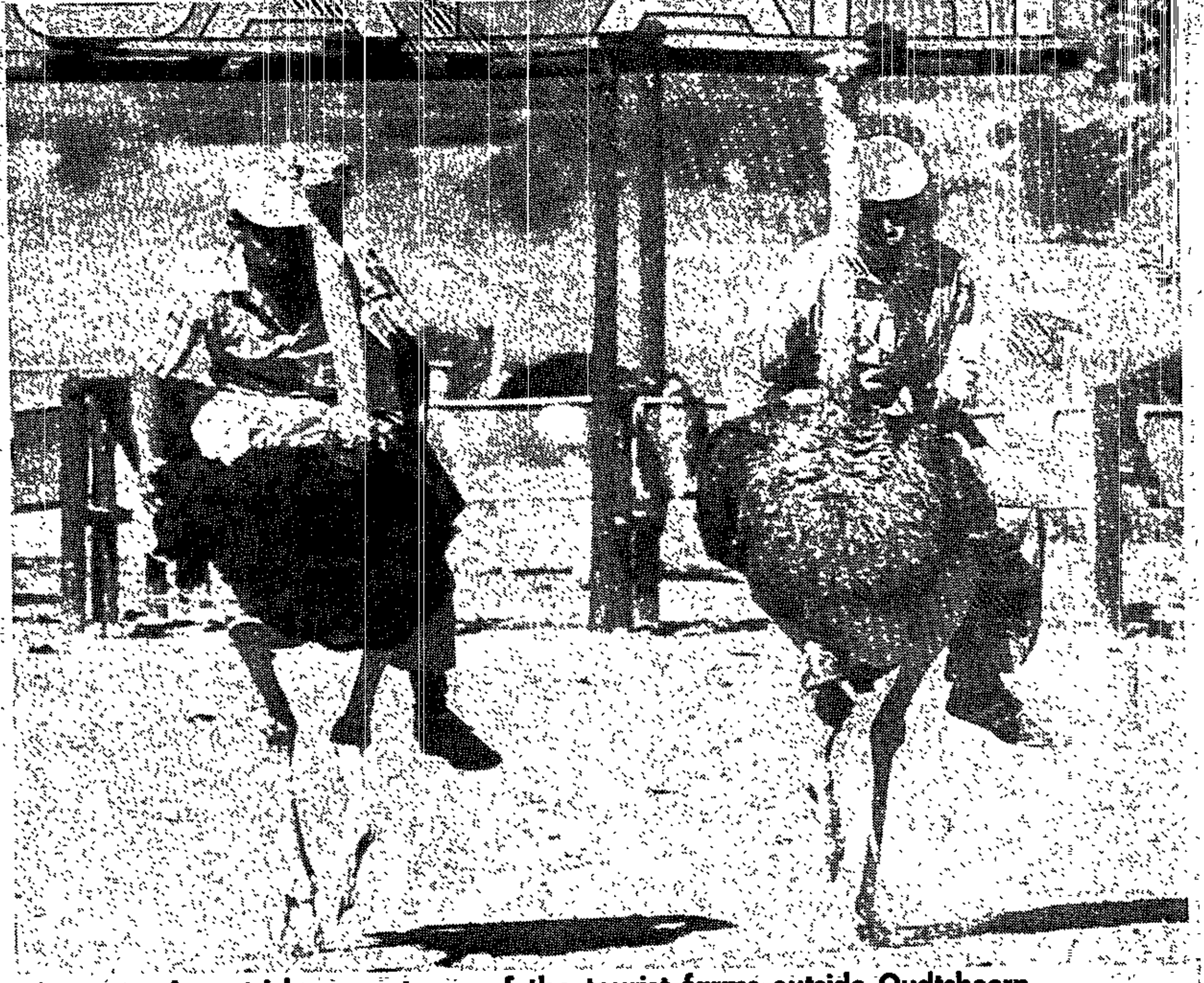
In the heady days at the turn of the century, 750 000 birds grazed on the sandy plains surrounding the town.

Their wing feathers, auctioned in Port Elizabeth and exported to Europe, swelled the coffers of local farmers.

The industry crashed during World War I and went through a spate of small-scale revivals until the early 60s when ostriches were slaughtered for their meat and skin.

A spokesman for the Klein Karoo Co-op said that ostrich leather, exported to Europe, now earns R15m in foreign currency, with feathers bringing in R9m.

Ostrich meat, served as a delicacy in European restaurants, earns about R750 000.


An ostrich race at one of the tourist farms outside Oudtshoorn.


Looking out for Princess Di? Feathers from this ungainly bird could soon adorn the stately shoulders of the Princess of Wales.


A farm worker shows how it is done.

Pictures: WILLIE DE KLERK, The Argus

~~POULTRY~~

AGRICULTUR - POULTRY

1985 - 1987

(3) Poultry

Chicken licking meat off tables

~~[illegible] foods~~

Untied poultry flying higher

B. Day 27/6/85

By PETER WALLINGTON
and CHRIS CAIRNCROSS

POULTRY is sweeping red meat off many dinner tables because it is not shackled by controls and its price is determined by supply and demand.

Poultry expert Desmond Lurie, chairman of the County Fair Food Group of companies, says the chicken success story is due largely to these two factors.

He adds that the chicken share of the meat market soared from 22% in 1974 to 31% in 1984. Chicken production has increased by a massive 438% since 1965, compared to beef's 22%, mutton's 3% and pork's 59%.

"The meat industry itself has estimated that per-capita consumption of poultry will exceed that of meat by the turn of the century."

In contrast, consumer support for red meat has dwindled by 27% in the past 25 years, according to Roy van der Westhuizen, spokesman for the Organisation of Livestock Producers.

The OLP does not represent poultrymen — only cattle, sheep and pig farmers.

Van der Westhuizen says the SA popularity of poultry in relation to red meat was the highest in the world.

For every 65kg of white meat South Africans eat 100kg of red meat. In comparison, the ratio in Brazil was 44:100 while in New Zealand it was 3:100.

"The argument that red meat is universally more expensive than white is not true. In Australia the white meat farmer is battling to compete with the red meat farmer."

He says that while the red meat industry is controlled, the chicken farmers may sell as much as they can to whoever they want to, so long as they adhere to certain slaughtering standards.

The Meat Board's Koos Blignaut says that to compare chicken to red meat is like comparing beer and champagne. He says people are asking red meat farmers to sell their goods for less than it cost them to produce just because there is a glut.

He says that chicken farmers can close their operation if the going gets tough but red meat farmers cannot. They farm on land that is only good for grazing and have to persevere.

Speaking at a function on Tuesday night, Lurie said the poultry sector was turning over R700m a year and wanted nothing to do with the Meat Board.

Lurie said the chicken sales growth could never have been attained had it not been for the combined marketing resources and foresight of both the producer and retailer.

"Marketing in the chicken industry is a multi-faceted approach," Lurie claimed.

He derided the Meat Board for using advertising in the media as its sole marketing tool.

3- Poultry.

Strike at chicken plant

29.08.85 DISPATCH

Dispatch Reporter

EAST LONDON — More then 1 000 workers at the Panmure Chickens factory near Mdantsane staged a wildcat strike yesterday, according to a spokesman for the workers.

The chairman of the workers' committee, Mr Samson Mtyukatya, said yesterday the stoppage was the second one this week and had occurred after a seven man committee, elected by the workers, failed in attempts to negotiate with management for better working conditions and wages.

After a work stoppage on Monday the company's management had advised the workers to elect a committee to voice their grievances, he said.

"We have a democratically elected committee and we went back to see management on Tuesday during working hours, but they still refused to negotiate with us."

The workers' main grievances were: fair treatment on the shop floor, pay of R2,00 an hour for all workers, that the company registered its workers, proper times for clocking in and knocking off, and recognition of the workers' committee.

Mr Mtyukatya claimed white staff at the factory insulted the workers, and that the only day workers were given off during the year was Christmas day. They did not receive leave pay, sick leave, notice pay or maternity pay.

He alleged women workers were paid between R15 and R20 a week and men between R25 and R29,50 a week, which was the same wage scale as when Ciskei became independent in 1981. He also claimed that if a worker had to consult the company doctor R7 was deducted from the worker's pay.

He said workers who had been employed at the factory for more than ten years were still unregistered and regarded as casual labourers.

"We are paid only for the days we are at work, and if a worker should miss a day his wage is docked. We work a ten hour day, from 7 am to 5 pm, without any lunch or tea breaks."

He claimed night shift workers were not allowed to leave the plant yesterday morning because management had used security guards to force the workers to work the next shift.

When a delegation from the workers' committee went to the factory yesterday morning they found a sign on the gate saying the factory was closed.

He claimed the delegation was insulted by management and told they were not prepared to hold talks.

Mr Mtyukatya said prior to the stoppages management had agreed to look into and adjust the wages of weekly paid workers.

The management of the factory would not comment on the allegations. All inquiries were referred to the managing director, Mr Leon Schonknecht, who could not be contacted last night. A phone call to his home was met with the response that he might be available this morning.

Chicken factory closes after workers strike

30:08:85

DISPATCH

3 = Poultry

Dispatch Reporter

EAST LONDON — The Panmure Chickens factory near Mdantsane closed down production temporarily yesterday following a strike called on Wednesday by more than 1,000 of its workers.

In a statement released here yesterday, the company's general manager, Mr Leon Schonknecht, said:

"The nature of industrial action taken has forced the company temporarily to cease operations and we will be recommencing shortly.

"During the recent unrest some of our workforce have been pressured from outside to take industrial action.

"The company deeply regrets that many of our longstanding and faithful employees have become victims of circumstances beyond their control," Mr Schonknecht said.

Mr Schonknecht said Panmure Chickens had operated in Ciskei for the past nine years and throughout that time had built up a fine record of co-operation with its people.

"This is borne out by the fact that this period has been totally devoid of any form of industrial unrest or disagreement with the workforce.

"Our factory was recently awarded a five-star National Occupational Safety Association award which establishes it as a leading company in the Ciskei in terms of health, welfare and the safety of its employees," he said.

Mr Schonknecht said the company carried out a continual improvement programme and was constantly endeavouring to further better conditions of employment

"Mr Samson Mtyukatya (the chairman of the workers' committee) has been in our employ for approximately five months and the published statements in the Daily Dispatch on Thursday are irresponsible and bordering on the ridiculous," he said.

Mr Schonknecht said the company's management had attempted to hold negotiations with the workers' committee, but the committee had "abandoned" them.

The work stoppage at the factory on Thursday — the second one this week — occurred after a seven-man committee, elected by the workers, failed in attempts to negotiate with management for better working conditions and wages.

Following a work stoppage on Monday the company's management had advised workers to elect a committee to voice their grievances.

Mr Mtyukatya said the workers' main grievances were: fair treatment on the shop floor, pay of R2 an hour for all workers, that the company register its workers, proper times for clocking in and knocking off, and recognition of the workers' committee.

He claimed that white staff at the factory insulted the workers and the only day workers were given off during the year was Christmas Day. He said they did not receive leave pay, sick leave, notice pay or maternity pay.

He alleged women workers were paid between R15 and R20 a week and men between R25 and R29,50 a week, the same wage scale as when Ciskei became independent in 1981.

Mr Mtyukatya also claimed that R7 was deducted from a worker's pay if the worker had to consult the company doctor.

He said workers who had been employed at the factory for more than 10 years were still unregistered and were regarded as casual labourers.

Mr Schonknecht declined to comment on Mr Mtyukatya's allegations.

③ Poultry BUS DAY 19/2/85

Ostrich farmers enjoy export boom

CHRIS CAIRNCROSS

OUDTSHOORN'S 300 ostrich farmers are enjoying boom conditions with earnings rocketing by R20m to total R80m this year.

These earnings are mainly derived from the sale of ostrich meat and skins, 80% of which is exported to markets in the US, Europe and the Far East.

The 33% jump in earnings is due largely to the low value of the rand.

There has also been a big increase in sales volume, with the Klein Karoo Agricultural Co-op — which controls the marketing of all this sector's products — slaughtering 85 000 birds this year.

Meat processing and the tanning of skins — including income from feather sales — accounted for about R50m of the industry's turnover this year. The remaining R30m was derived from the production of lucerne and wheat.

Total ostrich population in Oudtshoorn is now about 120 000, according to industry estimates. This accounts for 80% of the world's ostrich population.

FIN MAIL 28/2/86.

RAINBOW HOLDS ON

(3) POULTRY

The chicken price rise, which many predicted would follow the death of Rainbow Chickens chief Stan Methven, is unlikely to materialise — at least not in the short term.

The family has let it be known that it will be business as usual and that a sale of the assets is not being contemplated.

Much of the initial speculation over the direction of chicken prices revolved around the possibility of Rainbow Chickens (RC) falling into the hands of the so-called chicken cartel which, with Rainbow's 40% market share, would then be in a position to manipulate the market. Methven had made a point of remaining aloof from any price fixing arrangements and gained market share by aggressively competing on price.

Heavyweight contenders in the food business, Tiger Oats in particular, which has the contract to supply RC's feed, have openly expressed interest in a possible purchase. And Anglo, which has pervasive food interests and the cash resources, could also be in the running.

If RC is eventually sold the price is likely to be high. Three years ago Methven is believed to have turned down an offer from Tongaat-Hulett of R150m. Today the business is conservatively valued at around R250m.

Insiders tell the *FM* that Methven's 85% interest in the business has been placed in a trust administered by personally appointed trustees. They are likely to continue to run the business to develop a feel for the market and will not be in a position to consider offers for at least another six months.

South African Associa
Newspapers

BUSDAY 4/4/86

③ POULTRY

Chicken men now scratching a living

LINDA ENSOR

MANY hard-pressed small chicken farmers might be forced to leave the R880m-a-year sector.

The reason, according to Bill Siebbeles, vice-chairman of the SA Broiler Association, is rising input costs as prices remain almost static.

He estimates that input costs have increased by 13,3% more than chicken prices over the past year.

"This is disastrous to a small-profit-margin industry," he adds.

Any increase in the price of yellow maize — the new price is to be announced at the end of the month — will add to the small producer's burden, he says.

Rainbow Chicken Farms is estimated to hold 38% of the frozen and chilled chicken market.

● THERE are hints of changes at Rainbow Chicken Farms since the accidental death in Monte Carlo of chairman Stan Methven almost two months ago.

A statement is expected "as soon as decisions have been formalised", says deputy-chairman Desmond Loch Davis.

British Leyland losses show massive increase

LONDON — British Leyland has announced a 50% increase in overall losses for 1985.

It reports a 41% drop in operating losses — to £39,5m, compared with a £66,5m operating loss in 1984.

Despite the improved operating figures, BL had an

BUSDAY 22/4/86 ③ POULTRY

Rainbow MD scotches rumours of takover

● GEOGHEGAN

MICK COLLINS

NEW MD John Geoghegan yesterday scotched rumours that Rainbow Chicken Farms is about to be taken over.

Speculation on the future of the company, which controls 40% of the R1bn-a-year market, began after Stenley Methven, founder and MD of Rainbow, died in a motor accident in Monaco in February.

Industry analysts predicted his family would sell out, and speculated on a takeover battle between Tiger Oats, Premier Foods, Fedfood and I&J.

However, former financial director Geoghegan insisted yesterday that any deal with other food giants was "definitely, absolutely not on".

He said Rainbow had no plans to alter its priorities.

"We are going to push to increase our market share still further and there will be no slackening in our expansion plans. I will have the same management team and it's all systems go from here."

~~Bus Day~~ 25/4/86.

STAR [illegible] ~~3D MAIZE~~ ③ POULTRY

Poultry firms angered by maize increase

Pretoria Bureau

Poultry producers and feed manufacturers are up in arms about the maize price increase, saying it will push up their production costs — and inevitably lead to higher poultry prices in the supermarket.

Consumers could find themselves paying more for chicken, turkey and duck within the next two weeks, they indicated.

A spokesman for the South African Poultry Association and the Animal Feed Manufacturers' Association said although the increase in the cost of yellow maize was put at 9,7 percent, in the long term it would amount to more like 21 percent.

This was due to the new R5 levy which was being added into the consumer price of maize to cover storage and handling costs.

The levy, which would increase by R5 a month, would amount to R55 by the end of April next year.

"The consumer price of yellow maize will then be R321 a ton — up 32,4 percent.

"A new system is being used to cover up the real size of the increase."

Chicken killer disease defeated

SOAR ③ POULTRY 5/6/86

Science Reporter

A mysterious disease which has killed millions of South African chickens has been defeated by local and South American scientists.

The chickens died after being fed fishmeal made from fish caught in the Pacific off Chile.

After a long investigation in Johannesburg, Cape Town and Chile it was found that the meal contained an amino acid known as gizzerosine which causes "erosion" in chicken stomachs, impaired growth and death.

HIGH COST

"At one time we had death rates of up to 20 percent of all birds and the condition cost us millions of rands," said Dr Munro Griessel, managing director of a large chicken concern.

"In a joint scientific effort scientists from here and Chile — from where most of the fishmeal was imported — found that the gizzerosine developed as a result of overheating in the processing of the fish."

To produce an annual 240 million chickens, South Africa needs to import one third of the 180 000 tons of fishmeal required to feed the birds.

The CSIR's Fishing Industry Research Unit in Cape Town is now working on a method to measure the presence of gizzerosine in local and imported fishmeal.

7/7/87

B/Day 7/7

3- Poultry

Demand pushes up chicken prices

NORMAN SHEPHERD

CHICKEN prices are at a premium because of a surge in demand and will remain high until at least November, when increased supplies push prices down.

Processors are gearing to meet the higher level of demand, investing in plant expansions for the first time in years as hopes rise the industry might shed its "marginal profit" feathers, industry spokesmen say.

Last year's average 20% price increase is seen by the industry as a structural adjustment after the discounting during the glut of 1985 and years of nominal increases of 5% or less.

Factors bound to keep chicken prices fluffed up include a 10% winter mortality rate; last week's change in the fuel price structure raising administrative costs slightly; high feed costs; and a workforce which is becoming more aggressive about pay demands.

Although prices kept firmly above R3/kg this year, a Consumer Council study shows the price charged by a single large producer over the past six months fell 10c/kg between January and June.

SA Poultry Association general secretary Zach Coetzee said: "I don't think there is a real shortage. Prices will increase as demand rises. We are in the process of adjusting to an upturn and are bringing up production by about 4%. By November most producers will be on the go."

☐ The Consumer Council yesterday expressed concern over media reports of intentions to raise chicken prices because of the change in the fuel price structure.

VD ~~[illegible]~~ 25/8/87

③ Poultry

Supermarkets fear chicken price hike

Dispatch Reporter

EAST LONDON — Fears of a chicken price hike, following a shortage of frozen and unfrozen chickens, have been expressed by supermarkets here.

The general manager of one supermarket, Mr Bruce Nichols, said he was concerned that the price of chickens would continue to rise "unabated".

"We are soon going to find ourselves in a situation 10 times worse than this and by Christmas, turkeys might sell cheaper than chickens."

He said suppliers should increase production rather than increase prices to cope with the shortage.

A spokesman for the Association of South African Poultry said the poultry industry operated on a free market system, was not subsidised by the government and had no price control.

He said last year there had been an oversupply of chickens for nine months and the price had been lower.

"Now that the demand has increased, I am sure, given time, production will rise.

"This is definitely a short-term shortage and I do not foresee it continuing for an indefinite period."

The general manager of Panmure Hatcheries here, Mr S. L. Schonknecht, said that his plant had closed for two weeks to carry out essential repair work.

"This should not effect the industry in any way, as we are not the main suppliers and control only four per cent of the national market".

Mr Schonknecht said he believed the demand for chickens had been caused by red meat being expensive.

"It has become more economical for the consumer to buy white instead of red meat, and subsequently the demand for chicken has increased."

Mr Schonknecht said once production met the demand, chicken prices would fall.

He said that he expected production to rise sometime in November.

POULTRY - 1988

Star 30/11/88 ③ Poultry

Turkeys are going cheep this year, say the big stores

By Sue Olswang

The traditional Christmas turkey is likely to be cheaper than other poultry or meat products this year.

A spokesman for OK Bazaars said its turkeys, which were imported from France but were not affected by the import surcharge, were selling at R4,29/kg and were the cheapest in the land.

"In fact," he added, "our turkeys are 50c/kg cheaper than last year because of our clever and early buying."

He said the next cheapest product was fresh chicken at between R4,59 and R4,99/kg.

A spokesman for Pick 'n Pay's Southern Transvaal supermarkets said their turkeys, which were imported from the United States, were selling at the exceptionally good price of R4,59/kg.

He confirmed that turkeys were cheaper than fresh chickens and said the only cheaper product was Cornish hens, which were selling at about R4,29/kg.

Mr Sergio Martinengo, deputy managing director of Checkers, said his group had also imported turkeys.

He said turkeys were sometimes used as a loss leader to draw shoppers in.

Further good news was that the price of red meat was not expected to increase.

A spokesman for the Meat Board said yesterday that red meat prices would more than likely level off or stay the same during the festive season.

Plan to ban imported poultry is opposed

Star 26/10/88

38

3 Poultry

By Dan Side

Pick 'n Pay is opposing an application by the SA Poultry Association for a protective tariff against the importation of whole frozen chickens and chicken and turkey portions.

Mr Peter Dodson, the perishable foods director of the supermarket group, said last night the company was "appalled" at the contentious statements made by the poultry association accusing retailers of stockpiling chicken at lower prices mid-year to exploit the higher demand situation during the festive season.

This "created an artifical impression of a shortage", said the poultrymen, who disagreed with retailers' predictions there would certainly be "a dramatic shortage" of poultry over the Christmas-New Year period.

Local supply, said the association, was currently at least 10 percent higher than at the same time last year.

Although it was still occasionally exceeded by demand, a R300 million expansion programme was in full swing to alleviate shortages.

Poultry men seek deregulation

③ poultry Star 6/5/88

Finance Staff

Ask a poultry producer which comes first, the chicken or the egg? He will probably say the answer lies in economics.

And it is in this field that the fowl industry is aiming to reorganise itself to meet the challenges of the 1990s and beyond.

Widely acclaimed by consumer organisations in recent years for undercutting red meat prices, chicken and egg producers are grasping the deregulation nettle by the horn and asking the Government for greater control of their own destinies in the area of production.

At the annual meeting of the SA Poultry Association in Durban this week, chairman Malcolm Nicolson said he was asking members for a mandate to take recommendations to the Minister of Agriculture, Greyling Wentzel, aimed at "privatising and deregulating" the Egg Board on a large scale.

"The alternative," he said," Was to continue to wallow in a quagmire of red tape."

Small producers — with less than 20000 birds — should be less stringently controlled to get away from the erroneous view that there was "a place for everybody in poultry, regardless of whether there was a market or not".

In that respect, the broiler organisation of the association was proposing spending R8000 a year employing auditors to produce reliable statistics on animal and egg production.

On the relationship between red meat and fowl, broiler organisation chairman Bill Siebbeles said chicken meat sale volumes were currently 36 percent of those of red meat and would overtake beef in the 1990s.

The R2,65 a kilogram producers were receiving at the wholesale level for chicken was below cost, purely because of the "undesirable" effect of the 7000kg of fowl imported from Europe at the end of last year.

The promise of a reduction in the maize price by the Maize Board in a year's time, if consumption rose by 30 percent over the 1987 level, augured well for the price of chicken and eggs.

But, Mr Siebbeles cautioned, consumers should realise that a R10 to R12 a ton reduction in the price of yellow maize — stock feed for chickens — next year would translate into nothing more than a one or two-cent a kilogram lowering in the final price of fowls and eggs.

It was more likely the Maize Board would be unable to lower their price and chicken and egg price rises would be in the vicinity of eight percent, a level still considerably lower than the 20 percent that would have resulted had maize prices continued to be based on production cost alone, rather than demand.

Mr Nicolson said while trade union activity was increasing throughout the poultry business, the main thrust was taking place at packing stations, abattoirs and further-processing plants, to a greater extent than on farms.

The Poultry Association assisted individual producers with drawing-up of grievance procedures and similar documents.

Generally, the industry provided some of the best conditions for labour — primarily because of the need to employ a better standard of worker than was required on most farms.

period for air traffic controllers in South Africa was reduced for reasons of adequacy from 39 to 33 months with effect from 1 February 1988.

Printing contracts awarded to two companies

829. Mr D J DALLING asked the Minister of Finance:

(1) Whether his Department awarded any printing contracts in 1987 to two companies, the names of which have been furnished to the Commission for Administration for the purpose of the Minister's reply, or to their associated companies and printing operations; if so, (a) in respect of what publications or printed matter, (b) how many copies of each publication or item were ordered from each company and (c) what are the names of the companies concerned;

(2) whether these contracts were put out to tender; if not, (a) why not and (b) what was the total amount paid by his Department in respect of each of these contracts; if so, what was the (i) tender price originally accepted, and (ii) total amount paid out, in respect of each contract;

(3) whether his Department subsidizes any publications published by the above companies; if so, (a) which publications and (b) (i) why, and (ii) what is the amount of the subsidy, in each case;

(4) what total amount was spent by his Department in 1987 on printing and publishing involving (a) the above companies and (b) any other specified companies?

The MINISTER OF FINANCE:

(1) No.

(a) to (c) Fall away.

(2) Falls away.

(3) No.

(a) and (b) fall away.

(4) (a) Falls away.

(b) The Government Printer printed publications and printed matter for the Department to the amount of R3 338 221,14.

Senior citizen bond scheme: investors issued with certificates

850. Mr J J WALSH asked the Minister of Finance:

Whether all investors in the senior citizen bond scheme have been issued with certificates; if not, (a) why not and (b) what was the total number of certificates outstanding by month of application as at the latest specified date for which information is available?

The MINISTER OF FINANCE:

No.

(a) As a result of the unexpecedly large number of applications for investment in Senior Citizen Savings Bonds and the fact that preference was given to the registration thereof in order to ensure the timeous payment of interest, the issue of certificates was unfortunately unavoidably delayed.

(b) Outstanding certificates as at 31 March 1988 were:

July 1987	21
August 1987	29
September 1987	9
October 1987	3
November 1987	4
December 1987	2
January 1988	4
February 1988	—
March 1988	—
Total outstanding	72

Senior citizen bonds: interest paid on due dates

851. Mr J J WALSH asked the Minister of Finance:

Whether all interest due to investors in senior citizen bonds has been paid on the relevant due dates; if not, (a) why not and (b) (i) what amounts were outstanding as at the latest specified date for which information is available and (ii) in which months were these amounts due?

The MINISTER OF FINANCE:

Yes, with the exception of relatively few applications requiring investigation and in respect of which the interest was subsequently paid.

(a), (b) (i) and (ii) fall away.

Agricultural products: statutory levies

886. Mr R W HARDINGHAM asked the Minister of Agriculture:

(a) What amounts were collected from producers in the form of statutory levies on each specified agricultural product in each of the latest specified three years for which figures are available and (b) (i) what steps were taken in respect of the amounts so collected, and (ii) for what purpose were they used, in each case?

The MINISTER OF AGRICULTURE:

The audited particulars are published in the various reports of the Auditor-General (which are tabled in Parliament) on the accounts kept in terms of the relevant provisions of the Marketing Act, 1968 (Act 59 of 1968).

Surplus agricultural foodstuffs distributed to under-privileged/welfare organizations

887. Mr R W HARDINGHAM asked the Minister of Agriculture:

Whether any surplus agricultural foodstuffs grown or produced in the Republic and marketed through control boards were distributed to (a) the under-privileged and (b) welfare organizations during the latest specified 12-month period for which figures are available; if so, (i) what foodstuffs, (ii) what quantity of each foodstuff and (iii) what was the total estimated value of the foodstuffs so distributed?

The MINISTER OF AGRICULTURE:

(a) Yes

(b) Yes

(i)	Period	(ii)	(iii) (R)
Bananas	1/7/86 – 30/6/87	200 × 20 kg containers	1 924
Potatoes	1/3/87 – 29/2/88	28 026 × 15 kg pockets	70 000
Rooibos tea*	1/1/87 – 31/12/87	1 015 kg	1 553
Oranges	1/3/87 – 29/2/88	8 000 × 10 kg pockets	9 600
Milk powder**	1/3/87 – 29/2/88	4 597 tonnes	2 090 800***
Processed cheese**	1/3/87 – 29/2/88	350 tonnes	196 000***

* In aid of the flood disaster fund.
** Made available to charity organizations at subsidised prices.
*** Value of subsidy.

Chicken meat imported from France

951. Mr T LANGLEY asked the Minister of Economic Affairs and Technology:†

Whether in the period before Christmas 1987 he gave permission for chicken meat to be imported from France; if so, (a) what is the total mass of the chicken meat so imported, (b) at what price per kilogram was this meat (i) purchased and (ii) offered for sale locally, (c) what is the country of origin of the meat and (d) (i) how many kilograms of it were sold and (ii) in respect of what date is this information furnished?

The MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY:

(a), (b), (c) and (d) (i): The information is not available.

Import permits in respect of chicken meat are issued by the Department of Trade and Industry on the recommendation of the Department of Agricultural Economics and Marketing and this is done on a rand value basis only. The country or countries or origin are not specified on permits and importers may, therefore, import the goods mentioned in the permits from any country.

During the calendar year 1987 the Department of Trade and Industry issued on the recommendation of the Department of Agricultural Economics and Marketing import permits to a total value of R11,3 million to various importers to import frozen chickens (whole and in portions) to supplement shortages on the local market.

(d) (ii) As indicated above.

(3) Poultry

Marketing boards; grants for bursary purposes

952. Mr R W HARDINGHAM asked the Minister of Agriculture:

Whether any marketing boards made grants for bursary purposes in 1986; if so, (a) which marketing boards, (b) how many grants were made by each such marketing board and (c) what was the amount of the grant in each case?

The MINISTER OF AGRICULTURE:

Yes;

(a)	(b)	(c) R
Banana Board	1	1 200
Tobacco Board	4	17 400
Citrus Board	12	54 896
Oil Seeds Board	1	4 200
Deciduous Fruit Board	15	45 000
Cotton Board	2	1 925
Maize Board	13	24 262
Dairy Board	14	56 700
Dried Fruit Board	1	4 200
Wheat Board	6	25 200
Potato Board		
Dry Bean Board	5	17 980
Grain Sorghum Board		
Meat Board	11	44 100
Wool Board	26	84 000
Egg Control Board	5	15 770

20/4/88
B/day

3 POULTRY

Chickens imported because of shortage

HOUSE OF ASSEMBLY — Chickens were imported by SA from France from September to November last year at the request of the trade, Agriculture Minister Greyling Wentzel said yesterday.

In reply to Tom Langley (CP Soutpansberg), Wentzel said the chickens were imported for the Christmas season as there had been an expected shortage.

No special investigation was carried out to determine whether the meat was suitable for human consumption beyond the routine inspections. — Sapa.

Hansard

The MINISTER OF PUBLIC WORKS AND LAND AFFAIRS:

(1) (a) (i)-(iv) Particulars were given in the reply to question 608.

(b) YES — Department of Public Works and Land Affairs

(i) 250

(ii) To various persons and instances (from members of the Cabinet to private enterprises with whom the department has close relationships).

(iii) R1 889,55

(iv) Government Printer.

(2) NO. The cards were posted under the departmental stamp.

Perskor/Aurora: printing contracts awarded

830. Mr D J DALLING asked the Minister of Home Affairs:

(1) Whether his Department awarded any printing contracts in 1987 to two companies, the names of which have been furnished to the Commission for Administration for the purpose of the Minister's reply, or to their associated companies and printing operations; if so, (a) in respect of what publications or printed matter, (b) how many copies of each publication or item were ordered from each company and (c) what are the names of the companies concerned;

(2) whether these contracts were put out to tender; if not, (a) why not and (b) what was the total amount paid by his Department in respect of each of these contracts; if so, what was the (i) tender price originally accepted, and (ii) total amount paid out, in respect of each contract;

(3) whether his Department subsidizes any publications published by the above companies; if so, (a) which publications and (b)(i) why, and (ii) what is the amount of the subsidy, in each case;

(4) what total amount was spent by his Department in 1987 on printing and publishing involving (a) the above companies and (b) any other specified companies?

The MINISTER OF HOME AFFAIRS:

(1) The Government Printing Works, being an organisational component of the Department, is the only institution awarding printing contracts in consultation with the State Tender Board to private institutions. In terms of existing contracts the Government Printer awarded orders for printing requirements of the Department to Perskor and its subsidiary, Aurora. The particulars are as follows:

(a)	(b)	(c)
Annual report	860	Aurora
Manual — Migration and Identification (Chapters 4 and 5)	3 240	Aurora
Diaries: 1988	120 001	Perskor
Statistical reports:		
21-02-17	320	Aurora
21-04-15	311	Aurora
2301/02/05/07	27 900	Aurora
2003/04/01/08	52 450	Aurora
Statistical Questionnaire 01/50	75 000	Aurora

(2) Yes.

(i)	(ii)
Contract SD-K 27 — R52 761,76	R52 761,76
Contract SD-D 87/99 — R300 918,00	R300 918,00

(3) No.

(4) (a) R353 679,76

(b) Nil.

Hansard

(3) Priority

HOUSE OF ASSEMBLY

†Indicates translated version.

For oral reply:

General Affairs:

State President:

Six members of SADF in Windhoek: certificate not to continue with criminal proceedings

*1. Mrs H SUZMAN asked the State President:

(1) Whether he (a) issued or (b) authorized the issue of a certificate in terms of section 103*ter* of the Defence Act, No 44 of 1957, directing that criminal proceedings against six members of the South African Defence Force arising out of the death of Mr Immanuel Shifidi should not be continued; if so, (i) when, (ii) to whom was the authority given to issue the certificate, (iii) in which court had the proceedings been instituted, (iv) what were the charges against the six accused, (v) on whose authority had the proceedings been instituted, (vi) why did he authorize the issue of the certificate and (vii) what are the (aa) ranks and (bb) names of the six accused;

(2) whether prior to giving the authority to issue a certificate, the matter was discussed with the Attorney-General of South West Africa; if so, (a) who discussed it with the Attorney-General and (b) what was the (i) purpose and (ii) result of the discussions; if not, why not?

The STATE PRESIDENT:

I have authorized the Administrator-General to issue a certificate in terms of section 103*ter* of the Defence Act, 1957, with regard to the trial of Col Vorster, Col Welgemoed, Cmdt Botes, Lieut Prinsloo, Cpl Kashimbi and Rifleman Festus in the Supreme Court of South West Africa. In view of thematter being *sub judice* because of a court application in Windhoek, I am not prepared to go into the matter any further.

Ministers:

Chicken meat imported from France

*1. Mr T LANGLEY asked the Minister of Agriculture:†

(1) Whether any chicken meat was imported from France in the period before Christmas 1987; if so, when;

(2) whether his Department agreed to the importation of this meat; if so, (a) why and (b) what percentage of water does this meat contain per kilogram or chicken carcass;

(3) whether this percentage corresponds with the permitted percentage of water which applies to locally produced chicken carcasses; if not, why not;

(4) whether the imported chicken carcasses have a uniform mass; if so, (a) what is this mass and (b) to what is the uniformity ascribed;

(5) whether his Department carried out investigations or had investigations carried out to establish whether this meat is suitable for human consumption; if not, why not; if so, with what result?

†The DEPUTY MINISTER OF WATER AFFAIRS AND OF LAND AFFAIRS (for the Minister of Agriculture):

(1) Yes, September to November 1987;

(2) Yes, at the request of the trade,

(a) in order to supply over the Christmas season in the expected shortage of chicken meat as a result of high mortality problems;

(b) unknown — it is not practically possible to determine the exact percentage of absorbed water unless the carcass mass prior to water absorption and freezing is known;

(3) falls away;

(4) No;

(5) No special investigations were carried out. Routine inspections are carried out on all imported meat after arrival at the port of

B/day 8/4/88

3 POULTRY

Chickens: things not so taxing

ROGER SMITH

SA CHICKEN producers may be at a disadvantage compared to their French counterparts, but do not operate entirely without the assistance of various benefits.

Johannesburg tax consultant Costa Divaris said a chicken producer may pay little tax by being classified as a farming rather than an industrial enterprise.

He said producers did not have to buy chickens; factory improvements and equipment had an accelerated depreciation such as farmers enjoyed on theirs; and feed costs — said to be about half the cost of a bird — were tax-deductable.

Through development expenditure the producers could build up tax shelters better than those enjoyed by farmers whose operations were less capital intensive.

However, Farm Fare MD Dr Eugene Brock defended SA's top producers as being "the most efficient in the world" and said that although there were tax advantages for producers, this was "a separate story".

He said the advantages were nothing compared to the fact the French producers were paying about half the feed price paid by SA producers.

URSDAY, APRIL 7 1988 60c (54c + 6c tax)

AL and CAPE 80c (71c + 9c tax) A TIMES MEDIA PUBLICATION

(3POULTRY) B/day 7/4/88.

It's all a case of paltry chicken feed

ROGER SMITH

SOME SA chickens may be said to taste good because they eat well, but they cost so much more than their imported French counterparts because they eat more expensive feed.

Farm Fare/Farmer Brown MD Eugene Brock said feed costs were more than half the cost of the chicken and SA maize prices were much higher than overseas prices.

He said that was a major factor in the inability of local chicken producers to compete against imported frozen French chickens, which were selling for about 20c/kg less than local chickens.

The Maize Board controlled price was R288 a ton, while the price on world markets was about R180 a ton.

Nampo economist Kit le Clus said the international price could vary a great deal, depending on where and when it was sold, but if imported into SA it would still cost more than local maize.

He said the international market had become "a dumping ground" for maize.

France was a major maize producer and exporter, selling its maize within 20% to 40% of the local French price.

Brock said the EC subsidy system further assisted the French chicken producers and special deals with export agents meant their chickens could cost even less in SA than they did in France.

MIKE ROBERTSON reports from London that the EC Commission said poultry farmers in the EC member states received export subsidies totalling 91m ECU (R241,2m) last year.

A sluice-gate price, determined largely on the difference between the world and EC grain prices, was triggered when the differential reached a set level.

Export subsidies were based on the difference between production costs in the EC and production costs in non-member countries.

Spokesman Peter Dixon denied EC farmers had access to cheap animal feed. "That is simply not true. It is precisely because of the high price paid for feed grain in the EC that we pay export subsidies. EC farmers do not have access to feed grain at world prices. Inside the EC they pay the high community price. When they export we make up the difference between the lower world price and the EC price."

● See Comment Page 4

Local chickens being sold at a loss

French fowl bonanza for SA consumers

(3) Poultry
Star
30/3/88

By Caroline Mehliss

Frozen chickens from France are selling here for about 20 cents a kilogram less than South African frozen chickens — yet the local product is being sold at a loss, a poultry producer believes.

Dr Eugene Braak, managing director of Farm Fare, says local frozen chickens, which are available at around R2,69/kg, are being sold below cost.

"Producers have dropped their prices sharply because of an over-supply of chickens. This is normal in the first few months of the year, and prices can be expected to rise to about R3,40/kg in a month or two when supply and demand are more balanced."

Dr Braak says South African chickens are more expensive than the imported French ones because production costs here are much higher.

"Feed comprises more than half the cost of the bird, and our grain prices are almost double that of overseas prices. Maize costs us R288 a ton compared to the world price of about R160 a ton.

"With this discrepancy, there is no way we can compete with the overseas market.

"Overseas production costs are further cut by the subsidy system within the European Economic Community (EEC). Whatever producers export, they get subsidies on the grains they use.

"Furthermore these French chickens on our supermarket shelves come from farms established several years ago especially for exporting chickens to Middle Eastern countries. With the drop in the oil price and the continuing war, many migrant workers have left the area, and there has been a dramatic fall-off in consumption.

"These French producers are therefore looking for any export markets and offering very attractive prices. The French chickens may even cost less here than they do in France because of special deals to export agents."

Not a factor

Dr Braak denies the cheaper French chickens were a major factor in the drop in the price of local birds to below cost level.

"The imported birds obviously have some impact, but the main reason for the price drop was a large over-supply on the local market.

"When prices rise in the next month or two, it will not be because there is no longer competition from the French chickens but because demand will match supply and prices will be more realistic," he says.

Space programme study could result in SA satellites

Own Correspondent

CAPE TOWN — The South African space programme study may lead to satellites, but not to enormously costly spacecraft.

This was the initial impression created by the announcement by the Minister of Economic Affairs and Technology, Mr Danie Steyn, that the Council for Scientific and Industrial Research (CSIR) had been asked to do a feasibility study of a South African space programme.

Following the Minister's announcement, the CSIR has appointed a small team headed by Dr Brian Clark, group executive: research, development and implementation.

A CSIR spokesman said the team would consult and acquire information from a wide spectrum of interested parties in the private and public sectors.

CSIR involvement in space research dated back to the launching of Sputnik 1 in 1957. It was soon able to make predictions of the satellite's orbit, the times it would be visible over the country and when it would plunge to destruction in the atmosphere.

In the subsequent international geophysical year in 1958 a radio satellite-tracking station was operated in South Africa. Later, following the establishment of the National Aeronautics and Space Administration (Nasa) in the United States, this operation and its facilities were expanded and developed.

DEEP-SPACE TRACKING STATION

The more sophisticated deep-space tracking station at Hartebeeshoek was the result.

The CSIR through the years initiated space research programmes at various universities.

South Africa has used space-age technology in practical application in various ways.

Since the late 1960s use has been made of information acquired from a meteorological satellite for weather forecasting purposes.

Since 1975 communications satellites have been used for international communications, including receiving television broadcasts from abroad.

One of the terms of reference of the CSIR is to go into the "budgetary implications" of a space programme. With the CSIR's present efforts to keep expenditure down, no huge and costly programme is envisaged.

On the other hand, satellites can be relatively small and not so costly as spacecraft. They could be used for practical purposes.

Sophisticated rocketry developed for military purposes may be available for the launching of satellites and some of these satellites may then be used for military surveillance purposes in southern Africa.

The Government feels there is some urgency about the study. It is expected to be completed by the third quarter of the year.

Poultry project opens

D/D 29/1/88

PEDDIE — President Lennox Sebe of Ciskei will officially open the Gibraltar Rock poultry project here today.

The Gibraltar Rock broiler production unit is expected to produce a million broilers a year.

The unit was established by Panmure Chickens, which has been operating in Ciskei for 11 years.

The project employs many Ciskeians and is seen as a rural training centre which will uplift the rural communities through the development of a viable broiler industry based on small, local production units.

Ciskei citizens are being trained in all aspects of production with the idea of the unit eventually being run by Ciskeians on a co-operative basis. — DDR.

③ Poultry

D/D 19/2/88' (3) Poultry

Work underway on R10m Berlin plant

EAST LONDON — A Western Cape-based animal and poultry feed-processing company, Bokomo, is to set up a R10 million plant at Berlin this year.

Work on Bokomo's R1 million 20-hectare site, on which is situated the building of a former plastics company, has started already with the completion date scheduled for August

This was confirmed here yesterday by the manager of the Bokomo distribution centre here, Mr Bert Naude, and a spokesman for the food and processing plant specialist, Simon-Macforman.

The plant specialist firm was awarded the R8,4 million turnkey contract for the plant which includes a silo complex, grinding plant, blending and mixing, pelleting, bagging and bulk outloading plants. The company will also undertake the complete electrical installation, including control panels and mimic flow indication.

Mr Naude said his distribution centre in Wilsonia would be maintained but 50 per cent of his 60-strong staff complement would move over to the Berlin plant which would produce 6 000 tons of finished product a month.

No new employment as such is being created and the construction being done by Simon-Macforman includes:

A silo complex for bulk storage of 4 000 tons of maize, 600 tons of oil cake and 300 tons of bran pellets;

A grinding plant for maize and cereals with a 25 tons an hour maize capacity and 12 to 20 tons an hour oil cake and bran capacity;

A blending and mixing plant with a mixer capacity of 6 000 litres and a blending bin storage capacity of 576 cubic metres;

A pelleting plant with a capacity of 30 to 36 tons an hour;

A bagging plant with a bagging off capacity of 30 tons an hour;

A bulk outloading plant with a total bin capacity of 450 cubic metres;

Road and rail bulk outloading weighbridges.

The company is also responsible for for the design and construction of the processing building, the molasses and handling system, the acid oil handling system, the steam raising plant, and the blending and stock control system which is provided with a computer, together with three blending mass meters.

The estimated value of vehicles to service the plant is R1 million and Mr Naude said the finished product would mainly be supplied to farmers in the surrounding areas.

"There is a shortage of animal and poultry feed in the area and this was largely the reason to establish the plant in Berlin," he said.

Bokomo was founded in 1928 with its head office in Malmesbury with the major part of its operations in the Western Cape. It also has a processing plant in Aliwal North.

D/D 9/1/88

Poultry sales plunge

(3) Poultry

by DAVE MARRS

EAST LONDON — Poultry sales in the city plunged to the lowest level in years over the Christmas period with many producers unable to explain the sudden drop in demand.

Wholesale butchers, who indicated that their sales of red meat had increased substantially compared to previous years, said customers were choosing the cheaper cuts of beef and mutton, and processed meats over chicken.

Other dealers attributed the decreased demand to the importation of cheap lower grade red meat from Scotland, which resulted in processed meats that were competitively priced.

The owner of a chicken farming and wholesaling business here, Mr Ivan Kretzmann, said this year's sales were the worst he had experienced in the 12 years he had been in the business.

"I have done better at the end of a normal month in the middle of the year than I have this Christmas."

He said that the demand for chicken had been very low.

Mr Kretzmann said he had reared an extra 18 000 chickens for the three week peak demand period but had been left with 12 000 birds unsold.

"I actually doubled my stocks in anticipation of a rush to buy chickens after the shortage — however, my turnover halved," he said.

Another influencing factor mentioned by both butchers and producers was the introduction of chickens imported from France at a rate at which the local producer could not compete.

Mr Kretzmann said the French meat had been sold at under R3 per kilogram, while locally produced birds went for R3,50 per kilogram.

"This had some effect on our sales but there must be more to it than that."

The owner of a butchery in the city, Mr Des Oberem, blamed the lack of interest in chicken on the seasonal price increase.

"Chicken is no longer a cheaper alternative to red meat.

"Not long ago the consumer could buy a decent sized chicken for around R5, but now the same bird would cost you at least R7.

"The result has been that the average customer has been buying a beef or mutton cut instead.

"If the price had not increased so much I would have been able to sell double the amount of chicken."

Mr Oberem said producers were pricing themselves out of the market by giving in to pressure from chicken feed suppliers, who dictated the price at which they should sell.

The national president of the South African Meat Traders' Association, Mr Dennis Meyer, said the seasonal demand for chicken had been "very disappointing for the trade".

"I don't think it has anything to do with money. People just seem to prefer red meat to chicken.

"There has also been an intensive campaign advertising red meat, which has been very effective," he said.

The sales manager of a perishable foods distribution company, Mr Keith Townley, said the larger distributors had not noticed a drop in demand for all chicken.

He said the imported birds had not proved as popular as had been expected, as consumers had not accepted the new brand.

"Chicken is still a lot cheaper than red meat so I do not believe the consumer will change allegience that easily," he said.

POULTRY

1989

Rainbow Chicken remains true to its founder

(3) Poultry

Star 5/6/89

By Des Parker

DURBAN — With the listing of poultry giant Rainbow Chicken this month, managing director John Geoghegan emerges from the shadow of the late founder, Stan Methven.

For 30 years Hammarsdale-based Rainbow was typified by one man — multi-millionaire Stan Methven. Even after his death early in 1986, near his family home in Monaco, the Methven shadow continued to loom large over SA's largest broiler-producer.

Mr Methven had built the business up from a small chicken farm through ruthless application of skintight management principles and an attention to detail that would have shamed a brain surgeon.'

To succeed in the organisation it was necessary to stay on his right side — and that meant sharing his obsession with order.

John Geoghegen (44) admits he got on well with Mr Methven and feels their relationship might have benefited from the fact that neither had a university background.

Mr Methven, once a merchant sailor, was a fine example of a rags-to-riches success.

His business put chicken on the table of the ordinary man and his domination of the market made Rainbow the pacesetter, setting prices and making food manufacturers dance to his tune.

How did mild-mannered John Geoghegan, a Catholic of Irish parentage, rise to the top of the organisation.

In the Methven manner, a high profile in business is not Mr Geoghegan's style; attempts to interview him about Rainbow when he took over three years ago were unsuccessful.

It is only now, with the company going to the market, that outsiders are able to get their first close glimpse of the business which changed eating habits.

Although Mr Geoghegan says he was in the right place at the right time, it's apparent there is more to it than that.

Stan Methven kept a tight ship and sailed it on a steady course. His successor does likewise and there is no risk of scuttling the vessel.

When 23-year-old John Geoghegan answered a job advertisement for the position of assistant to the company accountant in 1968, he did not even know where Hammarsdale was.

"I knew virtually nothing about poultry and intended to use my qualification, a CIS, to further my ambition of getting into financial management," he says.

Spells in the Town Clerk's office in Durban and with a carpet manufacturer after he completed his military service were the preparation of the former Marist Brothers School boy for the rapid promotion that was to come his way with Rainbow.

Five years after joining, Mr Geoghegan was made financial director, with a seat on the board. When Mr Methven moved to Monaco in 1983, he became de facto managing director, although the founder spent as much time as he could with the company.

"It must be remembered that when I joined we were producing only 150 000 broilers a week; it was a comparatively small operation.

John Geohegan

"I realised that it had phenomenal prospects and I stuck with it because of that."

Mr Geoghegan says that despite his lack of formal business education, Mr Methven had outstanding acumen and insisted his methods be rigorously applied.

"I think one reason I got on so well with him was because with no university background myself I had no preconceived notions of how the business should be run and was prepared to work his way.

"Although he had no financial education, he insisted on clear-cut dates for reporting financial results and he had developed a good understanding of that side of the business.

"One example of his fastidiousness was in the early days when he used to sign all the cheques himself, for example all the creditors' cheques, all the salary cheques and he would check each name on the company roll against the spelling on the cheque to make sure everything was as it should be."

Old Rainbow hands still talk about Mr Methven's desk inspections; all office staff, executives included, would have their workplaces, desk drawers too, scrutinised by the boss on a regular basis. Heaven help the employee who had an untidy desk or who had too much office stationery stashed!

An annual physical check of all assets on the asset register is another Methven legacy, as is the strictest maintenance of hygiene in production.

This attention to detail remains part of the culture he has insisted on maintaining at Rainbow.

It has produced growth figures and potential of a nature that has kept suitors a plenty calling on the company.

Taxed profit grew, from R20 million in 1984 to R31 million last year and is expected to total R65 million in the current year.

In Mr Methven's day suitors always were turned away after having their case politely heard by the chief executive.

But so large has the operation become that Mr Geoghegan and his colleagues believe that without a big corporate partner and the backing of the market, expansion — in the past always funded from retained earnings — would be restricted.

Today Rainbow turns out 2,2 million slaughtered broilers a week from four processing plants, two at Hammarsdale and one each at Rustenburg and Worcester.

The company has 37 breeding farms, where pedigree stock from the US is interbred with unrelated strains to produce broilers.

In addition, there are five hatcheries and 43 broiler farms. In recent years small-scale maize farming has been introduced to supplement feed requirements.

On June 15, the new-look Rainbow will list its shares on the JSE, with new partner Rembrandt's Hunt Leuchars & Hepburn holding 25 percent of the 275 million shares in issue.

Mr Geoghegan told a visiting delegation of market analysts and brokers recently that the R71,25 million would be put towards expansion.

One of the major pieces of growth planned is the trebling of output from the Rustenburg operation from 400 000 fowls a week to 1,25 million over an unspecified period.

Mr Geoghegan says Rainbow has not deviated from the Methven vision that growth would be led by the swing towards chicken-eating among blacks.

Almost 40 percent of its produce is sold through distributors and wholesalers serving mainly black customers, while 28 percent goes to gold mines on contract and to food service outlets, particularly Kentucky Fried Chicken.

Star 9/5/87 ③ Poultry

Poultry industry aiming for top spot in pecking order

By Des Parker

DURBAN — Poultry probably will top maize and beef during the 1990's in the pecking order of the country's major agricultural products, says John Geoghegan, managing director of broiler-producing giant Rainbow Chicken.

Government figures show broiler production in the year to June 30 last year was worth R1,63 billion, compared with R1,88 billion for maize and R1,83 billion for beef.

Mr Geoghegan estimates fowl-production will have become the number one agricultural revenue-earner by the end of the century. While chickens have become very big business, largely affiliated to the food-producing majors, the companies have maintained the entrepreneurial spirit on which they were founded.

Of the big operations, only Rainbow, the largest producer, has remained independent, says Mr Geoghegan. Yet the industry has grown strictly according to demand, strongly and successfully resisting the imposition of government control boards with their consequent quotas and subsidies.

This free-market approach is, however, qualified by insistence that competition be equal. With other producers, Rainbow took strong exception when supermarket chains began importing French fowls at the end of last year just as the local market was hit by premature mortality of broilers as a result of inclement weather.

The continental birds pushed down poultry prices for a period, but, says Mr Geoghegan, this was mainly because they met none of the strict hygiene and weight control laws applicable to local production. In addition, the French government subsidised its producers to the tune of R1,20 a kilogram.

Heavy duties

In any case, they were not accepted by shoppers, he says, and the Government slapped a heavy duty on imports.

This month Rembrandt Group announced it had paid R192,5 million for a 25 percent stake and joint control with the founding Metheven family in the Hammarsdale-based poultry company.

Rainbow would be applying for a June listing on the JSE.

Mr Geoghegan says a listing was considered necessary because Rainbow could no longer realistically continue expanding at the rate necessary to maintain its dominant 35 percent share of the market solely through expansion funded from retained earnings.

But to maintain its independence and avoid any possibility of a "market raid", the company had elected to go public with the backing of a big group. Rembrandt, with the assistance of Rand Merchant Bank, had been the natural choice, says Mr Geoghegan, in view of "financial dealings" the two groups had had in the past.

He maintains that Rainbow has kept ahead of the market, which includes such forces as the Premier Group and Tiger Oats, by growing internally rather than by acquisition.

While Rainbow conducts all its own marketing, although abstaining strictly from advertising, its entire distribution is done by I & J in return for a flat percentage of production turnover.

The Hammarsdale company conducts its highly scientific business from three bases — Hammarsdale, the largest, Worcester in the Western Cape and Rustenberg in the Transvaal.

About 2,2 million broilers are produced a week, making about 35 percent of the national total. Demand is growing most quickly among black consumers, says Mr Geoghegan, and plans are afoot to expand output at Rustenburg from the current 400 000 fowls a week to 1,25 million over an unspecified number of years.

The poultry industry is the largest consumer of maize in the country, with Rainbow alone estimating it will take some 275 000 tons in its 1989-90 financial year.

Maize crop

But dissatisfaction with the Maize Board's "single channel" marketing practices and what Mr Geoghegan believes are consequent inflationary price rises — the producer price rose 10,2 percent last week — persuaded the Natal fowl-breeder to start growing the crop on a small scale in 1987-88.

Egg price rise latest in string of new shocks for consumers

Star 8/5/89

③ Poultry.

Star 8/5/89.

Staff Reporter

South African consumers, already hard hit by high taxes and galloping inflation, will be paying 15 percent more for eggs from today.

Mr Zach Coetzee, director of the SA Poultry Association, said the price increase would come into effect in many areas of the Transvaal, Free State and Cape.

Mr Coetzee said he had spoken to five or six of the bigger producers who advised they would be increasing their prices by about 15 percent.

The SA Poultry Association has blamed the price rise on increases in production costs.

According to the Sunday Star, inflation — estimated by an expert to be running at no less than 31 percent — and the latest shock austerity measures have "trapped South Africa's consumers on a headlong roller-coaster ride to poverty".

LONG LIST

More alarming still, the article says, is the latest round of price increases which have not yet filtered through to South Africa's embattled households:

- The prices of both petrol and electricity went up in January.
- The price of sugar rose in February.
- The price of milk went up in March.
- The prices of bread and mealie meal went up in April and petrol prices rose again.

It takes about three months for the full impact of price increases and their "ripple effects" to be felt.

Increases in bank interest rates take effect from today. Rises in mortgage bond rates are expected shortly.

Dr Karl Posel, a former professor of applied mathematics, has been reported as saying after a detailed analysis of the budgets of three "model" households, that the real inflation rate ranges between 30,4 percent and 33,5 percent.

tions were performed, the cause of death could not be established.

For the Honourable Member's information it can also be confirmed that these findings were presented at the inquest.

(4) Yes.

(a), (b) and (c)

Investigation by the South African Police and the South African Prisons Service in terms of the provisions of the Prisons Act, 1959 (Act No 8 of 1959) and the Inquest Act, 1959 (Act 58 of 1959), were conducted as stipulated before the inquest was held by the Magistrate: Cullinan on 24 January 1989.

For the Honourable Member's information it can also be confirmed that the family:

— was notified of his death by the South African Prisons Service in terms of Prisons Regulation No 110(4) on 1 September 1988;

— was notified by the Public Prosecutor: Cullinan of the inquest in terms of Section 7 of Act 58 of 1959 on 28 December 1989.

Infants assaulted by parents

153. Dr M S BARNARD asked the Minister of Law and Order:

(1) How many cases of assault on infants by parents were reported in respect of each race group in each province (a) during the period 1 July 1987 to 30 June 1988 and (b) in 1988;

(2) in how many cases in respect of each race group did the infant (a) die and (b) suffer serious injury as a result of the assault?

B355E

The MINISTER OF LAW AND ORDER:

	(1)		(2)			
	(a)	(b)	(a)		(b)	
			1987	1988	1987	1988
Cape Province	203	272,	10	6	51	140
Natal	52	107	6	13	9	21
Orange Free State	35	22	1	—	8	7
Transvaal	63	362	6	3	25	120

NOTE: Statistics regarding the race of persons are not kept, therefore the total in respect of all race groups are furnished.

Westville police station: cases reported

188. Mr R M BURROWS asked the Minister of Law and Order:

How many cases of (a) murder, (b) culpable homicide, (c) assault with intent to do grievous bodily harm, (d) common assault, (e) rape, (f) burglary of business premises, (g) burglary of residential premises, (h) robbery with aggravating circumstances, (i) robbery, (j) common theft, (k) theft of vehicles and cycles, (l) possession of drugs and (m) dealing in drugs were reported in 1988 at the Westville police station in the Durban West police district?

B435E

The MINISTER OF LAW AND ORDER:

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
Westville	14	12	23	150	17	17	486	16	42	556	47	—	—

NOTE: Para (j): Since 1 July 1987 separate statistics have been kept in respect of ordinary theft and theft from motor vehicles. A decrease in ordinary theft may therefore be indicated.

Chicken meat: imported

192. Dr F HARTZENBERG asked the Minister of Economic Affairs and Technology:†

Whether South Africa imported any chicken meat in recent years; if so, (a) how many tons, (b) what was the value thereof, (c) on what date, and (d) why, in each case?

B440E

The MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY:

Yes.

(c)	(a) metric tons	free on board value (b)
1985	187,6	R144 341
1986	114,2	R75 976
1987*	7 169,3	R11 362 724

* Latest available

3 POULTRY

3 POULTRY

3 POULTRY

(d) In all cases to supplement shortages of chicken meat on the local market.

Kokstad commonage: establishment of prison

193. Mr R W HARDINGHAM asked the Minister of Justice:

(1) Whether it is the intention of his Department to establish a prison on the Kokstad commonage; if so, when is it anticipated that construction will (a) commence and (b) be completed;

(2) whether water and electricity facilities are available on this site at present; if so, to what extent; if not, why was this site chosen?

B445E

The MINISTER OF JUSTICE:

(1) Yes. A new prison for 226 prisoners with the necessary infrastructure is envisaged.

(a) and (b) Several factors and realities including the availability of funds, the relative urgency of other similar projects as well as functional considerations all play a role in the projections in respect of the date of commencement and construction period of projects of this nature and extent. The projection, at this stage is that the work will commence early in 1993 with a construction period of at least 24 months.

(2) No. The site was identified as the most suitable for the construction of a prison after all factors which normally apply in such cases were considered and the fact that the land was offered for this purpose by the Borough of Kokstad. The provision of water and electricity is being promoted by the Borough of Kokstad in consultation with the Department of Public Works and Land Affairs.

Police Act and Defence Act: prosecutions

197. Mr D S PIENAAR asked the Minister of Justice:†

(a) How many prosecutions for contraventions of (i) section 28 of the Police Act, No 7 of 1958, and (ii) section 143 of the Defence Act, No 44 of 1957, were instituted during the latest specified period of 12 months for which figures are available and (b) how many such prosecutions resulted in convictions?

B474E

The MINISTER OF JUSTICE:

Statistics of this nature are not kept by the Department. The Honourable Member is referred to my written reply to question No. 35 of 1986.

Central Energy Fund: financing training project on behalf of Mossgas

202. Mr F J LE ROUX asked the Minister of Economic Affairs and Technology:†

Whether the Central Energy Fund is financing a training project on behalf of Mossgas, Mossel Bay; if so, (a) what is the cost of the project and (b) how many (i) White, (ii) Coloured, (iii) Indian and (iv) Black persons are being so trained?

B483E

The MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY:

Yes

(a) R75 million has been budgeted for the period 1988 to 1991 of which R37,5 million will be financed by the Central Energy Fund by means of an interest free loan.

(b) (i), (ii), (iii) and (iv)

Approximately 11 000 persons will be trained in the abovementioned period but since the training is offered on an equal opportunity basis, the subdivision into racial groups cannot be forecasted. The following is a subdivision of the number of persons trained or in the process of training at the end of February 1989:

Whites	—	165
Coloureds	—	1 880
Indians	—	0
Blacks	—	1 845
Total		3 890

Persons employed with legal qualifications

209. Mr D J DALLING asked the Minister of Justice:

(a) How many persons with legal qualifications were employed by his Department in professional capacities in the Republic, excluding the self-governing territories, (b) how

Rembrandt uses HLH for Rainbow deal

③ Poul

FINANCE STAFF

Hunt Leuchars and Hepburn (HLH), as the Rembrandt Group's nominee, has acquired an effective 25 percent shareholding in Rainbow Chicken for R192,5 million.

HLH Chief Executive Officer Neil Morris said existing Rainbow family shareholders and HLH will jointly control the majority shareholding in Rainbow.

Mr Morris said HLH and Huntcor will go ahead with a rights issue to assist the funding of the acquisition.

The acquisition, effectiveMay 31 is expected to impact positively on HLH and Huntcor's future earnings.

Mr Morris said the investment would complement HLH's other food interests in Robertsons (which produces and markets almost 240 retail and catering food and household products) and Transvaal Suiker Beperk.

These companies were brought into the HLH fold last year when Bonskor Limited was acquired, and Mr Morris believes the Rainbow deal will further strengthen HLH's presence in the food market.

"We are delighted with this investment as Rainbow is an extremely well run company in an existing growth sector ... Morris said.

More restructuring in poultry industry

Star 19/4/89 (3) Poultry 188

By David Canning

DURBAN — Rembrandt's acquisition of a stake in Pietermaritzburg-based Rainbow Chickens must be seen as part of the current restructuring in the fiercely competitive poultry industry.

Recent moves are believed to have included a merger of Farm Fare (Farmer Brown) and Bokomo interests.

Rembrandt said on Monday it had bought 25 percent of Rainbow, facilitating the latter's proposed listing on the industrials-food sector of the JSE in June.

No comment was forthcoming from management after publication of a tersely worded advertisement.

Rainbow has always been a tightly run organisation, controlled from Monaco by its founder, Stan Methven, prior to his death there early in 1986.

Market sources believe the Methven family will retain control of Rainbow.

However, the deal should enable the family to realise a large sum from the sale of a portion of their shares to Rembrandt.

The JSE listing will make its holdings more liquid.

Since 1986, when Mr Methven died in a scooter crash, Rainbow has been run on behalf of the family by professional management under managing director John Geoghegan.

Financial figures have not been published, but market sources believe Rainbow to be highly successful.

Brokers say it is probable that Rainbow will issue more shares in the process of gaining a listing.

This will inject liquidity into the business.

For Rembrandt the acquisition is something of a coup in the wake of its decision to enter the food sector.

Though difficult and cyclical, the chicken business tends to be a cash cow.

Rembrandt has not yet said into which subsidiary it will slot its investment, but the merger between Bonuskor and Hunt Leuchars & Hepburn (HLH) last year saw the inclusion of Rembrandt's food interests in the HLH fold.

Rainbow is also likely to be incorporated into HLH.

Observers believe Rainbow will continue to run independently — an important consideration in a highly competitive business where profit hinges on massive turnovers — as Rembrandt does not interfere with successful management teams.

More restructuring in poultry industry

Star 19/4/89 Poultry 3

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3 POULTRY

BUSINESS

Union cries foul over Premier deal

Premier denies allegations that the recent sale of its poultry interests indicates a shift to a tough "post-Bloom" labour relations policy. DREW FORREST reports

Bloom ... end of an era?

ONE of the most advanced collective bargaining relationships in South African industry is under threat following the sale of Premier Food Industries' (PFI) poultry interests.

The sale — which involves the shedding of egg concern Nu-Laid and the sale of 50 percent of broiler chicken processors Farmfare to Bokomo and the SA Cream and Cheese Assocation — has also prompted trade union claims of a hard-line "post-Bloom" industrial relations regime at Premier.

The Food and Allied Workers' Union (Fawu) has declared a formal dispute over the deal, and says it will call mass meetings of its members to consider company-wide action against Premier. It fears more than 1 000 jobs could be lost through rationalisation as a result of the sale.

A company representative said it would be "a sorry day for a very sound relationship" if industrial action were taken.

Premier reached its first formal agreement with Fawu (then the African Food and Canning Workers' Union) in the early 1980s. The union says the two have since developed a remarkably open relationship which extends to consultation on production issues.

However, Fawu says it was not consulted about the Farmfare sale, and was thus prevented from making recommendations aimed at protecting workers' interests.

It wants Premier to guarantee workers' job security and to ensure that existing recognition and wage agreements will be maintained by the new management.

"The company's not selling buildings, it's selling people," said Fawu national organiser Alan Roberts.

Roberts said he sees the company's handling of the sale as evidence of a hardening of Premier attitudes since the departure last year of the group's chief executive and leading business liberal Tony Bloom. He also claimed to see the hand of Anglo in the new policy. Management has denied both claims.

Unionists had first sensed the change, Roberts said, during a strike last year, which culminated in the "unprecedented" firing of 340 workers. The company had also taken a much tougher line during the latest round of wage talks.

The guarantees sought by Fawu from Premier were vital, he said, as Bokomo had indicated that it would not recognise the union on farms feeding the processing plants and would replace the existing national bargaining forum with agreements negotiated at individual plants.

Roberts said that rationalisation resulting from the sale had already resulted in about 90 redundancies at two processing plants, as well as the closure of a Nu-Laid farm in Cape Town.

He said a processing plant in Uitenhage and Farmfare's central depot in Johannesburg looked set to close next month, with the total loss of about 600 jobs.

In addition, Farmfare's Krugersdorp factory was due to close for modernisation. When it was recommissioned in six months' time, it would employ fewer workers and would threaten the continued operation of two other plants in the Transvaal.

And while Nu-Laid would not be significantly affected at this stage, Roberts said, there were fears of further rationalisation and redundancies when the transfer of the firm took effect later this year.

Asked for comment, Premier director Wally Walters denied there had been a change in Premier's labour relations approach. "While we were negotiating, we couldn't go telling the world," he said. "But the moment we'd struck a deal, we informed the president of Fawu and a delegation of shop stewards."

Walters stressed that the conclusion of the sale in the wake of Tony Bloom's departure had been a coincidence. "This did not come out of the blue. We've been saying for years that Farmfare was in financial difficulties."

However, he did say that if one looked at "the broad industrial relations picture" in South Africa last year, "industrialists have come to a point of saying: 'So far and no further'."

The key problem facing the company, Walters said, was that on the wage front it was "caught between the rock and the hard place". "Our competitors pay a fraction of what we pay. We had hoped that the union would close the gap for us by organising these firms, but year after year, the gap just keeps widening.

"The union has strength in urban areas — but much of our competition, particularly in the milling and feed sectors, comes from rural-based low-wage concerns which do not welcome unions with open arms."

On the question of the guarantees sought by Fawu, Walters said Premier was being asked to commit the new management to Premier's agreements with Fawu, and "that is impossible".

He also said that Fawu's fears of widespread plant closures were a case of "clutching conclusions from thin air".

"The way they're talking we're going into a partnership agreement and closing the whole of Farmfare. Some rationalisation will have to take place, but discussions on what form it will take are still in progress."

He confirmed that "some of our smaller departments" had been closed, but stressed that the closure of the farm was "an unhappy coincidence".

Asked to estimate likely job losses as a result of the sale, Walters said the matter was still being debated and that he could not comment.

POULTRY

1990

Rainbow Chickens' cautionary has an intrigued industry cheeping

B/Day 20/12/90

(3) Poultry

MARCIA KLEIN

● GEOGHEGAN

RAINBOW Chickens could be acquiring a mill for feed meal, or another poultry producer, industry sources said yesterday.

Chicken producer Rainbow issued a cautionary announcement to its shareholders on Monday that negotiations were taking place.

At an open day at Rainbow's Rustenburg plant recently, MD John Geoghegan said Rainbow had made an offer to purchase a mill in Worcester from Tiger Oats' Meadow Feeds. This would have to be modified for Rainbow's requirements.

He said Rainbow was fully committed to an expansion programme. This included building its own mills for feed meal, "which could make a big difference to profitablilty" as feedmeal costs represented 85% of total live bird production costs and 50% of total costs.

Rainbow had budgeted to spend R236m in the next three years on feed mills in Rustenburg, Hammarsdale and Worcester — the Worcester plant was expected to be commissioned in 1993.

Capex for financial 1991, exclusive of the Rustenburg mill, would be between R100m and R150m. All capex would be funded from borrowings, which would see Rainbow move from having net cash to a geared position.

Geoghegan said borrowings would peak at R213m in 1994.

The mills would make Rainbow the second biggest miller in SA after Tiger's Meadow Feeds, which had been supplying Rainbow with feed up to now.

An industry analyst said that as distribution costs were fundamentally important, it might be expensive to produce in one area and transport down to the Cape. It might make sense, therefore, for Rainbow to buy the mill in Worcester.

Another analyst said the cautionary might involve Tiger Oats "or any other company" becoming a shareholder with Rainbow in all its proposed milling operations.

However, other sources said Rainbow might be negotiating to acquire another chicken producer.

An analyst said there was strategic value in Rainbow acquiring a medium to big business, as it would then be in a position to control prices.

However, he said, this would mean Rainbow might have to come to the market for more money, as it had already budgeted for a large amount of capex.

Another analyst disagreed, saying Rainbow would not buy a chicken producer "as it operated better broiler operations than anyone else".

Rainbow might be wanting to acquire a smaller, specialist operation, he said.

ISOMETRY

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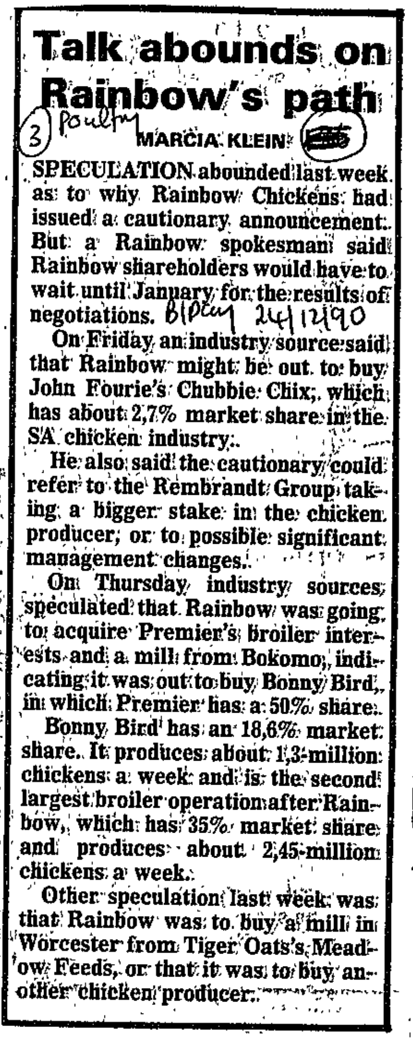


Talk abounds on Rainbow's path

(3) Poultry

MARCIA KLEIN

SPECULATION abounded last week as to why Rainbow Chickens had issued a cautionary announcement. But a Rainbow spokesman said Rainbow shareholders would have to wait until January for the results of negotiations. BDay 24/12/90

On Friday an industry source said that Rainbow might be out to buy John Fourie's Chubbie Chix, which has about 2,7% market share in the SA chicken industry.

He also said the cautionary could refer to the Rembrandt Group taking a bigger stake in the chicken producer, or to possible significant management changes.

On Thursday industry sources speculated that Rainbow was going to acquire Premier's broiler interests and a mill from Bokomo, indicating it was out to buy Bonny Bird, in which Premier has a 50% share.

Bonny Bird has an 18,6% market share. It produces about 1,3-million chickens a week and is the second largest broiler operation after Rainbow, which has 35% market share and produces about 2,45-million chickens a week.

Other speculation last week was that Rainbow was to buy a mill in Worcester from Tiger Oats's Meadow Feeds, or that it was to buy another chicken producer.

Rainbow colours in future plans

BDay 16/11/90

MARCIA KLEIN

RAINBOW Chicken has gained 3% of market share in the last six months, bringing its share to 35% of the chicken industry, MD John Geoghegan said yesterday.

It was followed by Bonny Bird (18,6%), Festive (9%), County Fair (8,6%) and Early Bird (5%), he said.

At an open day at Rainbow's Rustenburg plant, Geoghegan said Rainbow produced 2,45-million birds a week. By 2000 — with an estimated 2,5% compound growth in population and a 3,8% rise in per capita consumption — 13,6-million broilers would have to be produced: double the current national consumption.

This meant Rainbow's output would also have to double, he said. It was fully committed to an expansion programme.

(3) Poultry

Feedmills

Geoghegan said chicken price volatility was a "worrying aspect" which would only affect the group's margins in the future. For this reason the company decided to build its own mills for feedmeal — presently purchased from Tiger Oats subsidiary Meadow Feeds — which represented 85% of total live bird production costs and 50% of total costs.

Rainbow's three new feedmills — to be operational in 1992, 1993 and 1994 — would involve R236m in capital expenditure, with the first mill in Rustenberg contributing R75m.

Geoghegan said borrowings would peak at R213m in 1994 including working capital, and gearing would rise initially to 28% and come down to about 20% by 1994.

Capital expenditure would be funded from borrowings and Rainbow would not raise additional equity, he said.

The group's earnings a share and return on assets and equity would be enhanced by the feedmills, he said, and the full benefits of the mills would be felt in 1993 and 1994.

Geoghegan said Rainbow was expanding regardless of the economic downswing.

RAINBOW CHICKEN

(3) Poultry F/M 9/11/90.

NO LONGER A CASH COW?

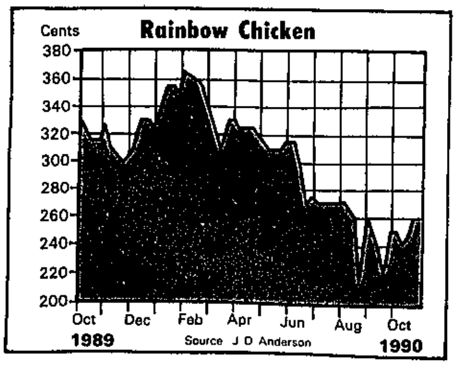
Activities: *Integrated broiler chicken producer.*
Control: *S C Methven Holdings 68%.*
Chairman: *D J Loch Davis; MD: J B Geoghegan.*
Capital structure: *275m ords. Market capitalisation: R688m.*
Share market: *Price: 250c. Yields: 4,3% on dividend; 12,5% on earnings; p:e ratio, 8,0; cover, 2,9. 12-month high, 370c; low, 205c. Trading volume last quarter, 1,1m shares.*

Year to June	**'87**	**'88**	**'89**	**'90**
Shareholders' interest	—	0,82	0,80	0,81
Return on cap (%) ..	—	11,0	12,1	10,2
Turnover (Rm)	395	454	554	635
Pre-int profit (Rm) ...	35,0	56,9	81,4	74,9
Pre-int margin (%) ..	8,9	12,5	14,7	11,8
Earnings (c)	12,0	19,6	26,8	31,3
Dividends (c)	5,6	8,8	7,5	10,7
Net worth (c)	115	170	195	216

One thing is certain: any company that invests more than R100m a year over an extended period on development and expansion is demonstrating in the strongest possible terms its confidence both in the industry and its own prospects.

But in Rainbow's case, while the company is undoubtedly convinced, it seems to be having a bit of trouble carrying the message to investors. In marked contrast to the time of the listing in mid-1988, when the share was immediately accorded a premium rating, 1990 has seen the price slither from a high of 370c to just over 200c before once more finding its feet. Notwithstanding the recovery to 250c, the net effect has been a significant underperformance which has left the share trading at a discount not only to the food sector, but to the industrial market as a whole. This dispite the fact that the company has delivered — almost to a t — what it said it would at the time of the listing.

In such circumstances, the focus inevitably tends to fall (probably unfairly, from the company's point of view) on the negative factors in an effort to understand investor response. Three factors deserve mention, all relating in one way or another to the substantial capex programme — more specifically, the decision to integrate backwards into the manufacture of feeds, which is the most expensive aspect of that programme.



Source J D Anderson

Rainbow's Geoghegan ... *aiming to be the industry standard*

In a move directors say will significantly enhance earnings and ROE, Rainbow has decided to spend R237m over the next three years on three feed plants — one in Rustenburg, due for completion in June 1992, and the other two in Hammarsdale and Worcester, expected to be commissioned in 1993. Also, R90m will be spent on a further increase in broiler output at Rustenburg (bringing total budget capex for the year to R161m), while in future years there will undoubtedly be additional expenditure on the normal replacement/upgrading of plant.

Why should the market be put off by this? One possible reason is that the programme will see Rainbow moving from its traditional net cash position to one of net borrowings at a time of high interest rates and low returns on funds invested within the industry.

Last year, for instance, pre-interest return on total assets was only 10%. Even if cost-free funding (such as creditors) is excluded, this adds only 2,5 percentage points to the return, at 12,6%. What is more, 12,6% is slightly above average — the mean return over the past seven years was 12,3%, from which it can be concluded that Rainbow is a difficult company to gear. It has considerable debt capacity but can it borrow without negatively affecting returns to shareholders?

Another factor, also with debt implications, is that the decision to manufacture its own feeds may cost Rainbow its status as a cash cow. Whatever the shortcomings of buying in feed requirements, the long-standing contracts with Tiger Oats' Meadow Feeds, which will end in May 1993, have one major advantage in that broilers are ready for the pot before their food is paid for. This gives Rainbow a negative working capital requirement, a benefit likely to fall away once the group makes and uses its own feed.

Even if the resulting net investment in working capital is kept at a relatively modest (say) 10% of sales, the need to provide additional funding of R63,5m (at current turnover) in place of the present negative investment of R1,2m will make quite a difference to the balance sheet. Applied to the 1990 financial statements, Rainbow would probably have ended with borrowings of around R5m in place of cash of more than R59m.

But while one can reasonably expect the character of the balance sheet to change in the next few years — and while one may have a few reservations about the possible effects of the changes — these considerations should be offset by the fact that industry volume sales are still rising strongly and Rainbow is unquestionably gaining market share. The thrust is to improve cost efficiencies through higher production and, in so doing, become (if it is not already) the standard by which the industry measures itself.

Something else that should count in Rainbow's favour is that the group is again forecasting improved earnings, though at a slower growth rate than 1990's 17%. Pending an upturn in consumer spending, it will do well to pace inflation, but even this should be well ahead of the general industrial pack.

The view that Rainbow was overvalued at its 285c issue price seems to have the upper hand. But even critics should probably concede that at 250c the share offers value, which should at least limit the downside risk.

Brian Thompson

MIELIE-KIP ③ Poultry

SCRAWNY PICKINGS

F|M 14|9|90

Mielie-Kip's 1990 figures reflect weaker chicken prices caused by oversupply towards the end of last year. Attributable earnings

F|M 14|9|90 ③ Poultry

slumped by 38,8% and the dividend was cut.

Little information is given in the annual report and nobody was available for comment. But it is apparent that the group, like Rainbow Chickens, has been affected partly by the concessions given to chicken farmers for capital expansion (*Fox* September 7). The industry has generally invested heavily in capacity, though Mielie-Kip does not indicate significant expansion of its own plant in the 1990 year.

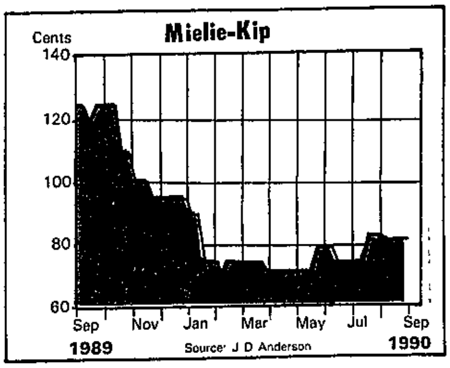
Activities: *Produces and processes chickens.*
Control: *Van Wyk family 88,4%. Kanhym acquired control after the year-end.*
Chairman: *J J A van Wyk; Joint MD: D C H van Wyk.*
Capital structure: *13,5m ords. Market capitalisation: R11,1m.*
Share market: *Price: 82c. Yields: 6,1% on dividend; 6,3% on earnings; p:e ratio, 6,3; cover, 2,6. 12-month high, 130c; low, 70c. Trading volume last quarter, 83 200 shares.*

Year to Feb 28	**'88**	**'89**	**'90**
ST debt (Rm)	2,7	0,9	0,9
LT debt (Rm)	1,8	1,9	1,7
Debt:equity ratio	0,41	0,12	0,13
Shareholders' interest	0,48	0,49	0,50
Int & leasing cover	3,6	11,4	6,4
Return on cap (%)	10,9	15,1	10,2
Turnover (Rm)	31,6	37,9	43,5
Pre-int profit (Rm)	2,2	3,5	2,6
Pre-int margin (%)	6,8	9,3	5,9
Earnings (c)	11,8	21,5	13,1
Dividends (c)	—	6	5
Net worth (c)	71,7	83,8	94,0

However, there is no provision for tax. Mielie-Kip has an estimated tax loss of R2,7m, which consists of development expenditure carried out over a number of years.

As a small company, Mielie-Kip has evidently battled in the face of a highly competitive market. Chairman Joachim van Wyk says "after year-end an improvement in demand enabled prices and margins to become more realistic." Higher prices will probably improve suffering margins. The pre-interest margin fell to 5,9% from 9,3% and return on capital dropped to 10,2%.

The takeover by Kanhym in March, after the 1990 year-end, could also bring advantages. Kanhym bought the entire shareholding of the Van Wyk family, who held control of Mielie-Kip, with 88,4% of the ordinary shares. Dirk Jacobs was appointed chairman.



Source: J D Anderson

Mielie-Kip will be able to use Kanhym's distribution channels, as well as take

F|M 14|9|90 ③ Poultry

advantage of its marketing expertise.

At 82c, the share looks fully priced on a p:e of 6,3.

Heather Formby

Rainbow gets close to its earnings target

Star 31/8/90

3 poultry

R86

By Ann Crotty

A sharp increase in interest income and a major reduction in tax charges, enabled Rainbow Chicken to get within striking distance of its prospectus earnings forecast — reporting 31,3c (26,8c) earnings per share for the 12 months to end-June. Last May's prospectus forecast was 32,3c.

A final dividend of 5,9c a share has been declared bringing the total for the year to 10,7c (7,5c) which is in line with the forecast.

During the review period turnover was up 14,6 percent to R635,3 million (R554 million) mainly as a result of expanded production at the Rustenburg operation. But tough operating conditions — static selling prices and high feed input costs — resulted in an 8 percent reduction in operating profit to R74,9 million (R81,4 million).

The weak selling prices and high input costs meant that margins were reduced from 14,7 percent to 11,8 percent.

Interest income shot up to R17,3 million (R6,7 million). The tax rate was down sharply from 23 percent to 6 percent which lifted the improvement at taxed profit level by 27 percent to R86 million (R67 million). Attributable profit was R86 million (R67 million).

Most of the R150 million capex authorised for '91 will take place at the Rustenburg plant.

Management states that: "These measures are expected to maximise economies of scale and place Rainbow in a strong competitive position to take advantage of the increase in demand when the economy improves".

According to management, trading conditions in the chicken industry have improved in the first two months of financial '91 but earnings growth will be affected by a decline in interest income and unfavourable economic conditions.

Despite the grim conditions in the chicken industry, Rainbow has managed to sustain a relatively attractive market rating since its listing in June 1989. At yesterday's price of 250c the share was on an historic price/earnings rating of 8 and a dividend yield of 4 percent.

POULTRY F/M 25/5/90

Chicken stew

(3) Poultry

Too many chickens are again coming to market. There's been a glut after Easter for the past two years and this time it's forcing producers to live with prices 25c/kg-50c/kg lower than little over a month ago.

"The market is oversupplied," says Pick 'n Pay food director Sean Summers. "Traditionally, prices soften at this time of year."

Poultry producers are loathe to accept responsibility. They point out that abattoirs are restricted by rigid yearly quotas that do not vary with the seasons.

Many producers expanded two years ago when the economy was stronger but since then demand has tightened. The market is now oversupplied throughout the year except for holiday periods, after which demand and prices drop.

F/M 25/5/90 (3) Poultry

Alwyn Steyl, factory manager for Mieliekip, an abattoir, says overproduction is often unavoidable. Farmers cannot control chicken output as neatly as demand dictates.

Fresh and frozen chickens are now retailing at between R3,50/kg and R4,90/kg. Retailers expect prices to rise 15c/kg-50c/kg by late next month. ■

Poultry body upset by maize increase

ACHMED KARIEM

THE SA Poultry Association has accused the Maize Board of abusing its position as a monopoly, single-channel marketing system.

In a statement this week, it said it was concerned about the new maize price, announced by the Maize Board on April 26.

The announced yellow maize price represented only part of this year's increase, said the association.

"This boils down to abuse of a monopolistic, single-channel marketing system in the maize industry and inhibits the poultry farmer's ability to take quantified decisions."

The actual increase would not be only 8,1%, since there would be a second increase during this marketing season, it said.

At producer level, the announced increase of R265 per ton represented a 28% increase on the equivalent price of R207 per ton announced last year. ③ Poultry

"This year's announced price was augmented by 'deferred payments', due to over-recoveries on, among others, currency and internal consumption. It is unlikely that these items will be profit centres again this year."

The association said it was dangerous for the Maize Board to "entrench" positive recoveries of this nature in the new producer price.

Maize Board chairman Hennie de Jager said it was impossible for the maize industry to ignore the influence of inflation.

"Selling prices have been determined on a market-related basis while the objective has been set to keep the price increases for white and yellow maize for the coming year below the general rate of inflation." B/Day 4/5/90

De Jager said the board would again have a discount scheme for yellow maize intended for animal feed. The purpose was to give buyers who were prepared to contract for fixed quantities the opportunity to buy at lower prices.

Star 19/2/90 (3 POULTRY)

Colour fades from Rainbow

By Magnus Heystek, Finance Editor

Rainbow Chickens, granted an almost immediate blue-chip status by JSE analysts and investors at the time of its listing last June, will be hard-pressed to meet its 1990 financial forecasts.

At the halfway stage turnover growth was under pressure due to a number of factors, including a slowdown in consumer spending and an over-supply of broiler chickens.

Turnover rose 15,5 percent to R303,638 million (1988: R262,672 million) in the six months to December.

Operating profit showed a surprising drop of 4,4 percent to R40,617 million (R42,521 million), which was only made to look better by a sharp rise in interest received (up 234 percent to R9,401 million from R2,809 million) and a handy 28 percent decline in the tax bill — down from R14,107 million to R10,152 million.

These two windfalls boosted attributable earnings by 27 percent to R39,835 million from R31,192 million.

With the average number of shares in issue rising from 251 million to 275 million as a result of the JSE, the earnings-per-share increase was a pedestrian 16 percent, up from 12,5c to 14,5c per share.

Much (1,8c per share) of this increase in EPS arose from the surrender proceeds of an investment-linked insurance policy, estimated to have been worth R4,950 million.

The dividend has been doubled from 2,4c to 4,8c, but this sharp rise must be seen in isolation and is not comparable with that of the previous year.

DJ Loch Davis (chairman) and JB Geoghegan say that trading conditions in the broiler industry deteriorated in the second half of 1989.

"Selling prices were only marginally higher than in the corresponding period last year.

"The effect of cost increases and static prices on operating profit margins were offset to a large extent by excellent production results," they say.

Although Rainbow does not expect the rate of earnings growth to decline in the remaining six months of the financial year, it will be hard-pressed to meet financial targets contained in the prospectus.

Rainbow forecast attributable profit of R88,688 million for the 1990 financial year and an EPS of 32c per share.

EPS will have to rise by at least 20 percent in the second half to 17,5c a share, which appears unlikely in the face of a further slowdown in the economy, unless there are pleasant surprises in store.

to ensure that the new

Europe, conference dele-

can produce in future.

8

Poultry.

Chicken rules the roost at braais

The humble chicken is giving cattle farmers the bird because it is very busily changing the face of the traditional South African braai. STAR 14/2/90 (3) (Chicken)

Red meat used to hold sway as *the* braai ingredient, but today it is the braaikuiken which has taken over.

Delegates to Agricocon have had to face the Chicken Challenge head-on this week: red meat, the conference heard, is almost a luxury these days.

Red meat is not increasing its market share, confided Professor J M Laubscher to a group of 310 agricultural experts, and it appears to have little place in the lifestyle of more and more South Africans.

Instead, enter The Chicken ... all 320 million of them.

South Africans consumed far more red meat in the 1970s than they are doing now — and projections for 1990 show per capita consumption of beef, for instance, will drop to just over 14 kg, a far cry from the 30 kg recorded in 1960. Mutton consumption per capita this year will be about 4 kg, compared to nearly 10 kg in 1970.

But chicken has gone from 2 kg in 1964 to an estimated 16 kg this year.

AGRICULTURE - POULTRY

1991

ICS denies takeover report

Star 8/1/91

ICS has denied a weekend report that its chicken subsidiary, Festive Farms, is to be acquired by Rainbow Chicken.

(03) Poultry

An ICS spokesman said yesterday there was no truth in the rumour that talks between the two companies were the reason for a Rainbow warning to shareholders to show caution in dealing in its shares.

He said that the weekend report was incorrect in stating that Festive was owned by the Premier group. It is a 100 percent subsidiary of ICS, a Barlow Rand company. — Sapa.

Rainbow's Bonny Bird buy could stick in crop

S/Times 13/1/91

③ Poultry

By IAN SMITH

RAINBOW CHICKEN's acquisition of its biggest rival in the broiler market, Bonny Bird, is likely to take some digesting.

The terms of the deal — expected soon — are likely to show that Rainbow has had to pay over the odds for the Bonny Bird operation, which is 50% held by Premier.

Analysts calculate that Bonny Bird would be worth between R350-million and R400-million, but the effective price is expected to be higher.

Development

Rainbow has already said it expects no income from interest in the year to June 30 because of development expenditure, which implies that a big acquisition will mean higher borrowings at a time of costly money.

The group spends about R120-million a year on normal upgrading and expansion. It plans to spend R237-million in the next three years on three feed plants.

Another R90-million is being spent to increase broiler production at Rustenburg. It will bring budgeted capital expenditure in the current year to R161-million.

Analysts were told recently that the group expected the debt-equity ratio to rise to about 28% this year, falling thereafter to about 20% in 1994, when borrowings were expected to peak at R213-million.

The attraction of Bonny Bird, even at a high price, is its 18,6% share of the broiler market. When that is added to Rainbow's 35%, the enlarged group will have well over half of the SA market and much more clout in pricing talks.

Chicken production has gone through a time of explosive growth, Rainbow, Bonny Bird, Festive, Early Bird and many of the smaller producers lifting output.

Overhang

Prices over the Christmas — they are usually higher than in the rest of the year — disappointed because of large stocks overhanging the market.

Chicken consumption increased by about 4,5% last year, down from 6,6% in the previous year.

Adding to producers' problems is that fact that bird mortality has increased because of disease.

Bonny Bird, formed from the merger of Premier's Farm Fare with the broiler operations of Bokomo and Sacca, has gone through a difficult time. In the year to last March, after heavy retrenchments and rationalisation, it produced a profit of R7-million from turnover of R397-million.

But interest on debt and extraordinary items took the bottom-line loss to more than R20-million.

Rainbow's decision to move into feed production comes from a desire to reduce input costs and avoid reliance on Tiger Oats' Meadow Feeds, the group's main supplier.

Feed costs account for 55% of total costs and 85% of live-bird production.

The first feed mill; being built at Rustenburg, will come into production in June 1992. Other mills will be built at Hammarsdale and Worcester.

Short

In the year to June Rainbow's turnover jumped by 14,6% to R635,3-million, but a sharp increase in interest earned and a reduction in tax meant that attributable profit rose by 27,6%, from R67,3-million to R86-million.

More shares in issue meant that earnings increased by 16,7% to 31,3c, slightly short of the prospectus forecast of 32,3c.

FM 18/1/91 ③ Poultry [redacted]

RAINBOW/PREMIER ③ Poultry [redacted]

CARVING KNIVES OUT

FM 18/1/91

Since its JSE listing in mid-1989, Rainbow has been expanding aggressively, largely through investment in new broiler plant, undeterred by an already overtraded market.

The group's formidable cash flow has been deployed to fund the expansion, though the balance sheet has remained lean. The deal struck in principle with Premier promises a much bigger expansion for Rainbow with full benefits probably not seen for some time. Premier stands to show far more rapid gains.

Essentially, Rainbow has agreed to acquire the entire shareholders' interests in Bonny Bird Farms, held by Premier, Bokomo (Co-op) and Sacca. It also acquires 50% of the shareholders' interests in Premier's Epol Animal Feed division, as well as management control. Premier retains 50% and will participate to the same extent in Rainbow's feed mill expansion.

For Premier the deal would be a another step towards rationalising its interests in the sector. In 1989 the group moved out of the egg-laying industry and merged its broiler operations with those of co-operatives Bokomo and Sacca to form Bonny Bird.

Immediate results were unspectacular.. Bonny Bird made a R4,7m operating loss last year after rationalisation, a R66m capex programme and hefty interest charges. But, as Premier has a put option on its entire holding in Bonny Bird, and has no responsibility for managing or financing the company, it treats the 50% holding in Bonny Bird as an investment.

Premier CE Peter Wrighton notes in his 1990 review that the "timing for the disposal of these (chicken) assets proved most propitious in the light of problems in the broiler industry." The group's animal feeds business is another problem area — the operating margin was only 1,9% in the 1989 year though it improved last year to 3,5%.

Market talk puts the acquisition price for Bonny Bird at about R375m — which sounds a lot to pay for assets producing such puny returns. Analysts reckon Premier will receive at least R120m cash if this price is correct. Ed Hern analyst Sydney Vianello considers the deal "brilliant" from Premier's standpoint. At a single stroke it sheds two underperforming assets for cash.

More market share

Attractions for Rainbow — which is evidently determined to strengthen its position as market leader — include an increase in its share of the broiler market to more than 50%, as well as the opportunity to expand into the feeds business. What remains to be seen, and can be assessed only once details are available, is the cost.

Vianello reckons there is not much synergy for Rainbow in acquiring Epol, while a Bonny Bird takeover could mean a move away from founder Stan Methven's philosophy of high turnover and low costs. A positive aspect is that Rainbow will acquire a partner in its own feeds business.

The Bonny Bird and Epol assets carry significant gearing, which Rainbow will doubtless take into account in funding the deal. With R237m committed to expand its own feed mills in co-operation with Premier, possibly R375m for Bonny Bird and the 50% share in Epol, Rainbow could be committed to spending as much as R500m over the next three years. If so, a rights issue may well be planned. And, if the Methven family should decline to take up their rights, the result could be a larger stake for Rembrandt/HLH.

Though Rainbow could end up with more than half the broiler market, the Competition Board is not worried. Board chairman Pierre Brooks says several factors influenced this view.

The board takes a broad view of Rainbow's market. Red meat, fish and broilers are considered to be substitutes; of this total market, broilers have only a 24% share and the enlarged Rainbow would have 12%. As there are many small players, others can enter the market. From the consumers' standpoint, the supermarkets, which sell about 60% of all broilers, will ensure competition at retail level.

The board approves of the "deconglomeration" that would occur, as well as the fact that Premier will be able to deploy funds currently tied up in Bonny Bird and Epol more effectively elsewhere.

A detailed announcement is expected by mid-February. Premier's rating should continue to benefit from the more realistic attitude being taken towards its portfolio.

Gerhard Slabber

The Star Wednesday January 23 1991 15

Competition Board will not probe chicken deal

Star 23/1/91

By Des Parker

③ Poultry

The Competition Board has decided not to investigate Rainbow Chicken's outright acquisition of Bonny Bird, a move which it is believed will give the Natal-based farm business more than 50 percent of the broiler market.

A spokesman for the board said Rainbow and Premier Group, which controls Bonny Bird, had approached it for a ruling.

"With the information at its disposal, the board decided not to probe the transaction in terms of the Maintenance and Promotion of Competition Act," he said.

Stock market watchdog Robin McGregor, chairman of McGregor's On Line Information said recently he was "incensed" that the Rainbow deal had not raised any objection.

"In no other industrialised country can a producer hold more than 25 percent of a market unless that share is achieved by organic growth," he said.

Rainbow managing director John Geoghegan could not be reached to amplify on the terms of the deal announced this month, in which his company obtained 100 percent of Bonny Bird, as well as 50 percent of the shareholders' interests in the Epol animal feed division of Premier Food.

Referring to suggestions that the new grouping could mean higher chicken prices, Stephne Alberts of the Consumer Council in Durban said the more competitive pricing of red meat in the past year should help to keep a check on protein prices.

"Consumers have seen with the milk price war the benefits of withholding their custom when prices move out of their reach and I believe they exercise the same discretion with meat prices."

New pecking order in broiler market

Star 24/1/91 ③ Poultry

Diagonal Street

ANN CROTTY

Rainbow's tie-up with Premier represents a major realignment of the key players in both the chicken and feed mill markets.

Before last week's deal the broiler market was dominated by Rainbow with 35 percent, Bonny Bird (which was 50 percent-held by Premier) with 18,6 percent and Tiger's County Fair with 8,6 percent.

The only other significant operator was ICS' Festive with nine percent.

The animal feed market is currently dominated by Tiger subsidiary Meadow and Premier subsidiary Epol.

Late last year Rainbow announced plans to spend R237 million over the next three years on three feed plants. But right now (ahead of the implentation of the Epol deal) it only features in the feed mill market as a consumer.

For thirty years — on a three-year renewable basis — Rainbow has had a contract with Meadow for the supply of meal for its broilers.

This contract is believed to have accounted for 50 percent of Meadow's output. Meadow's output is estimated to have accounted for around 30 percent of the total animal feeds market.

With the benefit of hindsight it seems obvious, given that feed meal accounts for a hefty portion of the value of a chicken, that it could only be a matter of time before Rainbow established its own feed mill.

In his financial '90 annual review, Rainbow MD John Geoghegan said: "Rainbow has positioned itself in the chicken industry as a high-volume, low-cost producer and consequently control of feed costs, which represent 85 percent of total live bird production costs, is of considerable importance.

"Rainbow can influence the volume of usage of feed through improved feed conversion efficiency but at present has limited control over the cost per ton of feed consumed as all feed is purchased from the Tiger Oats subsidiary Meadow Feeds."

It is likely that the Rainbow team was concerned about being dependent for supplies on a player (Tiger) that was also a competitor in the broiler market.

The more so as Tiger had indicated its intention of increasing its broiler activities.

One reason for not having regarded the Rainbow move into feed as inevitable was the nature of the contract it had with Meadow.

Whatever the pricing, the contract was regarded as highly favourable to Rainbow in terms of cash flow. Analysts have frequently referred to the fact that the final consumer of Rainbow's chickens had usually cooked and eaten the thing before Rainbow had to pay Meadow for its feed supplies.

Whatever the benefits or otherwise for both parties, it seems, the relationship had been under strain for some time, particulary in the Transvaal.

Industry sources say that last May Rainbow gave notice of its intention to build its own feed mill in the Transvaal. Consequently its Transvaal contract with Meadow will expire in June 1992.

Meadow responded by attempting to renegotiate more favourable contracts with Rainbow in Natal and the Cape. This didn't happen and these contracts are due to expire in June 1993.

This means that Rainbow has 2-3 years to get its own feed mills into operation so that it can be self-sufficient. Meadow has the same amount of time to find other consumers for its feed.

If Tiger does increase its broiler operation, this would take up part of the "surplus" Meadow output. Meadow may also look to develop its non-broiler markets.

The cash flow benefits that Rainbow loses by dropping out of the Meadow contracts will to some extent be compensated by the fact that Premier/Epol will be sharing the R237 million cost of the new mills.

Heads in the sand doing little for the ostrich industry

③ Poultry

B/Day 1/3/91

SYMOND FISKE

GOOD morning, and welcome to the new SA where there is a shortage of police, shortage of jobs, shortage of foreign exchange, the farmers are bankrupt, and individuals who try to do something about it get arrested for the heinous crime of selling their farm produce for what it is worth.

Talk about ostriches. Yes. This is a talk about ostriches.

Last week, two males in the Willowmore district of the Karoo were apprehended and interrogated by the police following the discovery of about 400 ostrich carcasses on their farms. Some carcasses were ceremoniously burnt by officials in front of the television cameras to celebrate the occasion.

This, according to the SABC, was a police "breakthrough" — a sequel to a year's "intensive investigations" which had earlier led to the arrest of three males and one female in the Douglas, Kakamas and Keimoes districts. Listeners and viewers were led to believe that all these "males" and "females" were involved in some kind of smuggling racket worth R2m.

If the world price of ostriches (up to $10 000 a breeding pair), ostrich eggs (upwards of $100 each) and ostrich skins ($800) is any indication, the five males and one female apprended by the SAP — during the year it seems to have opted to go hunting for entrepreneurs on the fringes of the Karoo instead of murderers and arsonists elsewhere — must have been pretty small fry. Between them they may have sold perhaps 1% of one year's SA ostrich crop.

Notice that I say "sold" not 'smuggled".

What all these males and females appear to have done is to have sold their ostriches and ostrich products to the people who offered them a sensible, competitive price.

In the New, Capitalist, Deregulated, Rapidly Privatising South Africa that is strictly against the LAW.

The LAW says that the SA ostrich business shall be monopolised. It says that no one may sell his ostriches or ostrich products to anyone else but the Klein Karoo Landbou Ko-operasie in Oudtshoorn. And the KKLK has decided that farmers should not only deliver all their ostriches for slaughter to Oudtshoorn, but be paid only R650 apiece when they get there.

Quite naturally this has brought the KKLK and the LAW into dreadful disrespect in Willowmore and Keimoes.

Your average Kakamas male (or Keimoes female) is not a crook. He merely baulks at bumbledom when politically backed bullies require that he should transport his product (living birds in this case) 700 unnecessary kilometres merely to receive from a monopolist one-third of what it is really worth.

Lest you be tempted to argue that the farmers of Willowmore and Keimoes should not take the law into their own hands but rather lobby for the rules to be changed, let me tell you not just how difficult it is, but that it is impossible.

The Oudtshoorn group's privileges date back to the 1950s when two successive Oudtshoorn farmer MPs, (S P and P M K le Roux), both co-op directors, were Ministers of Agriculture.

The same co-op, through the medium of an Oudtshoorn-dominated Lucerne Seed Control Board, was similarly licensed to exploit an exclusive privilege to produce and market lucerne seed in SA. So it is quite used to using non-members to its own benefit while retarding economic growth and innovation in the rest of the country.

Complaints that other people's businesses suffered when the monopolies were granted fell on the same deaf and unsympathetic ears as did the complaints of the farmers who previously found it more profitable to sell and buy elsewhere.

It must be 12 years since I first wrote about their plight in the Farmer's Weekly — and I was by no means the first to draw attention to the blatant iniquities and their dire consequences for the local economy.

The response from Oudtshoorn was acid and hysterical — as it has been to all subsequent articles.

Requests for solid information prior to writing any article are stonewalled. But once an article is written, the KKLK demands (a) to be told the exact source of all your information and (b) that you travel at your own expense to Oudtshoorn to be corrected.

It is obviously a sore point in Oudtshoorn that the KKLK hasn't been granted a propaganda monopoly too.

In the meantime the KKLK's ostrich marketing privileges have been reinforced.

Since each reinforcement (the last one came in 1988) flies directly in the face of stated government policies to deregulate, privatise, foster competition in business, assist economic growth in depressed rural areas, help farmers remain economically viable and boost foreign exchange earnings, one can only assume that someone's ear has been bent.

Maybe it helped having P W Botha from the next constituency as Prime Minister and the chairman of the KKLK as a back bench MP in the same caucus.

However, since nothing in the letters, faxes or telephone calls I have had from and with the KKLK has given me any reason to believe that a visit to Oudtshoorn to meet its directors would be productive of any intelligent information I have refused to go there.

My colleague, John Harrison (who was previously comparatively unexposed to the issues concerned), thought this remiss of me and went instead. He journeyed with an open mind but returned horrified — and critical of me only for having pulled my punches.

Since then he has not only written articles in Effective Farming and Finance Week critical of the KKLK's power abuse, but also drawn the attention of the Board of Trade, the Competition Board, the Ministry of Agriculture and the new Minister of Agriculture to the iniquities. As yet, nothing has materialised.

Pity the poor farmer from Kakamas who is supposed to channel his complaints through the tortuous labyrinth of the "officially recognised" organs of "organised agriculture" via head office of the SAAU, which openly supports the KKLK monopoly and has never to my knowledge (since its establishment in 1928) been critical of any co-op privilege anywhere.

This is an SA industry that could and should have been treble its existing size.

Instead we are in danger of losing out to foreign competitors because the KKLK won't let SA producers earn what they deserve.

The hopes of the "males" and "females" of Willowmore, Keimoes and Kakamas are now pinned on the judiciary.

In the meantime questions are being asked about the fate of the monopoly profits the KKLK has been licensed to extract. At an estimated R1 200 per head on 100 000 birds there is about R120m a year at stake.

Some is being used to defend the monopoly — by its own admission the KKLK employs people to spy on farmers and journalists. Some is doubtless being squandered in the inefficiency of a business which has had no competition for a generation. But a great deal of it appears to be in the hands of certain foreign agents who are given exclusive rights to sell on the KKLK's behalf in the US, Germany and Australia.

☐ **Fiske is editor of Effective Farming.**

Rainbow offer to raise R244m for acquisitions

③ Poultry

B/Day 8/3/91

MARCIA KLEIN

MAJOR chicken producer Rainbow Chicken (Rainbow) is to raise R244m in a rights offer to fund its acquisitions of broiler operation Bonny Bird Farms and 50% of Epol.

Rainbow yesterday released its results for the six months to December, in which funding of expansions, cost increases and production problems contributed to an 11% decrease in earnings to 12,9c (14,5c) a share.

The R244m to be raised will fund the R224m acquisition of 100% of Bonny Bird Farms (payable over three years) from the Premier Group, Bokomo and Sacca as well as the R20m acquisition of 50% of Premier's Epol Animal Feeds division, including management control.

The rights offer will be underwritten by Hunt Leuchars & Hepburn (H L & H), which holds 25% of Rainbow.

Premier will retain a 50% interest in Epol and "the construction or purchase of feed mills in the future will form part of a joint venture between the two companies".

The Bonny Bird acquisition increases Rainbow's market share from 35% to over 50% of the broiler industry, which places it in a position to influence the control of prices.

Rainbow MD John Geoghegan said Rainbow would have a "major influence on both the quality and efficient production of feed, which comprises 85% of live bird costs".

He said the acquisition was "of prime significance to Rainbow as a long-term investment", in terms of increased market share, regional presence in the western Cape and synergistic benefits.

Premier chairman Peter Wrighton said Premier's underperforming assets have been turned to good account.

In the six months to December, Rainbow increased its turnover by 16,8% to R354,5m (R303,6m). However operating profit was only marginally up at R30,8m (R30,7m).

Benefits

Geoghegan said margins had not been maintained at the operating profit level as lower demand and increased competition had led to cost increases, which were absorbed by the company. Also, production problems were experienced by the whole industry in the first quarter of the period under review.

Interest and other income was reduced from R19,3m to R4,7m as cash resources funded the R90m Rustenburg expansion programme.

This resulted in pre-tax profit falling by 29% from R50,0m to R35,5m. However, benefits from tax incentives on Rainbow's large capital expenditure programme saw tax come down from R10,2m to R12 000.Profit after tax decreased by 11% to R35,46m (R39,86).

An 11% decrease in attributable profit to R35,42m (R39,83m)was due to the reduction in income and "to the inclusion during 1989 of R9,9m in respect of the surrender value of an insurance policy", Geoghegan said.

An interim dividend of 4,3c (4,8c) covered three times, will be paid.

He said the results were satisfactory given the economic climate.

"For Rainbow to have emerged from the difficulties of the past six months with a creditable operating profit at levels marginally above the prior period, at a time when the rest of the chicken industry experienced severe losses is an indication of the resilience of the company and the ability of its management team."

Rainbow announced it would change its year-end to March 31 "in line with its major shareholders". While Rainbow's major shareholder is S C Methven Holdings, the announcement could refer to Rembrandt company H L & H.

In terms of the changed year-end, the next reporting period would cover the nine months to end-March 1991.

Geoghegan said benefits from the expansion at the Rustenburg plant would contribute to earnings growth, and that "short term trading conditions were expected to remain unfavourable but medium- to long-term prospects for the group were positive".

Rainbow pays R224-m to pluck Bonny Bird

Star 5/3/91

By Ann Crotty (3) Poultry

Rainbow is to pay R224 million for the entire shareholders' interests in Bonny Bird Farms in which the Premier group has a 50 percent share. Payment, which will be staggered from end-June '91 to end-March '94, will be funded by a rights issue.

In addition Rainbow is paying R20 million for 50 percent of Premier subsidiary, Epol Animal Feeds. This amount will be paid at end-March '91.

Although payment is staggered the Bonny Bird deal seems set to dilute Rainbow's earnings, in the initial stages at least. Bonny Bird has been a loss-making operation for some time and given the present weak state of the broiler market, there seems little hope in the near-term for any change in this situation. Bonny Bird will be bringing debt of around R100 million to Rainbow.

Over time, with the application of Rainbow's management team and assuming some benefits of Rainbow having control of over 50 percent of the broiler market, there will be some earnings contributions from Bonny Bird.

Rainbow's first payment for Bonny Bird is R80 million and is due at end-June — just three months after the R20 million payment for Epol. This means that the market will be looking at a rights issue of at least R100 million within the next few months.

Going for the full R244 million immediately would result in much too great an earnings dilution — and it would be unnecessary as some of the funds would not be needed for up to three years.

Ed Hern Rudolph analyst, Syd Vianello suggested that Rainbow might go for an initial R100 million rights issue with options attached relating to subsequent issues for R150 million.

In total, assuming an issue price of about 300c, some 80 million new Rainbow shares will have to be issued. This means that Rainbow's current share base of 275 million will be lifted by 30 percent and in turn means that if the Bonny Bird and Animal Feed acquisitions are not to result in a dilution they will have to increase Rainbow's earnings by at least 30 percent.

For the six months to end-December Rainbow has announced a drop in earnings — from 14,5c to 12,9c a share — and a slight reduction in dividend to 4,3c (4,8c) a share.

Turnover was up 16,8 percent to R354,5 million (R303,6 million) but operating profit was virtually unchanged at R30,79 million (R30,71 million) reflecting the tight squeeze on margins caused by the excess capacity in the industry.

Interest and other income was down by R14,6 million to R4,68 million due to the funding of the Rustenburg expansion programme. In addition, last year saw the inclusion of R9,9 million in respect of the surrender value of an insurance policy.

Because of its hefty capex programme the group paid little tax. Attributable earnings were R35,4 million (R39,8 million).

At this stage, ahead of the full details,anaylsts regard the deal as being much more beneficial for Premier which has shed a non-performing, heavily geared asset at an apparently hefty profit over book value — although one analyst estimated Bonny Bird's market value at as much as R500 million.

FM 8/3/91 ③Poultry

RAINBOW ③Poultry

SPREADING OUT

FM 8/3/91

Bonny Bird's R244m price tag for Rainbow Chickens is well below market expectations of around R375m in mid-January when the deal was announced and is less than half the broiler farmer's asset replacement value. The price looks even better considering the staggered payment over the next three years, as well as the rate of 6% below prime which is payable on the outstanding balance.

Question is, why was Premier willing to let Bonny Bird go at this price? Essentially, Bonny Bird has been a drain on Premier's cash and profit. The deal will bring R80m cash on June 30, followed by payments of R54m on March 31 in the following two years and a final R36m tranche on March 31 1994. Premier reckons the current 15% interest charge is better than no income at all out of Bonny Bird.

The deal is another step towards rationalising Premier's interests in the sector. In 1989, the group moved out of the egg-laying industry and merged its Farm Fare broiler operations with those of co-operatives Bokomo and Sacca.

The two co-operatives jointly owned a small, but profitable company, Bonny Bird Farms, which has been formed between Panmure Chickens, Southern Cape Poultry and Lemoenkloof Chickens, mainly operating in the Cape. Premier's Farm Fare was then a large and unprofitable operation.

Farm Fare gained management expertise, especially from the Bokomo side of the partnership. But immediate results remained unimpressive. The new Bonny Bird made a R4,7m operating loss last year after rationalisation and a R72m capex programme and hefty interest charges.

LESS MEAT

Six months to	Dec 31 '89	Jun 30 '90	Dec 31 '90
Turnover (Rm)	303,6	331,7	354,5
Operating prof (Rm)	30,7	33,5	30,8
Attrib profit (Rm) ..	39,8	46,2	35,4
Earnings (c)	14,5	16,8	12,9
Dividend (c)	4,8	5,9	4,3

The latest acquisition should bring some marketing benefits to Rainbow. The group will get additional exposure to chain stores and an opportunity to build brand names, like Farmer Brown. But for Rainbow, the main attraction is in the opportunity to lift its share of the broiler market to more than 50% and to acquire assets at a very attractive price. The Bonny Bird assets were updated and modernised over the past two years and will enable Rainbow to "double production with very little capex."

It also has the opportunity to expand into the feeds business with the R20m acquisition of the Epol Animal Feed division from Premier. Premier retains 50% of Epol and will participate to the same extent in Rainbow's feed mill expansion.

Rainbow intends to raise the full R244m by way of a rights issue before the initial payment on June 30. Cash will be used to reduce the considerable debt in Bonny Bird. Financial director Chris Wells maintains Rainbow's gearing will not exceed 30% over the next four years, mainly because of strong cash flow and the rights issue. He does expect a dilution of earnings this year, but thereafter sees only "upside potential."

For the interim to end-December Rainbow has reported a decline in earnings. Turnover rose by 16,8%, but operating profit remained virtually unchanged. The narrowing of margins was caused by excess capacity in the industry and, to a lesser extent, higher mortality owing to Gunborow's disease.

The share price rose from 210c in August last year to 350c and stands on a 10,5 p:e ratio compared with the food sector's 14,3 average. The deal should benefit Premier during this year, while Rainbow will benefit over the longer term.

Gerhard Slabber

More than a million chickens snapped up

B Day 13/5/91 ~~30~~ ~~186~~ (3) Poultry

MARCIA KLEIN

MORE than 1-million chickens were sold by two supermarket chains in a flurry of activity last week.

The Rainbow and Bonny Bird chickens were sold by OK Bazaars and Checkers.

More than 800 000 chickens were sold during the OK's three-day special offer — at R2,99/kg. Shoppers clamoured so furiously that some of the birds did not even touch the shelves.

Checkers sold about 900 tons of chickens at R3,69/kg during the week of its nationwide promotion, a spokesman said.

The retail chains' special offers arose from producer Rainbow wanting to move an oversupply of about 1-million chickens.

Rainbow national marketing manager Bill Brown said on Friday that the chicken price was totally determined by supply and demand, and there had a sales slump after Easter. Rainbow had to move its stock — mainly whole birds — which could not keep for a long time.

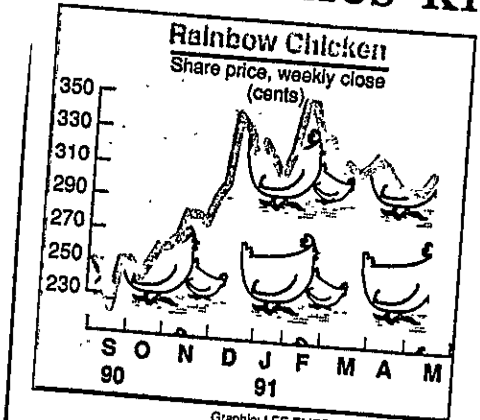
Brown said the lower prices generated "store traffic", and Rainbow was "extremely happy with the results". Other producers might well come up with special offers in other chain stores, he added.

OK marketing director Mervyn Kraitzick said the OK sold about 80% more chickens than expected. The promotion was "an unbelievable success and indicated that the consumer was looking for an opportunity to save money".

At the OK's selling price it actually lost money, but the promotion was a "loss leader". It was an opportunity to give the consumer a good deal and to draw customers. As the opportunity arose, the OK would have more promotions, he said.

Hard times knock Rainbow

BIDay 20/5/91



Graphic: LEE EMERTON Source: INET

MARCIA KLEIN

③ Poultry

WEAK consumer demand and oversupply in the broiler industry took the chirp out of Rainbow Chicken's results for the year to end-March.

SA's major chicken producer Rainbow's earnings dropped 36% in what MD John Geoghegan described as "the most difficult period of its history".

Because of a change in the group's year-end, results for the year to end-March were compared with those for the year to ending June 1990. Depressed selling prices resulting from weak consumer demand and an "all time high" production in the industry

☐ To Page 2

Rainbow

BIDay 20/5/91

③ poultry

☐ From Page 1

were reflected in an 8,7% increase in turnover to R690,5m (R635,3m) and a drop in margins from 10,1% to 6,8%. Margins were also affected by higher broiler mortalities than usual because of disease. Operating profit fell 27% to R47,1m (R64,2m).

Overproduction and weak demand led to "severely depressed prices" and yielded "disappointing results", Geoghegan said.

The utilisation of cash resources to fund Rainbow's expansion programme at Rustenburg and the inclusion last year of R9,9m in respect of the surrender value of an insurance policy saw interest and other income fall R18,7m from R28,1m to R9,4m.

Pre-tax profits plunged 38,7% to R56,5m (R92,3m). After tax of R1,4m (R6,2m), attributable profits were down 36% to R55,1m (R86,1m) and earnings declined similarly to 20c (31,3c) a share.

No dividend was declared for the three months to end-March.

Major increases in the group's assets and liabilities arose from consolidation of acquisitions and capex of R84m.

Geoghegan said Rainbow was in the process of assimilating the acquisition of Bonny Bird and 50% of Premier's Epol animal feed division. The trading results of both acquisitions would be brought into account from April 1.

Significant rationalisation benefits were expected to materialise from this.

Growth in earnings a share "would be difficult to achieve for the coming year".

With gearing of 24,6% after a R252,5m rights issue, Rainbow was "soundly structured for the future".

Rainbow Chicken feathers ruffled

Star 20/5/91

(3) Poultry [illegible]

By Ann Crotty

The effects of weak market conditions have been aggravated by the need for Rainbow Chicken to use its cash resources to fund its Rustenburg expansion.

In the year to March, earnings fell 36 percent to 20c (31,3c) a share.

(The company has changed its year-end from end-June to end-March).

No dividend is being paid for the three months to end-March.

An interim, based on results for the six months to September, will be considered when the interim results are announced.

The directors say weak demand and excessively high production volumes in the industry resulted in depressed selling prices.

The end-March balance sheet shows a major increase in assets and liabilities after the consolidation of the Bonny Bird and Epol acquisitions. Gearing is up from nothing to 24,6 percent.

Management is not expecting earnings growth in financial '92. But of the medium term it says: "Significant benefits of the acquisitions and the major capital expenditure programme will be realised and prospects remain very positive."

FM 24/5/91 ③ Poultry

RAINBOW FM 24/5/91

IN THE TROUGH

③ Poultry

Despite its 36% decline in earnings, Rainbow Chicken still has strong supporters on the JSE. The organic growth in demand for chicken is so strong, the argument goes, that anyone who is prepared to buy Rainbow now will be well rewarded in two to three years.

Nevertheless, Rainbow is looking expensive at 310c. Based on the unaudited results for the year to end-March, the p:e on the EPS of 20c is more than 15, and the dividend yield on the 4,3c payout is a feeble 1,4%.

Rainbow, historically a production-driven company, has apparently overestimated the much-punted growth in demand for chickens. Financial director Chris Wells, however, says the group deliberately increased output to place pressure on its competitors. There was a huge overhang of stock after Christmas and Easter. Retail chains recently sold 1m excess chickens at firesale prices.

Increasing competition in the industry led margins to decline from 10,1% to 6,8% and operating profit to decline by 27%. Interest income fell by two-thirds to R9,4m and, despite a much lower tax rate, after-tax profit fell 39%. About 25%-30% of Rainbow's turnover is accounted for by the contract market, which includes Kentucky Fried Chicken and industrial clients. Retrenchments in the mining industry will have a marked effect on industrial sales. Bulk sales to mines account for 10% of turnover. But Wells says the margins for this business are relatively low, so Rainbow would not be unhappy to make it up elsewhere.

Rainbow's financial position remains strong, even though it has spent R180m over the past 20 months on capital expenditure. Gearing is at 25%, and Wells says it is unlikely to rise above the company's 30% ceiling. The feed mill at Rustenburg comes on stream in June 1992, and this is expected to reduce the costs at the Rustenburg plant considerably. All further feed mills will be 50:50 joint ventures with Premier.

With the 34% increase in issued shares after the current rights issue, even Rainbow supporters are predicting a further decline in EPS to, at best, 18c. Red meat prices are expected to stay soft this year and the Bonny Bird interests acquired from Premier are not expected to contribute until the second half of the year. Bonny Bird will keep its own marketing infrastructure and the brand names such as Farmer Brown will be preserved.

Rainbow is expected to underperform the Industrial index over the next two years. Broker Martin & Co, however, predicts growth of more than 25% from the year to March 1993 onwards. Wells says that as the industry is rationalised demand will eventually match supply, and margins will increase. After the Bonny Bird acquisition Rainbow has a market share of 55% in the poultry industry and it should be able to lead prices to some extent.

Still, some nervous investors are likely to sell their Rainbow shares; analysts predict a weak performance at the September interim. The Rainbow share price thus could well decline. If the future of the chicken industry is indeed so rosy, this could be an excellent buy towards the end of the year.

Stephen Cranston

Egg surplus causing retail prices to fall

③ Poultry

Star 2/7/91

By George Nicholas
Agricultural Correspondent

A huge surplus of about 11 million dozen eggs has caused retail prices to plummet in the past two months.

Large eggs that fetched about R2,40 a dozen at the beginning of May are now selling in most of the smaller retail shops at R2 or less.

In most of the supermarkets, however, prices up to now have remained constant in spite of the surplus supplies. This is largely due to the practice of egg producers offloading their surplus eggs at cheaper rates at the smaller outlets.

Price reductions are now also spreading to the supermarkets, some of which are launching special promotions this week in an effort to stimulate the demand, as July to November is the high-production season for eggs.

The build-up of the surplus has been caused by a decreasing demand from consumers and increasing production by poultry breeders, according to Egg Board general manager Dawie Gouws.

This pattern of buying and selling was particularly prevalent in May and June when the surplus volume increased from 3,5 to 6 percent.

Mr Gouws says the deepening recession is believed to be one of the main reasons for the declining consumer demand and it seems the only way of averting a crisis in the egg industry is for poultry breeders to cut their production.

There is no control over egg production and prices. Anyone can produce in any volume and sell at any price. The Egg Board only provides market information and guidelines to producers, but to help producers in times of surplus it also offers to buy some of the excess at well below the ruling price.

However, poultrymen seem to prefer to sell their surplus supplies in the open market.

In recent weeks there have also been surplus supplies of broilers and potatoes, with a corresponding decline in prices.

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RAINBOW (3) Poultry FM. 9/8/91

Benefits ahead

Activities: *Integrated broiler chicken producer.*
Control: *HLH 40,3%.*
Chairman: *D J Loch Davis; MD: J B Geoghegan.*
Capital structure: *368,5m ords., Market capitalisation: R1 363m.*
Share market: *Price: 370c. Yields‡: 1,2% on dividend; 5,4% on earnings; p:e ratio, 18,5; cover, 3,0. 12-month high, 380c; low, 205c. Trading volume last quarter, 3,4m shares.*

Year to Mar 31	***'88**	***'89**	***'90**	**†'91**
ST debt (Rm)	—	—	—	316,4
LT debt (Rm)	—	—	—	144,3
Debt:equity ratio	—	—	—	0,83
Shareholders' interest	0,82	0,80	0,81	0,45
Int & leasing cover .	—	—	—	—
Return on cap (%) ..	11,0	12,1	8,8	2,5
Turnover (Rm)	454	554	635	523
Pre-int profit (Rm) ...	56,9	81,4	65,0	30,2
Pre-int margin (%) ..	12,5	14,7	10,2	5,8
Earnings (c)	19,6	26,8	31,3	13,0
Dividends (c)	8,8	7,5	10,7	4,3
Net worth (c)	170	195	216	187

* Year to June 30. † 9 months to March 31.
‡ Based on pro forma 12-month figures.

Rainbow Chicken was hit hard by a slump in chicken prices and high broiler mortality in its 1991 year. Earnings this year are likely to be pedestrian, but shareholders should be

Continue

FM 9/8/91

rewarded in financial 1993, when the benefits of recent strategic investments flow through. (3) Poultry

Comparisons with financial 1990 are problematic owing to the change in Rainbow's year-end; 1991 figures relate to a nine-month period. But a steep downward trend in turnover growth and in the operating margin remains apparent. The cause, says MD John Geoghegan, was a combination of selling price volatility and cost increases resulting from the higher than normal incidence of broiler mortality.

At the beginning of the financial year there was a shortage of chicken on the market because of the higher number of deaths — caused by a viral epidemic — and selling prices rose fast. This rapidly turned into a surplus as bird mortality decreased after the epidemic ended, and as additional industry capacity came on to the market.

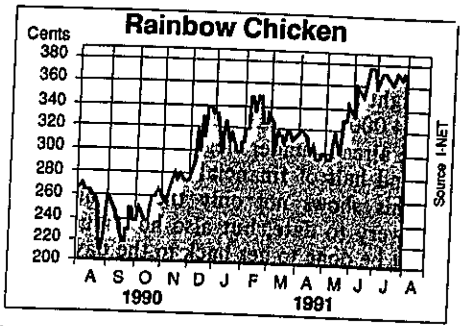
Stocks built up as prices were cut to boost sales and reduce stocks. Financial director Chris Wells says Rainbow's stocks are now at "normal levels." The demand-supply balance has been restored, and prices have upward potential. Operating margins are improving, but a return to the 10%-11% range will take some time.

Two strategic investments made by Rainbow last year will, it is hoped, help in limiting market fluctuations and containing costs.

The purchase of Bonny Bird Farms for R224m, payable over three years, increased production capacity by about 50% to 4m chicks per week, and these assets were acquired at an attractive price. Geoghegan estimates the replacement cost at some R700m. This gives the group nearly half the total chicken market (including the informal sector), and substantially more clout.

In its quest to be the lowest-cost producer, Rainbow acquired 50% and management control of Premier's Epol Animal Feed division for R20m. This, and the construction of its own feedmill at Rustenburg, is expected to improve feed cost control. These costs constitute 85% of live bird production costs and 55% of total costs.

Acquisitions were funded by a R252,5m rights issue, at R2,70 per share. Receipt of the funds in June relieved the distortion in long-term debt seen at year-end. Debt:equity is now about 0,25. The rights issue also strengthened the influence of HLH, whose shareholding rose from 25% to 40,3%. Issued shares were increased by 35%, causing a dilution in EPS.



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FM 9/8/91 (3) Poultry

Geoghegan and Wells reckon this year will be spent integrating the new acquisitions and restoring operating margins — building the base for "extremely positive growth" in the next two financial years. Benefits of last year's actions, plus continued growth in the white meat market, should then be evident.

The share price is just off its 12-month high, and is R1, or 37%, up on the rights issue price. It may still have a way to go before medium-term prospects are fully discounted.

Pam Baskind

65

Pot of gold awaits Rainbow shareholders

(3) Poultry

By Des Parker Star 18/9/91

A pot of gold awaits Rainbow Chicken shareholders in 1993 as the Natal-based poultry producer reaps fuller benefits from the acquisition this year of its biggest competitor, Bonnybird.

Frankel Max Pollak Vinderine researcher Teigue Payne says that apart from the company's greater ability to influence production and price of chicken — because it has more than 50 percent of the formal market — its level of risk is lower, while it has the enviable task of doubling output within 10 years to meet demand.

Likening its situation to that of monopoly soft-drinks bottlers, he says in an analysis of the group: "No other major food group is so focused on such a high-growth market, so Rainbow is in an exciting relative position."

While earnings in the current year to end-March are forecast to dip from 20c to 19,5c a share, the price:earnings ratio is expected to drop sharply in financial 1993 as earnings take an expected turn for the better to 32,5c a share.

Although the current share price of around 375c appears to be discounting longer-term potential, its "rarefied" 1,6 percent dividend yield is based on abnormally low dividends — which, in turn are based on the group's temporarily weak position last March.

Mr Payne says advantages stem not just from the group's monopoly but also its dominance in key areas of the country, such as the Cape, the West Rand and Natal Midlands.

In addition, fierce competition and discounting between Rainbow and Bonny Bird has disappeared, making the composite group less cyclical.

At the same time, assessed losses of about R175 million for Bonny Bird all but rule the Natal group out of the tax-paying league for up to five years, while the huge capital expansion of its feed division and its takeover of 50 percent of Epol — although expensive in the short-term — will reap great benefit.

Apart from the need to fuse the cultures of the two former competitors, the Hammarsdale-based company has to change its marketing approach from that of a dedicated commodity producer to one with a greater interest in "value-added and niche markets".

Competition

External threats to the group emanate from competition from other producers "sheltering in Rainbow's price maintenance" and the prospects of greater competition from the unlikely prospect of Barlow Rand merging its Festive and Country Fair companies.

Some adversity stems from the reduced tradeability of its shares since this year's rights offer as a result of the greater concentration of ownership among very firm holders, who are unlikely to sell before Rainbow realises its long-term potential.

Only 2,4 percent of shares are held by individuals and 4,6 percent by institutions, while HLH has raised its stake to an effective 40,3 percent.

While the transfer to HLH of overall control of the group via the SC Methven Holdings trust established by late founder Stanley Methven is certain eventually, its occurence may be some way off because of other large capital commitments by HLH.

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Unions seize on VAT as a blunt political weapon ...

w/mail 20/9 – 26/9/91

We're a week from VAT Day and the controversy still rages. We asked two writers to argue the case for and against, starting with VAT enthusiast

REG RUMNEY

VAT, or VAT's presumed discouragement of the building industry.

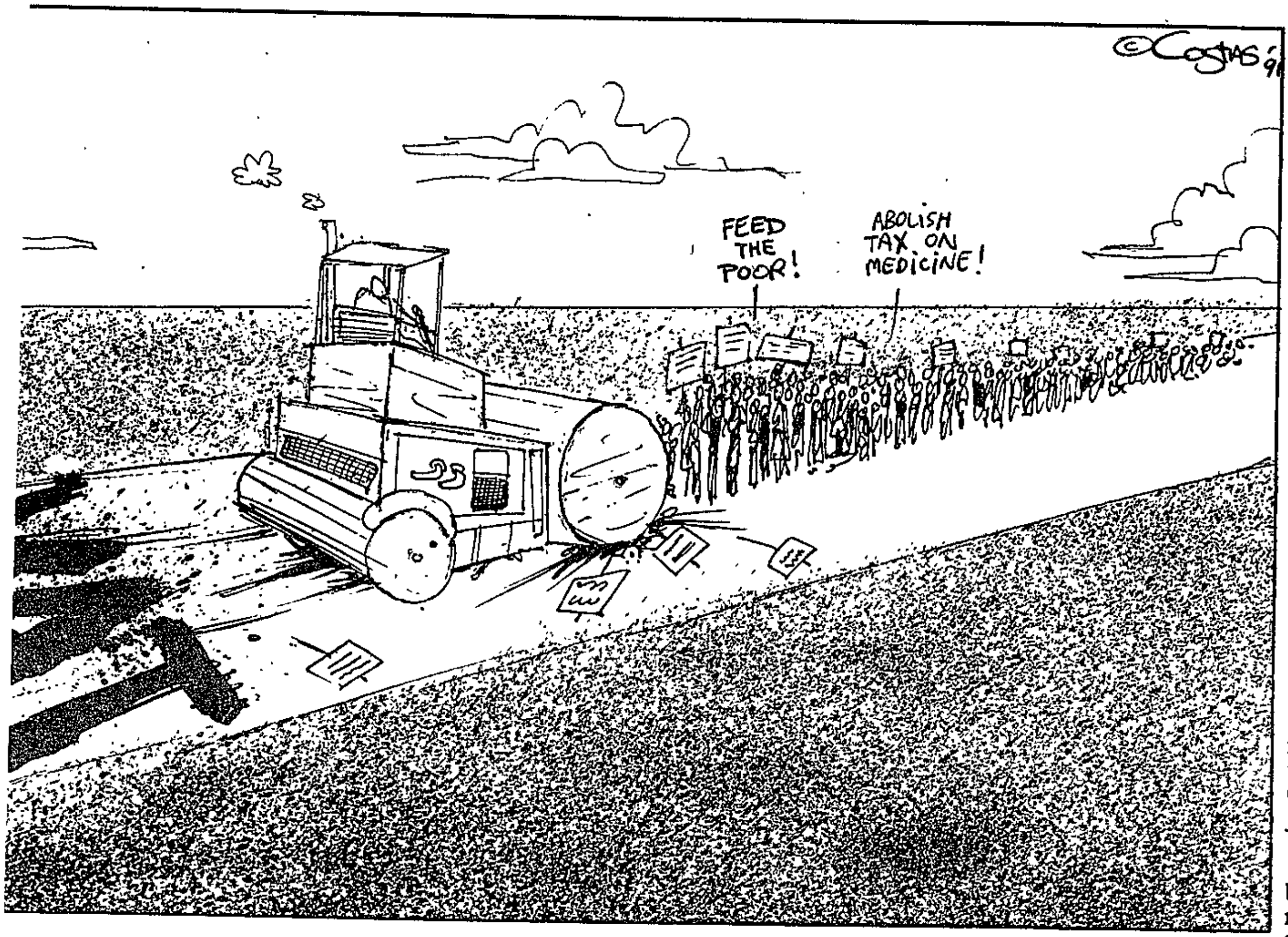
The circus that the implementation of VAT has become is due in no small part to the union movement confusing a political issue with technical ones — as well as crisis management by the government.

Take, for instance, the leader of South Africa's largest union grouping in a television debate with Finance Minister Barend du Plessis simultaneously admitting VAT is in principle a good tax, and calling for its delay and a host of exceptions which will make it less efficient.

The Congress of South African Trade Unions is in favour of extending the social services net, yet it promotes militant action against a tax which will raise desperately needed revenue to fund those services. All this on the grounds of a lack of consultation, even though the Finance Ministry has agreed to negotiations with the the Cosatu-led Co-ordinating Committee on VAT.

Just as amusing is Cosatu finding itself in bed with interest groups such as the Estate Agents Board and the dispensing doctors with whom it normally has next to nothing in common.

On the government side we have Du Plessis fiddling with VAT in a way which only gave the impression of weakness to friend and foe alike, and did not serve to stave off union resistance.



tics has been that a fairer tax would irreparably damaged in pursuit of political demand which could be attached to almost any except the technical legal changes. This Du Plessis seems to have resisted.

The strangeness of Cosatu's bedfellows goes beyond irony.

For example, it now by implica subscribes to the zero-rating of al medical services — public and private.

Doctors in campaigning for zero-rating want a better deal under VAT than they had under GST: zero-rating means, for instance, that a radiologis can claim back all the tax he has paid on expensive medical equipment. Exemption would be the same as the GST system. Now, he charges GST on his services to patients, gets no tax back. And why shou doctors get tax back, when oth don't? Surely they should be pres to pass on to patients those savin they will have than get even more?

Again, why should food produ be favoured by zero-rating w clothes producers are not? And so

But concede for a moment Co has the right to lead the fray in battle of specific interest groups serve their own interests.

What validity do Cosatu's gene objections to the implementation VAT on September 30 have?

The union movement has argued the poor will suffer most from VAT.

The argument is that the poor sp more on foods than on anything e and that the taxing of VAT will not only hardship but starvation.

The government has countered t tax relief for the poor is a clumsy strument: the rich benefit as muc not more than the poor. Better then give direct food aid in the form handouts, say, than tax breaks.

To this Cosatu's Jay Naidoo argued variously that the R220 or so advanced so far for poor not enough, and that the aid struc cannot dispense the money.

Those critically concerned sh rather insist that aid be speeded than VAT delayed. The Co-ordina Committee on VAT need not have jected subsidisation as an alternati

Crucially, the Cosatu-led grou has argued that savings available business under VAT will boost cor rate profits rather than be passed on the consumer.

Higher corporate profits mean money is available for better wages

Another line of thought (not ne sarily Cosatu's) is that VAT, broader indirect tax, forms part trend towards shifting tax from c panies to individuals.

And herein lies an economic derstanding. The distinction

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ie tax of the technocrats

w/mail 20/9 – 26/9/91

Value-Added Tax may be a better taxation system but it is the poor that will be hardest hit, responds

even the Con-
uth African
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Tax is a tech-

countries have coupled the introduction of VAT with price freezes or price commissions. Our government has so much faith in the business community that it shrinks from statutory controls.

— Finance Minister Barend du Plessis' recent cut in the VAT rate had all the hallmarks of political panic. Public information has been scanty: the government has still not issued its inter-

320

③-POULTRY 28/10/91 argus

Chicken prices soar as diseases hit industry

The Argus Correspondent

JOHANNESBURG. — Millions of chickens have died in a spate of poultry diseases in the industry — depleting stocks and driving up prices by more than 20 percent in the past six months.

An SA Poultry Association spokesman said an average of between 15 and 18 percent of the nearly 400 million chickens raised annually were falling prey to a number of diseases.

According to a Housewives' League survey published in the latest *Rands and Sense*, frozen chicken prices rose from an average of R5,15/kg last year to R6,13 while fresh chicken prices hopped from R5,10/kg to R6,60.

③ Poultry

Egg Board, abattoir company dish out subsidies

Pretoria Correspondent Star 5/11/91.

Following the Wheat Board's announcement that it is to subsidise wheat to keep the price of bread down, two more agricultural bodies have announced subsidisations.

Both the Egg Board and Abacor, which controls the majority of South Africa's abattoirs, appealed to farmers, wholesalers and retailers to pass on the savings to consumers.

The Egg Board is to pay farmers' VAT on levies to the Egg Board on their behalf. According to manager Dawie Gouws, this could amount to a subsidisation of R1,5 million in nine months. The monies will be forthcoming from a fund made up of farmers' levies.

Abacor has announced a 50c tariff reduction on every unit of livestock slaughtered.

The company is under scrutiny by the Competition Board in the course of its investigation into the meat industry.

Rainbow profits plunge by R30m

B/Day 8/11/91

MARCIA KLEIN

RESULTS from Rainbow Chicken, SA's major chicken producer, reflect the sorry state of the poultry industry.

Excess production, reduced margins and increased interest charges saw the company's attributable profits plunge from R36,2m to R5,7m in the six months to end-September.

③ Poultry [illegible]

Earnings fell from 13,2c to 1,7c a share, and no interim dividend was declared.

Turnover more than doubled to R801,4m (R335,9m) — mainly due to the inclusion of recently acquired Bonny Bird and Epol. However, operating profit fell 50% to R20,9m (R30,3m), reflecting low prices.

MD John Geoghegan said the year had begun "with excessive production and excess stocks in the poultry industry", and this had led to severely depressed prices.

Rainbow's margins decreased from 9% to 2,6%, on the back of these selling prices, which Geoghegan said were below the cost of production for the first quarter. Rainbow's sales prices had increased by only 3,6% in the six month period.

But Geoghegan said "pleasing progress" had been made in integrating Bonny Bird's facilities and systems with those of Rainbow and that costs in Bonny Bird had been significantly reduced.

After earning interest of R7,3m in the previous year, Rainbow paid interest of R14,7m for the six months. Gearing was at 27,3%, but Geoghegan said that R144m of Rainbow's debt will incur interest at 6% below prime.

Pre-tax profits dropped from R37,6m to R6,2m. Rainbow did not provide for tax due to assessed losses in Bonny Bird and allowances from the company's capital expenditure programme.

Geoghegan said Rainbow had traded at acceptable profit levels for the second quarter, it would show an improvement in operating income — but not in earnings — in the second six months.

Rainbow still waiting for pot of gold

By Ann Crotty

③ Poultry Star 8/11/91

For a company that has been fairly short on performance and long on promise, Rainbow enjoys an extremely high rating, and has done so since its listing in June '88.

In the six months to September, earnings per share plummeted to 1,7c from 13,2c. This is from a company that is on a P/E rating of 25,4 times and a dividend yield of 1,3 percent.

The share price may soften over the next few weeks, but not dramatically, because the interim performance is in line with market expectations.

Investors and analysts remain bullish about prospects.

They are confident that Rainbow is recovering well from one of the worst trading periods suffered by the broiler market and that a streamlined industry will see lower production and firmer prices.

Just as heavy price competition eroded bottom-line performance, any sort of improvement in prices will provide a fast and considerable boost to the bottom line.

In the review period, turnover was up to R801,4 million (R335,9 million) — boosted by the acquisition of Bonny Bird and Epol from Premier.

But margins were slashed from 9 percent to 2,6 percent, reflecting the lower selling prices. Management says during the first quarter these were below the cost of production.

Separate figures are not given for Epol, but it had long been a non-performer for Premier and, given the condition of the agricultural industry, it is unlikely that Rainbow saw any joy on this front.

Management does note that Epol margins were squeezed by lower demand.

There was a R22 million turnaround in the interest position from an income of R7,3 million for the financial '91 interim to an outlay of R14,7 million in the review period.

This is attributed chiefly to the debt that came with the acquisitions (Bonny Bird and Epol) and, the amount owing to the vendors of Bonny Bird.

Taxed profit was down to R6,2 million (R36,2 million) and attributable earnings were R5,7 million (R36,2 million).

The directors say that while an improvement is expected in the second six months, "it is unlikely that there will be any growth in earnings per share for this year".

"In the medium term, the group's prospects remain positive."

Poultry ③

HLH hit by adverse conditions

Star 11\11\91

Hunt Leuchars and Hepburn (HLH) experienced difficult trading conditions in the first six months to September and reports earnings attributable to ordinary shareholders declined nine percent to R47,8 million, compared with the same period last year.

Earnings per share, which have been diluted as a result of the additional shares issued to fund the group's investment in Rainbow Chicken, showed a decrease of 17 percent.

An unchanged interim dividend of 13,5c a share has been declared.

Margins

Chief executive Neil Morris says the results highlight the difficult trading conditions experienced by all companies, but especially by equity-accounted investments, Rainbow Chicken and H Land H Timber Holdings.

Operating margins and sales volumes came under pressure.

"Notwithstanding the difficulties in the economy generally and trading conditions in our markets, the performances of our subsidiary companies, Transvaal Suiker and Robertsons, have been most satisfactory and group operating income increased 10 percent on a turnover increase of 21 percent over the same priod last year", Mr Morris says.

High stocks and production in the poultry industry in the first six months of the calendar year, coupled with the current unfavourable socio-political climate, had a marked negative effect on the performance of Rainbow Chicken, affecting bottom-line earnings for the group. — Sapa.

RAINBOW CHICKEN (186)

FM 15/11/91

Squawk, squawk

(3) Poultry

Have the chickens come home to roost? That is what shareholders are asking Rainbow Chicken after the near-elimination of earnings in the six months to September.

Support for the integrated broiler producers remains strong in the market, with the share price highly rated. At 400c, Rainbow sits on an historical p:e of 20, ahead of all food counters other than Cadbury Schweppes. This is remarkable in a group which has seen operating profit fall from R30,3m to R20,9m and earnings dive from R36,2m to R5,7m.

There was a disastrous start to the year. The broiler industry went through one of its toughest times as a severe chicken shortage, caused by a viral epidemic, was followed by a surplus as production pushed stocks well into excess. Prices plummeted below the cost of production for most of the first quarter.

Prices have since normalised and Rainbow has the capacity to increase production as soon as demand dictates, says financial director Chris Wells, who adds that supply and demand are now well balanced.

Chicken sales grew by a compound 9% in the 10 years to 1990 and Wells expects growth of at least 6% until end-century.

Rainbow's influence on the market has increased with the acquisition of Bonny Bird, and this could lead to greater price stability.

Greater output should have a quick and dramatic effect on profits, especially considering that, as prices were discounted to clear stocks at the beginning of the year, Rainbow's sales prices increased by a paltry 3,6%.

The low chicken price was the main reason for poor performance. But results were not helped by the poor contribution from Bonny Bird Farms, acquired for R224m from Premier, along with 50% of Premier stablemate Epol for R20m.

Rainbow puts reduced income down to these acquisitions — funded by a rights offer which raised R252,5m — saying acquired debt and the amount owing to the vendors resulted in interest and other income decreasing from a net R7,3m in the previous period to a negative R14,7m this time.

Though separate figures are not given for Epol, which was not a strong performer for Premier, animal feed producers saw lower demand eat into margins.

So why the aquisitions and when will they add to profits? Bonny Bird was, of course, a logical buy, bringing Rainbow full control of its biggest competitor and around 50% of the chicken market. Wells puts the figure closer to 47%, saying the effect of the informal

Cont →

NOT SO BONNY

Six months to	**Sep 30 '90**	**Mar 31 '91**	**Sep 30 '91**
Turnover (Rm)	336	354	801
Operating profit (Rm)	30	17	21
Attributable (Rm)	36,2	18,8	5,7
Earnings (c)	13,2	6,8	1,7
Dividends (c)	—	4,3	—

FM 15/11/91 (186)

market is hard to estimate.

Epol, while not expected to affect future results significantly, remains the problem child. Wells says new feed mills will fall under Epol, and Rainbow and Premier intend to focus it correctly. (3) Poultry

Buying feed producers is in line with Rainbow's intention to produce much of its own feed, reducing its dependence on Tiger's Meadow Feeds. But one suspects the purchase of Epol had more to do with negotiations around the Bonny Bird deal.

Rainbow MD John Geoghegan says while operating income should improve in the next six months, growth in EPS is unlikely for the year. The interim dividend has been passed.

But the group seems to be coming out of a heavy recovery period. Barring the variables of chicken disease and the sensitive period which food prices appear to be entering, financial 1993 could be when shareholders get their golden egg. Rainbow has a clear strategy for efficient production; if prices increase in line with inflation, vastly improved results should follow.

Shaun Harris

ANIMAL FEEDS (3) Poultry

Over the Rainbow

FM 22\11\91

Tiger Oats' animal feeds division, trading under the label of Meadow Feeds, still dominates the animal feeds market. Of the 3,9 Mt produced annually, Tiger supplies more than 40%. Farmers produce another 2,1 Mt of feed a year for own use on their farms.

But recent changes in the poultry and animal feeds markets have set the cat among the pigeons. Within the next few years, competitor Epol (in the Rainbow-Premier stable) may challenge Meadow's dominant position.

This is directly linked to the recent takeover of Bonny Bird by Rainbow Chickens, when Rainbow simultaneously obtained a 50% share in (and management control of) Epol. Currently, Meadow is still Rainbow's major feed supplier — but with Rainbow now controlling Epol (Rainbow MD John Geoghegan is Epol's new chairman), won't Epol want to take over Meadow's role?

Not according to Geoghehan, who is currently locked in sensitive negotiations with Meadow over the renewal of its existing supply contracts with Rainbow when they expire in 1993. "We are not going out to challenge Meadow's number one position in the market. Rationalisation of Epol's operations may entail certain production cutbacks," says Geoghehan.

An announcement on the outcome of the discussions is expected this week.

The battle for market share has taken on an added urgency in view of shrinking profit margins in the poultry industry. Poultry producers have been hit by an oversupply situation, coupled with sluggish demand.

Rainbow — SA's number one poultry producer — paid R224m for Bonny Bird, giving it 48% of the local broiler market, with weekly production capacity of 4m broilers. It also paid R20m for the 50% share in Epol, which owns eight mills. In the past financial year, Rainbow utilised some 450 000 t of feed, indicating the huge market that might now open up for Epol. But Rainbow also provides some of its own feed raw material requirements, with about R12,3m invested in maize and soya production.

This investment was made by Rainbow to evaluate the economic viability of producing these crops, due to the wide gap between maize producer and consumer prices in the open market. In the financial year to end March 1991, Rainbow's farming activities added R4,8m (or 10%) to its operating profit, providing some 7% of the group's feeding requirements. This shows the huge savings

FM 22\11\91 (3) Poultry

~~(3) maize~~

involved in "home production" of animal feed ingredients. Rainbow also operates a major feed mill in Rustenburg and has supply contracts with Bokomo in the eastern and western Cape.

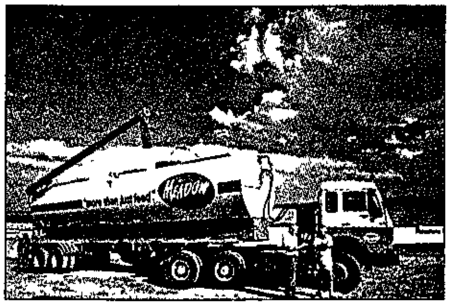
Epol MD Munro Griessel says the international trend has for some time been for vertical integration between poultry and feed production. "As feed comprises about 80% of the live bird production costs (and 50%-55% of total cost), it makes sense to integrate vertically into feed production in order to exercise greater control over feed costs," he adds.

Rainbow Chickens production director Barry Hundley says Rainbow annually uses about 350 000 t of maize. And it saves about R100/t on the 45 000 t of maize which it produces for its own account, as it does not have to pay the consumer price differential to the Maize Board.

"But, while we currently get up to 6 t/ha on our farms, it has not yet been determined how far we can expand this farming operation in a cost-effective way," he says. With Bonny Bird now also forming part of the Rainbow stable, group maize consumption should total about 500 000 t a year. "This makes us one of the biggest yellow maize consumers in SA. Our feed mill at Rustenburg alone will have the capacity to produce 300 000 t of feed annually, with maize the major component," he says.

After the Bonny Bird takeover, group feed consumption totals about 700 000 t annually (of which maize constitutes 500 000 t), adds Hundley.

Hundley believes that consumers should be allowed to buy their maize direct from producers, without having to pay any levies to the board. "The single channel system should be phased out and a price support system, as in the US, should be instituted." Another major problem with the one-channel system, says Hundley, is the lack of a proper grading system, to differentiate between the various nutritional grades of maize produced.



Meadow Feeds truck ... *finding the correct protein balance*

"I believe that the days of the one-channel marketing system for maize, as well as for feed wheat and oilseeds (the other animal feed products) are numbered. These systems only add to inflation. Yellow maize makes up 65%-70% of feed volume and about 44% of feed costs," says Hundley. In the case of cattle feeds, maize makes up about 50% of the volume consumed.

Graham Ebedes, MD of Meadow Feeds, says animal feed production today is very hi-tech, with feed playing the role of "high octane fuel." But the mix and composition must be right, with the correct protein-energy balance, as required by the animal at its various stages of growth and production.

"Research and development plays a big role in optimising the formulation in order to give the producer a competitive edge," says Ebedes.

While substitute raw materials such as grain sorghum used to be freely available on the market, the board has almost killed off all opposition by offering special discounts to its prime clients.

A major problem at present, says Ebedes, is the falling protein content in local maize, possibly as a result of farmers cutting back on fertiliser use.

"But, being a monopoly, the board charges us the same price, irrespective of the protein content. SA's animal feed industry cannot afford paying high prices for raw materials that do not meet specific standards," he says. Furthermore, the board's price differential is untenable and urgently needs addressing. ■

STAR
28/11/91

Drying to boost egg consumption

In an effort to boost the local consumption of eggs, South Africa is to follow the overseas practice of marketing this nutrient-rich food in dried form.

Eggs in this country have been largely marketed in the shell, but this has hampered consumption. ③ Poultry

Minister of Agriculture Dr Kraai van Niekerk estimates that as much as half of the country's production of eggs can be marketed in dried form.

A factory is to be erected at Bronkhorstspruit in which the latest technology will be used for the processing of dried egg products, such as egg-enriched maize meal, egg spreads and pre-mixes for industrial use. — Agricultural Correspondent.

Cheap chicken plan triggers outcry

(3) Poultry

MARCIA KLEIN

NEWS that an importer intends to flood the SA market over Christmas with 800 tons of imported cheap chickens has caused an outcry from local producers.

However, industry sources said it was possible that the importer would not meet the stringent SA requirements for an import permit, and that the chickens could possibly be part of a dumping procedure.

A source said it appeared that the importer was a small company registered in Bophuthatswana.

Weekend news reports identified the importer as the Atlantic Import and Export Agency and said it was shortly to import more than 800 tons of A-grade chickens from the US at prices below those of local producers.

It said a consignment of A-grade birds had already left the US, and that Atlantic MD Herbie Botes anticipated a year's contract with some major retail clients.

Sources in the industry said although the broiler industry operated in a free market environment, the imported chickens had to meet SA requirements.

B Day 4/12/91

An SA Poultry Association spokesman said yesterday that offshore companies could bring in chickens more cheaply because of SA's high maize price, export subsidies in other countries and dumping by international companies on the SA market.

Chicken price hikes stay below inflation

B Day 5/12/91. [redacted]

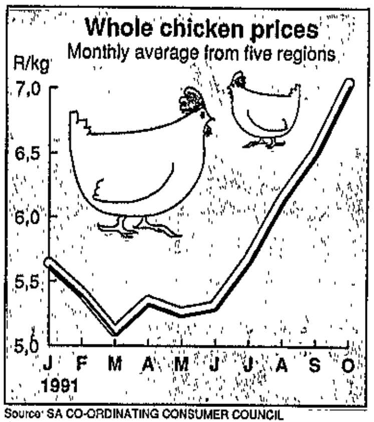
[redacted] ③ Poultry

SHARON WOOD

RETAIL chicken prices climbed after mid-year but increases were still well below consumer price inflation, Rainbow Chicken sales director Bill Brown said yesterday.

An SA Co-ordinating Consumer Council survey of three major retail chains showed chicken prices rose 32,8% between June and October.

Pick 'n Pay national perishable buyer Ian Edy said suppliers' chicken prices had almost doubled this year. Pick 'n Pay was paying R6,37 for a whole chicken compared with about R3,80 in March.



Source: SA CO-ORDINATING CONSUMER COUNCIL
Graphic: FIONA KRISCH

At the producer level chicken prices climbed by a year-on-year 12,9% excluding VAT in October, said Brown. This followed year-on-year increases of 7% in July, 11% in August and 14% in September.

Feed costs, which made up 85% of production costs, rose in excess of Rainbow's price rises this year.

Chicken prices declined in the first few months of the year because there had been a large stock build-up prior to winter.

A Festive Farms spokesman said its chicken prices had risen at about the same rate as Rainbow's.

Chicken producer prices were subject to cyclical conditions and were solely determined by supply and demand conditions, Brown said. Demand exceeded supply in the winter months, thus pushing up prices, and as summer approached supply began to equal demand.

GERALD REILLY reports from Pretoria that SA Agricultural Union economist Koos du Toit said yesterday farmers could not be blamed for soaring consumer prices.

He said the culprits had to be found elsewhere in the food chain.

(3) Poultry

New players enter fast food chicken market

BDay 30/12/91

MARCIA KLEIN

THE R600m a year fast food chicken market is becoming highly competitive as a flock of new players enter this high growth area.

But chicken fast food chains have not escaped the effects of the recession.

Chicken volumes in the fast food trade increased by nearly 13% a year from 1987 to 1990 as consumption rapidly gained popularity.

But the year to end-June 1991 saw volumes drop sharply to show only 4,9% growth as the opening of new outlets slowed on the back of high building costs and the recession, an industry source said.

This appeared to have been a temporary hitch as overall volumes picked up to 12,9% from July to November compared with the same period last year.

An industry source said the past year was characterised not so much by growth in the market, but rather by market share swings within the industry.

It is believed that Chicken Licken and Nando's Chickenland showed good growth and could have taken some share away from Kentucky Fried Chicken. But a source said they might have merely taken up the extra business which became available as the market expanded, while Kentucky did not.

Kentucky, whose directors could not be reached for comment, remained the biggest player in the chicken fast food business with about 220 outlets.

Industry sources attributed Chicken Licken's growth to its aggressive marketing and expansion over the past few years, while the new trend towards healthier fast foods saw the likes of Nando's Chickenland making significant inroads.

Not everyone has prospered from the growing consumer taste for chicken. A source said that Mr Rooster, which had nearly 50 stores in 1989, currently operated fewer than 20.

The growing popularity of chicken fast foods was attributed to a general move away from red meat, partly because of increased health consciousness, "but more appropriately chicken was cheaper", a source said.

Nando's director Eric Parker said in an interview that the chain had opened 12 stores in the past two years and it hoped to have 70 outlets in five years. Nando's biggest problem was to find good sites, he said.

Parker said all stores were growing at a phenomenal rate, "to the extent that directors could not have anticipated".

He said the fast food market was growing due to urbanisation, a narrowing of the wage gap, working wives, longer retail shopping hours and a decline in the number of corner cafes.

Not only was it growing, but it was also changing and consumers were looking for healthier products and a supplement for a home cooked meal.

Chicken Licken franchise manager George Michaels said the chain, which started off in 1981 and had opened only seven stores by 1984, was currently trading out of about 120 stores.

JAN - DIC 1992

Chicken market expected to grow

B/Day 17/1/92.

③ Poultry

JABULANI SIKHAKHANE

BROILER chicken producers are confident that the industry is set to resume its growth pattern after experiencing one of the most difficult 12 months in its history last year.

The broiler chicken industry had been growing at a compound 9% in the 10 years to 1990. But growth was static for most of 1991, according to a SA Poultry Association spokesman.

The spokesman said the broiler market was now stable. Chicken prices rose towards the end of 1991 as retailers stocked up for the Christmas period but they had since weakened in line with the normal cycle for the industry.

Rainbow Chicken, the country's biggest poultry producer, had a good Christmas trade, sales director Bill Brown said. However, demand had started slackening this month, which is usually a quiet period. Rainbow was currently sitting on a "couple of weeks' stocks" of frozen chickens, which would be cleared through a price reduction of 65c to R4,80 a kilogram.

Brown said Rainbow was short of refrigeration capacity and had been using outside storage facilities. An analyst said the shortage of refrigeration capacity was in spite of the group having increased capacity to about 10% of production during financial 1991.

Brown said Rainbow expected sales volume growth of between 5% and 6% for the 12 months to March compared with the nine month period of financial 1991. However, Festive Farms, a subsidiary of Imperial Cold Storage (ICS), was less enthusiatic about short-term prospects for the broiler market.

"The market is pretty stable with sufficient stocks. But in the short-term it's tough going. The high unemployment rate has affected protein consumption," he said.

The association spokesman said after last year's production cutbacks there was spare capacity of between 3 to 4% overhanging the industry.

"The broiler chicken industry used to operate on five- to six-year cycles. Consumption was down in 1986/1987 and growth resumed in 1988 until 1990, a factor which saw producers expanding production capacity," he said.

But the bottom fell out of the market in 1991 with chicken prices falling below production costs and forcing production cutbacks to stabilise prices.

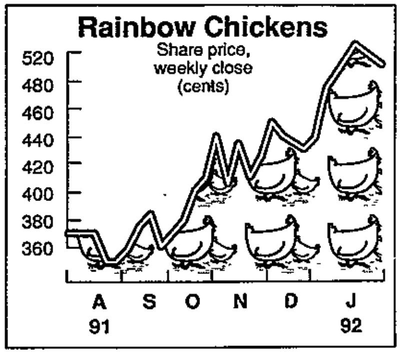
The spokesman said it was in the industry's interets to make sure that chicken retained its major competitive advantage over red meat — being the cheapest source of protein — even if short-term market forces might demand dramatic price increases.

Any artificial price ceiling, however, would require producers to keep a tight reign on costs. Since 1988 production costs had increased by an average 18% compared with an average rise of 6% in chicken prices over the period.

The broiler chicken industry is dominated by about eight major players who produce 80% of the total 392-million chickens a year. The biggest operator is Rainbow with about 50% market share and second is Tiger Oats' County Fair with a 9% share.

Festive Farms chips in with 8% of the total. Despite this, the Poultry Association believes that the industry offers good opportunities for small-scale producers.

"There are areas where the big producers are not cost-efficient. For them to be able to supply those areas they will need huge investments in refrigeration facilities for instance," the association spokesman said.



Graphic LEE EMERTON Source. I-NET

③ Poultry

Egg demand 'set to rise'

B/Day 23/11/92

JONO WATERS

EGG consumption is expected to rise by 3% to 4,373-million cartons in the next six months but production is forecast at 4,529-million cartons, creating a surplus of 156 000 cartons, the Egg Board said in this month's Eggstats bulletin.

But if egg supply were to increase as it did last year because of a surplus of hatchery eggs prices could be significantly disrupted.

Eggstats suggests the surplus results from too many layers in production compared with the demand for eggs and producers have only one viable option — to avoid uneccessary expansion in hen numbers.

Export prices are also expected to weaken.

Police probe plight of battery fowls

S/Times 8/3/92 ③ Poultry

HUMANITY for Hens — an organisation fighting for a ban on battery farming in South Africa — has complained to the police about alleged cruelty to animals at Lemoenkloof Plase, one of the largest battery farms in the Western Cape.

Captain Sakkie Kitshoff, head of the CID in Wellington, confirmed that the complaint was being investigated and that any evidence would be handed to the attorney-general.

By EVE VOSLOO

The founder of Humanity for Hens, Mrs Louise van der Merwe of Cape Town, said this week that although the complaint was against one farmer, it was aimed at the whole battery farming industry.

If the complaint came to court it could be a test case that would decide the future of battery farming in South Africa.

She said that the national council of the SPCA had pledged its support and would pay for expert witnesses to be brought from abroad if necessary.

About 3 000 South Africans have also pledged support and some had sent money to help run her anti-battery campaign, Mrs Van der Merwe said.

Humanity for Hens is planning to circulate a petition against battery farming and its alleged cruelty to the animals.

The director of the South African Poultry Association, Mr Zach Coetzee, said he was disappointed that the SPCA had decided to support Humanity for Hens as the association had begun talks with the SPCA "to try to agree on what was considered cruel".

He added: "We had an understanding that the SPCA would not to be involved in court action until our talks had been concluded."

Price increases ruffle feathers

Sowetan 19/3/92 [redacted] (3) Poultry [redacted]

SOWETO'S businessmen claim that they are being ripped off by Indian and white chicken dealers who have increased their prices significantly in the past months.

Mahlo Chicken Distributors said that the dealers have also refused to award them contracts to sell chicken to low-income families in the townships.

Live Cornish hens were selling at between R22 to R25 and these prices were unreasonable as they came after the introduction of Value Added Tax (VAT) which they claimed was having serious effects on the small businesses.

Major chicken sellers predicted that the future was bleak as prices will escalate because of the drought in the country.

They expressed these views after a survey of retail meat prices that showed chicken was still far and away the best buy for hard-hit consumers — the majority of them black.

Spectrum

The survey, carried out by Agrichicks, covered the market spectrum from corner butcheries in the low income areas to "smart set" supermarkets.

"Chicken prices have been increasing like everything else in these inflationary times," managing director of Agrichicks, Mr Roger Meredith, said this week.

The secretary of Mahlo Chicken Distributors, Mr Sam Mohajane, said that black fowl dealers who depended upon middlemen — Indian and white farmers outside Soweto — for their supplies were shocked by the new prices.

He said the problem started with the introduction of VAT. In January, 1991, a fowl cost R13, in September it shot up to R17 and was now selling at between R22 and R25.

High prices

"The black businessman is finding it difficult to cope with high prices as we serve the disadvantaged community in squatter camps and other poverty-stricken areas," Mohajane said.

He added that blacks depended largely on chicken for their food because they could not afford red meat.

"No Indians, no whites depend on live Cornish hens to the same extent as blacks, who are the poorest section of the community."

Major chicken dealers serving Soweto businessmen have exonerated themselves from the new prices, which they said was beyond their control.

The breeding manager of Festive, Mr Clive Jones, said that they severed relations with many blacks who had contracts with them because "they have simply let us down in terms of payments".

Cash-flow

Many of them had cash-flow and transport problems. The company could not afford to lose money because "we have to feed and maintain the birds".

He denied that VAT was the reason for the new prices.

Cassamia Chicken Dealers' manager, Mr Bobby Cassamia, said in order to protect the birds they were forced to increase their prices. No business raised its prices as a result of VAT, he said, adding, "we know the law and will not rip off our people".

He predicted that the prices would rise as a result of the drought. Farmers would be hard hit by drought and be forced to keep their prices up.

A farmer, who did not want his name mentioned, said that the problem would be worsened by drought.

The Star Friday April 3 1992 9

New poultry controls will benefit consumer

STAR 3/4/92 ③ Poultry

Pretoria Correspondent

Existing regulations on product quality and marking standards of poultry meat will be brought in line with modern consumerism trends from June 1 with the introduction of updated regulations on controlling the sale of poultry meat.

"The current regulations have been enforced for several years and are no longer market-related," a spokesman for the Department of Agriculture said yesterday.

The main changes will benefit the consumer, since details of class of meat, the name of the portion or contents of a pack, the name and address of the producer or processer and date codes such as "best before" will be clearly marked on the product.

The naming of portions was a "grey area" in the existing regulations, the department spokesman said.

A further change to the regulations, affecting poultry meat producers, is a change in regulations regarding absorbed moisture content of poultry meat.

"The maximum level of allowed moisture remains eight percent, but tests to determine the moisture content will in future be carried out by the abattoirs themselves," he said.

Whereas the existing regulations made provision for the Directorate of Meat Hygiene of the Department of Agriculture to carry out these tests, the directorate will in future only supervise the tests for absorbed moisture.

When the new regulations drafted by the Department of Agriculture in collaboration with the Southern African Poultry Association, come into effect on June 1, producers who do not comply with the requirements of the new regulations will be allowed time to make the necessary adjustments.

The maximum penalty in the regulations has been raised from R5 000 to R8 000.

The case against the 'factory farms'

(2) Poultry

S Times 5/4/92

SPECIAL REPORT BY DIANA STREAK ON THE BATTERY HENS CONTROVERSY

THE battery system of poultry farming has come under the spotlight as police gather evidence for what could be a watershed court case.

Cape Town housewife Louise van der Merwe, the founder of a movement called "Humanity for Hens", has laid a charge of cruelty to animals against Lemoenkloof Plase, a large egg producer in the Wellington district.

Investigating officer, Captain Sakkie Kitshoff, head of the CID in Wellington, has already begun to gather evidence, including videoing the interior of the batteries.

The SPCA is supporting Mrs Van der Merwe's action and will assist in paying for overseas experts to come to South Africa to give evidence should the case go to court.

This week the Sunday Times visited a chicken farm near Paarl to see the inner workings of the type of "factory farm" that Mrs Van der Merwe says she is determined to stop.

The farmer, Mr Allan Stuart, who runs a 95 percent "battery" and five percent "free-range" operation, said he would happily do away with the battery system — if there was an alternative as profitable.

But "free-range" eggs cost as much as 35 percent more than those from battery hens, and are normally only available in some supermarkets or from farm stalls.

Gassed

During a visit to his farm, Mr Stuart told how;

- He clipped the second toe of each foot from one-day-old female chicks to prevent them scratching one another, although he said not all farmers did this;
- Newly hatched male chicks were killed, either by drowning or being gassed. Their bodies were fed to pigs or given to zoos, he said;
- At 12 days, the chicks are debeaked as part of their preparation for life in a battery. This process is one of the main points of contention between farmers and anti-cruelty campaigners.

In the battery, they are expected to lay up to 300 eggs in the 10 months to a year of their productive lives. They are confined in groups of between three to five in cages, stacked rack upon rack. At no stage do they ever touch the ground.

"Every natural instinct of these hens is frustrated," says Mrs Van der Merwe.

"They cannot scratch, peck, dustbath, lay an egg in a nest or in seclusion, make a nest, spread their wings or sunbathe."

Dr Michael Appleby, an animal behaviourist from Edinburgh University, has told Mrs Van der Merwe that he is is prepared to travel to South Africa to testify as an expert witness in the Lemoenkloof case.

Dr Appleby, in a treatise condensing 26 years of research and 41 papers, has concluded: "Hens do suffer in battery cages".

Inside the battery, the first thing that strikes you is the peculiar noise. We saw 20 000 hens in wire cages all facing forward into the feeding rack. They emit a sound which can be best described as a mixture of a coo and a moan.

On the floor below the four-tier cages, are piles of droppings, cleared once a year and sold as fertilizer.

Mr Stuart, who also produces free-range eggs, said: "Our policy is to supply what the consumer wants. If more consumers want free-range eggs we will supply them."

Free-range hens have nests, perches, dust baths, space to move around and sunlight. Nevertheless, they are also debeaked to stop them harming one another.

While free-range hens are happier, the higher costs involved have ensured that battery farming is here to stay — unless Mrs Van der Merwe and Humanity for Hens are successful in either bringing about changes in the battery system or having it phased out.

Lemoenkloof was chosen as the target of the prosecution because it is one of the biggest battery farms in the Western Cape.

The Southern African Poultry Association says that animal welfare activists mistakenly attribute human feelings to animals. The organisation says the distaste towards cage structures, limited space and beak trimming stemmed from people putting themselves in the place of the chicken.

"It is a proven fact," SAPA says, "that animals will not produce unless they are content and comfortable."

Small

Over 11-million hens kept in batteries in SA produce 275-million eggs annually, says SAPA. The free-range production is so small figures are unavailable.

After their year of battery confinement, the hens are left with brittle bones and are generally weakened due to lack of exercise and are often featherless.

But even then the birds' suffering is not over, according to Mrs van der Merwe.

They are sold to a "cull farm" which sells them to black consumers, who prefer live chickens. The situation there is "absolutely hideous", she says, because they are crammed into cages, many with broken bones, tied in bunches and carried for hours to their final destination.

‘IT’S LIKE HAVING A NAIL TORN OUT’

THE debeaking of chicks is cruel and creates unacceptable suffering, anti-cruelty campaigners claim.

(3) Poultry

The chicks’ beaks are sliced off with a hot blade in a guillotine-type machine, which cauterises the stump to prevent bleeding.

Farmer Allan Stuart argues that debeaking is essential for the welfare of battery hens which are kept confined in groups of between three to five to a cage, and might peck each other to death.

“If they see blood they will peck a hen to death. If there are no sharp beaks they can’t do any damage.”

Anti-battery campaigner Louise van der Merwe feels the pain caused to the animal by the debeaking process is unacceptable.

She cites an investigation by a British government scientist, Dr Mike Gentle, who says there is evidence of “persistent chronic pain” caused by partial beak amputation.

The Humanity for Hens movement has issued a pamphlet in which Professor Chris Barnard is quoted as saying the pain of debeaking is equivalent of a human having a nail ripped out.

Mr Stuart compares the process to the circumcision of humans, and claims the chicks experience 10 to 15 minutes of pain.

Mr Stuart demonstrated the debeaking process on two chicks. Their beaks were placed in the machine and a button was pressed. There was a whirring sound as the red hot blade sliced down ... and finally there was a faint burning smell.

As the chicks are debeaked, their bodies freeze in shock. They are then tossed on to the floor, where they stand rooted to the spot before moving off and mingling with the thousands of others.

S/Times 5/4/92

BUSINESS

Battle in luxury car market gets tougher

BDay 8/4/92.

EDWARD WEST

THE battle for market share in the luxury car market looks set to become even tougher this year with new entries from SA's Japanese-sourced manufacturers.

The sector was previously dominated by European vehicles — Audi, BMW and Mercedes-Benz.

Motor industry sources said at the weekend Nissan SA planned to launch two new ranges to its Maxima model towards the end of 1992, while Toyota SA is believed to be planning the launch this year of the Camry, a vehicle similar in looks to the Maxima and which would probably be priced in the same range.

Although Toyota SA would not confirm the launch of the Camry, executive chairman Bert Wessels said Japanese vehicle manufacturers had encroached on most luxury car markets, with Toyota's Lexus outselling European manufacturers in the US a case in point.

Top of Toyota's local range is its 3-litre Cressida, which Wessels says is seen as "touching the luxury market segment".

Toyota SA has also sold about 12 of its Lexus models in SA and consideration would be given to importing more into the country in limited volumes, said Wessels.

The first Japanese-sourced manufacturer to launch a car at the high volume luxury market recently was Nissan, who launched its V6 31 Maxima in November last year. Nissan spokesman Illana Sallant said, on average, 76 a month had been sold.

The Maxima, priced at around R105 000 and sporting all the trimmings of most European-sourced luxury vehicles in SA, promptly won the 1991 SA Car of the Year competition.

The latest European entrants to SA's luxury market have been BMW's relaunch of the 3-series in March, ranging in price from R66 000 to R116 000, and VW's launch of three new models in the Audi 500 line-up at the end of February. These range in price from R103 000 to R140 000. Volkswagen plans to import probably fewer than 100 SL Audi Quattros, which will retail for about R195 000 this year, says its public affairs spokesman Johan Wagner.

BMW spent R250m on tooling and production facilities for the new 3-series, while Audi, which is aiming at a 25% share of the luxury car market, spent only R40m on their new range.

BMW public affairs spokesman Johan Kleynhans said while the market for cars priced at more than R60 000 shrank to 23% from 34% of total car sales last year, BMW's share of this market increased to 34% in 1991 from 20% in 1985. While total new car sales were not expected to grow substantially this year — if at all — the luxury car market was expected to grow by up to 2,5% compared with last year.

Last year, BMW sold 15 431 units, Mercedes-Benz SA (including Honda sales) 15 756 and Audi 2 117, statistics from the National Association of Automobile Manufacturers of SA (Naamsa) show.

SA's total car market in 1991 was dominated by vehicles of European origin. Naamsa's statistics of new car sales in 1991 show that vehicles originally sourced from Germany, including Opel and some of the Ford range, held a 49,9% share of the total market of 197 736 units.

Egg price increase can be expected, says board

BDay 8/4/92

MEREDITH JENSEN

③ Poultry

THE Egg Board has warned that an increase in prices can be expected as the industry continues to experience the effects of the drought.

The board's March report said the increased cost of having to import maize had put upward pressure on prices making egg production more costly.

The board's GM Jan van Zyl sees the rising cost of maize as a serious problem for producers.

"Seventy percent of the production costs of eggs are in feed for the chickens, of which 60% consists of maize," he said at the weekend.

"If the maize price goes up, then the production cost goes up and it is passed on to consumers."

Currently, a dozen large eggs retail for R3,06.

Egg surpluses for January and February amounted to 6,6% of consumption, according to the report.

'This was an extremely high figure we had to absorb," he said.

Van Zyl emphasised the board was trying to encourage egg producers to operate in a "more market orientated fashion" and to pay attention to consumer demand.

Egg producers are operating with 2% to 2,5% more hens than they were this time last year, though the demand outlook is much weaker.

This has posed a serious problem as the industry cannot afford to subsidise a prolonged surplus.

"Producers may have to get rid of their hen surplus by sending them off to be culled," he said.

The surplus eggs bought by the board are converted into egg products for export to Japan, Korea and other Pacific Rim countries.

The Board imposes a levy on producers of 7c per dozen eggs.

"It is like an insurance policy," said Van Zyl, adding that the money was not only used to buy surplus eggs, but also went towards advertising and market information systems, as well as product development.

Van Zyl reserved some optimism, however.

"The drought has irritated a bad situation, yet the economy is expected to grow. Then, consumption grows as well."

③ Poultry

Egg price shoots up very soon

Sowetan Correspondent

A "MASSIVE" increase in the price of eggs is to be announced by the Egg Board this week.

"The price of eggs at the moment is not market-related and this, the first major increase since the introduction of VAT, has become necessary," the chairman of the Egg Board, Mr Ben du Plessis, said yesterday. Sowetan

Du Plessis said the impending increase was also attributable to increasing production costs on the side of the producers who, due to the drought, would need to buy imported maize and other grains. 9/4/92

This could push up prices by 35c a dozen, depending on the price of imported grain.

Egg price to increase

Poultry ③ producers

STAR 9/4/92

By Paula Fray and Own Correspondent

Egg producers are expected to announce a big price increase within the next few weeks, a spokesman for the Egg Board confirmed yesterday.

Egg Board chairman Ben du Plessis said at a Consumer Open Day in Pretoria on Tuesday that the egg price was not market related and a major increase had become necessary.

An Egg Board spokesman said yesterday that the board did not control the price of eggs and an increase would be up to individual producers.

Producers had indicated that a "massive" increase was needed because of the expected higher imported maize price and an accumulative backlog in price increases while production costs had risen.

The size of any increase would depend on consumer resistance and whether or not producers would lose part of their market share.

Marketing manager of Fair Acres, John Davison, said eggs could rise by 35c a dozen, "depending on the price of imported grain".

Acquisition costs trim Rainbow's profits

poultry

STAR 8/5/92.

③

By Sven Lünsche

Rainbow Chicken showed a slight drop in attributable profits for the year to end-March as the costs of incorporating Bonny Bird and Epol pushed up the interest burden significantly.

It also offset a remarkable recovery in the bottom-line from R6 million in the first six months of the year to R42,8 million in the second-half.

For the year as a whole attributable earnings decreased by 12 percent to R48,5 million (R55,1 million).

The decline accelerated to 31 percent at the per share level following on the June 1991 rights issue, while the total dividend was lifted slightly to 4,4c (4,3c).

The inclusion of Bonny Bird and Epol more than doubled group sales from R690 million to R1,51 billion, but depressed margins from 6,8 to 5,1 percent.

The group had to meet interest payments of R27,2 million, compared with a net interest income of R9,4 million previously, as a result of the acquired debt and the amount owing to the vendors of Bonny Bird.

MD John Geoghegan, however, says that gearing of 28,8 percent remains at reasonable levels, particularly as R90 million of the debt incurs interest at six percent below prime.

Despite the decline in earnings, Rainbow Chicken lifted its contribution to the bottom line of holding company **Hunt Leuchars and Hepburn** (HLH) from 14 to 18 percent.

HLH's turnover in the year to end-March increased by 18 percent to R693,7 million (R587,1 million) on steady sales performances by its two subsidiaries Robertsons and Transvaal Sugar.

Operating income, however, rose by only four percent to R121,9 million (R117,8 million) as lower international sugar prices and reduced consumer demand put pressure on trading margins.

Interest and dividends received from associate companies Rainbow and HLH Timber fell from R23,5 million to R20,6 million, while interest paid rose 28 percent as borrowings rose to finance further investments in fixed assets and additional working capital.

Attributable earnings were subsequently virtually unchanged at R118,6 million (R117,6 million). The total dividend was maintained at 32,5c a share.

HLH chief executive Neil Morris does not foresee a significant recovery in the economy in the current financial year, but expects the group to increase earnings.

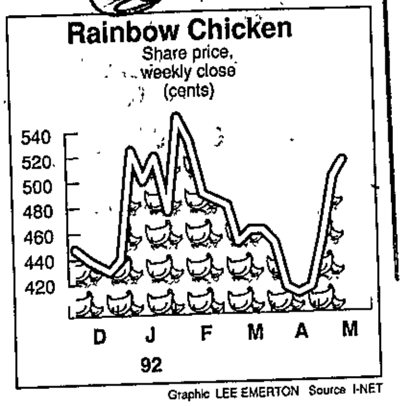
Huntcor, which derives its income from its holding in HLH, reported a marginal decline in net earnings to R90,9 million (R91,3 million) but maintained a total dividend of 65,5c.

Rainbow results head for growth

③ Poultry

BDay 8/5/92

MARCIA KLEIN



Rainbow Chicken

Share price, weekly close (cents)

Graphic LEE EMERTON Source I-NET

RAINBOW Chicken has reported poor results for the year to end-March but is on track to show a strong growth in earnings in the coming year.

Although the 12% drop in attributable income to R48,5m (R55,1m) shows a significant improvement on the R5,7m reported at the September interim stage, MD John Geoghegan said results were affected by "persistent excess production" and poor economic conditions.

Turnover, which nearly doubled to R1,5bn from R690,5m, reflects the inclusion of Bonny Bird and Epol sales for the first time, as well as a 15,9% rise in Rainbow's sales.

Operating profit rose 62% to R76,3m from R47,1m, but margins were lower due to the inclusion of Bonny Bird and Epol. Geoghegan said Rainbow's margins were only slightly down on the previous year.

He said Rainbow was making significant progress in turning around Bonny Bird, and it reported a profit of R17m after showing an operating loss of R13,2m in the previous year.

After R9,4m interest was received in the previous year, Rainbow this year paid R27,2m interest as a result of "acquired debt, the amount owing to the vendors of Bonny Bird and the capital expenditure in respect of the Rustenburg feed mill".

Increased interest-bearing debt was used to fund the capital expansion programme. Of the total debt of R254,6m, R9m was loans for the vendors of Bonny Bird, which incur interest at 6% below prime overdraft.

The utilisation of assessed losses and capital allowances saw Rainbow make no provision for tax.

Earnings decreased by 31% from 20c to 13,8c a share on additional shares in issue, and a dividend of 4,4c (4,3c) was declared.

Geoghegan said that in the first and last quarters, selling prices increased by only 9,5% due to poor economic conditions, relatively low meat prices and excess production.

He said selling prices would be relatively low in the first quarter as excess stocks were depleted, but prices should return to normal levels and were likely to be supported by increasesd in red meat pricesd.

"The ongoing rationalisation of Bonny Bird and the commissioning of the Rustenburg feed mill are expected to make an important contribution to earnings, so earnings should show strong growth in the next year," Geoghegan said.

This would be achieved despite the fact difficult economic conditions, exacerbated by the drought, would prevail for most of the year.

Boland aims to strengthen capital base

LINDA ENSOR

BDay 3/7/92

CAPE TOWN — Boland Bank aims to strengthen its capital base by creating 200-million redeemable cumulative non-participating par value preference shares which will be issued at intervals as determined by the bank's capital needs.

In the bank's annual report, released yesterday, chairman Pietman Hugo said the proposal to increase the authorised share capital would be submitted to shareholders at the July 23 AGM.

He said the bank's capital base needed strengthening to comply with the phasing-in requirements of the Deposit Taking Institutions Act. Boland would focus on consolidation and credit risk management in the current financial year. Last year, earnings increased to 141,3c (126,4c) due mainly to substantial increases in commercial banking, commission services and treasury incomes. These services were expanded to offset the limitation of financing growth to 6%.

Emphasis was given to promoting cheque accounts and broadening the bank's electronic card base.

Drastic measures were taken to manage risk. Hugo said there had been a sharp increase in bad debts last year.

The bank's total assets at the last year-end amounted to R3,5bn (R3,3bn).

Hugo said SA's short term economic growth prospects were unfavourable.

Rainbow forecasts strong performance improvement

B/Day 3/7/92

(3) Poultry

MARCIA KLEIN

RAINBOW Chicken had a bad year to end-March, but has forecast a strong improvement in earnings in financial 1993.

Rainbow, SA's major chicken producer, reported a 12% drop in earnings to R48,5m to end-March on the back of overproduction and poor economic conditions.

MD John Geoghegan said in the annual report that selling prices were particularly low in the first and last quarters.

In spite of the results, the newly acquired Bonny Bird had turned around from a R13,2m loss in 1991 to a R17m profit in 1992. Geoghegan said that Rainbow had excellent resources, a sound financial structure and a clearly focused strategic direction, and its earnings should show a strong improvement in the coming year.

Geoghegan said the past year had been extremely difficult, and Rainbow had the additional task of managing its acquisitions — Bonny Bird Farms and Epol. It also bought the remaining 50% of Hyflite Breeders for R6,75m cash.

There had been little volume growth due to the recession, the drought and the introduction of VAT on Rainbow's products, which were previously exempt from GST.

Overproduction and a low level of demand resulted in significant sales promotions. While volume growth in the fast food and major retail chains sectors had been strong, volumes were reduced in the mining contract, small retail and other outlets.

Geoghegan expected the selling prices of chicken to be low in the first quarter while excess stocks were being depleted. But there would be a significant recovery in the second half "due to the balancing of supply and demand for poultry products and a rising meat price".

The rationalisation of Bonny Bird and the commissioning of the new Rustenburg feedmill would also make a contribution to earnings. In this light, he has forecast astrong improvement in earnings.

Geoghegan said improved mortality, feed conversion and body mass in Bonny Bird had contributed to keeping the cost of production increase to less than 10% for the year.

Geoghegan said reduced demand and margins in the animal feed industry had led to the closure of certain Epol competitors. To accomodate future demand, Epol had expanded one factory and built a new plant. Geoghegan expected little growth in sales volumes and a marginal improvement in earnings in this division.

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Rainbow forecasts strong performance improvement

B/Day 3/7/92 C

③ Poultry

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Chicken demand shows little growth

STAR 13/7/92 ③ Poultry

By Stephen Cranston

There has been little volume growth in demand for chicken in the past year, says Rainbow Chicken MD John Geoghegan.

Mr Geoghegan attributes this to the downturn, the effects of the drought and the introduction of VAT on chicken, which had been GST-exempt.

Mr Geoghegan says that while the overall food index increased by more than 25 percent for the year, Rainbow's chicken prices increased by just 9,5 percent - excluding VAT in the financial year to March.

Mr Geoghegan says there was persistent overproduction which, coupled with the low level of demand, caused surplus stocks primarily in the first and last quarters.

Rainbow experienced increased demand from the fast-food sector, where Kentucky Fried Chicken is the dominant customer, and major retail chains.

Demand slackened in the mining contract, among small retailers and other outlets.

Mr Geoghegan says there has been an increase in red meat supply because of the drought, which will continue to exert downward pressure on chicken prices.

Mr Geoghegan expects prices to increase in the second half of the financial year starting on October 1.

He predicts that supply and demand for chicken will balance and red meat prices will increase.

Salmonella outbreak rocks W Cape poultry industry

(5) POULTRY ARG 31/7/92

ROGER FRIEDMAN
Staff Reporter

ABOUT 55 000 broiler chickens in the Western Cape have died in a huge outbreak of salmonella which has stunned the poultry industry.

Some flocks have have been reduced by 30 to 40 percent, a State veterinarian has confirmed.

People who eat infected meat without cooking it thoroughly may develop food poisoning, abdominal pain, nausea or diahorrea — and it is likely some birds carrying the bacteria but not showing symptoms have reached supermarket shelves.

Salmonella enteritidis is a bacteria, specifically adapted to the hen. It spreads rapidly through modern intensive rearing establishments. The bacteria lives in the oviducts of infected birds.

Although salmonella has been around for centuries, this is the first major epidemic recorded in South Africa.

The outbreak is confined to the broiler industry, and has not had any effect on the egg-producing chickens.

City medical officer of health Dr Michael Popkiss said cooked poultry posed no hazard to human health.

He said consumers should beware of cross contamination such as using the same knife to prepare the raw bird as to carve it when cooked.

There had been no reported escalation in incidents of food poisoning, Dr Popkiss said.

Mr William Carter, owner of Golden Grove which has escaped the epidemic, said he had "heard about outbreaks in one particular area", but was not willing to elaborate.

The State vet confirmed that "a number of farms are affected in the Western Cape.

"The birds have been treated with antibiotics," he said.

Mr Jeremy Owen, group marketing manager for County Fair, said "huge mortalities of chickens" in the past month had led to a shortage which had increased the price of chicken by 20 to 25 percent in the past four weeks.

"The reduction in production has brought about this shortfall," he said. He put the mortalities down to "the equivalent of the common cold".

Mr Steve Brookes, a professional poultry consultant, said the industry was bewildered by the outbreak which "happened very suddenly".

Mr Brookes was unable to pinpoint when the epidemic started, saying "it has been barneyed around as a rumour for several weeks".

What caused the epidemic and which farms are affected is unclear.

Mr Brookes feels that it is most likely to have been introduced to the industry via imported fish meal.

The State vet said it was "nothing to get excited about. The problem has been identified and attempts are being made to prevent similar outbreaks in the future."

The chicken abattoirs were aware of the problem and were sampling the processed product to identify contaminated birds.

Chickens causing a cluck over salmonella

③ POULTRY ARG 1/8/92

■ So far, there have been no cases of salmonella poisoning in the Western Cape, site of South Africa's first outbreak of salmonella in poultry, and local suppliers and supermarkets have assured customers their products are safe.

ROGER FRIEDMAN
Weekend Argus Reporter

THERE have been no reported cases of salmonella poisoning in the Western Cape, says Cape Town medical officer of health, Dr Michael Popkiss, and there is "certainly no human epidemic on the horizon".

He was reacting to disclosures that 55 000 broiler chickens in the Western Cape had died in South Africa's first outbreak of salmonella.

Professor Louis Coetzee, head of Pretoria University's department of poultry diseases, confirmed the outbreak was confined to the Western Cape.

People who eat infected meat without cooking it thoroughly may develop food poisoning, with abdominal pain, nausea and diarrhoea.

Dr Popkiss confirmed outbreaks of salmonella enteriditis on two farms, after inquiries through a City Council veterinarian. It was confined to the broiler (chicken meat) industry and eggs were unaffected.

Golden Grove and Eikenhof poultry farms were totally unaffected, according to independent poultry consultant Mr Steve Brookes.

County Fair group marketing manager Mr Jeremy Owen attributed the "huge mortalities of chickens" to "the equivalent of the common cold", but the company's managing director, Mr David Finlayson, conceded they had experienced a salmonella enteriditis outbreak.

However, he said only a "small number" of birds had come down with the disease and these had been dealt with.

Mr Owen said normal mortalities in the broiler industry were about five percent, but this figure had jumped above 10 percent in the past few weeks.

However, according to a state veterinarian, some flocks had been affected by about 30 to 40 percent mortality.

Managing director of Rainbow Chickens Mr John Geoghegan, said they were unaware of any salmonella enteriditis in the country.

A source in the industry, who asked to remain anonymous, said the birds were dying within three weeks of birth.

However, some infected birds do not die and remain carriers of the bacteria, possibly reaching supermarket shelves, although this was disputed by Mr Finlayson.

"If we felt there was a danger of contaminated chickens getting to the market place, we would certainly have informed the retailers.

"County Fair follows strict bio-security measures to maintain the health of its birds."

Mr Ian Harris, perishables buyer for the OK Bazaars in the Western Cape, said the onus for testing birds lay largely with the suppliers.

"But, we are aware of the salmonella outbreak and are running more stringent tests ourselves."

Pick 'n Pay's perishables manager, Mr Raymond Murray, was unaware of the salmonella outbreak when Weekend Argus contacted him, but later said he had been assured by the chain's suppliers that all their products were safe.

Spot checks would be conducted.

A spokesman for Checkers-Shoprite said "poultry sold in our stores is subject to stringent testing" and was safe.

Producers had not told them of on outbreak of salmonella, said the spokesman.

The origin of the outbreak remains a mystery.

Dr Popkiss repeated his advice that nobody was in danger provided they cooked poultry thoroughly.

"Boiling kills the bacteria," said Dr Popkiss.

Meanwhile, Professor Coetzee of Pretoria University and the Southern African Poultry Association, said that a health plan for the control of salmonella was published in 1990.

The poultry association had been aware of the problem of salmonella enteriditis for several years, said Professor Coetzee.

The association was taking pro-active steps to combat the bacteria.

Be sure your goose is cooked

ROGER FRIEDMAN
Weekend Argus Reporter

COOKING your poultry thoroughly kills the salmonella bacteria, experts have confirmed.

But half-cooked chicken containing the bacteria could be lethal to infants and the elderly and lead to severe food poisoning in healthy adults.

Safety precautions recommended by Cape Town's medical officer of health, Dr Michael Popkiss, include:

- Don't cook frozen chicken without thoroughly thawing it first.
- Parboil chicken before braai-ing it as it is often half-cooked on the inside.
- Stuffed chicken should be cooked very thoroughly as heat takes its time to penetrate such a dense mass.
- Never use the same implement to prepare raw chicken as to carve the cooked product, or bacteria could pass from the raw to the cooked food.
- Do not chop your salad ingredients on the same board as you've used for raw chicken.
- Maintain the cold chain by not allowing frozen chicken to defrost before re-freezing it.

Dr Popkiss said these precautions should be taken at all times and were not only relevant to the current salmonella outbreak.

'Action stations' for the DP

■ A nonracial election within 12 months — that is the target set by the Democratic Party for plans under the spotlight at its Western Cape congress today.

FRANS ESTERHUYSE
Weekend Argus Political Correspondent

THE Democratic Party is to set up an action plan today to expand its support base to all communities in the Western Cape.

The aim is to set the party on an election footing for the country's first nonracial parliamentary elections — expected by the DP to be held within the next 12 months.

The action plan — and the DP's future role — are among major issues the annual congress of the party's Cape Western region.

The plan will include a recruiting drive and a major fundraising campaign.

Western Cape DP chairman Mr Jasper Walsh told Weekend Argus:

"We reject the notion that all South Africans support either the establishment or the liberation camp.

"We believe that neither of these groupings appeals to tens of thousands of people who will be left without a political home

"Many of these people belong in the Democratic Party.

"We are firmly committed to expanding our support and influence among all people in this region

"Our specific aim is to obtain ma-

ARG 1/8/92

Rainbow cuts profit forecast

3 poultry 18

MARCIA KLEIN

RAINBOW Chicken, which traded at a loss in the first quarter of financial 1993, has cut its profit forecast for the year.

In its 1992 annual review, Rainbow had said it expected "a strong improvement in earnings a share in the next year".

But chairman Desmond Loch Davis said at the AGM yesterday it was unlikely that earnings for the year to end-March would be higher than those of the previous year if adverse economic and political circumstances continued. Results to end-March showed attributable profit of R48,5m and earnings of 13,8c a share.

Loch Davis said that when Rainbow published its results in May, it had expected sales prices to be relatively low in the first quarter on the back of high industry stocks and poor consumer demand. But these prices had been "much lower than anticipated and were at times even lower than the cost of production". B/DAY

Sales prices did increase significantly in July and Rainbow expected to trade profitably in the second quarter. However, it was "unlikely that this will be sufficient to recoup the losses by September 30 when the group's half year ends". 6/8/92

Despite the gloomy outlook, he said future demand for protein would increase on the back of the population growth and higher private consumption expenditure.

Rainbow was aiming to increase its share of the protein market via low cost production, national distribution and strong national brands.

RAINBOW FM 21/8/92

Bending to the market

Activities: *Integrated chicken producer.*
Control: *Hunt Leuchars & Hepburn 40,3%.*
Chairman: *D J Lloch Davis; MD: J B Geoghehan.* ③ Poultry
Capital structure: *368,5m ords. Market capitalisation: R1,29bn.*
Share market: *Price: 350c. Yields: 1,3% on dividend; 3,9% on earnings; p:e ratio, 25,4; cover, 3,1. 12-month high, 550c; low, 320c. Trading volume last quarter, 1,9m shares.*

Year to March 31	**'89**	**'90**	**'91**	**'92**
ST debt (Rm)	—	—	316	211
LT debt (Rm)	—	—	144	44
Debt:equity ratio	—	—	0,83	0,31
Shareholders' interest	0,80	0,81	0,45	0,63
Return on cap (%) ..	12,1	8,8	2,5	5,7
Turnover (Rm)	554	635	523	1 511
Pre-int profit (Rm) ...	81,4	65,0	30,2	76,3
Pre-int margin (%) ..	14,7	10,2	5,8	5,1
Earnings (c)	26,8	31,3	13,0	13,8
Dividends (c)	7,5	10,7	4,3	4,4
Net worth (c)	195	216	187	216

On fundamentals, Rainbow Chicken should perform well; chicken satisfies the needs of lower-income groups, providing them with protein at affordable prices, while the upper-income groups are consuming more white meat because of their dietary quests. But recently things have gone badly wrong for Rainbow, best indicated by last week's unusual announcement that significant losses were incurred in fiscal 1992's first quarter, making it unlikely 1992's earnings level will be achieved this year.

EPS dropped 31% in 1992, a year described by MD John Geoghehan as exremely difficult, as management had to cope with the recession and challenge of managing Bonny Bird Farms, acquired from Premier Foods. It became a subsidiary at the beginning of the 1992 fiscal year.

Rainbow's Geoghehan ...
an extremely difficult year

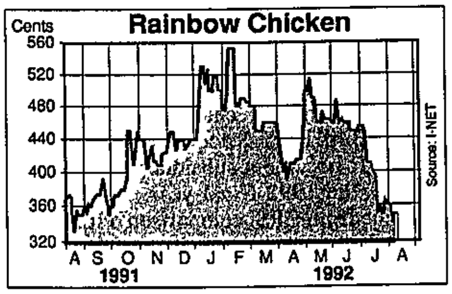
Aside from EPS, comparison of the results with the previous year is problematic as Rainbow funded the acquired 100% of Bonny Bird and 50% of Epol (including management control) by a rights offer of 93,5m ordinary shares, raising R247,9m.

Historically, Rainbow has been production driven, as significant growth in the chicken industry, around 7% a year, allowed for it. Of this increase, three percentage points resulted from demographic growth, with the shortfall remainder derived from consumers' switching from red meat to cheaper white meat. The problem came after the growth tapered off, while Rainbow's production grew unabated, with excess capacity worsened by last year's poor Christmas season. Prices dropped significantly, with the result that Rainbow sold chickens below cost during the first quarter of this year.

Rainbow has never had a marketing director, though the imminent appointment of such a man probably reflects acceptance by Rainbow management that the world has changed, and one will no longer be able to rely solely on industry growth.

The growth in 1992 turnover is largely explained by the inclusion of Bonny Bird and Epol sales for the first time, though the Rainbow division achieved 15,9% turnover growth.

The decline in trading margin is primarily due to the inclusion of Bonny Bird, which had lower margins than the Rainbow division, and Epol, which operates in a traditionally lower-margin industry. Significant progress was made in turning Bonny Bird around, indicated by 1992's R17m profit against a R13,2m loss previous year.



Bottom-line results were also hit by the turnaround in interest charges, swinging from the previous year's net income of R9,4m to an expense of R27,2m.

Geoghehan says this resulted from acquired debt, the amount owed to Premier Group for Bonny Bird and R103m in capital expenditure, of which R44,8m went to the Rustenburg feedmill, R10,5m was used to increase the processing capacity at Hammarsdale, and R7,6m has been spent on upgrading refrigeration and by-product facilities at the three Rainbow processing sites. Continuous expansion of the breeding, hatchery and broiler facilities at Rustenburg totalled R9,2m.

Gearing, though, has dropped markedly due to the increased equity, after the rights issue, and lower debt.

A pick up in consumer demand will reduce the excess production capacity and widen margins, which will boost EPS. However, Rainbow faces another complication as the drought means farmers are having to slaughter cattle because of the shortage of grazing, so softening prices of red meat. *William Gilfillan*

continue —D

Chicken furore

3 POULTRY
ARG, 31/10/92

Feathers ruffled over 'protectionist' tariffs on imports

■ Americans say new tariffs on chickens will have the effect of banning poultry imports. But local poultry producers disagree.

Weekend Argus Reporters

NEWS of a planned increase in the tariff charged on American chicken imported to South Africa has been strongly condemned by the United States Poultry and Egg Export Council.

The council says the intended tariff — believed to be a whopping R4 a kilogramme for chicken parts and R3 a kilogramme for whole chickens — will effectively ban all chicken imports.

But the move has been welcomed by the Poultry Association of South Africa, which represents local poultry producers.

They say the Americans are dumping their products at low prices and that this could eventually price local producers out of the market.

The American council, which represents leading American poultry producers, said: "South Africa's Board of Trade and Industry, in a truly protectionist move, plans to this week effectively ban all future chicken imports by increasing tariffs to exorbitant levels."

Confidential sources have informed the council that this increase will be announced at the weekend and will take effect immediately.

In many countries governments subsidise chicken exports, making it possible for producers to charge very low prices. Production costs are also lower abroad as producers get maize feed cheaper than South African producers.

Some years ago South Africa was producing up to 500 000 turkeys a year for the local market. Then American producers flooded the local market with cheap turkeys, leading to the collapse of local producers.

There are now no turkey producers in South Africa, while the price of imported American turkeys has soared.

The South African Poultry Association, fearing that the same could happen to chicken producers, has asked the Department of Trade and Industry to increase the minimum tariff level which has not been adjusted since it was introduced in 1988.

Since the beginning of this year, about 15 000 tons of chicken have been imported from America at a cost of close to R40-million.

The American association believes the expected tariff increase will be R4 a kilogramme on chicken parts and R3 a kilogramme on whole chicken.

"We are outraged at these moves which are aimed specifically at keeping US products out of South Africa.

"All South Africans deserve to be able to purchase poultry at prices the rest of the world enjoys. The level of the new tariff, while not officially known, promises to be sufficiently high to ensure that no chicken imports can compete with domestic prices."

In the past few months, substantial quantities of American chicken have been coming into South Africa at attractive prices.

"At a time when South Africa is seeking cheap protein sources and lower food prices, we protest most strongly at this protectionist tariff.

"This action is as a direct result of input from South Africa's monopolistic poultry industry."

One company, Rainbow Chickens, produces about 46,5 percent of all poultry in South Africa. Ten companies control 85 percent of local production.

The South African government announced recently that it was requiring certification and testing of all poultry imports for *salmonella enteritidis*, a disease normally associated only with egg products.

The American council said a number of South African importers — aroused by this latest attempt to eliminate chicken imports — planned to voice strong protest through various channels.

The president of the Housewives' League, Mrs Lyn Morris, said the principle of dumping was not a sound one and could have a detrimental effect on local producers.

"If we take cheap imports, in a short time it could be cleared out and we could be left high and dry.

"The question is whether we look after our poultry farmers to keep them in the market, or lay ourselves open to the free market and get cheaper food."

She said it would not do South Africa any good to destroy the local market, but it was also important that local producers competed equally in the market place.

Tariffs rumour angers poultry producers

B/Day 2/11/92

PETER GALLI

(3) Poultry

LEADING US poultry producers have launched a stinging attack on the Board on Tariffs and Trade, accusing it of planning to ban all future chicken imports from the US by increasing tariffs to exorbitant levels — a move they claim is motivated by local producers.

The USA Poultry and Egg Export Council said in a statement it was outraged about rumours that the increase could amount to an additional R4/kg on chicken parts and R3/kg on whole chickens.

Over the past few months a large amount of American chickens had been coming into SA at "attractive prices" and the move to increase tariffs was the direct result of input from the local monopolistic poultry industry, council president Jim Sumner said.

The SA government had announced recently that it was requiring certification and testing of all poultry imports for salmonella enteritidis — a disease normally associated only with egg products, he said.

The council planned to lodge an appeal

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Poultry

B/Day 2/11/92

(3) Poultry

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through US government channels and directly to local officials, he said.

Rainbow Chickens financial director Chris Wells said last night he could not speak on behalf of the SA Poultry Association, but his company was generally opposed to tariffs. However, government imposed tariffs on imports of soya and fish meal, and in addition local producers were unable to freely buy their raw material inputs on the open world market.

"Until the playing fields are levelled, it is vital that a tariff on imported chicken is imposed to enable local producers to compete against dumped overseas imports to the country.".

Neither the Board on Tariffs and Trade nor the SA Poultry Association could be reached for comment at the weekend.

Bid to raise tariffs on chicken imports

PETER GALLI

(3) Poultry

THE Board on Tariffs and Trade is remaining tight-lipped about whether it is considering increasing tariffs on chickens imported into SA.

But the SA Poultry Association confirmed yesterday it had requested an increase in these tariffs.

Board on Tarrifs and Trade chief director for investigations Alwyn Kraamwinkel said in a written response to questions: "In applying the tariff protection policy . . . it may be necessary, in the interest of industrial development, to provide additional protection against disruptive competition where products are imported at abnormally low prices."

BDay 4/11/92

The Poultry Association had applied for increased import tariffs last December as cheaper chickens had been landing in SA for a number of reasons, including dumping, subsidies and cheaper import costs abroad, a spokesman said.

US poultry suppliers were furious about the rumoured tariff increases, claiming there was a shortage of chickens locally due to the drought.

But the Poultry Association spokesman said local producers were importing maize from the US to feed their poultry, pushing costs up.

The Poultry Association had applied for a specific duty rather than the present formula tariff.

It was "in favour of fair competition from abroad, but on a level playing field", the spokesman said.

Rainbow Chickens financial director Chris Wells said local producers were unable to buy their raw materials freely on the world market and it was vital that a tariff be imposed on imported chickens.

Minister says poultry industry needs tariffs

GERALD REILLY (3) Poultry

PRETORIA — Tariffs had to be introduced to protect the country's fast-expanding broiler industry from dumping and unfair competition, Agriculture Minister Kraai van Niekerk said yesterday. B/Day 6/11/92

Speaking at the opening of the Rainbow Chicken feed mill in Rustenburg, Van Niekerk said in terms of the gross value of agriculture production, the industry was second only to the maize industry.

The growth rate had been phenomenal, increasing almost sixfold in the past ten years. While poultry consumption was a mere 29 000 tons in the mid-50s, it had soared to 550 000 tons last year — an increase of more than 2 000%.

The broiler industry was slaughtering 7,2-million birds a week with the total exceeding 36-million a year.

Van Niekerk said the broiler industry had made major inroads into the meat market because of relatively low prices and efficient competition.

There was little, if any, advertising in the media to promote the industry, he said.

While per capita consumption of beef and mutton had decreased by 50% since 1960, per capita consumption of chicken had increased from only 2,4kg in 1960/61 to nearly 15kg in 1991/92.

In terms of gross production it seemed the broiler industry would remain more important than beef and would become even more important than maize in the forseeable future.

Van Niekerk said by the year 2000 it could become the single most important agriculture industry in terms of gross value.

Requirements then would be 870 000 tons produced from 600m broilers supplemented by old laying hens.

Van Niekerk said the present consumption numbers of nearly 9-million cartons of 30 dozen eggs was expected to increase to nearly 14-million at the turn of the century.

However, Van Niekerk said the supply of feed seemed the biggest problem facing the poultry industry.

Rainbow slides deep into the red

③ POULTRY
CT 9/11/92

From **MARCIA KLEIN**

JOHANNESBURG. — Losses in the first quarter had a severe effect on Rainbow Chicken, which reported an attributable loss of R18,9m in the six months to end-September, from a profit of R5,7m the previous year.

The loss indicated a significant and unexpected downturn in the group's fortunes, as it had forecast at the March year-end that it would show "a strong improvement in earnings a share in the next year".

Group MD John Geoghegan said although Rainbow traded profitably in the second quarter, the interim results were seriously affected by the losses suffered in the first quarter.

These losses were largely because of excess stocks in the industry, the continued adverse environment and low red meat prices resulting from higher cattle slaughtering brought about by the drought.

These factors had led to to extreme pressure on chicken prices. Geoghegan said selling prices were below production cost during the first three months. The selling prices had declined by 5,4% compared with the previous year's average prices.

Although prices increased in the second quarter, the level of the price increase for the full six-month period was "substantially below the inflation rate".

In addition, volumes were 6% down on the back of reduced consumption.

Turnover increased by 6,3% to R787,5m from R740,7m as a result of small growth in sales of chicken products and strong growth in Epol's sales.

But at the operating level, the group showed a loss of R507 000 from profit of R20,9m in the previous year due to the low selling prices, reduced volumes and the higher cost of imported maize — of which the free on rail price rose by 24%.

Funding of capex and the increased working capital requirement saw the interest bill rise by to R18,2m from R14,7m, and no provision for tax was made.

Rainbow showed a loss of 5,1c (earnings of 1,7c) a share, and no interim dividend was declared.

Capex of R35,4m was mainly used for the new Rustenburg feedmill, which started production in June.

The increase in interest-bearing debt rose to R326,5m (R254,6m) to finance working capital and capex, and Geoghegan said gearing of 37,5% remained manageable. About R90m of the debt related to loans from the sellers of Bonny Bird at an interest rate of 6% under prime.

Duties on imported chickens

THE Board on Tariffs and Trade recently imposed increased import duties of 225c/kg on whole frozen chickens and 313c/kg on chicken cuts as an interim measure.

The new rates were published in the Government Gazette late last week, but the Board said they may be revised after comments from interested parties.

The increased duties were imposed in response to complaints by the Southern African Poultry Association about the marked increase in low-priced imports and the threat these imports posed.

The board found the imports of whole frozen chickens and frozen chicken cuts had almost trebled since 1991, and significant quantities of these imports were at abnormally low prices.

BUSINESS DAY, Monday, November 9 1992

Duties hiked to protect local poultry industry

BDAY 9/11/92

PETER GALLI

IN A move that has provoked the ire of US poultry producers, the Board on Tariffs and Trade announced at the weekend additional interim protection for the SA poultry industry.

The Board announced a duty of 225c/kg on whole frozen imported chickens and 313c/kg on frozen chicken parts. The increased duties were published in the Government Gazette on Friday. They follow an application last year by the SA Poultry Association.

"Duties at these levels will adequately protect the domestic industry against abnormally low chicken prices," the board said.

The US Poultry and Egg Export Council described the action as "a protectionist move aimed specifically at keeping US products out of SA".

(3) Poultry

"All South Africans deserve to be able to purchase poultry at prices the rest of the world enjoys. The action is a direct result of input from SA's monopolistic poultry industry and is unacceptable at a time when the country is seeking cheap protein sources," president Jim Sumner said.

The board said it had found chicken imports had almost trebled since 1991 and that significant quantities of these were at "abnormally low prices".

The import price of chicken had risen by only 2% since 1989 and some imports were taking place at price levels lower than the SA production cost.

The duties would be reviewed after comment from all parties. The protection imposed would then be confirmed or modified.

Graphic: RUBY-GAY MARTIN Source: I-NET

Rainbow Chicken produces a loss

(3) Poultry

MARCIA KLEIN

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Group MD John Geoghegan said although Rainbow traded profitably in the second quarter, the interim results were seriously affected by the losses suffered in the first quarter. BDAM 9/11/92

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Rainbow

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☐ From Page 1

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Rainbow showed a loss of 5,1c (earnings of 1,7c) a share, and no interim dividend was declared.

Capex of R35,4m was mainly used for the new Rustenburg feedmill, which started production in June Geoghegan said the mill was part of a "strategy to reduce feed costs to the lowest possible level" and that the mill would contribute to profitability.

The increase in interest-bearing debt rose to R326,5m (R254,6m) to finance working capital and capex, and Geoghegan said gearing of 37,5% remained manageable. About R90m of the debt related to loans from the sellers of Bonny Bird at an interest rate of 6% under prime.

Although prices had improved and the group was likely to trade profitably for the rest of this year, earnings would be "significantly down on the R48,5m earned in the prior year".

Management would focus on reducing costs, managing stock and strengthening its marketing activities.

● See Page 3

FM 13/11/92. ③ Poultry

POULTRY TARIFFS

Laying an egg

Poultry producers squawked and government responded last week with stiff temporary tariff increases that will undoubtedly mean higher prices for consumers.

The gazetted tariff increase — to R2,25/kg on frozen whole birds and R3,13/kg on frozen chicken portions — resulted from an application originally lodged with the Board on Tariffs & Trade last December.

After recent strong lobbying by the SA Poultry Association, the increased tariffs were published last Friday.

Board director Willie Lubbe says the new interim tariffs will be reviewed in six to seven weeks. "Depending on submissions received and further investigations required, we should be in a position to announce a final tariff decision by next February."

Market leader Rainbow Chickens' dismal results (see *Fox)* and its attributable loss of almost R19m in the end-September half-year underline the fact that the R2,5bn-a-year wholesale poultry industry is bleeding heavily.

New plant, low demand

The recession has sapped demand, forcing Rainbow to cut back production, though it just opened a new R71m feed mill in Rustenburg. And drought-imposed livestock sales have reduced prices for red meat, making for stiffer competition.

In addition, poultry producers rightly blame the Department of Agriculture for distorting the cost of doing business.

Maize and soya oil cake (the primary components of chicken feed, which makes up 80% of the cost of a full-grown bird) cannot be imported at world prices. Producers pay the higher government-set maize price in the local market and a R200/t tariff on imported oil cake.

"Once you start intervening in the market mechanism, other industries, taxpayers and the consumer have to pay the piper," says Pretoria University agricultural economist Jan Groenewald.

"In SA, government first protected local machinery, chemical and fertiliser manufacturers. This forced it to support artificially high maize, wheat and soya prices, to protect the farmers against their higher input costs. Eventually, consumers have to pay up as even poultry producers now have to be protected against the distortions in the chain."

Rainbow dominates the local poultry market and provides about 47% of SA's annual demand for more than 485 000 t, which today represents 42% of all meat sales, compared with 25% in 1980. Beef, which had 52% of the market in 1980, has fallen back to a mere 40%, while mutton has dropped from a 15% share to only 11%.

Poultry producers also complain about the competition from imported US chickens, fed on subsidised US maize. Official statistics show that chicken imports increased progressively from January through September — from 290 000 kg in January to 2,6m kg in September, or a value increase from R790 000 to R9,7m.

But why the fuss when January-September imports still totalled a mere 11 700 t, compared with yearly local chicken production of nearly half a million tons?

SA Poultry Association secretary Zac Coetzee says small volumes entering a stagnant market can soon depress prices and force out producers, harming the long-term supply.

Rainbow CEO John Geoghegan argues that production and price stability is needed to prevent further damage to the chicken producers.

Even major retailers are sympathetic to the cause of the poultry producers and support their case for protection, in principle.

Says Pick 'n Pay food director Sean Summers: "While we are against higher tariffs, we sympathise with the plight of Rainbow and other chicken producers who are forced to buy their inputs locally at prices that are not world-related and yet are expected to compete in the local market with overseas poultry producers who benefit from highly subsidised maize and other feed inputs."

But, he adds, should the protection lead to inordinate price rises, his group will be the first to ask government for a speedy rethink. The problem is that by then, the higher prices will already have become a fact of life. ■

HLH/RAINBOW ③ Poultry FM 13/11/92

Singed wings

It seems incredible that Rainbow Chicken, once a flagship operation, could have incurred such massive losses, having apparently misread the market badly. It reported an interim loss of 5,1c a share against previous EPS of 1,7c. The dividend was passed.

It is easy to be critical with hindsight, but the extent of Rainbow's interim losses probably justify criticism. There are extenuating circumstances in management's favour; for instance, the drought resulted in increased cattle slaughterings, with a drop in red meat prices.

But Rainbow expanded too quickly. Because of excess stocks (and the increased red meat supplies), sales prices dropped more than 5% in the first quarter. On top of this came a 6% drop in volumes in the first half due to reduced consumer spending.

Historically, the broiler operator has been production-orientated; far more attention will have to be given to marketing. Results have also been hit by US chicken imports (see *Business*). There will always be demand for the product, providing scope for optimism

③ Poultry FM 13/11/92

about the long term. But, much like De Beers, it will take a long time before the share regains its premium rating.

Results at Hunt, Leuchars & Hepburn (HLH), which holds 40,3% of Rainbow, were obviously affected by the broiler business. Equity accounted interim EPS more than halved to 15,8c (1991: 33,7c); the dividend was pegged at 13,5c.

However, Rainbow was not the only reason for HLH's decline. It is understood EPS would have dropped roughly 29% after stripping out Rainbow's figures. Drought hurt the sugar operations, while low demand for softwood hit the timber business.

HLH's largest contributor, 100%-owned CGP Investments, trading as Robertsons, was again the cornerstone, though it was hampered by lower consumer spending. Food activities, including brands such as Knorr, Bovril, Maizena and Robertson Spices, account for about 70% of CGP's business; household products, including Rattex and Doom, make up the remainder.

Like associate Rainbow, HLH has also lost its premium rating and will take some time to recover.

William Gilfillan

Rainbow Chicken in feed deal

MARCIA KLEIN

TIGER Oats subsidiary Meadow Feeds has signed a R1bn contract with Rainbow Chicken for the supply of animal feed in Natal. (3) Poultry

The contract, which would be reviewed in 1997, would initially involve the supply of at least 180 000 tons of feed a year to Rainbow. BDay 11/12/92

Meadow Feeds chairman Terry Millar said the contract would ensure that Meadow Feeds, Maritzburg, remained operating at full capacity, adding strength to the about R200m investment by Tiger Oats in the recently completed wheat and maize mill. Tiger Milling & Feeds had announced it had sold its Meadow Worcester feed mill to Rainbow subsidiary Epol for an undisclosed sum.

The Worcester mill's contract to supply Rainbow with feed had been extended to March 1994, after which the sale would become effective.

Tiger said at the time that Rainbow intended blending its own feed for its poultry operations. The sale of the mill, which had met all of Rainbow's feed requirements in the Western Cape, was an alternative to Epol setting up its own mill in the area, a Meadow Feeds spokesman said.

A source said the contract for Natal, the Worcester acquisition and the fact that Rainbow had built its own mill in Rustenburg, should bring down feed costs, which were more than 50% of the company's total costs. The Rustenburg mill was opened last month.

Ostrich skin producer being sued in US

SA's official exporter of ostrich products declined to comment yesterday on reports that it was being sued in the US for R110 million for reneging on an agreement with its American distributor of ostrich skins.

The Klein Karoo Landbou Kooperasie is accused by its US distributor, the John G Mahler Company, of breaking the firm's sole agency agreement with the agricultural co-op.

Mahler claims in a court case being heard in Texas that Klein Karoo sold R150 million worth of ostrich skins direct to Mahler's four biggest clients.

Klein Karoo's general manager A de Waal said yesterday: "We are not in possession of any documents in this regard and consequently cannot comment on any newspaper reports."

Mahler also charges that the co-op is guilty of breaking SA foreign exchange regulations by using a middle-man in London to sell the skins in America and depositing the revenue in a Swiss bank. — Sapa.

Star 2/11/93

(3) poultry

AGRICULTURE — PRODUCTS

Poultry.

JAN - DEC 1993

ICS squeezed by poultry surplus

BDAY 12/11/93

DUMA GQUBULE

CONTINUING surpluses in SA's poultry industry would depress ICS Holdings' half-year earnings, MD Nick Dennis told the group's annual meeting yesterday.

ICS squeezed a 23% increase in attributable earnings to R55,6m from a 6% drop in operating profit for the year ended September. But the poultry division incurred losses as the surplus built up.

The surplus was forcing realisations down to the extent that the group was now selling poultry at a loss. Consumer demand, which historically grew by about 7% a year, was declining. (3) Poultry

Competition from imports was increasing, and some industry players had expanded production.

iness Times, January 24, 1993

Chicken man in a flap over tariffs

S I Times 24/1/93. (3) Poultry

A POULTRY importer's attempts to land 7 500 tons of chicken at less than 30% of the local wholesale price have been scuppered because new import tariffs add 140% to the price of the meat.

By CIARAN RYAN

Richard Theron, president of the Commodities Exchange, says the Board on Tariffs and Trade (BTT) may have imposed the tariffs based on misleading information.

The BTT says it was forced to impose the new tariffs to protect local industry from "abnormally" low-priced imports. It says imported volumes had trebled between 1991 and 1992.

"What is not disclosed is that imports accounted for just 0,6% of the total SA market of 476 800 tons in 1991," says Mr Theron. "Even if the figure has since trebled it cannot be construed as a threat to local producers."

A spokesman for the SA Poultry Association says imports accounted for 2,9% of total SA production in 1992, which aggravated an already depressed market, forcing local producers to cut back production by 12%.

The BTT says its decision to impose the tariffs was not based solely on imported volumes.

"The board regards the continuous supply of food at the lowest possible prices as of paramount importance," says a BTT spokesman. "The availability of imports at abnormally low prices is often of a temporary nature, but it can harm the local industry to such an extent that it will not be able to meet the demand of the consumer in future."

Losses

The new tariffs are designed to protect the R2-billion-a-year industry, already in serious trouble because of falling consumption and rising costs. The poultry industry employs around 30 000 workers.

Rainbow Chickens, which supplies about 50% of the SA market, reported a six-month loss of R19-million last year and has capped its expansion programme. Delmas Kuiken is in provisional liquidation, Meilieklip closed down and several other chicken producers are reported to be making large losses.

RICHARD THERON

"A recent report indicated that 20-million South Africans are going hungry," says Mr Theron. "At the same time the SA Poultry Association is applying for tariff protection of its members' profits, which also removes the competitive necessity for the industry to operate economically."

The SA Poultry Association spokesman replies that the poultry industry is one of the few agricultural sectors operating without controls. Fierce competitiion has kept wholesale price increases to below 10% for over a decade, although Central Statistical Service figures show that chicken prices increased by 218% between 1985 and 1992 compared with 131% for beef at retail level, suggesting that retailers are largely responsible for the rising cost of chicken. The consumer price index increase over the same period was 106,7%.

Chicken has replaced red meat as the country's major source of protein because it is cheaper.

The SA Poultry Association says that cut-price imports could be several years old or poor-quality meat.

Mr Theron replies that the chickens were slaughtered in 1986 and stored at sub-zero temperatures. He says independent laboratory reports indicate the they are free of defects and perfectly edible.

"When thawed no difference between a fresh chicken and the sample was detectable," he says.

Mr Theron has applied to have set aside the recent temporary tariffs of 225c a kg on whole frozen chicken and 313c a kg on frozen chicken cuts which were imposed in November after an application for higher tariffs by the Southern African Poultry Association in 1991.

Rainbow predicts loss above R40m for year

B/Day 26/1/93 ③ Poultry

DUMA GQUBULE

RAINBOW Chickens warned shareholders it would report a "significant loss", expected to be more than R40m, for the year ended March.

In a separate announcement published today, Rembrandt-controlled Hunt Leuchars & Hepburn (HL & H), which has a 40,3% interest in Rainbow, advised shareholders Rainbow's results would affect HL &H's final dividend payment.

HL & H had, in view of the serious decline in operating conditions at Rainbow, reached agreement with Rainbow's controlling shareholders, S C Methven Holdings, that it take reponsibility for the management of Rainbow immediately.

HL & H's holding company Huntcor said developments within HL & H would have a direct effect on its results and dividend payment for the half year to end-March.

A Rainbow statement said the board had, after reporting an interim loss of R18,9m two months ago, expected the group to trade profitably in the second half, but the demand for protein had continued to decrease.

The protein market had remained in an oversupplied situation, leading to a severe decline in prices, despite Rainbow having effected substantial production cutbacks.

HL & H CE Neil Morris said yesterday Rainbow's second half loss could well be more than the first half's R18,9m.

He said consumer demand for proteins, which had increased by a compound growth rate of 7% a year over the past decade, had declined substantially over the past year with volumes running at 8%-9% below the previous year's levels.

Broiler producers all had spare capacity, but overproduction was still 10%-20% above the market's requirements, which had resulted in a significant drop in prices.

Meanwhile, costs had been rising with inflation while prices for maize (a major input accounting for about 55% of total costs) had, because of the drought, increased by about 25%.

Total costs were rising ahead of inflation while volumes and selling prices were falling, causing the squeeze on profits.

Morris said HL & H would put all the resources at its disposal to assist Rainbow's management through the difficult times. The priority would be to ensure Rainbow continued to take the lead, reducing its production in line with market demand, he said.

Rainbow, as a substantial producer with about 50% market share, wanted to see a return to more responsible pricing in the industry. It had been cutting production over the past year, while other producers had maintained or increased production.

Rainbow reported an operating loss of R507 000 on a 6% increase in turnover to R787,5m for the six months to end-September. But interest costs on its R326m debt used to fund capex, working capital and recent acquisitions of Bonny Bird and a 50% stake in Epol, pushed the interim loss to R18,9m.

HL & H halved its attributable income to R23,6m, as a good contribution from food products subsidiary Robertsons was offset by unsatisfactory performances from Transvaal Sugar and associates Rainbow Chickens and HL & H Timbers.

Rainbow Chickens warns of more losses

Star 26/1/93.

③ Poultry

Rainbow Chickens, which reported a loss of R18,9 million for the six months to September, says it will report a significant loss for the full year to March and will be passing its final dividend.

It said last night that Hunt Leuchars & Hepburn Holdings (HL&H) would, with immediate effect, take over the management of the group.

HL&H cautions its shareholders that its earnings to March will be materially affected by Rainbow's results because of its 40,3 percent holding in the group.

Rainbow said that instead of trading profitably in the second half, as it had hoped, the "market remained in an over-supplied situation, leading to a severe decline in sales prices."

HL&H is Huntcor's sole investment. The investment holding company has told its shareholders that any development within HL&H would impact on it. — Sapa.

Rainbow faces uphill battle

By Stephen Cranston

(3) poultry

STAR 27/1/93.

Promises that shareholders would reap rewards from Rainbow Chicken's capital expenditure programme in financial 1993 have come to nothing.

Hunt Leuchars & Hepburn (HL&H) has therefore had no choice but to assume management control to protect its 40,3 percent holding worth R400 million.

But there is unlikely to be a bloodbath among management.

HL&H MD Neil Morris says that there are competent people in senior management and HL&H will be working with them.

The chicken producer's management made what might at best be described as a series of miscalculations.

It was partly bad luck that two factors coincided — the peaking of Rainbow's debt levels and the continued slump in the chicken price.

Under the late Stan Methven, Rainbow was ungeared and earned considerable interest.

But the present management decided to integrate backwards by building its own feed mill at Rustenberg, and had plans to build other mills at Hammarsdale and Worcester at a total cost of R237 million.

Benefits were seen in controlling the cost of feed, but unfortunately these benefits were negated by the need to import maize, which led to a 24 percent increase in feed prices.

The additional debt for commissioning the Rustenburg mill would have been manageable had it not come less than two years after the acquisition of Bonny Bird for R224 million and of 50 percent of Epol.

In those years, margins plunged from 10,2 to 5,8 percent and then to 5,1 percent.

Interest-bearing debt rose to R326,5 million in September 1992, up from R254,6 million a year earlier. Interest paid rose from R14,7 million to R18,2 million.

This financial year, far from being able to fix the chicken price because it controls 50 percent of the market, Rainbow found that competitors were increasing production.

Rainbow is traditionally production-driven because it was able to sell all it could produce when it was growing at seven percent a year, as in the 80s.

"The group has been devoting more resources to marketing, a trend we intend to accelerate," says Morris.

He says Rainbow has looked to export markets, but it is unfortunately competing against suppliers with far lower maize costs.

Morris says Rainbow was a sound company, well placed with its spare capacity to supply increased demand.

Ultimately, as so much less feed is needed to produce a kilogram of white rather than red meat, it must have a promising future as a cheap protein source.

Rembrandt, which controls HL&H, takes a long-term view of its investments. Once supply and demand are in equilibrium, Rainbow could quickly regain its profitability.

SUNDAY TIMES, Business Times, Ja

Rainbow's debt home to roost

③ Poultry

ST Times (Buss) 31/1/93

By CIARAN RYAN

RAINBOW Chicken's losses for the year could be as high as R70-million, R30-million more than the figure quoted earlier this week.

This is the view of Frankel Max Pollak Vinderine analyst Teigue Payne. Hit by declining sales and cut-price chicken imports, Rainbow has been forced to sell at below cost to remain competitive.

Importers are up in arms over the Board on Tariff and Trade's imposition last year of import tariffs of 225c a kilogram on whole frozen chicken and 313c a kilogram on frozen chicken cuts. BTT's reason for imposing tariffs was the "abnormally" low cost of chicken imports which had trebled over the last year.

One importer from Eastern Europe says the first batch of a 5 000-ton consignment of chickens is being held by Customs and Excise following the imposition of the temporary tariffs, jeopardising the entire deal.

"This is despite the fact that the consignment was imported before the tariffs were imposed," says the importer.

Richard Theron, managing director of the Commodities Exchange, says an order for 7 500 tons of chickens at less than 30% of the SA wholesale price has been torpedoed by the new tariffs.

"In a country where millions live below the poverty line we are being stopped from delivering protein as cheaply as possible to protect a handful of inefficient producers," says Mr Theron.

This week's announcement that Hunt Leuchars & Hepburn (HLH) is to take over management of 40,3%-held Rainbow is the most serious indictment of management since the founding of the group by the late Stan Methven. HLH chief executive Neil Morris says the management takeover was necessary to stem the flow of red ink.

"There are some gaps in management," says Mr Morris. "It is hard not to be critical but a number of companies underestimated the downturn in the economy.

"Management at Rainbow had been accustomed to growth in the chicken market of 7% a year for the last decade and had geared capacity to meet this growth. Faced with a downturn they were left with spare capacity."

Several other chicken producers are in similar trouble. Delmas Kuiken is in provisional liquidation, Mieliekip has been closed down and most larger chicken producers are making losses.

Rainbow, which supplies 50% of the market, cut back production to reduce market oversupply. Mr Morris says remedial action at Rainbow includes "appealing to other producers to bring common sense back into production so that price stability returns".

Asked if this means collusive or monopolistic pricing, Mr Morris says the market is too competitive. "Other producers tend to set their prices according to ours but there is certainly no collusion."

Other steps include increasing exports to niche markets such as the Far East, where SA has the advantage of lower transport costs.

Mr Morris defends the group's call for tariffs on imported chickens even though imports make up less than 3% of the total SA market of around 480 000 tons.

He says: "We are not asking for subsidies. If we could import maize at international prices then we could compete with the chicken importers whose suppliers have the advantage of cheaper feed.

"We would like to see export processing zones where we could import our feed duty-free. This would enable us to compete more effectively on the export market."

Mr Morris says the price gap between red meat and chicken at the retail level is 30%, the widest it has been for several years.

Chicken price increases at the wholesale level were held below 10% a year for the last 10 years, although Central Statistical Service figures show that chicken prices at the retail level increased 218% between 1985 and 1992 compared to 131% for beef.

RAINBOW CHICKEN ③ Poultry

Worsening fears of a bloodbath

FM 26/3/93.

Rainbow Chicken's year-end loss is going to be much bigger than expected. When the broiler producer issued a cautionary in January warning that a "significant loss" was expected and that the dividend would be passed (*Fox* January 29), it was speculated the loss would be about R40m. It now seems it will be closer to R65m.

The announcement pushed the share price down to a new low of 180c. Then, for no obvious reason, it began to recover strongly, gaining 30% in the first week of March to reach 260c. It has since settled at 230c, but investors must now be wondering whether there is life in the old bird yet.

Since holding company Hunt Leuchars & Hepburn (HLH) took over direct management of Rainbow last month in an attempt to stem the losses, there have been some changes. A new group MD is being sought for the chicken producer.

HLH CE Neil Morris, who has spent much of his time during the past two months standing in as group MD for Rainbow, says there has been a restructure of senior management.

"Structurally, we have split the company's management. John Geoghegan (Rainbow's former group MD) now heads the production and processing company, Rainbow Chicken Farms. He has always done that job well and we believe he can continue to do so," Morris says.

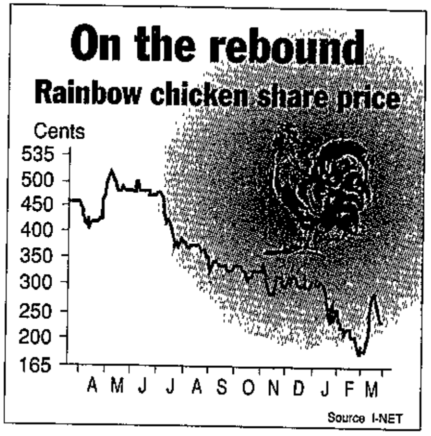
The rest of management will concentrate on finance, administration, human resources, marketing and sales. A new MD is wanted to co-ordinate all activities.

Rainbow has cut production by 11%-12% in an attempt to get more realistic pricing in the industry, but that is being hampered by smaller competitors who have not cut production. Some have even increased output.

"We are also considering exports to take up some of our surplus," Morris says. Input costs remain a problem, with 55% of the total cost of producing a chicken consisting of maize, whose price rose 24% last year. "That's why it's so hard to compete against imported chickens, whose producers are paying 60% of the price we are for maize," Morris says.

But the problem of what the industry called "dumped" chickens has been eased by the Board on Tariffs & Trade, which earlier this year imposed temporary import tariffs of 225c/kg on frozen whole chicken and 313c/kg on frozen chicken pieces. That will help the industry, as will the late summer rains which the SA Agricultural Union believes will alleviate the need to import maize this year.

But even if market conditions improve this year, it seems the best that Rainbow can hope for is to break even or show a small profit by the end of the 1994 year.



On the rebound

Rainbow chicken share price

Source I-NET

What's going to hamper Rainbow's return to profitability is the fundamental change in its balance sheet. When it listed in 1989, it was ungeared and had R100,5m cash. By 1991, after Rainbow acquired major competitor Bonny Bird for R224m and 50% of Epol for R20m, the cash was only R1,7m and stated gearing was 25%. Last interim debt had ballooned to R326,5m, the cash was gone and gearing was 37%, leaving an interest bill of R18m.

Morris says the interest would not be a problem if Rainbow were operating at full potential. Management is, therefore, concentrating on a return to profitability. But that's likely to take at least a year.

So why is the share price rising? Part of the answer must be a technical correction — it was trading above R5 less than a year ago and after its steep fall there had to be a bounce. But it also seems investors are taking a long-term — at least two to three-year — view on the share and have decided last month's 180c was the bottom of the cycle.

The cautionary and HLH's direct involvement helped too. The market has an idea of what is coming and may be discounting it. For investors who have faith in the chicken industry as the major supplier of cheap protein to SA's rising population, now may be the best time to buy the share. That's the view Rembrandt took when it invested in Rainbow in 1989 and the view some institutions seem to be taking now.

Shaun Harris

Star 31/3/93

Rainbow Chicken price slips as shareholders brace for bad news

By Des Parker

③ Poultry

DURBAN — Rainbow Chicken's share price is moving erratically as investors weigh up the prospects of a huge loss against a management scramble to get it back into the black.

Analysts' fears are growing that instead of the R40 million predicted when Rainbow first cautioned investors in January to expect a significant loss, the bottom line is more likely to be R65 million or even R70 million the worse for wear when the company reports on the March year-end.

Since the January announcement, Rainbow shares have dipped from about 330c to a low of 180c at the end of the February.

In the first week of March, they rebounded to 260c before settling back to a steady 230c.

However, renewed speculation last week that the company looked set to crack out a loss more like R65 million pushed the shares back down to 200c.

Never the most candid of companies, Rainbow has made no official announcement about a restructuring initiated by major stakeholder Hunt Leuchars & Hepburn.

(186)

HLH assumed responsibility for group management in January and has since reshuffled management, moving MD John Geoghegan aside to take responsibility for the production and processing business.

"Structurally, we have split the company's management," HLH chief executive Neil Morris said recently.

A new group MD is being sought, while finance, administration, pesonnel, marketing and sales are being run separately from production.

However, analysts remain sceptical that the changes will achieve much before the poultry industry as a whole is put to rights.

Rainbow's current misfortunes have been ascribed in large part to bad timing.

It pecked deeply into the bountiful cash reserves it had at the time of its listing in 1989, as well as incurring substantial debt in a calculated spending programme aimed at increasing chicken-feed self-sufficiency and gaining an unbeatable 50 percent-plus share of the market pecking order.

Unfortunately, the moves coincided with a prolonged slump in chicken prices as consumption declined. Competitors compounded the problem by keeping their production levels steady.

Rainbow Chicken hit by oversupply

BDM 6/5/93 [illegible] (3) poultry

MARCIA KLEIN

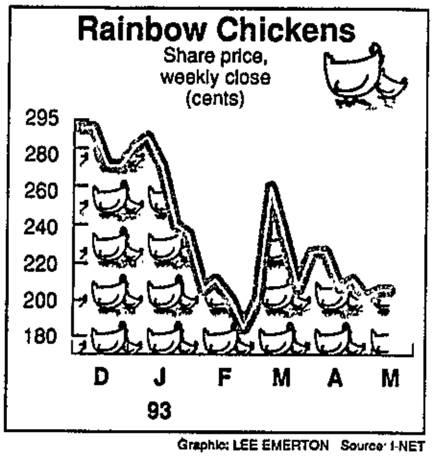
RAINBOW Chicken, suffering the effects of oversupply in the poultry industry, low selling prices and high feed costs, plunged into the red in the year to end-March.

The group, SA's largest chicken producer, reported an attributable loss of R76,7m from a profit of R48,5m in the previous year and an R18,9m loss at the September 1992 interim stage.

In January, Rainbow warned shareholders it would report a significant loss for the year, and announced that 40,3% shareholder Hunt Leuchars & Hepburn (HL & H) would assume management control. Former MD John Geoghegan now heads production and processing operations.

HL & H CE Neil Morris, who is managing the group until a new MD is appointed, said the year began with overstocking and low red meat prices. Although Rainbow reduced production by about 11% over the year and embarked on exports to alleviate the oversupply situation, certain producers increased their production and took a percentage of market share. Rainbow currently holds 42% of the market.

In addition, the declining economy and dumped imported chicken led to continued oversupply. Selling prices of chicken were severely discounted and net realisations were well below production costs.



Graphic: LEE EMERTON Source: I-NET

☐ To Page 2

Rainbow

BDM 6/5/93 [illegible] (3) poultry

☐ From Page 1

Rainbow's sales volumes decreased by 5% and sales prices rose by only 4%, while Epol's turnover growth was marginally below inflation. Group turnover rose by just 2,3% to R1,55bn from R1,51bn.

Morris said feed costs, which accounted for more than 50% of total costs, rose at a rate above inflation on the back of a 24% rise in the basic price of maize. The marginal increase in sales prices could not cover cost increases, and this resulted in an operating loss of R39,1m from operating profit of R76,3m in the previous year.

Cash outflows – arising from the operating loss – and capex were largely responsible for the 46% rise in the interest bill to R39,7m (R27,2m). No provision for tax was necessary due to the losses.

Epol traded at a loss on the back of lower margins and bad debt write-offs.

The group reported a loss of 20,8c (earnings of 13,8c) a share, and did not declare a dividend.

Morris said HL & H had taken significant steps to ensure that the group returned to profitability. Rainbow was in a profit situation and expected to be in a profitable position at the end of financial 1994, albeit at a low level.

Although sales volumes would remain at current levels, Rainbow had begun the year with lower stocks. This, together with the expected reduced production in the industry, should result in a balance between supply and demand and improved price realisations. Longer-term prospects were good with the expected increase in urbanisation and demographic growth, coupled with an economic improvement.

Star. 6/5/93

A year for Rainbow to forget

③ Poultry

By Stephen Cranston

In what is euphemistically described as an "extraordinarily difficult" year, Rainbow Chicken lost R76,7 million, equivalent to 20,8c a share, in the year to March.

Neil Morris, CE of Hunt Leuchars & Hepburn, who has temporarily assumed the responsibilities of Rainbow group MD, says the industry began the year with significant excess stocks.

There was, moreover, additional red meat available because of increased slaughtering occasioned by the drought.

Rainbow reduced production and started an export programme, but certain producers increased production, which led to an over-supply.

Because of discounting, net realisations were below production costs.

Turnover increased slightly from R1,511 billion to R1,546 billion because a five percent volume decrease was accompanied by a four percent sales price increase.

Morris says that costs were well managed, but that feed costs, which represent more than half of total costs, increased by more than the inflation rate due to the 24 percent increase in maize prices.

Morris says that the latest price increase, from R475 a ton to R505 a ton was less than might have been expected from a body like the Maize Board.

Rainbow incurred an operating loss of R39,1 million, compared with a R76,3 million profit in the previous year.

Interest paid increased sharply from R27,2 million to R39,7 million. Gearing was up from 28,8 percent to 47,6 percent.

Morris admits the gearing is too high, but says debt should come down as Rainbow is now trading profitably.

The former Rainbow MD John Geoghegan has been put in charge of production and processing, which Morris says might have been neglected when management was busy with the absorption of Bonny Bird over the last two years.

A new group MD will be appointed shortly.

Capital expenditure was cut back from R103,3 million to R67,7 million, of which R15,6 million was spent on the completion of the Rustenberg feedmill.

Morris says working capital was well managed and that finishedproduct stocks are now at optimum levels.

In the short term, Rainbow is not expecting economic growth as the consumer has limited funds. But it has spare capacity and will not need to spend money on expansion for a few years.

Morris says the medium-to-long-term future looks good because black consumption of chicken is well below that of their white counterparts.

When they move to urban areas, people are exposed to fast food outlets for the first time — and Rainbow is the principal supplier to Kentucky Fried Chicken.

HL & H pays the price of losses at Rainbow Chicken

Star 7/5/93

③ Poultry

By Stephen Cranston

A reduced contribution from its timber and sugar operations and a loss at Rainbow Chicken led to a 66 percent decline in earnings per share to 28,1c from Hunt Leuchars & Hepburn (HLH) in the year to March.

The final dividend has been slashed from 19c to 8c, and the total dividend for the year is down 35 percent to 21,5c.

CE Neil Morris says the hoped-for economic recovery failed to materialise, while drought conditions worsened, resulting in the worst agricultural conditions in many years.

Only spices and branded food products manufacturer Robertsons had a satisfactory result, improving earnings by 15 percent to R37 million.

A poor sugar crop halved the contribution from Transvaal Sugar to R15,9 million.

The group has nevertheless begun construction of a second sugar mill in the Onderberg area of the Eastern Transvaal, at an expected cost of R480 million.

Morris says that good late summer rains have improved Transvaal Sugar's prospects.

HLH Timber's contribution fell from R25 million to R17,6 million, but the loss-making Densa sawmilling operation has been sold.

In addition, SilvaCel, which produces hardwood chips for the export market, has a full order book.

HLH Timber acquired Eagle Furniture from April 1 this year and the remaining 50 percent shareholding in Bailey's Furniture Manufacturers and is now the country's largest exporter of value-added softwood products.

There was a R16,25 million share of associated companies' losses, because of losses incurred by Rainbow.

Reduced selling prices and a drop in the demand for white meat were the main factors in the poor Rainbow performance.

There was a tight rein on investment, and cash invested to expand operations fell from R270 million to R45 million.

Gearing fell from 12 percent to 10 percent and total interest paid was five percent down at R31,5 million.

The effective tax rate, however, increased from 22 percent to 35 percent, due mainly to reduced dividend income and the secondary tax on companies provided on the final dividend.

Morris says low consumer demand is expected to lead to no economic growth in 1993, but that prospects in general are better than in the previous year.

He says significant earnings growth should be achieved in the current year.

Chickens come home to roost as Rainbow misreads the market

S Times (Buss) 9/5/93

③ Poultry

By CHERILYN IRETON

RAINBOW Chickens' R77-million loss is the second largest reported by an industrial company this year, but stand-in managing director Neil Morris tips the chicken producer as a recovery stock.

The blood that has flowed at Rainbow was to a large degree because of a misreading of the market: management was still in expansion mode while cheap imports were flooding the market.

Rainbow, which was acquired by Rembrandt subsidiary HLH in 1989, was used to expanding at a rate of 9% a year. But saturation of the white market and the effects of the recession on buying patterns caught management off guard.

Neglected

"We took action at the half-year to cut production and to begin exports, but there was a flood of imports which we only picked up late," says Mr Morris.

Mr Morris took over as acting chief executive at the beginning of the year and immediately switched the emphasis to sales and marketing, an area regarded as of secondary importance during the expansionary period.

Mr Morris has installed a new sales director — he was with Hunt Leuchars & Hepburn (HL&H) subsidiary Robertsons — and has encouraged senior management to set up networks that will enable market changes to be detected quickly.

"My major task now is to find a chief executive officer for the group," says Mr Morris.

The country's chicken producers have formed an export organisation to remove the surplus capacity.

"Most producers are loathe to reduce production and cause any further unemployment," says Mr Morris.

But Rainbow, whose market share slipped from 50% to 46% — despite the liquidation of Delmas Chickens — has 25% spare capacity and should benefit from any upturn in consumer spending.

Although white urban consumption of chicken has reached a peak of 31 kilograms a head a year, black metropolitan people eat only an estimated 14 kilograms of chicken each a year. Blacks in rural areas eat about nine kilograms a year. Mr Morris estimates that as urbanisation increases, so will chicken consumption.

Maize

Another factor which will help cost containment is a reduction of the maize price. Mr Morris is confident that a new government will see the need to allow cheap maize imports.

"I can already notice a freeing of the system," he says.

Rainbow's share price is at 210c — off its February low of 185c, but a long way from the high of 515c a year ago.

Parent HL&H's earnings dropped 66% to R42-million.

HUNT LEUCHARS & HEPBURN

Fm 21/5/93 (3) Poultry

Flurries of feathers

It is difficult to be charitable about the results from Hunt Leuchars & Hepburn (HLH) and its associate Rainbow Chicken. Frankly, they are dreadful. HLH's net attributable income fell by 65%; describing it as a percentage actually disguises the size of the fall which translates into R77m. EPS were down 66% at 28,1c compared with 1992's 82c. No wonder CE Neil Morris says the results are "very disappointing." Shareholders will agree.

What emphasises the predicament is that HLH has spent roughly R400m in acquiring Rainbow, its biggest investment and, this year, its worst performer. Rainbow is now sitting on a debt pile of R340m and HLH's management owes shareholders a detailed explanation of how this state of affairs has been allowed to develop.

Morris offers what have become standard excuses in the current environment, nonetheless valid for all that. The economy failed to recover, the drought actually worsened, conditions in the agricultural sector, which is where HLH is significantly positioned, deteriorated.

Fm 21/5/93 (3) Poultry

Adding to that litany of woes the managers predicted Rainbow's short-term prospects horribly wrong. Rainbow turned in an attributable loss of R77m. That compares with last year's profit of R48,5m; and everyone was appalled when that result was announced.

Misery in discounts

Morris says the year began with serious overstocking; that was compounded by growing availability of red meats at low prices and by the dumping of imported chickens. Despite these factors, some producers increased output. That affected selling prices which were heavily discounted. Result: great unhappiness.

The group cannot escape criticism for its part in Rainbow's escalating misfortunes. Earlier, it had been determined on an expanding production programme, which is what Rainbow does best. It failed to concentrate adequately on marketing, precisely the area where it needed most effort.

CHIPS FLYING

Year to March 31	1992	1993
Turnover (Rm)	694	758
Operating income (Rm)	123,8	113,3
Attributable (Rm)	119,2	42,0
Earnings (c)	82,0	28,1
Dividends (c)	32,5	21,5

The HLH group is basically involved in the food chain. Its principal subsidiaries are Robertsons and Transvaal Sugar and its major associates Rainbow and HLH Timber. The sugar and timber companies have traditionally returned solid results. This year, by contrast, Morris reports that only Robertsons achieved a satisfactory performance.

HLH is trading on a p:e of nearly 14. In the light of these results that makes it expensive. Now, Morris (and, by extension, HLH's management), has personally assumed direct operational responsibility for Rainbow. He says early indications are of a return to profitability.

David Gleason

Rick Griffiths takes over at Rainbow

B/Day 29/6/93

MARCIA KLEIN

RAINBOW Chicken has appointed Vandenbergh Foods MD Rick Griffiths as group MD, effective from September 1.

(3) Poultry

Griffiths takes over from former MD John Geoghegan, who was moved some months ago to head Rainbow's production and processing operations. H L & H CE Neil Morris managed the group in the interim.

Rainbow, SA's largest chicken producer, plunged into the red in the year to end-March, reporting an attributable loss of R76,7m from a profit of R48,5m the previous year. The company was affected by oversupply in the industry, low selling prices and high feed costs.

Griffiths, 50, has been with Unilever for the past 14 years. He was commercial director of Hudson and Knight and Vandenbergh, and MD of SA Warehousing and Vandenbergh.

He has also been on the oilseeds board, vice-president of the Durban Regional Chamber of Business and chairman and founder of Thembanani Trust.

(14)

In an interview yesterday, Griffiths said although his appointment had happened quickly, he had spent the best part of the past 25 years in food and other industries related to the operations of Rainbow.

Even so, his task would not be easy. H L & H would remain in management control in the two months before he assumed his position, but the group would expect Rainbow to be run independently once he had taken over.

Griffiths said he was excited by the opportunities his new post offered. One of the factors which had encouraged him to accept it was that Rainbow was well established with inherent strengths, market domination and control on quality.

The company, he said, had found itself unprepared for the severity of the recession.

The '90s were featuring new ways to do business, particularly in the field of information, and Griffiths said he expected to make a particular input in these areas.

New type of salmonella in W Cape

③ POULTRY

CT 30/7/93

By DAN SIMON

A NEW strain of salmonella has been discovered in the Western Cape and tests are being carried out in Britain to find out if the virus is harmful to humans.

A senior official of the Department of Animal Health in Pretoria said yesterday the new strain was detected at two "poultry holdings in the Western Cape" about a month ago.

Salmonella interitidis is a bacterium specifically adapted to the hen and can spread rapidly through modern battery farms. People who eat infected meat without cooking it thoroughly may develop food poisoning, nausea or diarrhoea.

Details of a new salmonella outbreak were to be made public earlier this month, but the SA Poultry Association allegedly persuaded a senior animal health department official to withhold details until "at least" August 5.

Details of this agreement between the association and the department are contained in a confidential fax to a member of the public, who sent it to the Cape Times.

SA Poultry Association executive director Mr Z B Coetzee said yesterday the existence of the virus had not been made public yet as it was an "internal affair". He also said there were people "who wanted to cause a scare".

A senior official at the Department of Animal Health, Dr Johan Krige, said: "The new bacterium was picked up about a month ago and has been typed as not being as dangerous as the European variety. This virus only occurs in chickens and our laboratories have diagnosed the specimen as salmonella enteritidis bacteriophage 34."

CT 10/8/93
③ POULTRY

Health alert over chickens

Salmonella outbreak in flocks

Staff Reporter

CHICKEN consumers in the Western Cape and Free State must be wary of salmonella food poisoning, the Department of Agriculture and the SA Poultry Association announced yesterday.

However, strict control measures are to be implemented to ensure that bacteria from the latest outbreak of salmonella among some poultry flocks in the Western Cape does not reach consumers.

This was disclosed yesterday following a meeting last week between the Department of Agriculture and other organisations in the poultry industry to discuss control measures.

The urgent meeting follows the discovery of a new strain of salmonella at several poultry holdings in the region about five weeks ago.

The strain of salmonella enteriditis is a bacterium specifically adapted to the hen and can spread rapidly through modern battery farms. People who eat infected meat without cooking it thoroughly may develop food poisoning, with symptoms of nausea and diarrhoea.

Both the department and the association would try to prevent the transmission of the bacterium to humans — and would stay in contact with the Department of National Health and Population Development.

"To the knowledge of the department, this organism has not yet caused any problems to humans in South Africa.

"The department would like to assure the public that the best possible bio-security measures have been put into action to prevent any new infection being imported, and to ensure that consumers are protected," a spokesman for the department said.

this week and "is trying to find a solution". He said the teachers had "infuriated" parents through their decision to join the countrywide chalk-down in May.

Feathers fly in ostrich dispute

③ ~~OTHER~~ Poultry

Bulelwa Payi ~~PRODUCERS~~

WM 13-19/8/93

EASTERN Cape ostrich farmers are planning to spill blood in their fight against the monopoly marketing system. Ostriches' blood, that is.

They plan to converge on the Grahamstown abattoir for a mass slaughter of their birds next Wednesday, according to Nico Lombard, secretary of the East Cape Ostrich Producers' Association.

He said the action has been organised by farmers in Cradock, Albany, Cookhouse and other small towns, who object to the single-channel marketing scheme controlled by the Oudtshoorn-based Karoo Agricultural Co-operative.

The Grahamstown abattoir has a licence to slaughter ostriches, and the farmers will sell the skins and meat themselves to local buyers. This flouts the law which gives the co-operative the sole right to market ostrich products. Lombard was not sure how many farmers would support the protest. — Ana

See page 38

★ Cape Times, Tuesday, September 14 1993. 3

Warning as salmonella spreads

③ POULTRY

CT 14/9/93

Staff Reporter

CONSUMERS have been warned to be extra careful when handling chicken as fresh outbreaks of salmonella infection have been found in isolated poultry flocks around the country.

Last month infection was restricted to flocks in the Western Cape and Free State, but now it has spread.

A spokesman for the SA Poultry Association said produce on shelves was tested regularly and so far no infected birds or eggs had reached retail outlets. He said salmonella enteritis could kill poultry but would only give humans bad diarrhoea.

Salmonella is destroyed by cooking, and the association has warned consumers to cook eggs and chickens thoroughly. It has also warned against contaminating other perishable foods while preparing chicken:

- Never place raw and cooked meat on the same plate.
- Use a hard plastic cutting board, which is easier to sanitize than a wooden board.
- Wash hands before and after handling raw poultry.
- Thoroughly wash any plate, utensil or work surface used for raw chicken.
- Defrost chicken in the refrigerator.

FM 29/10/93

OSTRICH INDUSTRY

Learning to fly

The R180m/year ostrich industry has become the latest agricultural sector to succumb to the growing pressure for reform. Last week members of the dominant Klein Karoo Agricultural Co-operative in Oudtshoorn voted to recommend the abolition of its monopolistic marketing system.

The next step is a summit of all ostrich producers on November 19 near Cape Town. There they will discuss the recommendation and different proposals for how the industry should now be structured. Then the recommendation goes to Agriculture Minister Kraai van Niekerk for final approval.

With Klein Karoo representing most producers and providing 90% of the global trade, and the Minister having pushed reform for some time, there's little doubt that deregulation of ostrich farming and processing — leather, meat and feather products — is on the way. (3) Poultry

Nevertheless, Albany district ostrich farmer Sidney Birch, who lost a court battle to end Klein Karoo's monopoly, is sceptical about speedy deregulation and expects that concrete action to open up the industry will only follow years of discussions. Meanwhile, he says his operation is in financial trouble because it can't get full access to the market.

Klein Karoo's decision follows similar

FM 29/10/93

moves in the wool, red meat, maize, banana, dairy and other farming sectors.

Ongoing deregulatory pressures from free marketeers — especially eastern Cape and Transvaal producers who were not allowed membership in the co-operative — helped to force the issue with Klein Karoo. But, says co-operative GM Attie de Waal, the co-op independently realised that the single-channel marketing scheme, which dates back to 1958, would have to be scrapped.

Controls over ostrich products are almost as strict as those governing uncut diamonds, and any producer or trader transgressing the rules is subject to criminal prosecution for "illegal slaughtering" or smuggling of ostrich products. (3) Poultry

Ostrich farming has some lucrative spin-offs. But, unlike the turn-of-the-century focus on feathers, today the money is in the leather, which provides about 75% of the average gross revenue of R1 200 a bird.

No wonder the smuggling of fertilised ostrich eggs and breeding stock — via Walvis Bay, Namibia, Botswana and Bophuthatswana — has burgeoned. Prices go as high as US$250 for an egg and $30 000 for breeding hens. Nascent ostrich farming industries are now found in Israel, Australia, the US, Europe and South America. ■

Star 5/11/93

Rainbow Chicken on recovery path

BY STEPHEN CRANSTON

Rainbow Chicken's recovery from last year's disastrous losses has begun.

Though it showed an attributable loss of R2,9 million in the six months to September, it generated R3,2 million in cash, a major turnaround when compared with the R71,9 million increase in borrowings in the first half of last year.

Nevertheless, no dividend is being paid.

Though prices are moving gently upward, in line with red meat prices, they are still too low.

Rainbow will relaunch the premium Farmer Brown brand with TV commercials and will relaunch the core Rainbow brand in April.

Increased marketing should increase the higher-value products in the sales mix.

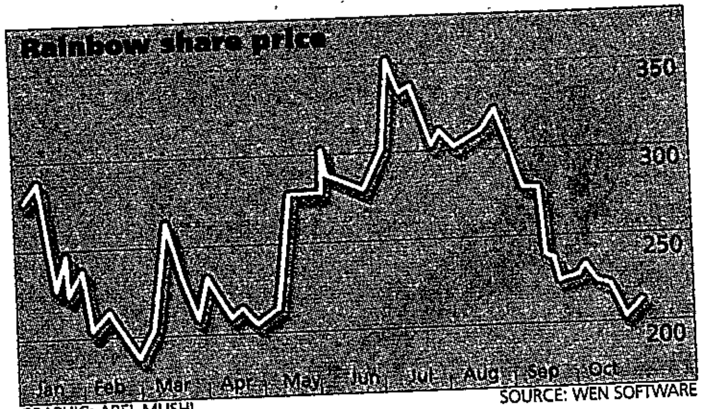
Turnover rose 3,3 percent to R813,2 million, but volumes fell 10 percent. There is already an improved product mix, better stock management and lower levels of discounting.

Working capital control reduced current assets by R24,1 million to R389,3 million.

These factors and strict control of costs enabled operating income to rise from a loss of R507 000 to a profit of R20,2 million.

Interest paid increased by 25 percent to R22,8 million as additional funding was needed to finance last year's loss.

Epol, which is a joint venture with Premier, increased profit from R0,1 million to R0,3 million, despite low volumes and stiffer competition in the animal feeds market.



GRAPHIC: ABEL MUSHI

SOURCE: WEN SOFTWARE

③ Poultry

Somewhere, over the Rainbow . . .

CT 5/11/93 ③ POULTRY

Own Correspondent

JOHANNESBURG. — Poultry producer Rainbow Chicken has staged the first part of its turnaround by reducing attributable losses to R2,9m in the six months to end-September from a previous year interim loss of R18,9m and a R76,7m loss at the March year-end.

Newly-appointed MD Rick Griffiths was confident that various strategies implemented over the past few months would see the company break even by year-end.

The 3,3% turnover rise to R813,2m reflected a 10% decline in volumes, offset by increased realisations. Griffiths said this was not from price increases, but an improved product mix, better stock management and lower discounting. These actions, together with strict control over operating costs, saw operating profit of R20,2m compared with a R507 000 loss in the previous year.

The 25% rise in the interest bill to R22,8m reflected the need to incur more debt to fund losses. The loss before and after tax was R2,9m from a previous year loss of R18,7m.

The company's loss was reduced to 0,8c (5,1c) a share, and no interim dividend was declared.

Shareholders' funds were slashed to R797,6m (R870,2m) because of losses in the previous year.

Rainbow lays low last year's loss

③ POULTRY
ARG 5/11/93

ALIDE DASNOIS
Business staff

RAINBOW Chicken pecked away at its losses in the six months ended September, reducing an attributable loss of R76,7 million in the year ended March to R2,9 million in the six months.

Turnover was up 3,3 percent in spite of a depressed market. Operating profit topped R20 million from a loss of R39 million last year, thanks to an improved stock mix and better stock management, and stricter control over operating costs.

But interest paid rose to R22,8 million, reflecting the need to finance last year's losses.

The group expects to show a small profit in the current year, although sales volumes are likely to remain under pressure.

Capital expenditure has been restricted to essential projects and Rainbow hopes to reduce the debt-equity ratio from a current 47,6 percent to the targeted 25 percent.

No interim dividend was declared.

■ Major crop failures for the second year in a row cut **C G Smith Sugar's** bottom-line profit by 43 percent to R50 million in the year ended September.

Turnover was up slightly because of the inclusion of the Umfolozi mill for a full year. The Umfolozi and the Pongola mills showed good performances, as did the Merebank alcohol plant, but the drought on the Natal South Coast hit the company's cane growing.

Sugar production for the 1993-94 season is estimated at 480 000 tons, compared with a normal level of 1 million tons.

A final dividend of 7c makes 14c (23c) for the year.

Rainbow turnaround begins

MARCIA KLEIN

POULTRY producer Rainbow Chicken has staged the first part of its turnaround by reducing attributable losses to R2,9m in the six months to end-September from a previous year interim loss of R18,9m and a R76,7m loss at the March year-end. B/Day

Newly appointed MD Rick Griffiths was confident that various strategies implemented over the past few months would see the company break even by year-end, and sustain its turnaround in years to come.

The 3,3% turnover rise to R813,2m reflected a 10% decline in volumes, offset by increased realisations. Griffiths said this was not from price increases, but an improved product mix, better stock management and lower levels of discounting.

These actions, together with strict control over operating costs, saw operating profit of R20,2m compared with a R507 000 loss in the previous year. Griffiths said this R20,7m turnaround was achieved despite decreased consumption levels of food.

The 25% rise in the interest bill to R22,8m reflected the need to incur more debt to fund losses. The loss before and after tax was R2,6m from a previous year loss of R18,7m.

The company's loss was reduced to 0,8c (5,1c) a share, and no interim dividend was declared. 5/11/93

Shareholders' funds were slashed to R797,6m (R870,2m) because of losses in the previous year. Gearing increased, but there were plans to reduce it from 47,6% to 25% within two to three years. (3) Poultry

Volumes would remain under pressure in the current six-month period but Rainbow expected to make a small profit in the full year.

The company was currently closing two plants. It had concluded an agreement with a distributor which bought all its vehicles and would be responsible for the primary distribution of its products. This would involve a significant upfront cash inflow and reduce distribution costs.

FM 19/11/93 (3) Poultry

ICS

Another poultry deal?

First it was Early Bird, now it's Festive Chickens. OTK, the large eastern Transvaal co-operative is believed to be one of several parties negotiating a deal with Imperial Cold Storage (ICS), owner of Festive.

The *FM* suggested last week (*Fox* November 12) that ICS's poultry division remained its largest single lossmaker. It should come as no surprise if ICS decides to reduce its exposure in this uncertain and highly competitive area. It now seems likely ICS has chosen this route — though it's known to have a penchant for joint ventures.

But it is not clear what OTK's precise role will be if an arrangement is finally sealed. Its role is believed to have changed several times. Initially it was proposed that ICS would sell its entire stake in Festive Farms, an odd choice given the generally accepted wisdom that the industry has probably seen the worst. Now negotiations apparently centre on a proposed joint venture.

ICS's Festive Chickens is purported to have 9% of the chicken market (estimated to be worth R50m-R75m, though it's difficult to value something which has consistently produced losses), far behind Rainbow's 47% but level-pegging with Country Fair (9%) and Early Bird (8%).

The poultry industry has experienced difficult trading conditions, especially during the second half of 1992, and it has been negatively affected by industry over-capacity (despite the closure of producers Mielie Kiep and Delmas during the past year), competition from imports and low red meat prices. Difficulties were worsened by the drought, which resulted in the import of all yellow maize for animal consumption, a cost not recovered from the market.

Synergies in this deal are not immediately evident and management wasn't available for comment when the *FM* went to press. OTK's existing broiler subsidiary Early Bird has its own animal feed sources and distribution network on which to draw.

Access to these facilities may reduce production costs for ICS's poultry division, though this tends to be negated by ICS's relationships with Tiger and Sea Harvest (a subsidiary), both of which are able to supply animal feeds and protein on terms which are probably comparable with those from OTK. The really big plus for ICS from a joint venture might be an upfront cash payment from OTK.

One attraction is that the two broiler operations target different markets. Early Bird has a strong presence in the informal, small distributor market and as such is able to name its price. Festive Chickens supplies the large retail chains whose bargaining power limits margin growth.

The recent spate of joint ventures has successfully altered market perceptions of ICS, widely perceived in the past to be a consistent under-performer. The share price has climbed 38% over the past six months to R18.

Marylou Greig

Jobs on line as chicken plants shut

Star 22/12/93

■ STAFF REPORTER

About 860 people stand to lose their jobs when Rainbow Chickens closes two of its plants early next year.

And the company has rejected a proposal from the Food and Allied Workers' Union to sell the plants to employees and black businesses, Fawu said yesterday.

Responding to Fawu allegations of anti-competitive behaviour, Rainbow said it had decided to close the plants as they serviced areas which were oversupplied. The company stood to save R7 million annually when the plants were closed, it added. ~~(326)~~

The plants are at Ezakheni, near Ladysmith in Natal, and at Malmesbury in the Cape.

Fawu spokesman Ernest Buthelezi said the union had proposed that the company be sold to employees and black business interests, but this was rejected.

(3 Poultry

BUSINESS DAY, Tuesday, December 28 1993

Chicken supplies low after viral epidemic

B/Day 28/12/93

INGRID SALGADO

CHICKEN producers were unable to meet consumer demand because a lethal viral epidemic had killed many chickens, a Rainbow Chicken Farms spokesman said.

A velogenic strain of Newcastle disease had appeared about midyear and had affected industry stock levels, lowering sales throughout the country. Producers were currently hit by a depleted stock level, he said.

"The disease has contributed to price increases in the past three months as it has affected a lot of operations, particularly in the Transvaal, and spreading into Natal and the Free State

([illegible]) (3) Poultry

"Rainbow and most Transvaal producers are over the worst, and are currently on an improvement path."

However, consumers were now facing the result of the epidemic — low supplies and higher prices.

The spokesman said 1993 prices should not be compared with the previous year's lower prices, as decreased spending this year had affected price setting.

The disease, which caused a throat infection in chickens, had taken hold of susceptible populations such as unvaccinated stock. Producers had to improve their vaccination programmes and those which were not vaccinating their chickens should start doing so, he said.

Chickens which had recovered from the disease were safe to eat as were those that had been slaughtered while infected. This was because the disease affected only organs removed from the chickens before selling.

However, chicken handlers exposed to the infection ran a risk of contracting conjunctivitis, he said.

SA last faced a chicken epidemic in 1989/90 when the infectious Bursal disease was introduced into the western Cape by transmissions from Europe.

Virus depletes chicken stock

CT 29/12/93

③ POULTRY

Own Correspondent

JOHANNESBURG. — Chicken producers were unable to serve the consumer market properly because of a lethal viral epidemic that caused the deaths of large numbers of chickens, a Rainbow Chicken Farms spokesman said.

A velogenic strain of Newcastle disease had become active around mid-year and affected industry stock levels, lowering chicken sales throughout the country, he said.

The disease, which created a throat infection in chickens, had taken hold of susceptible populations such as unvaccinated stock, he said.

Producers had to improve their vaccination programmes and those who were not vaccinating should begin immediately, he warned.

The spokesman added that producers were experiencing depleted stock levels.

But prices may drop in 1994

"The disease has contributed to price increases of chickens in the past three months as it affected a lot of operations in the country, particularly in the Transvaal and spreading into Natal and the Free State.

Improvement

"Rainbow and most Transvaal producers are over the worst patch and are improving," the spokesman said.

Consumers were now facing the brunt of the epidemic, with low volumes of chicken being supplied to retail outlets — resulting in higher prices.

However, Mr Raymond Murray, general manager of perishables at Pick 'n Pay national head office in Cape Town, said yesterday that he was not aware of any dramatic chicken price increases due to the epidemic.

Decrease

Mr Murray said there had been a slight increase in chicken prices over the festive season corresponding to increased demand.

He believed prices would decrease in the New Year.

The Rainbow spokesman said 1993 chicken prices should not be compared with the previous year's lower prices, as decreased consumer spending this year had affected price setting.

South Africa last faced a chicken epidemic in 1989/90, when the infectious Bursal disease was introduced into the western Cape by transmissions from Europe.

POULTRY — 1994

Water crisis to hit poultry cost

JOHANNESBURG. — Chicken meat could become more expensive as water becomes more scarce, the Water Research Commission said yesterday.

③ POULTRY

It said more South Africans were eating poultry, and a huge volume of water was being used to prepare the meat.

The WRC found that large abattoirs, slaughtering more than 10 000 birds a day, used about 17l on each bird.

Smaller abattoirs consumed between 20l and 25l per bird, they said. — Sapa

CF 13/1/94

Poultry franchise plan for black consumers

ARGS 5/2/94 ③ POULTRY

Business Staff

THE Farmer Foundation has launched an agri-business programme which could see thousands of new jobs created in South Africa's urban and peri-urban areas in the next few years.

In partnership with the Council for Scientific and Industrial Research (CSIR) and the Agricultural Research Council, the Farmer Foundation has come up with Project Dikgogo, a franchise scheme which it believes will put the marketing of poultry to black consumers in the hands of the people. Dikgogo is the Setswana word for chickens.

The project will see the establishment of adequate facilities for housing poultry close to the market before distribution by hawkers or to smaller scale processing units at affordable prices. The CSIR is in the process of developing the technology to be used in such units.

The Agricultural Research Council is providing technical advice on suitable poultry breeds and housing and holding facilities.

The Farmer Foundation intends establishing three identical prototype businesses which will subsequently be used as training and business support centres. These will operate in Soweto (Dlamini Extension 3), Bleskop in Bophuthatswana (close to Bafokeng and Mankwe platinum mines) and in the Camperdown-/Hammersdale area in Natal.

Each will use a semi-mechanised process to slaughter 500 birds a day and the first of them will be up and running by next February.

Executive director Clive Nicholson says the foundation's research has shown that in Soweto alone the conservatively estimated 5 million inhabitants consume about 7,9 million kg of chicken a month which amounts to about 4 million birds.

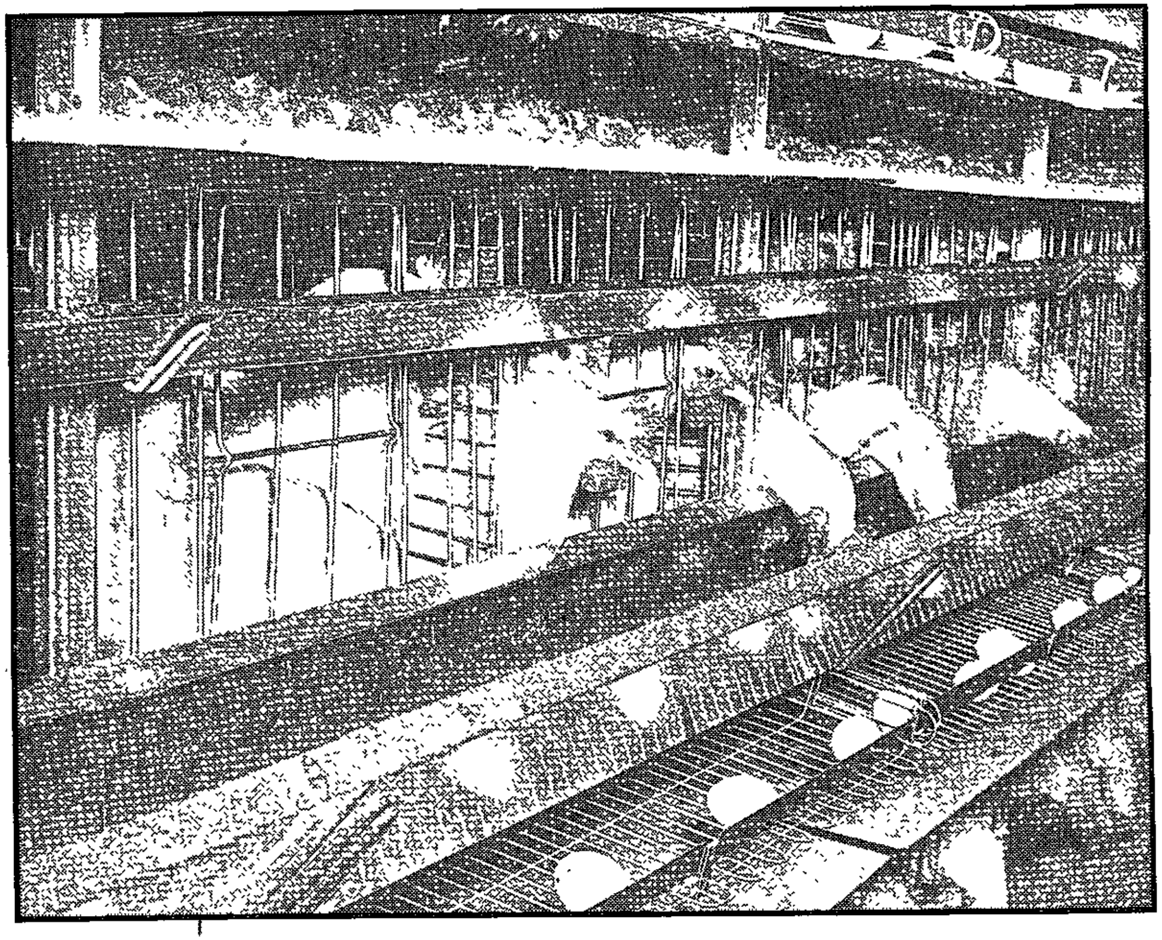
"Taking the Soweto scenario into account, the market for poultry in urban and peri-urban areas in South Africa is enormous.

"The chickens are sold both live, usually by hawkers, and slaughtered and dressed. Consumer preferences dictate that the chickens should be made available in a variety of forms — as a whole dressed bird, as a whole carcass, including the head, neck and feet, as a whole carcass including the head and neck, in traditionally acceptable portions and as so-called offal," Mr Nicholson says.

Being able to offer holding and slaughtering facilities, the new outlets will be in a position to cater for all these requirements.

Township prices for broilers and spent hens are about R12 a bird, while cornish hens are able to command R20. Most of the business is carried out on a cash and carry basis.

About R200 000 has been spent on planning the project so far with inputs from Safmarine, the Farmer Foundation, the CSIR and the Agricultural Research Council.



☐ **TALKING TURKEY:** Project Dikgogo, a franchise poultry scheme, could lead to the creation of thousands of new jobs in the next few years.

Rainbow turns loss to a solid profit

Poultry ③

ARG 5/5/94

BRUCE CAMERON
Business Editor

RAINBOW Chickens has clipped its wings, but plucked solid profits.

The company is crowing loudly about the turnaround of an after tax loss of R78 million last year to a profit of R19 million in the year ended March, 1994.

The company has resumed dividends, declaring one of R1,65c a share.

This has come in spite of a 10 percent fall off in the volume of chickens sold. The company instituted a major cost reduction programme, an improved product mix and better stock management.

The change in product mix contributed to an almost 20 percent increase in the price of chicken with a switch from whole frozen chickens towards whole fresh chickens and frozen pieces.

Group managing director Rick Griffiths brought in to guide the recovery said, however, that the group recognised that "we have a long way to go before we can be satisfied with our performance."

More plans were in place to improve performance.

He predicted the group achieving a satisfactory growth in earnings for the coming year, although the first six month may be adversely affected by the political change process".

Turnover was up by 5,8 percent to R1,6 billion, with gross profit up by 5,9 percent, turning a loss of R78 million into a profit of R64 million.

However service of debt pecked away at the gross profit with an interest bill of R39, million creeping up to R43,6 million because of the additional debt load caused by the previous year's loss.

The debt/equity ratio has however been reduced from 47,6 to 45,1 percent.

Rainbow Chicken crowing

Star 5/5/94

■ BY STEPHEN CRANSTON

Under the auspices of recently appointed MD Rick Griffiths and the management control of Hunt Leuchars & Hepburn, Rainbow Chicken has turned around from a catastrophic R76,7 million loss to a R17,4 million profit in the year to March.

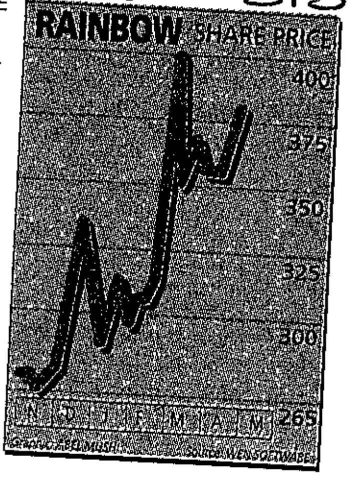
A dividend of 1,65c has been declared, the first for 18 months. This is covered almost three times by earnings per share of 4,7c.

This was achieved even though chicken volumes fell by almost 10 percent.

Overall turnover was up 5,9 percent to R1,64 billion and that of the chicken operations by 8,2 percent.

Griffiths says that price realisations from chicken increased by almost 20 percent. But only half of this came from higher prices and the rest from a switch in the mix of products away from whole frozen birds to frozen chicken pieces and fresh birds.

③ Poultry



The cost base of the group has been reduced substantially by the closure of two smaller plants at Malmesbury in the Cape and at Ezhakeni in Natal, both of which were acquired when Rainbow bought Bonny Bird three years ago.

Rainbow sold its fleet of trucks to Autonet to improve its focus on the core business.

Epol, a joint venture with Premier, contributed a profit of R2 million, compared with a R2,2 million loss in the previous year.

There was a decline in feed demand and low price increases, but loss-making mills were closed and a cost reduction programme introduced.

Griffiths says Rainbow does not plan to increase its market share, which is already a dominant 45 to 47 percent, but plans to raise the proportion of higher value products in its mix.

It will soon advertise the Rainbow brand on television for the first time.

Griffiths hopes that the maize price will be reduced after the bumper crop and that attempts by farmers to increase prices will be curbed. Feed accounts for more than half of Rainbow's costs.

Rainbow expects its profitability to increase significantly in the current year.

It still has an assessed tax loss, which it expects to use up some time in its 1997 financial year.

OSTRICH INDUSTRY

Fm 15/7/94

Losing the golden egg?

SA's hold on the ostrich industry is over. Europe and the US have discovered the possibilities of farming the world's biggest bird, which not only produces the leanest red meat, valuable leather and feathers, but lays an average of 25 eggs each year that produce mature birds within 12 months.

Critics blame the estimated R350m local industry's problems on the government-imposed monopoly on marketing, which was deregulated only in October. "Due to the strict single-channel controls exercised over this industry until fairly recently by the Klein Karoo Landbou Koöperasie, there is a tremendous shortage of slaughter stock, while breeding material is flowing out of the country," says Faan Hartzer, MD of the US-owned Ostriches Galore abattoir near Pretoria.

Though there is a ban on the export of fertilised eggs and breeding birds, some industry experts estimate 50 000-80 000 fertilised eggs might have been smuggled across the borders in the past year alone.

With each fertilised egg fetching US$150 or more outside SA and reports of sellers getting up to $50 000 for a good breeding pair of ostriches, desperate members of the newly formed Ostrich Producers' Organisation will meet in Port Elizabeth on August 16 to debate whether they can salvage SA's lead in the global market. There is a move to legalise the export of breeding stock to depress the price and take the heat out of the market.

Last year SA produced about 146 000 of the 150 000 ostriches slaughtered worldwide. But this stranglehold is loosening as US producers in particular prepare to take the lead in the fast-growing field. As an example, Hartzer says 17 US universities are now studying the potential of US ostrich production.

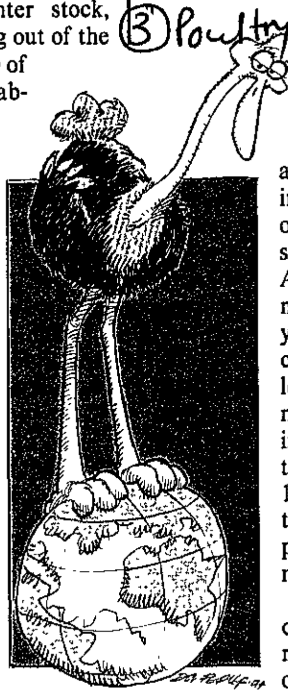
He adds: "A cow normally produces a single weaner calf worth about R1 000 within a year. Over the same period, a female ostrich could produce 25 mature birds, now selling for about R1 400 each (providing gross revenue of about R35 000). Need one say more?"

There is plenty of room for entrants to the market, which Hartzer believes could easily expand to R500m turnover if the potential is tapped. "To give an indication of potential demand for meat in Europe alone, one has a market of more than 300m health-conscious consumers. To provide just a single 250 g meat portion once a year to each, one would need to slaughter about 1m birds. The total global ostrich population is less than half-a-million."

He says emergent black farmers could get in on the lucrative business by maturing clutches of chicks and selling these to abattoirs, which cannot even hope to meet the huge world demand for meat and leather products. In the months following deregulation, producer prices leapt 40% as new abattoirs scrambled to get scarce slaughter stock.

Agriculture Department economics chief director Deon Joubert warns potential producers that they can lose a lot in the overheated market. "One should bear in mind that the current R1 400 slaughter bird price is largely the result of the huge, unfulfilled demand for luxury ostrich leather. Once this demand is met, the price might collapse, as happened a few years back with the global price for SA mohair, leading to large investment losses."

(3) Poultry



Nevertheless, Hartzer believes the market will continue to boom. "Ostrich meat contains less than 0,5% fat, compared with the average 10% in beef. One can imagine the effect of such a product on a sophisticated, health-conscious First-World market. Apart from the potential demand for meat, Texas alone last year sold about 30m pairs of cowboy leather boots. Ostrich leather is one of the softest and most exclusive leather products in the world. If you consider that SA produced only about 150 000 skins last year (enough to manufacture about 450 000 pairs of boots), the potential demand is vast."

In a belated move to try to catch up with the global ostrich revolution, the Klein Karoo co-op is looking at transforming itself into a more market-related business entity. But it may be too late, even though further liberalising of its structure should make it more sensitive to market considerations. ■

Rainbow Chicken expects earnings to disappoint

B/Day 25/7/94

SELLO MOTLHABAKWE

MAJOR poultry producer Rainbow Chicken anticipates lower-than-expected earnings for the six months to end-September as the abnormal incidence of chicken mortality has persisted into the current financial year.

CE Rick Griffiths, cautioning shareholders ahead of this week's annual general meeting, said corrective action had been taken some time ago, but the mortality problems were not expected to normalise before the end of the winter season.

(3) Poultry

The improved underlying profitability of the group had helped it absorb the effect of the abnormal mortality rate and, as a result, the company still expected the full year's results to show an improvement on last year.

The forecast of lower interim earnings follows the poultry producer's return to profitability earlier this year. Attributable earnings of R17,4m were reported for the year to March against the previous year's loss of R76,7m, while operating profit improved more than R100m to R64m from the previous R39,1m loss.

Late last year it was announced that chicken producers were unable to meet consumer demand because a lethal viral epidemic had killed many chickens.

Rainbow holding company Hunt Leuchars & Hepburn (HL&H) CE Neil Morris has advised shareholders that the adverse conditions at Rainbow as well as the drought in the Onderberg area would have a negative effect on results for the six months to September.

He said overall results for the group were expected to improve in the second half of the year.

Poultry hit by disease

CT 28/7/94

③ POULTRY

A VIRULENT new strain of Newcastle disease is sweeping through South Africa's poultry flocks as scientists battle to find a way to contain it.

A spokesman for Rainbow Chicken Ltd, one of the major suppliers, said yesterday the disease was apparently restricted to the Transvaal and Natal.

The extent of the disease has not yet been quantified, but the poultry industry has said the disease will lead to countrywide chicken shortages and subsequent price hikes.

SA Poultry Association spokesman Mr Z B Coetzee said in Pretoria yesterday: "Vets in the poultry industry are tearing their hair out trying to find a solution. It is the same strain of the old Newcastle disease, but a particularly virulent version."

He said chickens that contracted the disease "just keeled over and died".

The group managing director of Rainbow Chickens said in a report that the company was stepping up their bio-security and calling on international expertise to assist their vets.

Rainbow's returns will be 'acceptable in 1997'

BDay 1/8/94

BEATRIX PAYNE

SHAREHOLDERS in poultry producer Rainbow Chicken would have to wait until 1997 before they saw acceptable returns, the company said in its annual review.

Chairman Desmond Loch Davis said the group had set targets for a significant improvement on the previous year's profit performance. But it was evident that operations had been affected by lost trading days in April and May as a result of the elections. High death rates among chickens were also denting recovery efforts.

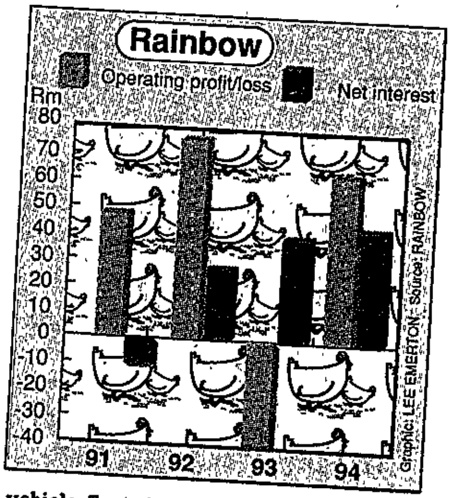
The company's prospects would be strengthened by a rise in private consumer expenditure, an improved agricultural year, reduced inflation and lower interest rates, he said.

(3) Poultry

MD Rick Griffiths said the company intended to deliver an acceptable return on shareholders' funds by March 1997.

The group reported a dramatic turnaround in the year to March with attributable earnings at R17,4m against losses of R76,7m in the previous year.

Loch Davis said this was achieved through a cost reduction programme, an improved product mix and better stock management. More focus on asset and working capital management had improved cash flow. The debt to equity ratio dropped to 45,1% (47,6%).



Graphic: LEE EMERTON. Source: RAINBOW

Griffiths said the company had sold off its distribution fleet for about R20m and other assets, including its passenger vehicle fleet, for about R15m.

Chicken volumes produced fell 9,5% and the eZakheni and Malmesbury plants were closed in order to balance regional supply and demand.

He said the chicken death rate had risen due to a particularly virulent virus which had initially proved resistant to existing vaccines. "This area has received urgent attention and mortality levels are expected to be reduced by the end of winter."

He said the group was well-regarded internationally but would need to become internationally competitive if it was to survive in the local market.

SUNDAY TIMES CAPE METRO, 14 August 1994 3

Soaring food costs set to produce belly-ache

(3) Poultry

By GRAHAM LIZAMORE

CONSUMERS, already reeling in the face of the five percent transitional levy, can now also expect to be hit where it hurts most — in the belly — with chicken and vegetable prices set to soar.

Cape Town food retail outlets and restaurant owners have expressed fears that huge price increases can be expected in almost all farm products, including meat and vegetables, before the end of the year.

There has been a huge demand for chicken since the begining of the year when meat prices rocketed by as much as 40 percent.

In spite of tons of imported chicken being unloaded at Cape Town and Durban docks, this has not been enough to make up shortages resulting from a disease-hit chicken industry unable to keep up with demand.

According to the Monthly Abstract of Trade Statistics, more than R36-million worth of chicken was imported between January and May this year, compared with R22-million for the same period last year.

But this has not helped to keep prices down, says Pick n Pay's general manager of perishables, Mr Raymond Murray, who predicts a 15 to 20 percent increase in the price of chicken before the end of the year.

He said French and American chickens as well as turkeys could soon be on supermarket shelves.

A spokesman for the Meat Board said the two successive years of drought had caused major problems in the meat industry. Because there had been a shortage of beef, prices had risen, forcing consumers, caught in a spiral of general price increases to buy mutton and poultry.

"Livestock farmers have to rebuild their herds after the drought, so less stock is being slaughtered," he explained.

City restaurateurs are also staggering under price increases which have hit their trade.

Mr Ian Halfon of St Elmo's said prices were rocketing.

"There is no doubt about it — we are being hit by a lot of price increases. First it was meat and poultry, and now we are expecting dairy products and oil prices to rocket."

He said food and vegetable prices, including green peppers and potatoes, were also expected to soar.

"We anticipate major increases across the board before the end of the year. We are very concerned," Mr Halfon said.

Fears of rising costs were also expressed by the buyer for Nino's, Ms Jeanine Humphreys, who said it had become very difficult to get cheese and mushrooms at good prices, while the price of bacon had also rocketed.

Poultry epidemic hits retail supplies

LOUISE COOK

THE lethal disease that has infected up to 40% of SA chickens had cut retail supplies and was threatening to stifle the burgeoning market for ostrich exports, industry sources said yesterday.

B/Day

The New Castle epidemic — which kills birds or retards their growth — has been ravaging the industry for the last 12 months, and researchers warn that they are only now approaching an effective vaccine.

The effect has already been felt by chicken producers, with Rainbow warning last month that high fatality rates among stock had undermined its recovery prospects this year.

Retailers are also being hit. Pick 'n Pay GM Raymond Murray said yesterday that frozen chicken supplies had now run out across the country. Prices, already up 15% as a result of the shortage, would continue rising, he said.

(3) Poultry

The disease has also spread to the ostrich world, with the Agriculture Department's Ostrich Research Centre confirming cases in the Transvaal, Free State and Eastern Cape.

The animal health division at the Agriculture Department said exports to Switzerland, Austria and Belgium had become more difficult because certificates were required that indicate that the ostriches had not been exposed to the disease.

Increasing overseas ostrich sales powered exports earnings by the Klein Karoo Co-operative to R161m last year, while local market earnings were about R30m.

16/8/94

The SA Poultry Association said the industry was determined to increase production by means of forced moulting of parent stock.

It added that local supplies were still reaching the market, and that imported birds were still more expensive than local fowls.

A spokesman said the poultry price was now at more realistic levels, given the fall last year at the hands of overproduction.

The disease has cut the average weight of poultry from 1,3kg to 1kg in the past year.

The Agriculture Department said yesterday that work on a vaccine being undertaken at the Onderstepoort Veterinary Research Institute and some private laboratories was not expected to yield positive results for several weeks.

Feathers fly over move to raise chicken tariff

JOHN DLUDLU

SA chicken producers have fallen foul of poultry product manufacturers over their decision to apply for a 4 000% rise on import duties for boneless chicken.

The SA Poultry Association — representing chicken producers such as Rainbow Chicken — has applied to the Board on Tariffs and Trade to lift current duties on boneless poultry and frozen chicken from 8c/kg to R3,13kg.

(3) Poultry

The association said the move was an attempt to close a loophole in the current setup which allowed luxury chicken goods into SA with the same duty as by-products.

But chicken product manufacturers said the increase would cut their profits and push up prices for consumers.

They said chicken prices had already risen 30% in the last year, and that the outbreak of the chicken-killing Newcastle epidemic — which has infected an estimated 40% of the SA poultry population — could push prices up further.

"The producers are not in a position to supply orders. Delivery for stock now takes four to six weeks because of the disease," one manufacturer said.

A spokesman for the association said it spotted abuses of current import duties earlier this year when the declared prices of by-product categories in Customs and Excise statistics suddenly doubled.

Meanwhile, African Development Corporation (Afcor), a non-governmental organisation, has joined the fray.

Afcor said it would call on President Nelson Mandela and Trade and Industry Minister Trevor Manuel to halt the board's investigation, because a tariff rise would not be in the public interest.

A Poultry Association spokesman disputed the manufacturers' view that the application meant a duty increase. "We just want to close a loophole in legislation which allows luxury products (into SA) at the same tariff as by-products. Luxury products such as deboned portions require a high duty, while subsistence products require virtually no tariff."

Bid to increase poultry tariffs

Star 20/10/94

■ **BY THABO LESHILO**

You could soon be paying R3 a kilogram more for imported chicken breasts to help protect local poultry farmers.

The price will go up if the the Board of Tariffs and Trade (BTT) agrees to a South African Poultry Association application to raise the import duty on filleted chicken breasts from 8c/kg to R3,30/kg — a whopping 3 800 percent rise.

But retailers have asked for import tariffs for chicken and meat to be lowered. The price of chicken has risen more than 44 percent in the past 18 months while that of red meat has gone up by between 40 and 50 percent since the beginning of the year.

Now the Cabinet has ordered an inquiry as these spiralling prices threaten to help push inflation into double-digit territory again.

Etienne Lotter, a partner at Etlin International Trading, an importer of chicken, yesterday accused the BTT of going even further than the poultry association by proposing an extra (*ad valorem*) duty on chicken portions which translates into an additional R5,70/kg.

In response, BTT chief director Kraam Winkel said the application by the association was still being considered and would be discussed with any interested party.

Zach Coetzee, of the poultry association, said the low 8c tariff for chicken paste or pulp was being abused to import chicken breasts.

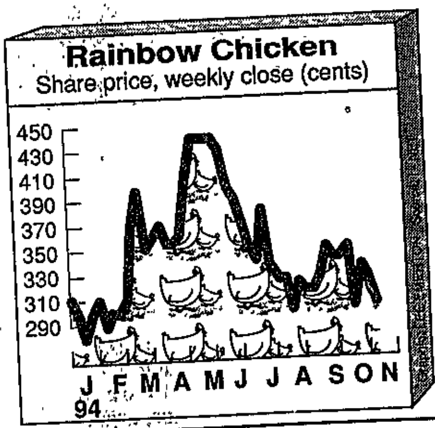
■ **Sapa** reports that levies are also to be imposed on imported red meat "to level the playing field" for local producers of red meat, according to a Meat Board statement issued in Pretoria yesterday

③ Poultry

Disease hits Rainbow profit

B/Day 4/11/94

BEATRIX PAYNE



HLH poultry subsidiary Rainbow Chicken reported a R17,9m attributable loss for the six months to September after major chicken losses in the worst outbreak of Newcastle disease in 25 years, Rainbow MD Rick Griffiths said yesterday.

(3) Poultry

A loss of 4,9c a share was reported from a loss of 0,8c for the period last year, when attributable losses amounted to R2,9m.

He said the disease had been particularly virulent and had affected all major producers outside the Western Cape.

Turnover fell 4,6% to R775,5m from R813,2m on the back of a 13,6% fall in

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Rainbow

B/Day 4/11/94

☐ From Page 1

volumes of chicken sales. This was partly offset by increased volumes at Epol and improved price realisations and product mix from chicken sales. But operating profit plummeted to R9,1m (R20,2m)

Interest paid fell marginally to R21,2m (R22,8m) on reduced interest rates and pre-tax profit reflected a R12,1m loss compared with a R2,6m loss during the comparable period. No provision for tax was necessary owing to the losses, but an R8 000 provision was made for the secondary tax on companies for the R31 000 payment for the preference dividend.

(3) Poultry

The Epol animal feeds division recorded an increase in attributable profit to R5,8m from R300 000 after its loss-making operations were rationalised during the year.

Sales volumes increased after the acquisition of the Worcester feed mill, but selling prices rose marginally due to "highly competitive" activity in the feed market.

Capital expenditure rose to R38,2m (R24,4m) due to the acquisition of the feed mill, and with poor trading conditions interest-bearing debt increased R26,9m to R387,3m. Gearing rose to 48,7% (47,6%).

Griffiths said the disease was being controlled and there had been a decrease in mortalities since the end of September. "We expect production to reach normal levels by the end of December."

The group would have sufficient stock to meet the rise in demand over Christmas,

Vaccination procedures had been improved and he was confident that the group could manage another outbreak of the disease. The group was set to post a profit for the year on the back of strong demand and an improvement in mortality rates.

Disease costs Rainbow dear

Star 4/11/94

■ BY JOHN SPIRA

As expected, the Newcastle disease epidemic which swept the country earlier in the year, has hit Rainbow Chickens' bottom line hard.

In the six months to September, Rainbow suffered an attributable loss of R17,9 million (R2,9 million loss in the same period last year). ③ Poultry

The good news is that there are signs the disease is largely under control in most areas. Accordingly, and on the back of strong demand, the directors forecast a profit by the end of the financial year.

According to managing director Rick Griffiths: "We expect chicken production to reach normal levels by the end of December. Supplies of chickens to customers are increasing significantly and should be back to normal soon."

Group turnover was 4,6 percent down at R775,5 million, while operating profit declined to R9,1 million (R20,2 million). The attributable loss translates into 4,9c a share (0,8c).

The share price has slumped from 450c in early May to 325c, reflecting investor concern over the impact of disease on Rainbow's bottom line.

In the light of the improved outlook, a measure of recovery can be expected.

Rainbow deep in the red

CT 4/11/94

(3) POULTRY

From BEATRIX PAYNE

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He said the disease had been particularly virulent and had affected all major producers outside the Western Cape.

Turnover fell 4,6% to R775,5m from R813,2m on the back of a 13,6% fall in volumes of chicken sales. This was partly offset by increased volumes at Epol and improved price realisations and product mix from chicken sales. But operating profit plummeted to R9,1m (R20,2m)

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The group would have sufficient stock to meet the rise in demand over Christmas.

Vaccination procedures had been improved and he was confident that the group could manage another outbreak of the disease. The group was set to post a profit for the year on the back of strong demand and an improvement in mortality rates.

Loopholes in tariff regulation had allowed a number of importers to avoid duties on chickens and he was concerned that the market would be flooded when the local producers came back on stream.

Rainbow Chicken losses expected to knock HLH

BDay 7/11/94

BEATRIX PAYNE

HUNT Leuchars and Hepburn (HLH) was likely to post a loss for the six months to September after a dismal performance by its subsidiary Rainbow Chicken, analysts said at the weekend.

The group is set to report the results this week and analysts say the R17,9m loss at Rainbow could shave roughly 5c a share off earnings.

"Losses at Transvaal Sugar could see another 10c chipped off the final figure," one analyst said.

Earnings a share at the interim stage last year were 21,5c a share but the group reported a leap of almost 150% in earnings a share to 70,5c for the year to March.

HLH had warned shareholders in July that interim results would be "lower than predicted" because of the drought in the Onderberg area and deaths from chicken disease at Rainbow.

"If the group shows a profit we could see earnings at 5c a share but it now hinges on the performance of the group's unlisted subsidiary Transvaal Sugar."

One analyst said the sugar business looked set for a "total disaster". The cane crop had been badly affected by drought and as a result the recently commissioned R400m Komati sugar mill was not operating at full capacity. This meant a delay in paying off its costs.

The mill was likey to face depreciation costs of R20m and — as it had been funded by debt — a further R70m would disappear into interest payments.

An analyst said there had been rumours that another chicken disease could be waiting in the wings. "There are fundamental problems in the business," he added.

Rainbow MD Rick Griffiths said last week that disease was a constant risk in the poultry industry but the group had improved its vaccination procedures and could manage another outbreak of the Newcastle disease.

(3) Poultry

But the analyst said the group was likely to show a better performance in the second half and he expected earnings a share for the year to range between 40c and 50c a share.

"All things being equal, earnings for the year could be 30% down from last year at 45c a share but until the numbers come through from Transvaal Sugar it will be very difficult to determine," another market watcher said.

BUSINESS DAY, Tuesday, November 8 1994 3

Bid to raise levy on chicken

THE SA Poultry Association has asked the Board on Tariffs and Trade to increase the import duty on filleted chicken breasts from 8c/kg to R3,30/kg — a 3 800% rise.

Association general manager Zach Coetzee said the low tariff for chicken paste or pulp was being abused to import breasts.

Retailers, however, have asked for import tariffs on chicken and meat to be lowered.

The chicken price has risen more than 44% in the past 18 months and red meat has increased by up to 50% since the beginning of the year.

Chicken importer Etienne Lotter criticised the board for proposing an extra ad valorem duty on chicken portions which would translate into an additional R5,70/kg.

(3) Poultry

LOUISE COOK reports that board chief director Aalwyn Kraamwinkel said the board was considering raising the tariff on frozen boneless poultry and lowering it for offal of the chicken breed Gallus Domestic.

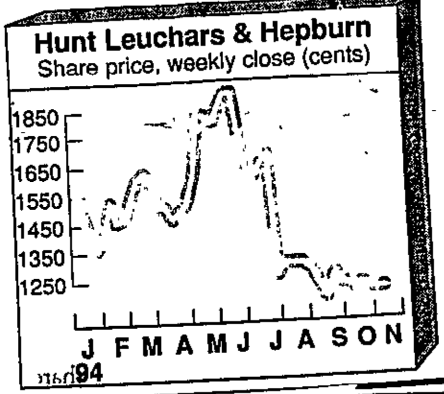
Drought, poultry losses hit HLH

BDay 8/11/94

BEATRIX PAYNE

CONTINUED drought and poultry losses saw Hunt Leuchars & Hepburn's (HLH) earnings a share plummet 89% to 2,5c for the six months to September, the group said yesterday.

Earnings were badly affected by a fall in sugar production as the third consecutive year of drought ate into the group's sugar cane crop in Eastern Transvaal.



CE Neil Morris said the results confimed cautionary announcements issued in July after Newcastle disease led to a high rate of chicken deaths at Rainbow Chicken.

Morris warned that year-end results would be "substantially" below those achieved in financial 1994 despite the prospect of improved profitability at Rainbow.

In view of the depressed level of earnings and difficult conditions, the group said it would declare a single dividend at the end of the financial year.

(3) Poultry

Sales increased to R682,5m (R571,6m) but operating income fell 22% to R55,9m. Financing costs almost doubled to R47,9m from R24m as lower production levels in-

☐ To Page 2

BDay 8/11/94

☐ From Page 1

HLH

creased the burden of financing costs of the R400m Komati Mill. This left pre-tax income sharply lower at R7,9m (R49,4m).

The group received a R3m tax credit because of a reversal of deferred taxation and a lower tax rate owing to the level of earnings and the utilisation of capital allowances. Income after tax fell 67% to R11m (R33,5m), but R7,2m was chipped off the bottom line because of associated companies' losses. Net attributable income fell 89% to R3,7m from R32m last year.

Rainbow's R17,9m attributable loss for the six months reduced HLH's attributable earnings by R7,2m after shaving R1,2m off last year's interim earnings. Morris said management actions had had a positive affect and the death rate of chickens had declined during the past month.

The group's sugar subsidiary reflected a bottom line loss of R6,4m after contributing R13,4m to earnings last year. Total sugar production by the Malalans and Komati mills was expected to be 20% below the group's expectation for the season.

Subsidiary Robertsons turned in a "strong" performance for the year as its contribution to attributable income rose 49% to R17,9m.

(3) Poultry

HLH Timber earnings were sharply lower for the period. The subsidiary saw its contribution to earnings slip to R900 000 (R7,4m). The division reported "disappointing" results from its value-added operations in HLH Timber Processors. Mining Timber was affected by low demand during the first quarter but performance from the export hardwood chipping operation exceeded expectations.

The corporate division's contribution to earnings reflected a loss of R1,5m against a R100 000 profit last year.

HLH's fixed assets rose to R1,3bn after the completion of the Komati Mill. After funding the project and working capital expenditure, interest-bearing debt rose to R864,7m (R426,5m).

Morris said the group's results would improve significantly during the second six months. The improvement would hinge on a good performance at Robertsons, improved volumes and prices in the timber operations, profitability at Rainbow and "normal" summer rainfall.

Investment holding company Huntcor — its only interest its holding in HLH — reported earnings a share sharply lower at 5c from 43,1c.

Tariffs on meat to be probed

Star

24/11/94

BY ZINGISA MKHUMA
CONSUMER REPORTER

In an attempt to prevent further rises in the price of poultry, the Board of Tariffs and Trade (BTT) has announced an investigation into tariffs on imported meat products.

This comes after retailers and consumer bodies expressed grave concern at escalating meat prices.

It was reported that the price of chicken went up by more than 40 percent in the past 20 months, while red meat increased by about 50 percent since January.

The price of red meat is set to rise even further over the festive season.

The BTT confirmed yesterday it had two applications in hand — one for an increase in the duty on boneless poultry cuts and one asking for a reduction in the duty on edible offal of fowls.

But it had decided to defer a decision on increasing tariffs and to consider it as part of the investigation

③ Poultry

[illegible]

Poultry operations spur ICS earnings

CT 14/11/94 ③ POULTRY

From **BEATRIX PAYNE**

JOHANNESBURG. — Profitability in food group Imperial Cold Storage's poultry operations helped the group post a 20% increase in attributable earnings to 197,5c a share for the year to September.

MD Roy Smither said at the weekend the performance during the second-half had improved and earnings growth was "very satisfying" in the light of difficult trading conditions.

Sales increased 15,9% to R2,8bn as the rise in red meat prices saw demand for poultry increase.

Operating profit before interest jumped 84% to R124,5m. But Smither said the figures were not directly comparable with the previous year because of the consolidation of Sea Harvest's results for the full 12 m^nths.

Increased working capital requirements pushed up interest paid to R12,6m (R9,5m) and gearing was at 22%.

Income from investments rose to R12,4m (R11,1m) which left pre-tax profit 80% higher at R124,3m.

The tax bill jumped to R43,8m (R25,8m) after the 12-month consolidation of Sea Harvest's results and profits in the poultry division. After-tax profit including associate companies was 24% higher at R86,6m. Attributable profit rose to R75,1m (R62,4m) and a dividend of 60c a share (50c) was declared.

Extraordinary losses jumped to R119,4m from R64,2m after costs were incurred related to goodwill written off. discontinued operations and restructuring costs.

The group sold its 40% interest in Commercial Cold Storage for R30m and had increased its stake in Sea Harvest by 10% at a cost of R50m.

Its poultry operation had achieved good results despite the very cold winter and the outbreak of Newcastle disease which had killed chickens. Subsidiary Festive Farms was merged with OTK to form Earlybird farm last year.

Sea Harvest's results improved during the second half as a result of better quality catches and firm prices on international markets. Cheese and butter results were down in the dairy division and after the sale of the Clayville plant the fresh milk operations were similar to last year.

The Cold Chain had had a difficult year with a strike and stock losses in the PWV. Enterprise Foods had performed ahead of expectations but the full benefit of the Renown merger would be felt next year.

Chicken farm staff stop work

CT 19/11/94

(3) POULTRY

([redacted])

JOHANNESBURG. — Food and Allied Workers' Union members employed by Rainbow Chicken farms and processing plants have embarked on a national strike, the company said in a statement yesterday.

The company said although the union had not officially declared a strike, the strike was underway in spite of an agreement reached earlier this week.

"FAWU regional organisers declared the agreement to be null and void and reverted to pre-arbitration demands of a 16% wage increase across the board."

Company spokesman Mr Steve Pattinson said the company's offer was final and striking workers would be dismissed if they did not return to work.

Union spokesmen were not available for comment. — Sapa

Rainbow 'placing too much blame on disease'

BDay 21/11/94

BEATRIX PAYNE

RAINBOW Chicken may be placing too much blame on Newcastle disease for its losses, stockbrokers and industry sources said at the weekend. Rainbow posted a R17,9m attributable loss for the six months to September, while the poultry operations of its competitors had been profitable.

One source said the group had gone through a major change in management over the past year and many of its experienced "chicken people" had left. HLH took over management control of Rainbow in January last year.

Rainbow marketing manager Steve Pattinson said: "We have lost a number of people who took their skills with them, but this was no more than natural attrition. In every case we have replaced them with competent people."

(3) Poultry

He said this year's particularly virulent strain of Newcastle disease had affected the entire industry, except in the Western Cape, where one of the group's major competitors was based. "Our vaccine programmes proved ineffective."

He said the disease was now under control and deaths had declined substantially. But the group's size meant it had high fixed costs and a decline in throughput would have a substantial effect on profit.

Analysts said profitability at Rainbow's major competitors had sparked concern among investors. But one analyst said it was difficult to compare results as Rainbow had reported only for the past six months when the disease had been at its height. He said the other two groups were able to benefit from better results before the onset of Newcastle disease in July.

Frozen foods group ICS reported a 20% rise in attributable earnings to 197,5c a share as its poultry division returned to profitability.

In its interim results statement, Tiger Oats said its commodity division, consisting of County Fair and Golden Lay, had "recovered well from the previous year's losses". Sources said County Fair had escaped the disease as its operations were based in the Western cape.

One analyst said Rainbow's feeding operation had also been affected as its fortunes depended on its ability to supply products to Rainbow.

Ultimatum for Rainbow staff

③ POULTRY

Own Correspondent

CT 21|11|94

DURBAN. — Natal-based Rainbow Chickens has issued an ultimatum to striking workers stating that unless they accept the 10% wage increase — which was agreed with the trade union — and return to work they will be dismissed.

A company spokesman said the Food and Allied Workers' Union had not officially declared a strike and many operations had continued to work as normal. However, others had entered into illegal strike action and acts of intimidation.

Turkey sales taking off

BDay

LOUISE COOK

CHRISTMAS sales of turkeys were rising sharply, boosted by red meat and poultry prices, Shoprite/ Checkers spokesman Adele Gouws said yesterday.

Pick and Pay's GM Ray Murray said sales were buoyant. "Turkey is one of the best values for money at the moment, being much cheaper than meat and poultry, while being high in protein content.'

6/12/96

Imported turkeys sold at between R8/kg and R11/kg, but unlike meat and poultry, prices were virtually unchanged from last Christmas, Murray said.

Meanwhile, the Meat Board's latest price statistics show red meat prices at auctions have started to move sideways.

③ Poultry

Beef prices peaked in August at R9,1/kg, while lamb and mutton were most expensive in July when they cost R12,38/kg. Pork cost R7,28/kg in September and has since dropped back to R6,67/kg.

Poultry industry hit by disease

CT 22/12/94 ③ POULTRY

Staff Reporter

OUTBREAKS of Newcastle disease have caused massive losses to the poultry industry and led to a huge shortage of fresh chickens.

The Department of Agriculture said yesterday the outbreaks had also caused a drop in egg production.

Besides broiler farms, outbreaks had occurred in squatter camps and backyard enterprises and among racing pigeons and show fowls, with 100% mortality rates, the department said.

Symptoms include nervous behaviour, twisted heads, muscular tremors and paralysis of wings and legs, the department said.

"All outbreaks or suspicion of outbreaks must be reported to the nearest state veterinarian."

The managing director of County Fair, Mr Mike Kingston, said sporadic outbreaks of Newcastle disease were increasing in the Western Cape.

He said the company had a 30% mortality rate on one farm and 14% on another. "We have adopted strict bio-security measures. The disease spreads very easily so we have strict isolation procedures. We have managed to get mortalities down to 2%."

The general manager of perishables for Pick 'n Pay, Mr Ray Murray, said yesterday stores had only 50% of the number of fresh chickens they needed.

He said Newcastle disease did not affect chicken meat, and could not be transmitted to humans.

● Stores said there were no shortages of turkey, duck or goose as these were all imported.

POULTRY – 1995

Outcry as Transnet decides to halt chicken run

(B) POULTRY BD 7/4/95

LOUISE COOK

TRANSNET's decision to stop transporting day-old chicks would deprive millions of people of cheap protein and kill off scores of informal businesses rearing the birds for resale, sources said yesterday.

The move has led to such an outcry that Public Enterprise Minister Stella Sigcau has called for an investigation of Transnet's decision. She told Broiler Distributers the matter would be investigated after negotiations failed between 20 small-scale chicken producers and distributors, and Transnet division PX, which told producers that rail transport of chicks would cease by end-April.

PX secretariat manager Dennis Beech said PX was not geared to transport day-old chicks. Its main consideration was to turn PX into a viable concern for the benefit of shareholders and staff.

After cutting costs in the past two years, it was succeeding as a parcel distributor and container shipper.

Chicken producers' spokesman Ronnie Meyer said transport was not a problem until PX took over the service about three years ago from Spoornet, which had rendered an excellent service. Since then rural railway stations had closed, forcing a drop in the number of chicks transported weekly to about 160 000 from 300 000. No alternative transport was available.

Meyer said 30 000 to 40 000 small-scale chicken producers would be jeopardised by PX's move. Chicken producer Malan Chicks MD Phillip Bronkorst said: "It is going to kill the small businessman."

Meyer said the chicken run would be 70% more profitable if PX charged according to volume instead of weight.

Poultry industry showdown looms

(3) POULTRY

BD BD 18/4/95

LOUISE COOK

A SHOWDOWN looms between local poultry producers and importers over tariffs on imported birds.

Patrick Gaertner, MD of Cape-based importer EM Gaertner Trading, slammed the poultry industry for asking the Board on Tariffs and Trade to set "prohibitively" high duties on imported chicken and chicken cuts. He said consumers were being misled by the poultry and red meat producer organisations.

The prices of imported poultry, which were arrived at after paying a 70c/kg duty, including a 15% surcharge, had kept local prices down.

SA Poultry Association chairman Zach Coetzee said imports threatened 30 000 jobs in the poultry industry and more in related industries. The state had lost R143m in taxes.

Board on Tariffs and Trade director Willie Lubbe said an investigation of the poultry tariff structure was still under way and no decision had been taken.

Disease control lifts turnover at Choice

By Derek Tommey

③POULTRY

Reductions in chicken fatalities at red and white meat producer, Choice Holdings, boosted its turnover 105 percent in the year ended February to R234,4 million, the company reported today.

Its income before finance costs and depreciation rose 159 percent to R25 million, it said.

Earnings a share rose from 20,76c to 69,09c before extraordinary items, and from 56,03c to 115,10c after extraordinary items.

Shareholders will have the choice of receiving capitalisation shares or a dividend of 29c.

John Limberopoulos, Choice's executive chairman, said the company continued the progress achieved in 1993-94.

This was achieved in spite of difficulties arising from initial political uncertainty last year, an outbreak of Newcastle disease and a national shortage of day-old chicks.

Limberopoulos is optimistic that the group will continue its rapid growth this year and next year. Earnings for the year are expected to rise 132 percent to 160c.

This is because operations acquired last year, which reported profits for only part of the 1994-95 financial year, will be reporting profits for the full 1995-96 financial year.

Limberopoulos said the company's major chicken operation, Agrichicks, had mortalities of about 60 percent at the height of the Newcastle disease outbreak last year.

However, the company started placing its day-old chickens with contract farmers about eight months ago and this reduced mortalities to between 6 percent and 8 percent.

Newcastle disease is windborne. By placing the chickens with contract farmers up to a radius of 150km from the hatchery, its incidence is greatly reduced.

Limberopoulos said improvement in the economy had resulted in a strong increase in demand for protein.

South Africa did not have the resources to meet the increased demand, he said.

CT (BR) 25|4|95

Seven hundred workers on strike

(3) Poultry

By Mpikeleni Duma

Sowetan

ABOUT 700 members of the Hotel, Liquor, Catering, Commercial and Allied Workers Union at the Country-Bird chicken breeders plant in Botshabelo, Bloemfontein, went on strike yesterday shortly after three of their colleagues were dismissed.

Union spokesman Mr Thekonyane Makara said the workers were angered by the way management dismissed the workers yesterday.

He said they had not followed procedure as laid down in the Labour Relations Act.

"Earlier this month the police arrested the dismissed workers at the plant for alleged theft.

"We intervened but were told the matter was in the hands of the police.

Without a hearing

"Later the company agreed that the dismissed workers should be reinstated immediately. But yesterday they were dismissed without a hearing," said Makara.

Country-Bird general manager Mr PG Rossouw confirmed that there was a work stoppage and said workers were involved in an "illegal industrial action which could cost dearly".

He declined to comment about the dismissals in question.

Poultry industry under threat

(3) POULTRY Star 26/4/98

BY NIKKI WHITFIELD
CONSUMER REPORTER

The poultry and maize industries, and the thousands of people employed by them, are being affected by imports brought into the country through loopholes in the import tariff structure.

Economists also believe that importers are making excessive profits through both the exploitation of tariff loopholes and through not passing on low product prices to consumers.

SA Poultry Association executive director Zach Coetzee said about 66 728 tons of poultry were imported last year, representing more than 10% of the country's annual poultry production and threatening the viability of the industry.

"We are concerned that importers are taking advantage of tariff loopholes which allow them to land products at very low prices and not attract duties which are part of the General Agreement on Tariffs and Trade drawn up between governments," Coetzee said.

"If the importers paid the legitimate tariffs then it would not be as profitable for them to flood the market with foreign products."

Coetzee said there were two key loopholes: the first was that chicken brought in with a few peppercorns on top or a sachet of salt in the cavity could come in under the "salted, spiced and peppered" category and attract a minimal tariff.

The other problem arose with the practice of filleted breasts being imported under the low-tariff category of "mechanically deboned meat" (MDM) instead of the "luxury goods category", which had a R3,13 tariff. The MDM category attracted only an 8c/kg tariff and was intended to apply to pulp removed after portioning of the carcass.

"We want the Board of Tariffs and Trade to close the gaps by redefining the MDM category to exclude deboned breasts and to adjust the marinated and salted category," Coetzee said.

Should "improper" imports continue, the jobs of 30 000 workers would be threatened and the maize and allied feed industry would be threatened.

Dr Mike Elliott, the Maize Board's senior manager of economics, said local industry was being shot in the foot by these imports.

"This is really very short-sighted. A balance has to be reached between food security and self-sufficiency, and rural development needs to be looked after too. It also costs money to import, which depletes our foreign exchange reserves."

Alwyn Kraamwinkel, chief director of the Board of Tariffs and Trade, said the board was currently investigating the customs tariff dispensation for poultry meat and preparations. The outcome of the investigation would be published in the Government Gazette.

DIAGONAL STREET

③ ~~Meat~~ Poultry

Choice puts meat on its bones

③

:HOICE Holdings, hanging hands at 850c his week after imroved results and on a autionary to shareolders, could be had or a mere 15c a couple f years ago and 150c nly 12 months back.

It listed, pathetically, on he development capital narket in 1987 as Mighty Meat Holdings. It is too ong ago for me to remember the details but the share fell foul of some skulduggery and its tarnished image could not be repaired when control passed to the current chairman, Johnny Limberopoulos, in 1989.

Nor could its performance initially, but the meat and chicken group picked up well enough to earn a transfer to the main board last August, since when several acquisitions and changes now place the group on an attractive forward yield, if the forecasts of sponsoring stockbroker Davis Borkum Hare are to be achieved.

Despite a tough year to February 1995, during which riots in Bophuthatswana resulted in the burning down of five butcheries and the incidence of Newcastle disease among poultry took its toll, Choice managed to lift earnings by 232% to 69c a share and a scrip dividend or cash alternative of 29c was declared.

Choice holds half-shares in two businesses. Together with the Northwest provincial government it owns Agrichicks, a chicken-farming operation. Agrichicks currently supplies 355 000 frozen birds a week, which it aims through lower mortality and improved efficiency to push to 580 000 birds by November.

Agrichicks has established a breeding farm where stock is reared and mated for fertile eggs. These are hatched and subcontracted out over a radius of 150km as day-old chicks to farmers who raise them to sell back at 42 days. The farmers buy chicken food and veterinarian supplies from Agrichicks and carry the risks of raising the birds. On repurchase, the birds go to Agrichicks' Mmabatho processing plant.

Mr Limberopoulos says that spreading the chicks over a large area instead of the 1 200m² of the hatchery has been carried out for eight months and is the main reason why the airborne Newcastle disease has not devasted Agrichicks.

Choice's other investment, jointly held with Yabeng, is CIC, to which there are four divisions. Caterchoice is a meat and poultry wholesale trading company with its own cold stores in Wynberg near Johannesburg.

Mighty Meat Butcheries has 41 stores across the country housed within supermarket chains. MMB bought 21 shops from Foodcorp's Kanhym Supermarket Butcheries in December.

Sangiro buys day-old chicks, grows some and farms out others for rearing and sells fresh birds and value-added chicken. It currently slaughters 88 000 a week, which should rise to 125 000. It will also install a freezer unit at Broederstroom.

Fourthly, Taurus produces and distributes processed meats such as polony, frankfurters, meat loaves, bacon and smoked products.

Choice has come to fore with a rush after an acquisition spree starting with Agrichicks and then this year, Sangiro for R16,2-million, Taurus for R3,8-million and the Kanhym butcher shops for R5,7-million. Taurus was onsold to CIC for R8-million. Choice's long-term liabilities doubled to R14-million during the year.

Davis Borkum Hare forecasts earnings of 160c a share in the current financial year and 250c for 1997, putting the share on forward price:earnings ratios of five times and three times respectively. Net asset value at February 28 1995 was 284c a share and long-term gearing was 123%. The company has become a strong cash generator — cash-flow per share was 38c in the last financial year.

ST(BT) 30|4|95

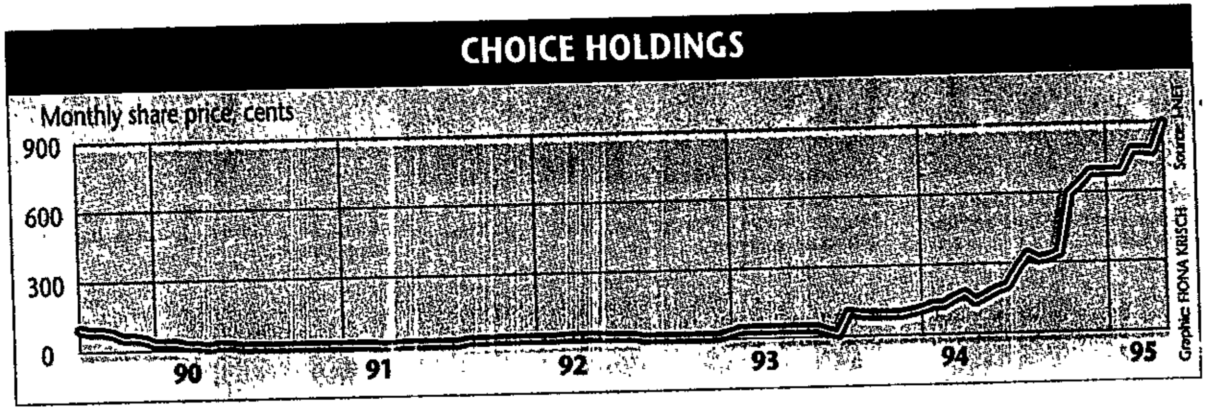
Choice offers no breakdown of contribution from each division to either turnover or profit, other than to mention R80-million of the R314-million turnover came through arms' leng... inter-company business.

This week's cautionary may herald an entry into the canned meats market by Taurus, as broached in the 1995 annual report. Acquisitions will be paid for through the issue of shares.

There is no five-year review in the annual report so the path of history cannot easily be traced by shareholders. Information on the extraordinary items is also inadequate.

The annual results, published on April 24, were mysteriously dated April 19 — some must have been privy to them before their general release as the share price added 75c to 850c in that period.

While Choice's prospects have taken a turn for the better, I would be a careful traveller on the road to Damascus.


CHOICE HOLDINGS

Graphic FIONA KRISCH Source: I-NET

~~Meat~~ Poultry


Julie Walker

Turnaround took just four months

BD 6/5/96 ③ POULTRY

MARCIA KLEIN

POULTRY producer Rainbow Chicken recovered from a significant interim loss to report attributable profit of R18,2m (R17,4m) for the year to March.

Newcastle disease had adversely affected its chicken population and its profit in the interim period, and it had reported a loss of R17,9m to end-September. MD Rick Griffiths said the disease — now under control — as well as a strike in November, had affected results in the first two months of the second half. The sharp turnaround was achieved in the final four months of the year.

He said turnover rose by only 4,2% to R1,7bn (R1,6bn) due to a 6,7% decrease in chicken volumes because of the disease and a drop in sales by Epol to customers other than Rainbow following the closure of some loss-making mills.

Operating profit grew by 19% to R76,2m (R64m) for the year. Financial director Chris Wells said operating profit was R67m in the second half from R9,1m in the first, and the margin improved to 7,2% in the second half from just 1% at the interim stage. The 15% rise in interest to R50,3m reflected funding requirements of 50%-held Epol for its acquisition of the Worcester feedmill in April last year.

Pre-tax profit was 27% higher at R25,9m (R20,4m), but bottom line earnings were only marginally up at 4,9c (4,7c) a share after outside shareholders took their share. No dividend was declared, but an interim dividend was likely for the period to end-September.

Griffiths said Epol had a good year, and Rainbow's share of its profit grew to R7,4m from R2m previously. Epol's results reflected successful rationalisation of its loss-making mills, productivity improvements and the good performance of the Worcester feedmill.

Griffiths said the Newcastle disease had given directors the opportunity to go into farming technology in a more penetrating fashion. The company had embarked on a large-scale programme to focus on poultry health.

Commenting on the year ahead, he said that if strong demand for its product and the improved health of its flock continued, Rainbow expected "a substantial growth in earnings" in the coming year.

Loopholes in tariff system a threat to poultry industry

③ POULTRY

BD 16/5/95

Louise Cook

THE poultry industry was being threatened and would have to rationalise and cut costs to survive, SA Poultry Association chairman Connie du Toit said yesterday.

He told the association's annual congress in Midrand that loopholes in the tariff system posed the biggest threat to the industry.

The changed maize marketing system — which came into effect this month — would have a serious influence on production costs.

This could cause havoc in the market as 35% of the cost of a broiler was related to price of maize. Changes in the marketing of red meat could also increase pressures affecting demand for poultry.

Egg Organisation chairman Danie Kloppers said labour legislation should disallow the right to strike by providing extensive reconciliation mechanisms. The discussion document on the new Manpower Act could bring intensive agriculture to a standstill if proposals were not changed substantially.

Chick Producers Organisation chairman Tredeaux Grobler said the discontinuation of railway services for tranportation of day-old chicks to rural areas would hamper the reconstruction and development programme. The organisation had asked the SA Agriculture Union to take up the matter with the Transport Minister.

Gauteng agriculture minister John Mavuso said poultry and eggs could be produced successfully by small-scale farmers in and around cities in the province. More than 600 000ha of agricultural land in Gauteng were not being used to full potential. Mining groups and local authorities were using large tracts of this land for other purposes.

"Poultry is no longer the affordable diet of the poor. A worldwide organised industry is needed to make the product more available."

Infected chicken 'made kids sick'

③ POULTRY ST(ECM) 21/5/95

By GARY COLLINS

HUNDREDS of tons of imported frozen chicken pieces that slipped through the customs net and found their way on to shop shelves may be linked to a recent outbreak of salmonella poisoning in which more than 60 children were treated at the Red Cross Children's Hospital.

This was confirmed on Friday by Western Cape Department of Agriculture spokesman Willem van Huysteen.

Red Cross Children's Hospital medical superintendent Rod Marshall confirmed that "a large number" of children had been admitted from April 17 for treatment for vomiting and diarrhoea.

"We tested about 60 of the worst cases and found they had salmonella poisoning," he said.

The affected chicken was imported from the United States and Canada and arrived in Cape Town on February 27 and 28 this year, Dr Walter Lowe, head of the Department of Veterinary Health in Pretoria, said this week,

According to Department of Customs and Excise documents in possession of Cape Metro, a consignment of more than 52 tons of chicken portions was landed in Cape Town on February 27.

Samples were taken from the consignments, which were then released to the importers for distribution several weeks later, a source claimed. Tests found the samples were contaminated with a strain of salmonella known as Hadar.

"Department of Veterinary Health officials at Stellenbosch and Cape Town detected a strand of salmonella Hadar, in a batch of imported chicken pieces," Mr van Huysteen said.

"Coincidentally, the department also received samples from the Red Cross Children's Hospital which subsequently tested positive for the Hadar bacteria. It would seem like the link between the two is fairly obvious.

"We have many thousands of tons of meat to take samples from and it is simply not possible to test everything. We try to do the best we can," he said.

Dr Lowe confirmed that two batches of chicken imported into South Africa from America and Canada had tested positive for salmonella after they had been cleared for distribution.

"Unfortunately, because of the huge quantities of meat imported, we cannot store all the products while we wait for the products to be tested for salmonella.

"We take test samples and release the meat into the market-place, pending the result of the tests. If we find any traces of salmonella or other bacteria we go back to the importer and the overseas abattoirs.

Chance to buy Choice at a poultry price

CT (BR) 30/5/95

③ ~~MEAT~~ POULTRY

ON DIAGONAL STREET

The chicken and meat processor has trebled EPS, but is still undervalued by the market

By John Spira

The shares of meat and chicken processor and distributor Choice Holdings have to be undervalued following the recent release of results for the year to February 1995.

Earnings a share rocketed from 20,76c to 69,09c before extraordinary items and from 56,03c to 115,10c after extraordinary items.

Reductions in chicken fatalities were primarily responsible for the sterling performance, which, most importantly, is being extended into the current financial year.

John Limberopoulos, chairman, has taken the bold step of predicting that 1995-96 earnings will reflect continued rapid growth.

Analysts have interpreted his remarks to imply that the figure will advance by a formidable 132 percent to 160c a share — a forecast which no doubt contains an element of conservatism.

Given so promising an outlook, one would have expected to find the market discounting the considerable improvement. Yet the 3,2 percent dividend yield and 13 price-earnings multiple are way inferior to the averages for the JSE's food sector — 2,3 percent and 20,5 respectively.

And the rating gap expands into a chasm when the fundamentals are calculated on the projected figures, which indicate a prospective dividend yield of 5,3 percent and a price earnings of 5,6.

Why hasn't the market taken the cue?

Most likely it's wary of the possibility of a recurrence of Newcastle disease which decimated the chicken population more than a year ago.

The company has taken careful measures to guard against such an eventuality, but it must be conceded that chicken farming contains an above-average element of risk.

Be that as it may, even if the optimism falls short of expectations, the shares are far from expensive, especially considering that the balance sheet is strong.

□ □ □ □

The "analyst" word shouldn't be lightly used. A great many stock market amateurs consider themselves analysts on the dubious ground that they cast a cursory glance at published figures and go on to draw weighty conclusions.

There's much peril in so superficial an approach to the stock market, since it can lead to decisions based on the incorrect premise.

A case in point is the recent release of Citizen Bank's annual figures for the year to March 1995.

When a company releases its results, it usually sends the financial press a copy of the official interim or preliminary report accompanied by a press release which summarises and embellishes on the announcement. Almost invariably the release highlights the positive aspects of the company's performance while downplaying the negatives.

I don't have a problem with this. After all, the JSE's listed companies pay good money to public relations firms to interface with the press and they're not likely to write cheques to firms which trash them — no matter that a trashing is sometimes warranted.

The problem, rather, lies with those labelling themselves analysts whereas all they do is consider the press release at face value. Citizen's press release was unaccompanied by the official preliminary statement, which should have been sufficient to set the analytical warning bells ringing.

The first paragraph of the release read: "The Citizen Bank Group's pre-tax profit increased by 45,5 percent to R15,4 million during the past financial year." Elsewhere, it revealed that earnings per share had risen by 33,8 percent and the dividend by 61,8 percent.

Generally speaking, comparisons of this nature relate apples to apples. In Citizen's case, a pear crept in. How come? Because the 1994-95 profit and earnings increases are calculated on the activities covering a five-and-a-half month period ending March 31 1994 grossed up to 12 months.

Nowhere in the release is attention drawn to this — an oversight which could have been misleading.

In the event, the comparisons were reasonably truly stated. A full understanding was, however, lost without the information necessary for appreciation of the nuances.

I raised the issue with Edgar van Deventer, chief executive, who acknowledged that the press release should have contained the requisite explanation. He excused the oversight by reference to the difficulty involved in explaining the adjustment procedure.

Not good enough. It's the duty of every listed company to inform the investing public of all the facts; it's the duty of the investor to interpret them.

US farming drive threatens SA

③ MEAT + POULTRY

Louise Cook

BD 5/6/95

A DRIVE by US farmers to regain dominance in the global agricultural market by putting 16-million hectares back into production would threaten the SA poultry and meat industries, according to a report in Standard Bank's latest Agri Review.

The report said the land had been part of a US government incentive scheme to limit production, but it had cost farmers income earnings and export market share.

SA agriculture would be "directly affected" by changes in the US Farm Bill. One of the most important issues being debated was whether to return 16-million hectares to production.

The report warned that additional grain, oilseeds and animal production on the land would increase produce on the world market and drive prices down.

"This will increase competition in the SA market (at a lower dollar price) especially for poultry, but it would also affect the meat industry."

The report said SA was included in the US export enhancement programme for grain and oilseeds. US exporters would be in a position to claim lucrative export subsidies on any exports to SA.

It said federal government support to US farmers amounted to R33,1bn last year — more than the total value of SA agricultural production.

But US agricultural attaché to SA Jim Benson said it was too early for concern about the possible outcome of the Bill.

COMPANIES

Sovereign expects 34% earnings rise

Marcia Klein

BD 6/6/95

(3) Chicken

CHICKEN producer and distributor Sovereign Food Investments, which will list on the JSE's food board today, has forecast a 34% rise in earnings in the year to February 1996, and similar growth in the following year.

Directors said in a pre-listing statement that the JSE had granted a listing of 25-million shares at an issue price of 500c a share. There was no public offer, but 7-million shares were placed in a R35m private placing with institutions and individual clients. The private placing, which was oversubscribed, was taken up by a number of institutions.

Sovereign Foods was incorporated as a holding company on May 8. It bought the entire issued share capital of Sovereign Food Industries, which in turn acquired 100% of operating companies Crown, United Chicks and Rocklands Animal Feeds, and 70% of Country Range.

Of the R35m raised, R25m was used to repay a loan arising from the acquisitions, about R1,3m was used to pay listing costs and R8,7m was retained by the company.

Pro forma figures showed that in the year to February 1996 turnover would increase by 33% to R87m (R65,4m) and operating profit would rise by 34% to R15,8m from R11,8m. Earnings would rise by 34% to 63,11c (47,24c) a share in financial 1996, and by a further 34% to 84,8c a share in financial 1997.

Directors said Sovereign had a high level of vertical integration. It breeds and hatches chickens, which it farms and processes. It has its own feed mill and uses its own distribution network and fleet. It sells mainly in upmarket product departments of large retail chains in the Eastern and Western Cape. Vertical integration had enabled it to be "an extremely low-cost, high-quality producer".

It was a focused niche business, mainly involved in high-quality value-added fresh products. Directors said it avoided, to a large extent, "the more cyclical commodity market of frozen chickens".

The industry average mortality rate was 15% in 1994, but Sovereign's was only 4,6%. This was because of hands-on management, low density if chicken population and management's depth of experience.

Poultry industry faces 'total collapse'

(3) POULTRY Star 14/6/95

BY SHIRLEY JONES

South Africa's poultry industry was on the brink of collapse and is facing closure of key operations, massive retrenchments and forced wholesale slaughter of livestock.

This comes in the wake of an escalation in the dumping of cheap imported chicken — which has clogged all available frozen storage capacity — forcing some major local poultry producers to cease production.

Pleas have gone out to the Government for emergency intervention to help limit damage.

In a letter to President Mandela, Rainbow group managing director Rick Griffiths says permanent closures or mothballing of slaughter plants, feed factories and farms, with laying off of workers, was already inevitable.

The head of the South African Poultry Association, Zach Coetzee, said the collapse of the poultry sector would mean around 40 000 job losses.

According to both Griffiths and Coetzee, the poultry industry was not calling for higher protective tariffs, but for the closure of current loopholes which have allowed importers to duck tarriffs for the past nine months.

He says cheap imports are escalating and show no sign of abating. Whereas chicken imports totalled 66 000 tons during 1994, 15 000 tons had entered the country during January and February of this year alone.

Griffiths points out that, even if imports stopped immediately, it would take the rest of the year to stabilise the situation.

He warned it was impossible for a livestock industry with long lead times to simply turn off production at short notice, leaving producers such as Rainbow with no choice but to destory eggs and day old chicks and deplete breeding flocks.

Poultry industry 'emergency'

CT(BR) 14/6/95 (3) POULTRY

By Shirley Jones

STAFF WRITER

South Africa's poultry industry is on the brink of collapse and is facing closure of key operations, massive retrenchments and forced wholesale slaughter of livestock.

This comes in the wake of escalating dumping of cheap imported chicken in South Africa which has clogged all available frozen storage capacity, forcing some major local poultry producers to cease production altogether.

Pleas have gone out to government for emergency intervention to help limit damage.

In a letter addressed to President Nelson Mandela, Rainbow group managing director, Rick Griffiths, says permanent closures or mothballing of slaughter plants, feed factories and farms, with laying off of workers, is already inevitable.

Speaking on behalf of other major poultry producers, head of the South African Poultry Association Zach Coetzee describes the chicken crisis as sickening. He says the collapse of the poultry sector would mean around 40 000 job losses.

According to both Griffiths and Coetzee, the poultry industry is not calling for higher protective tariffs, but has been calling for the closure of loopholes which have allowed importers to duck tariffs for the past nine months.

He says cheap imports began to escalate at an alarming rate and show no sign of abating.

Griffiths points out that, even if imports stopped immediately, it would take the rest of the year to stabilise the situation.

One importer is rumoured to have clocked up a R30 million profit in just a couple of months.

Poultry disaster: GATT connections

(3) POULTRY Star 15/6/95

BY JOHN SHERROCKS
KWAZULU NATAL
BUSINESS EDITOR

Rainbow's cry of foul play against poultry importation highlights the growing concern that far from protecting South African industry, the General Agreement on Trade and Tariffs (GATT) will dramatically increase exposure to dumping and a number of other unfair trade practices.

Mark Silver, Deloitte & Touche tax partner, said the new South African legislation, which would incorporate the provisions of GATT, would do little to improve the lot of local manufacturers and producers.

Alarmingly, these do not provide the same degree of protection, he said.

The international agreement's definition of dumping was considerably narrower than South Africa's existing legislation.

It limited applicants for the imposition of anti-dumping duties to domestic producers who accounted for at least 25% of local production of the allegedly dumped product.It also makes no provision for the onus of proof.

Exploitation

Silver said South Africa would increasingly be regarded as an attractive dumping site. Together with the reduced costs of exporting to South Africa the country's status as a low-density industrialised country and the removal of the political factors which inhibited international trade in the past made the country an ideal target, said Silver.

Local manufacturers will be particularly vulnerable to well-seasoned international operators seeking to exploit new markets, so it is essential that they are not only aware of the increased dangers of unfair foreign competition but also poised to recognise when dumping is taking place and prepared to take immediate action.

"Although our admission to international trade circles is to be welcomed, it carries severe risks that need to be countered with equally defensive strategies," Silver said.

"Manufacturers who have been subjected to American anti-dumping measures will appreciate how effectively they can be used."

Poultry producers' plight ignored

(3) POULTRY CT (BR) 15/6/95

By Shirley Jones

The government and the Board on Tariffs and Trade have turned a deaf ear to pleas from leading poultry producers for urgent intervention to prevent further dumping of cheap chicken.

Rainbow, the country's largest chicken producer, has already had to destroy 100 000 eggs in an attempt to bring production in line with demand. The next step will be to destroy day-old chicks. "Obviously, a production line of this scale with over 3,5 million birds being processed in any one week cannot be scaled down overnight," says managing director, Rick Griffiths.

Rainbow is storing chickens in banks of refrigerated containers outside processing plants. Fully laden trains are waiting outside slaughtering operations in the Western Cape.

Griffiths says every option to prevent permanent closure of plants and mass retrenchments is being investigated. This includes the introduction of a four-day week.

Rainbow remains locked in negotiations with unions.

He says the effect this crisis will have on profit cannot be determined and will depend on how soon authorities step in and close loopholes in the tariff structure.

A further warning comes from John Limberopoulos, managing director of Choice Holdings and Agrichick, which will be less adversely affected as just 30 percent of business is in poultry.

He says the government, by taking a short-term view of poultry imports, could well be jeopardising the interests not only of labour and industry, but also of consumers.

His argument is against low tariffs on so-called spiced chickens and exorbitant subsidies enjoyed by European companies exporting to South Africa.

Limberopoulos says subsidies are already dropping in line with the Gatt and will eventually fall away altogether. Without a viable poultry industry in the next few years, South Africa will find itself at the mercy of inflated world prices, he says.

☐ See next page

Bid to close poultry loopholes

(3) POULTRY 19/6/95 Star

BY SHIRLEY JONES

A major bid to secure greater protection for South African chicken producers will be made today.

Leading producers will head a multi-interest lobbying group meeting Trade and Industry Minister Trevor Manuel in Cape Town.

But importers, who want tariff and other import barriers to be left basically unchanged, will not be represented. Nor will small farmers.

The delegation meeting Manuel, which includes the head of the South African Poultry Association, Zach Coetzee, will ask for the closure of loopholes in the tariff structure which have made South Africa the dumping ground for cheap chickens.

Chicken industry in a flurry over loophole

CT(BR) 19/6/95 ③ POULTRY

By Ann Crotty

Special Writer

Two years ago the chicken industry managed to persuade the government that it needed higher tariffs backed by the claim that because of the single channel marketing system for maize, local industry players had to pay considerably above the world price for maize.

As maize accounts for about 55 percent of the total cost of producing a chicken, it was a fairly compelling argument. But the industry's case was helped considerably by the dismal profit performance of the industry's dominant player Rainbow Chickens.

For the six months to end-September 1992, Rainbow reported a loss of R18,9 million. For that full year, to end-March, the loss was R76,7 million.

Early in calendar 1993, the Board on Tariffs and Trade imposed what were supposed to be temporary import tariffs of 225c a kilogram on frozen whole chicken and 313c a kilogram on frozen chicken pieces. This means that chicken producers enjoy the comfort of one of the highest tariff levels in the food industry.

Understandably, they are not looking for any increase from these levels. What they want is a tightening of two loopholes: spiced chicken has an import tariff of just 8c a kilogram, and there is no tariff on turkey. Customs and excise figures show a dramatic increase in the import of turkeys in the past several months. Industry sources claim much of this so-called turkey is in fact chicken. They also charge that the so-called spiced chicken is generally little more than a sprinkling of salt and pepper on a plain chicken.

The combined effect has set the industry squealing for improved protection with the inevitable warnings of retrenchments if nothing is done. It is no coincidence that government is currently looking at tariff structures across the economy. Analysts reckon that even though the chicken industry is under no pressure from Gatt, the government is likely to be sensitive to consumer needs for lower food prices.

Steve Pattinson, Rainbow's marketing manager, accepts the inevitable, but notes: "Tariffs should be phased down over a number of years to allow local players to compete internationally. Meanwhile the existing system should be tightened."

CHICKENING OUT? *A train load of chickens with nowhere to go. This was the scene at Rainbow late last week highlighting the problem of over-supply in a market where import tariffs are loosely applied*

While Rainbow's fortunes are frequently used as indication of how tough the chicken industry is, it in fact stands out as the dismal exception for a variety of reasons that have more to do with management decisions than industry structure. Back in 1991 when Premier reckoned there was little prospect of profit in chicken, Rainbow took a different view and decided that being the dominant player was the way to go. It acquired major competitor Bonny Bird from Premier, thereby becoming the major producer. Its size and the fact that management pursued the strategy of in-house production instead of using contract growers are major reasons behind the poor earnings performance over the past four years.

Earnings slumped in financial 1992; they plummeted to a massive loss in 1993; recovered to a small profit last year, after a first-half loss, showed a good full-year recovery. But at this stage analysts are wondering how long before disease or excess production hits again.

Due to its size, Rainbow is less able to side-step the effects of over-supply. Because of the density of its production structure and its multi-age facilities, its operations are more vulnerable to disease. As Teigue Payne, editor of Food and Beverage Reporter notes: "A broiler chicken does not have time to develop its immune system in the 42 days of its life.

Therefore when broiler chickens are in the same plant as day-old chickens and breeder chickens, they are extremely susceptible to the wind-borne Newcastle disease."

Pattinson points out that much has been done to improve husbandry techniques and enforce tighter controls and also that all expansion of Rainbow's future chicken production will be done with contract growers.

Towards the other end of the size scale is Choice Holdings where concerns about the threat from a flood of imports have done nothing to stymie plans for major expansion.

Two years ago, when Choice Holdings acquired poorly performing Agrichicks from the then-Bophuthatswana government it was producing 180 000 chickens a week; it is now producing 350 000 a week and it has plans to increase this to 600 000.

John Limberopoulos, the chairman says the economies of scale are significant: "The cost price of Choice's chickens is currently much less than the landed price of imported chickens."

The company also has its own distribution chain. More important is that the bulk of Choice's chicken production is done through contract farming. In this way Choice is able to expand much faster than its balance sheet would allow. It also significantly reduces the threat from disease.

While cautious shareholders at Rainbow will need a lot of persuading to get enthusiastic about prospects for that encounter, over at Choice investors are showing much support for management's strategic drive.

CT(BR) 20/6/95

Poultry crisis unresolved

(3) POULTRY

Yesterday's meeting between the minister of trade and industry, Trevor Manuel, and key players in the poultry industry apparently failed to deliver an easy solution to the import dumping crisis which is threatening 40 000 jobs.

No statement was forthcoming after the meeting between Manuel and company representatives, who were appealing for more stringent measures to close tariff loopholes.

The local industry claims these have allowed the importation of cut price chicken, which has completely clogged local storage and distribution channels and undermined local operations.

However, Peter Hughes, the chief executive of the Spar Group, said his company was sticking to a strategic policy decision to support local producers by refusing to sell imported chicken. — Staff Writer

Retailers feel trapped in middle of 'chicken war'

CT (BR) 21/6/95 (3) POULTRY

By Shirley Jones
STAFF WRITER

Retailers believe the "chicken war" has spread beyond local producers and importers.

Consumers are demanding to know why the price of chicken has not dropped dramatically, and retailers believe they are now caught in the middle. Everyone is discounting chicken, but there's a limit to how far the price can sink, they say.

Claims by an import agent that, at R2,25 a kilogram, the import duty comprises half the price they pay for chicken, has added fuel to the fire.

The R66,7 million kg of chicken brought into South Africa last year at a cost of R204 million means a cost of R3,05 a kg (before import duty), which backs up the import agent's claims.

Given that imported chicken is retailing at around R10 a kg, only slightly below local chicken, as is claimed by Rainbow Chickens and other local producers, the question is into whose pocket the 100 percent mark-up is finding its way.

Not ours, is the emphatic answer from OK Bazaars food director Peter Dodson.

He says that the price of whole frozen birds has fallen dramatically, especially in the Western Cape.

According to Dodson, the OK, which imported its own chickens directly, will take three weeks to clear its imported stock before returning to selling locally produced birds.

The reason, he says, is not a sense of loyalty to South African companies but because these companies have been forced to "do deals" and sell off at a price way below that of imported chicken.

As a result, he suggests, importers are beginning to find it difficult to dispose of their massive stocks.

It appears that the consumer and retailers may be left with the choice of either feathering the nest of importers or paying the price for protecting local industry.

One retail group which has chosen the latter route is Spar.

According to chairman and chief executive Peter Hughes, Spar has made a policy decision to stay out of the imported chicken market.

He says that although locals have dropped their prices to the retail trade, this will not be sufficient to compete with cheap imports in the long term.

"The last thing we would like to see is major producers like Rainbow retrenching. We have enough of that in this country as it is," says Hughes.

Spar has taken a knock for their stance. Hughes says they've had to take a "dunk" in their margins and have seen chicken sales drop slightly.

Overall, according to a recent retail survey, the price of frozen birds a kilogram has dropped marginally, as stocks have built up over the months.

Whereas birds were retailing at around R12,16 a kilogram in December 1994, they were retailing at R12,02 in April and R11,98 in May. No figures are available for June yet.

MARKET READY *Garth Ellis, the general manager of Argyle Poultry Farms which is KwaZulu Natal's largest independent poultry producer, with 20 000 chickens headed for market*

PHOTO JOHN WOODROOF

QUESTIONS

†Indicates translated version.

For oral reply:

The PRESIDENT OF THE SENATE: Order! We shall proceed to questions as printed on the Question Paper. However, before we do so, I would like to draw the hon Senators' attention to certain stipulations in respect of questions. Firstly, questions for oral reply shall be limited to two questions per member per question day.

†I notice that there are up to four questions per member appearing on the Question Paper.

Furthermore, a question for oral reply may, in the discretion of the presiding officer be tabled if, in his opinion, it contains information of a statistical nature.

†I am therefore going to apply these Rules today.

I will apply these Rules in order to protect the Senate against the zeal and enthusiasm of some Senators who have asked too many questions. I am going to ask Ministers to co-operate by using their discretion, lest I apply my discretion to Table replies or portions of their replies in respect of information that may be of a statistical nature.

†I will be very thankful if I get the necessary co-operation.

†Sen Dr G MARAIS: Mr President, on a point of order: When the Minister to whom I am putting questions is never here, then my questions unfortunately pile up.

†The PRESIDENT OF THE SENATE: Order! In the particular case of the hon Senator I am allowing the questions that are standing over, so that he will have three questions to his credit. We proceed.

Questions standing over from Thursday, 8 June 1995:

*4. Sen Dr G MARAIS—Trade and Industry. [Question standing over.]

Imported frozen chicken portions off-loaded in Cape Town harbour

*9. Sen A E VAN NIEKERK asked the Minister of Agriculture:†

(1) Whether a consignment of approximately 52 tons of imported frozen chicken portions was off-loaded in the Cape Town harbour on or about 27 February 1995; if so, from which country or countries was this consignment imported;

(3) POULTRY

(2) whether this consignment was tested for salmonella and/or any other poisoning before being made available for distribution; if not, why not; if so, what were the findings;

(3) whether it has been established whether there was any connection between this chicken meat and the treatment of children for salmonella poisoning at the Red Cross Children's Hospital; if not, what is the position in this regard; if so, what are the relevant details;

(4) whether his Department has taken or will take any steps timeously to prevent the (a) import and (b) distribution for consumption by the public of contaminated food; if not, why not; if so, what steps?

S240E

The MINISTER OF AGRICULTURE (Reply laid upon Table with leave of House.):

(1) No. 3 200 Tons of imported frozen chicken portions, however arrived in Cape Town Harbour on 23 February 1995.
USA and Canada.

(2) Yes. The findings were that *Salmonella hadar* was found in poultry meat from USA and Canada. The South African health certificate does not require testing for *Salmonella hadar*.

(3) *Salmonella hadar* from the imported consignments was compared to *Salmonella hadar* isolated from the Red Cross Children's Hospital by the plasmid-isolation technique. Initial tests indicate no relationship between the serovars involved. Final tests will be done in the UK.

(4) (a) Yes.

(b) Yes. It is required that test for *Salmonella* which are pathogenic for man must be undertaken by the export country to the satisfaction of South Africa. On arrival of the consignment similar tests are conducted by the Department.

Amount made available to heart transplant unit at Groote Schuur Hospital

*11. Sen C R REDCLIFFE asked the Minister for Health:†

(1) What is the total amount made available to the heart transplant unit at the Groote Schuur Hospital;

(2) whether this amount is sufficient to enable the unit to continue its work on a national basis; if not, what amount is needed for this unit to so continue its work;

(3) whether the Government will consider providing the amount still needed; if not,

(4) whether it is the intention to enable any other hospital in South Africa financially to develop a heart transplant unit; if not, why not; if so, what are the relevant details;

(5) whether she will make a statement on the matter?

S242E

The MINISTER FOR HEALTH:

(1) It is not possible to determine the amount made available to the heart transplant unit at Groote Schuur Hospital. According to Groote Schuur Hospital the annual operating costs of the Department of Cardiothoracic Surgery is approximately R15 million. The transplant unit estimates that the cost of the transplant programme is approximately R6 million.

(2) No. At present between 35 and 40 heart transplants are done annually. Statistics suggest that South Africa should be doing approximately 100 heart transplants per year. This will require an additional R10 million.

(3) All health authorities are re-evaluating their priorities. Once this has been done the funding of the transplant unit will be considered but always in relation to other priorities.

(4) No. The unit at Groote Schuur Hospital will have to operate to maximum capacity and be funded optimally before consideration will be given to funding a second unit.

(5) No.

New questions:

National/provincial/local government budgets: auditing

*1. Sen Dr R RABINOWITZ asked the Minister of Finance:

Whether (a) national, (b) provincial and (c) local government budgets are subject to auditing in terms of General Accepted Accounting Practice (GAAP), if so, in what way; if not, in what way are accountability and transparency assured?

S263E

The MINISTER OF FINANCE:

No. Most of the governmental financial systems are controlled on a cash basis. General Accepted Accounting Practice (GAAP) is therefore not generally applied. Furthermore, no external auditing of the budgetary process take place at any level of government. Accountability is assured by the budgeting process at national and provincial level taking place in terms of the regulations and directions of the Department of State Expenditure whilst at local government level the process is controlled by the rules of the Institute of Municipal Treasurers and Accountants. It is thus the function of the accounting officer at all levels to ensure the regulations and directives are complied with and at national and provincial level the Department of State Expenditure exercises further control.

The Auditor-General has however, in the interest of enhanced transparency, decided to audit the budgetary process to add further integrity to the data and to the process itself.

A comprehensive guideline in respect of this auditing has been drawn up and was issued in April 1995. This will in future ensure that the budgetary process is audited to General Accepted Government Auditing Standards (GAGAS).

Generally Accepted Government Auditing Standards (GAGAS)
(term used by Senator Rabinowitz in Question No 1 on 7 June 1995)

The International Organisation of Supreme Audit Institutions has developed a set of standards known as GAGAS in terms of which the audit *process* have to be carried out or comply with. Compliance with GAGAS en-

Poultry industry faces a grilling

(3) POULTRY ST(BT) 25/6/95

By CIARAN RYAN

THE poultry industry is heading for a tough battle in its attempts to stop low-cost imports from flooding into the country.

There is opposition within the ANC and consumer groups to demands for further increases in duties to stop the flood of low-cost imports, along with calls for a revision of the high level of tariffs applicable on chicken imports.

Closing the loopholes, which allow mechanically deboned and seasoned meat to be imported at 8c/kg duty as opposed to 225c/kg for whole frozen chickens and 313c/kg on frozen chicken cuts, will increase the cost of food for the poor.

Although the higher duty amounts to a doubling of the cost of imported chickens, it is still too low, says the SA Poultry Association.

Even if the government closes the loopholes, there are fears that others will be found.

Janet Love, chairman of the national standing committee on agriculture, says she would like to see a simplified tariff system to close the loopholes but argues that the domestic industry needs to improve its efficiency.

"Of course I want to see the industry survive, but we need to know whether the increase in imports is the result of an expanded market or people exploiting the loopholes. I also question whether we need such a high tariff level on imported chickens."

Trish Hanekom, chairman of the Gauteng standing committee on agriculture, says the industry is too monopolised and there is evidence it is badly managed.

"The degree of concentration in the poultry industry is unhealthy and we have seen several small, efficient producers close down after being bought out by competitors. I do see the need to close loopholes but we have to look at the entire tariff structure of the industry."

Zac Coetzee, spokesman for the SA Poultry Association, says importers are exploiting loopholes by adding sachets of salt or seasoning to chickens to by-pass higher tariffs.

"The poultry industry employs 30 000 people and these jobs are at risk if we allow these imports to come in through loopholes.

"The poultry industry in South Africa is part of a captive price control chain. Most of our input costs are subject to some or other kind of distortion and until the playing field is level, we need protection from subsidised imports."

Mr Coetzee says imports are running at an estimated 15 000 tons a month, three times more than last year's level, when imports accounted for 12,5% of the total market.

POULTRY INDUSTRY ③ POULTRY

What's the beef?

FM 30/6/95

Poultry producers have given an undertaking to Trade & Industry Minister Trevor Manuel to set up a forum to address the problems besetting the industry.

The move follows a meeting between producers and Manuel last week when the industry aired its concern over the level of cheap imports flooding the country.

But consumers are scoring while the imports pour in. Retail prices over the past six months have dropped from R15/kg to about R7/kg and importers speak of a further dramatic drop in the next few months.

Pick 'n Pay GM Ray Murray says while some prices have already dropped by "about 20%" over the past three months, the surplus of local and imported stock is now having a "dramatic" impact on retail prices.

Rainbow Chicken marketing director Steve Pattison says Manuel undertook to "take the necessary action to close import tariff loopholes and that he would be accepting the recommendations made by the Board on Tariffs & Trade in that regard."

In exchange, the industry will set up a forum to address "the current level of competitively of the industry and its future viability with a view to simplified tariffs."

Cape Town-based importer EM Gaertner Trading has been funnelling huge tonnages of frozen US chicken into the local market, using the effective 8c/kg poultry tariff levied on "prepared and preserved meat and poultry" in terms of Section 16 of the harmonised tariff system. This tariff discount contrasts sharply with R2,25/kg on whole birds and R3,13/kg on cuts.

Pattison says about 60 000 t of frozen chicken was imported between January and May (compared with 67 000 t during calendar 1994) while local producers increased output by about 10%. The increase in local production was a bid to make up losses suffered during the outbreak of Newcastle disease early last year.

Production is running at about 500 000 t a year capacity and the distribution system will now have to help get rid of the surplus, while production cutbacks of 15%-20% can also be expected.

"All our storage capacity is filled with chicken and we are taking steps to cut back on production. We are uncertain as to the extent that the bottom line will be affected," Pattison says.

But, warns Gaertner spokesman Rory Klemp, if the proposed poultry industry forum becomes yet another closed shop where importers are under-represented, the status quo before the dramatic import surge will be restored and dominant producers like Rainbow will again have carte blanche to determine prices in the local market.

Gaertner CE Patrick Gaertner says if lobbies again succeed in closing the import loopholes, "meat and poultry prices will again reach prohibitive levels."

Meanwhile, Rainbow is still facing extreme difficulties in managing the supply chain and measures have been instituted to reduce production levels. The measures include a reduction in the breeding stock, selling off eggs suitable for human consumption and selling live birds and day-old chicks. Steps are also being taken to minimise job losses. ■

Manuel to review tariffs on poultry

ET (BR) 30/6/95

FROM REUTER

Trevor Manuel, the trade and industry minister, has agreed to review tariff structures in the poultry industry, his department said yesterday.

Manuel agreed to look at the tariffs after talks on June 19 with poultry producers, the South African Poultry Association, a representative of the Food and Allied Workers Union and a member of parliament's Portfolio Committee on Trade and Industry.

"The minister agreed to review the existing tariffs with a view to address the loopholes that are being exploited and abused," the department said.

Local producers are calling for a revision of tariffs after an influx of cheap imported chicken.

They have said they face closure of key operations, massive retrenchments and forced slaughter of livestock.

③ POULTRY

The meeting decided to convene a poultry industry forum of all stakeholders as soon as possible "with a view to improving the efficiency, competitiveness and viability of the industry".

It was further agreed that it is important for this industry to survive, "but that this should not be at the expense of the government's commitment to the majority of South Africans to promote the production of affordable food".

Rainbow's future under serious threat

③ POULTRY CT(BR) 4/7/95

By Shirley Jones

Staff Writer

The combined effect of a strike by 2 000 workers at Rainbow Chicken's KwaZulu Natal processing plant at Hammarsdale and the permanent closure of the company's Delmas operation, with the loss of 370 jobs, would seriously harm the company's performance, chief executive Rick Griffiths said yesterday.

He said a viable offer from a major competitor to take over the Delmas operation as a going concern had fallen through. That left Rainbow no other choice but to close the plant, he said.

The damage resulting from the strike, which followed ongoing labour disputes in the Hammarsdale area, would depend on its duration. The walkout began on Friday afternoon.

Ordinarily the plant processes 1,2 million chickens a week, some of which have been stored outside the plant in massive refrigerated containers at considerable cost to Rainbow.

This was the result of imported chickens occupying refrigerator space usually allocated to locally produced birds.

Despite being locked in negotiations with unions, Rainbow appeared to be taking a hard line with employees. "We had no alternative but to takedrastic action and close down the Hammarsdale plant (due to the strike). All we ask is that employees conduct themselves in accordance with their conditions of employment. Considering the threat to our markets from massive imports, it is disappointing that employees have chosen to disrupt production," said Griffiths.

Jobs threatened as Rainbow plants shut

(3) POULTRY

Renee Grawitzky

RAINBOW Chicken has temporarily closed two of its processing plants in Hammarsdale, KwaZulu-Natal, because of labour problems, while another in Delmas is being closed down permanently because it is financially unviable.

The jobs of 2 000 workers were under threat following closure of the Hammarsdale operations on Friday "as a result of continued unprocedural strikes and work stoppages". Rainbow Chicken spokesman Steve Pattinson said the industrial action had been exacerbated by "severe and ongoing union rivalry and a general lack of discipline among employees".

The rivalry is between the Cosatu-aligned Food and Allied Workers' Union and the Nactu-aligned Food Beverage Workers' Union.

BD 4/7/95

The Delmas operation, which employs 370 workers, was being closed following attempts to keep it going since it was bought in liquidation in 1993. The company said a viable offer from a major competitor had fallen through.

Food and Allied Workers' Union spokesman Valerie Flanagan claimed Rainbow did not want to sell but preferred to close down as it did not want to face increased competition. She said Rainbow had exceeded the limit laid down by the Competition Board with respect to market share.

On the labour conflict in Hammarsdale, Flanagan said rivalry was a result of a company policy of "divide and rule".

Employees were advised on Friday that the plants would be closed until further notice on the basis of "no work, no pay".

Pattinson said the company was facing a crisis with massive imports threatening its markets. "It is disappointing that Hammarsdale Processing employees have chosen to continue to disrupt production resulting in this crisis. All we ask is that employees conduct themselves in accordance with the conditions of employment."

The company had proposed a meeting with employee representatives to discuss the temporary closure as well as the options the company faced.

These included permanent closure and retrenchment of workers, replacement of the workforce, partial closure with retrenchment and short-time worked or layoffs for an extended period.

Flanagan said the union objected to this action and was seeking legal advice as to whether it constituted an illegal lock-out.

Pattinson said the action did not constitute a lock-out as the plant had closed for operational reasons.

Flanagan said the labour problems were a result of bad management which wasnot being addressed by the closure.

CT (BR) 5/7/95

Rainbow workers' court threat

③ POULTRY

By Shirley Jones and Reuter

Unions are threatening legal action against Rainbow Chicken following the temporary shut-down of its Hammarsdale processing plant in KwaZulu Natal on Friday and the implementation of a no work, no pay policy.

The Food and Allied Workers Union (Fawu), which represents the majority of the company's workforce, told Reuter yesterday it would seek legal action against Rainbow if workers were not paid once the Hammarsdale plant was re-opened.

"Legally they are going to be advised to pay workers. You can't say you are suspending people on the basis of no work, no pay for no reason," said Fana Ngcobo, a Fawu spokesman.

Rainbow's marketing director, Steve Pattinson, said the walk-out by 2 000 workers at the plant probably stemmed from a decision not to pay employees during stoppages last week.

He put these and similar ongoing stoppages over past months down to union rivalry rather than the company's decision to halt overtime and refrain from hiring casual workers during the continuing chicken import crisis facing the South African poultry industry.

Pattinson stressed that the closure of the Hammarsdale plant was in no way related to the import crisis. "However, in light of this crisis, it is distressing that Hammarsdale processing plant employees have chosen to further disrupt production and exacerbate the situation.

"We are obviously disappointed. In our view, the correct way to resolve this issue is through negotiation. We are doing our best to set up a meeting to take the matter further. However, if unions persist along this route, we will defend the action," he said.

He added that given Rainbow's build-up of stocks and the fact that other processing plants were still operating, there would be no threat to the availability of chicken.

Talks about Rainbow plant closure

BD 6/7/95

DURBAN — Union officials are to meet Rainbow Chicken Ltd for discussions relating to the temporary closure of the company's Hammarsdale plant in KwaZulu-Natal and the looming closure of one in Delmas, they said yesterday.

"The company is deeply committed to a long-lasting, acceptable outcome to this unfortunate situation and has suggested that the parties meet an independent facilitator," Rainbow marketing director Steve Pattinson said yesterday.

Food and Allied Workers' Union (Fawu) official Fana Ngcobo said Rainbow had suggested a meeting soon. "We're quite prepared to meet them on the closure of Hammarsdale and Delmas."

Rainbow has told Trade and Industry Minister Trevor Manuel that importers were "bypassing protective duties by exploitation of loopholes".

"The local industry is at the point of collapse. The entire supply chain is blocked with imported products, and local products which can no longer be sold except at prices below cost," it said. — Reuter.

③ POULTRY

③ POULTRY

RAINBOW CHICKENS

Thin pickings

FM 7/7/95

Activities: *Produce and supply poultry products.*
Control: *Hunt Leuchars & Hepburn 41%.*
Chairman: *D J Loch Davis. MD: R G M Griffiths.*
Capital structure: *368,5m ords. Market capitalisation: R792,3m.*
Share market: *Price: 215c. Yields: 2,2% on earnings; p:e ratio, 43,8. 12-month high, 380c; low, 210c. Trading volume last quarter, 1,65m shares.*

Year to March 31	**'92**	**'93**	**'94**	**'95**
ST debt (Rm)	211	382	360	386
LT debt (Rm)	44	3	0,2	0,1
Debt:equity ratio	0,31	0,48	0,45	0,46
Shareholders' interest .	0,64	0,58	0,59	0,57
Int & leasing cover ...	2,8	—	0,68	0,66
Return on cap (%) ...	5,5	—	4,7	5,2
Turnover (Rbn)	1,51	1,55	1,64	1,71
Pre-int profit (Rm)	76,3	(39,1)	64,0	76,2
Pre-int margin (%) ...	5,1	—	3,9	4,5
Earnings (c)*	13,8	(20,8)	4,7	4,9
Dividends (c)	4,4	—	1,65	—
Tangible NAV (c)	229	207	208	213

* Before extraordinary items.

Rainbow has had the kind of time in the last four years that makes most people want to stay in bed. After falling profits in 1992 and heavy losses in 1993, it climbed laboriously out of the red in 1994. This year, it produced slightly better results and the best operating profit since 1992.

Damage done by that nemesis of the broiler chicken, Newcastle disease, caused an attributable loss of R17,9m in the first half, but a strong recovery in the second half allowed a final attributable profit of R18,2m (R17,4m) on a 4,2% increase in turnover to R1,71bn. EPS crept up 4,2%.

The appointment of Rick Griffiths as group MD in 1993 after the worst of the losses has helped, though management expects complete recovery to take another two years at least. Considering its misfortunes, Rainbow did well to maintain its return to profitability and indeed increase it slightly.

Griffiths *. . . another two years before it's rule of the roost*

Turnover has been roughly maintained over the last four years. The problem is in cost control. Feed — particularly maize — is the single biggest cost, says Griffiths, and management has arranged to buy a greater proportion of feed from independent growers. It will also benefit from the new maize marketing dispensation.

The group disposed of loss-making assets (some in the 50%-owned Epol division), declaring an extraordinary loss of R1,5m for 1995 (1994: R10m). Capex absorbed R58,9m, about R30m going to Epol's acquisition of the Worcester feedmill; related debt lifted net interest paid 15% to R50,3m.

Gearing at 46% may be sustainable on good profits, but when interest consumes 68% of operating income it's excessive.

The problem of over-production is a legacy from the purchase of Bonny Bird from Premier in 1991, just as the chicken market started to turn down. Rainbow has never quite got the management of the increased capacity right. And rising, cheap imports are further squeezing margins. It will probably have to make cuts in production, such as reducing breeding stock by selling live birds and day-old chicks as well as eggs.

Furthermore, along with the rest of the industry, Rainbow has to contend with low-priced imported chicken cutting into its sales and market share. The poultry industry is taking issue with Trade & Industry Minister Trevor Manuel over loopholes in the existing tariff structures, which allow some importers to pay low tariffs.

Though in theory such competition benefits the consumer, local producers want it stopped. Why? Rainbow marketing director Steve Pattinson says, "Importers and middlemen have been taking large margins and generally the savings have not been passed on to the consumers."

The industry had a captive market as the price of red meat skyrocketed and consumers turned to chicken for cheaper protein. But the drop in consumer spending and imports initiated to counter shortages caused by Newcastle disease have left the industry with a temporary glut of livestock and considerable overcapacity. Manuel has agreed to simplify the tariff structure, which, says Pattinson, will effectively close loopholes for importers. "We expect imports to drop considerably after that."

The share has slid relentlessly to its current 210c where some analysts consider it undervalued. NAV has hovered at slightly over R2 for the past six years; the share is now close to trading at parity. On the face of it, it seems a good buy.

However, prospects are uncertain. Management is expecting financial 1996 to be another hard year owing to increasing inflation and interest rates, which may curtail consumer spending. There is potential for more disease or labour disruption, and cheap imports will not vanish overnight, irrespective of Manuel's decision.

A stronger group may be able to withstand these exigencies of fate, but Rainbow is still building up its strength. Pattinson disagrees. "Rainbow has withstood a succession of problems and is now in a far better position to face future challenges. The group is stronger now than it has been for some time."

For long-term investors who want to be in poultry shares, perhaps it is worth the gamble.

Margaret-Anne Halse

TRENDS
The Star
WEDNESDAY JULY 19 1995
Edited by Marika Sboros

③ POULTRY
Star 19/7/95

Tale of not-so lucky Luke

POULTRY BEGINNINGS
You've got to be a bit down on your luck if you're born a chicken, destined to be nothing greater than a morsel on fork's prongs.
NIKKI WHITFIELD
reports.

For the sake of this story, let's call our hero Luke. After 20 or so days in a safe, warm egg, Luke pecks his way through a membrane and shell into the world.

At the same time, dozens of others just like him pop out of their dome homes until the tray they are in is full of fluffy yellow chicks.

Luke and his tray mates call softly to each other in the warm hatchery, where the temperature is a balmy 37degC. On top of them, behind them and underneath them are thousands and thousands of creatures just like them.

Luke's sociable time in the hot hatchery doesn't last long. When he is about 24 hours old, his tray is hauled out and taken to another room. Then Luke is grabbed and dumped on to a conveyor belt, which he rides for a few seconds before he plops off on to another.

Hands grab him again and he is turned upside down to check his navel. It has closed. If it hadn't, he would have been thrown into a crate in the centre of the conveyor belt and then taken off to be gassed. (Open navels can harbour infection.)

The people who handle Luke are matter-of-fact and businesslike. Luke is cute, but these people are busy ... There's work to be done, a quota to be got through.

He is taken to the other end of the room where he is grabbed again and given a jab against Newcastle disease and Infectious Bronchitis.

The jab strips off his downy feathers and leaves his neck raw, but there's no alternative – the two diseases are deadly and can wipe out an entire broiler farm once they spread.

Someone puts drops in his eyes which gives him immediate protection against sickness.

He is then taken to the broiler farm and his salad days begin, although they do end before he reaches anything like old age. For 42 days, Luke and thousands like him are allowed to roam free inside a broiler house, scratching, and drinking to their heart's content.

Their conditions are gentle. Warm air is fed into the house and regulated according to the size of the birds. The lighting is dim and fresh feed is thrown down every day; clear, cool water comes out of the specially designed nipples when Luke and his friends want to drink.

Then, when he is still tender enough to be tasty, hands grab him and dump him in a crate with about 18 of his mates. The crate is loaded into a truck.

Two of Luke's friends have a spat. One of them comes off worse and dies before the truck reaches the factory. Another gets her foot caught in the grid of the crate and can't get it loose.

But Luke makes it, clucking and darting his head around during the truck ride. At the factory, his crate is off-loaded and hands grab Luke again. This time he is turned upside-down and his feet stuck in shackles in a conveyor belt. Luke flaps his wings, a little confused, but he calms down after a while.

The conveyor belt starts to move. Luke comes to a pad on the conveyor belt, an electrified pad, and that's the last he's aware of.

Luke is stunned by the pad, his eyes close. He is then slaughtered according to strict Muslim rites by two men, and, with typical factory-like precision, his body is defeathered, beheaded, has its feet removed, is eviscerated and goes through several processes – many of them involved with cleaning, factory hygiene is applied with the utmost strictness – before it comes out looking like something we buy in supermarkets.

But don't feel too sentimental about it all. Chickens aren't generally renowned for their great brains. They may seem a little bewildered at times, but they don't suffer, the experts say.

Almost all of the handling when they are newborn chicks is done by women, who might be businesslike, but they are never rough. The stunning process ensures they feel nothing when they are slaughtered.

Ultimately, these chickens are big business. Broiler chickens are certainly not pets.

Chicken cheap and popular

Chicken has been in the news a lot lately. Tariff loopholes have meant importers can bring poultry into the country cheaply Imported chicken prices are low, resulting in South African producers having to drop costs and seriously threatening the local industry.

Chicken is a popular food in South Africa – about 65-million chickens are consumed in the Greater Soweto area alone in one year.

Broiler chicks are bred for efficiency – less than a kilogram of feed is needed to produce 2kg of meat

De-beaking is not done as a matter of routine by large producers anymore. Provided broiler chicks are not overcrowded, there is enough feed and the lighting and temperature in the broiler house is correct, birds tend to be content and will not peck each other. In extreme circumstances, when conditions are poor, cannibalism among chickens can occur.

Factories are cautious about hygiene – on each production line are red-collared health inspectors making sure the process is followed according to strict requirements.

At the end of each day, each room in the factory is hosed down with high-powered jets and disinfected as chickens can be easily contaminated with listeria and salmonella, which results in food poisoning.

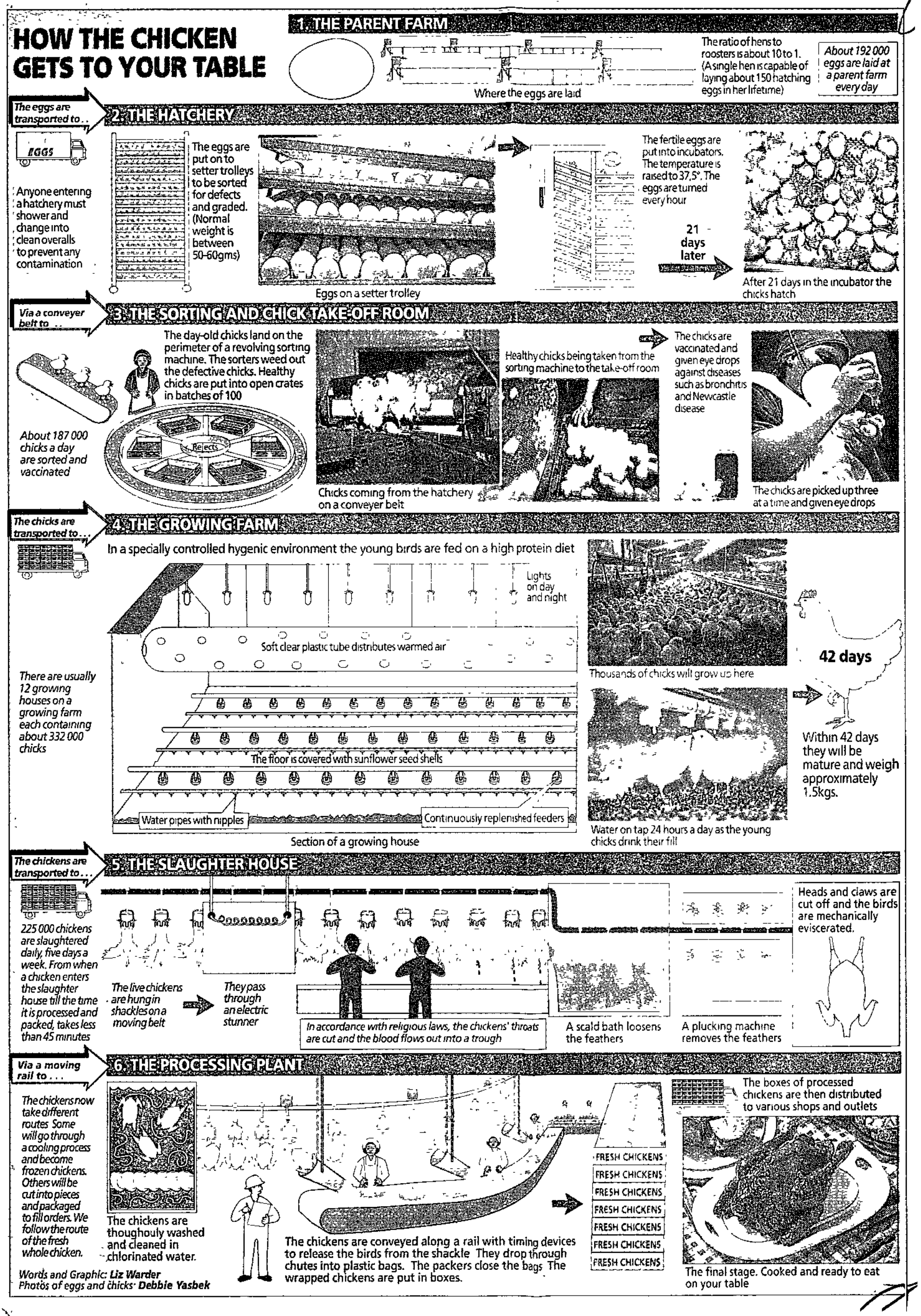
At large chicken factories, such as Rainbow's in Rustenburg, about 200 000 chickens are slaughtered every day

In many South African families, a chicken is eaten according to hierachy – the person considered the head of the household gets first choice of the offerings.

A "walkie-talkie" is the term used by street vendors selling chicken heads and feet.

TOMORROW:
Lupus is difficult to diagnose and diabolically difficult to explain, even if doctors and patients speak the same language.

HOW THE CHICKEN GETS TO YOUR TABLE



1. THE PARENT FARM

Where the eggs are laid

The ratio of hens to roosters is about 10 to 1. (A single hen is capable of laying about 150 hatching eggs in her lifetime)

About 192 000 eggs are laid at a parent farm every day

The eggs are transported to . .

2. THE HATCHERY

Anyone entering a hatchery must shower and change into clean overalls to prevent any contamination

The eggs are put on to setter trolleys to be sorted for defects and graded. (Normal weight is between 50-60gms)

Eggs on a setter trolley

The fertile eggs are put into incubators. The temperature is raised to 37,5°. The eggs are turned every hour

After 21 days in the incubator the chicks hatch

Via a conveyer belt to . .

3. THE SORTING AND CHICK TAKE-OFF ROOM

The day-old chicks land on the perimeter of a revolving sorting machine. The sorters weed out the defective chicks. Healthy chicks are put into open crates in batches of 100

About 187 000 chicks a day are sorted and vaccinated

Chicks coming from the hatchery on a conveyer belt

Healthy chicks being taken from the sorting machine to the take-off room

The chicks are vaccinated and given eye drops against diseases such as bronchitis and Newcastle disease

The chicks are picked up three at a time and given eye drops

The chicks are transported to . . .

4. THE GROWING FARM

In a specially controlled hygenic environment the young birds are fed on a high protein diet

There are usually 12 growing houses on a growing farm each containing about 332 000 chicks

Section of a growing house

Thousands of chicks will grow up here

Water on tap 24 hours a day as the young chicks drink their fill

Within 42 days they will be mature and weigh approximately 1.5kgs.

The chickens are transported to . . .

5. THE SLAUGHTER HOUSE

225 000 chickens are slaughtered daily, five days a week. From when a chicken enters the slaughter house till the time it is processed and packed, takes less than 45 minutes

The live chickens are hung in shackles on a moving belt

They pass through an electric stunner

In accordance with religious laws, the chickens' throats are cut and the blood flows out into a trough

A scald bath loosens the feathers

A plucking machine removes the feathers

Heads and claws are cut off and the birds are mechanically eviscerated.

Via a moving rail to . . .

6. THE PROCESSING PLANT

The chickens now take different routes Some will go through a cooling process and become frozen chickens. Others will be cut into pieces and packaged to fill orders. We follow the route of the fresh whole chicken.

The chickens are thoughouly washed and cleaned in chlorinated water.

The chickens are conveyed along a rail with timing devices to release the birds from the shackle They drop through chutes into plastic bags. The packers close the bags The wrapped chickens are put in boxes.

The boxes of processed chickens are then distributed to various shops and outlets

The final stage. Cooked and ready to eat on your table

Words and Graphic: ***Liz Warder***
Photos of eggs and chicks: ***Debbie Yasbek***

Board to probe ostrich industry

Marcia Klein ③ POULTRY

BD 28/7/95

THE Competition Board is to investigate the ostrich industry following complaints that producers are forced to market their products through a co-operative.

The board said its investigation would determine whether provisions for compulsory delivery of ostriches and ostrich products to a co-operative, set out in the statute of the Klein Karoo Co-operative, constituted a restrictive practice, or could result in a monopoly situation.

A board spokesman said prior to 1993 a single channel existed for marketing ostrich products. This was changed in 1993, and all producers could market their products freely. However, the co-op changed its statute earlier this year, ruling that members had to enter a marketing agreement with it.

Klein Karoo Co-operative GM Attie de Waal said yesterday the co-operative's new constitution was accepted bya 90% majority at a special members' meeting earlier this year.

An Oudtshoorn-based ostrich farmer said he was not forced to market his products through the co-operative.

"It is open warfare; I can sell wherever and to whom I want." He did not believe anyone had complained about the marketing system, but said the introduction of ostrich farming in the Transvaal region had added a new dimension to the industry.

The probe would be gazetted today.

High-level talks over chicken imports to SA

CT (BR) 28/7/95

(3) POULTRY

By Françoise Botha

Staff Writer

Unconfirmed reports of a large import of surplus chicken from North America set to arrive at Durban's port this week have sparked international trade discussion at the highest levels of government.

An unnamed source said that the import of the brown chicken pieces has spurred top ranking officials in Washington to appeal to the minister of trade and industry to allow loopholes that were recently closed to local chicken importers to be circumvented.

It is alleged that the appeal is for "turning a blind eye" to the import and allowing the original loopholes to apply.

Ismail Lagardien, spokesman for the minister said in Cape Town last night: "The minister of trade and industry has not been notified that a vessel containing frozen chicken has docked in Durban harbour. In the event of us receiving this notification, we will respond."

This follows in the wake of earlier reports that a surplus of chicken in the United States had spurred dumping on local markets, forcing South African producers to stockpile.

Imports pluck Rainbow's profit

③ POULTRY CT(BR) 28/7/95

By Shirley Jones

Staff Writer

Rainbow Chickens will post a loss for the half-year to September 30, Desmond Loch Davis, the company's chairman, said yesterday at the annual general meeting in Durban.

He said cheap chicken imports continued to block Rainbow's stock and distribution channels and persistent labour problems had culminated in the phased closure of its Hammarsdale processing plant.

These two crises had cost implications which would negatively affect the company's bottom line.

Neither Loch Davis nor Rick Griffiths, the managing director, were prepared to comment on the extent of the expected loss.

Loch Davis said because Rainbow was a biological industry, it needed a longer adjustment period.

Although the company's stock situation remained tight, it was now more controlled as production had been reduced substantially to absorb accumulated stocks.

With a further spate of imports rumoured to be arriving in the near future, Griffiths said the South African poultry industry's crisis was far from over.

Discussions during the meeting showed that imports for the year to July were double those for the same period last year. In May, imports totalled 40 percent of the South African market's total consumption.

Loch Davis and Griffiths both said Rainbow was not completely satisfied with the revised tariff structure which had emerged after consultation with Trevor Manuel, the minster of trade and industry.

"Just because loopholes have been closed, doesn't mean imports won't continue," Griffiths said.

Discrepancies still existed when it came to duties on dumped chicken portions, fresh chickens frozen during shipment and landed in South Africa as fresh birds with lower tariff duties and the mass importation of chickens as turkeys.

Rainbow's argument with the revised tariff structure was that it was far too complex.

Griffiths also voiced concern about the deteriorating manpower situation in the department of customs.

However, Rainbow was fully committed to a meeting between key players in the poultry sector scheduled for August 4.

This meeting should create a steering committee which would facilitate the formation of a forum charged with negotiating the industry's future.

Rainbow expects to post loss

(3) Poultry

BY SHIRLEY JONES

Rainbow Chickens will post a loss for the half year to September 30, 1995.

This was disclosed at the company's annual general meeting in Durban yesterday by company chairman, Desmond Loch Davis.

He said two crises facing the company – cheap chicken imports which continued to block Rainbow's stock – and distribution channels and persistent labour problems. This had culminated in the ongoing closure of its Hammarsdale processing plant with cost implications which would impact negatively on the company's bottom line.

"With new scenarios unfolding weekly", neither he nor managing director, Rick Griffiths, were prepared to comment on the extent of the expected loss.

Loch Davis said because Rainbow's was a biological industry, a longer period of adjustment was required. Although the company's stock situation remained tight, he said it was now more controlled as production had been reduced substantially over the past six weeks to absorb accumulated stocks.

Further imports

With a further spate of imports rumoured to be arriving shortly, Griffiths said the South African poultry industry's crisis is far from over.

Discussions during the meeting revealed that imports for the year to July 1995 are double those for the same period during 1994. In May, imports totalled 40% of the South African market's total consumption.

Both Loch Davis and Griffiths said Rainbow was not completely satisfied with the revised tariff structure which had emerged after consultation with Minster of Trade and Industry, Trevor Manuel.

"Just because loopholes have been closed by law, doesn't mean imports won't continue to take place," Griffiths said. Discrepancies still exist when it comes to duties on dumped chicken portions, fresh chickens frozen during shipment and landed in South Africa as fresh birds with lower tariff duties and the mass importation of chickens as "turkeys".

Rainbow's argument with the revised tariff structure is that it is far too complex. Griffiths also voiced concern about Customs' still deteriorating manpower situation.

However, Rainbow is fully committed to a meeting between key players in the poultry sector scheduled for August 4.

Star 28/7/95

Newt cries foul as SA slaps huge tariff on cheap chicken imports

③ POULTRY

ST (BT) 30/7/95

By CIARAN RYAN

NEWT GINGRICH
Seeking exemption

SOUTH AFRICA has become embroiled in a trade dispute involving one of the US's most powerful politicians, Newt Gingrich.

The dispute involves a shipload of 2 500 tons of seasoned frozen chicken which docked in Cape Town this week.

Seaboard Corportaion, the US exporter of the chickens, is understood to be keen to invest in South Africa, but a source in the company says instances such as this makes investment and business less interesting for them.

Threats are claimed to have been made by US politicians to withhold reconstruction and development programme funding.

The matter was due to be taken up in the US Congress on Friday after President Nelson Mandela's office became involved in the dispute.

The ship sailed from the US on July 6, a day before South Africa plugged a loophole which allowed seasoned chickens to be imported at a duty charge of 8c a kilogram.

By adding sachets of salt and pepper to frozen chickens, importers were able to bring in chickens at tariffs of 8c/kg instead of the 225c/kg for whole frozen chickens and 313c/kg on frozen chicken cuts.

While the ship was on the water, an ad valorem tariff of 27% was slapped on all imported chickens.

Republican leader, Newt Gingrich, and chairman of the Congressional Black Caucus, Don Payne, have urged the US ambassador to South Africa to request a once-off exemption from the higher duties.

This was refused by Trade and Industry Minister Trevor Manuel.

Seaboard, one of the largest poultry producers in the US, has been considering investments in South Africa.

International law requires South Africa to clear the shipment at the old tariff because the ship was already on the water — provided documentation is received before the tariffs are raised.

The importers, Natal Trading Agency, say it was unable to furnish the Department of Customs and Excise with the necessary documentation before July 7 to qualify for the lower tariff because of time differences between the US and South Africa.

Mr Manuel says once new tariffs are gazetted and submissions received from the public, no mechanism exists to exempt any shipment.

Mr Manuel stresses that his office did not, nor should it, have the power to arbitrarily exempt individual shipments from the established legal and infrastructural channels.

A spokesman for Natal Trading Agency, Mac Eksteen, says his company does not oppose the new tariffs. "All we are asking is that Customs and Excise make allowance for the fact that because of time zone differences, we were unable to supply documentation to qualify for the lower tariff. There should be provision for what is simply a logistical problem.

"This protectionism will be paid for by the consumer. All we are trying to do is put cheap protein on the table for South Africans."

Rainbow Chicken's marketing director, Steve Pattinson, says it would be a "travesty of justice if the tariffs were waived in this instance.

"This is the type of activity which has brought the poultry industry to its knees over the last few months. Thousands of jobs are at stake and despite promises of cheap protein to the masses, it has been proved that imports have not been to the benefit of consumers. There is, however, proof of huge margins being taken by importers."

Taiwan granite plant

By ZILLA EFRAT

ONE of Taiwan's largest building firms, the Sun Sea Construction Company, will invest well over R100-million in a granite cutting and polishing factory in the Northern Province.

The factory is the first major foreign investment in the Northern Province, South Africa's poorest province.

It could create about 400 jobs in the area and there may be spinoffs for a further 600 jobs.

Thaba Mufamadi, the Northern Province's economic affairs MEC, says the factory's exact location will be finalised before the end of August.

The plant is likely to be built near the Mokerong red granite quarrying area, about 50km West of Potgietersrus. However, much will depend on infrastructural support.

Sun Sea Construction has been prospecting in South Africa for the past three years. It has been mining in the area for the last three months and already employs almost 60 people.

Most of its Northern Province production will be exported, largely to Taiwan. It also expects to cut and polish granite mined in other provinces, as well as in Zimbabwe.

Mr Mufamadi says this is Sun Sea Construction's first investment in South Africa. If it goes favourably, the group will explore other opportunities.

The company has agreed to provide managerial and technical training for its local workforce. Starting in January, it will send 20 staff members to Taiwan for in-house training.

Mr Mufamadi expects various other foreign investments in his province to follow including one from a French company which hopes to make granite tombstones for export.

~~ST (BT)~~ 30/7/95

Probe satisfies Malbak

By JULIE WALKER

THREE independent non-executive directors of Malbak have investigated statements by former director Derek Riley and are satisfied no loss has been incurred by Malbak.

The company said on Friday that directors Peter Joubert, Tony Routledge and Daan Prins co-opted Ray Hislop of auditor Deloitte & Touche to assist in the investigation.

Mr Riley resigned from Malbak a month ago.

Mr Riley declined to explain what the allegations were. He said he had tabled his reasons to the board, but had received legal advice not to talk to the press.

"The committee considered and investigated the statements in detail and has confirmed that it is satisfied that no loss has been occasioned to the company or any of its subsidiaries or affiliates," the Malbak statement said. Mr Routledge could not offer any further comment, nor would Malbak chairman Grant Thomas

SA turns a last 'blind eye' to fowl imports

Nicola Jenvey

BD 31/7/95

③ POULTRY ([illegible])

DURBAN — A shipment of US chickens bound for Durban harbour would not be hit with revised import tariffs designed to close the loophole which allowed importers to enjoy a massive reduction in duties by adding salt, as the consignment had been cleared just before the changes, Helman Reefer Solutions manager Mark Slater said at the weekend.

The consignment of surplus chickens had left the US on the understanding it would be cleared at an 8c/kg tariff.

When rumours circulated that the loophole under which the poultry would be entering the country had been plugged and a R2,56/kg tariff would now be applicable, the US government appealed to SA "to turn a blind eye" and allow the cargo entrance at the previous rate.

However, Slater said at the weekend that the customs documentation had been forwarded to SA to facilitate a speedier clearance. Although the duty had changed on July 7, the paperwork was cleared two days earlier.

Trade and industry spokesman Ismail Lagardien said the one-time exemption to allow cargo into SA under the significantly lower tariff had been closed since "it was not in the interest of good governance to undermine SA's laws to satisfy arbitrary requests".

Government had given notice in December that it would investigate the poultry industry tariff structure, particularly a loophole which allowed frozen chickens to be imported as processed food.

"Once gazetted, parties are alerted to a possible tariff revision and no further information is released until the actual tariff is gazetted to prevent speculation."

Meanwhile, a similar shipment entering Cape Town harbour will cost importer Mac Eskeen an additional R2m as documentation faxed from the US on July 6 arrived — due to the time difference between the US and SA — after closing time.

NEW DUTIES PUT CARGO AT RISK

Appeal to Mandela in chicken tariff row

(125)

CT 31/7/95

③ CHICKEN

AN IMPORTER stands to lose almost R2m — a cost which will be passed on to consumers — in a dispute over the tariff applicable to a cargo of frozen chickens.

A KWAZULU/NATAL importer will try to meet President Nelson Mandela today in a bid to solve an import duty dispute involving 2 500 tons of frozen chicken from the US.

The cargo, aboard the container vessel White Dolphin which docked in Table Bay yesterday, will be stored in a bonded warehouse until the dispute has been resolved and it can be cleared.

American politicians including Speaker Mr Newt Gingrich have lobbied on behalf of importer Mr Mac Eksteen in the dispute.

Mr Eksteen wants to import the chicken at the old duty of 8c per kilogram plus a 15% surcharge, instead of the new tariff of 27% of the value of the cargo.

The White Dolphin sailed from the US the day before the new duties came into effect, but Mr Eksteen argued international time differences made it impossible for him to provide the Department of Customs and Excise with the relevant documents in time for him to benefit from the old tariff.

The new tariff would cost an additional R1,9 million, excluding R219 000 for a three-day delay in docking the White Dolphin and a further R50 000 per week for storing the cargo in a bonded warehouse, Mr Eksteen said yesterday.

The additional costs would have to be carried by consumers, who Mr Eksteen said were being "complacent" about the issue.

The chicken, which he sold to wholesalers at 33% less than local suppliers, was worth R16m.

Department of Trade and Industry spokesman Mr Ismail Lagardien said yesterday his minister Mr Trevor Manuel had written to the US government saying "it was not in the interest of good governance to circumvent the law".

It was "unlikely" that Mr Manuel would change his decision.

Mr Lagardien said importers were aware last December that the tariff structure was being revised.

Delays

Mr Eksteen responded that business could not be held up by proposed amendments to tariff structures: "It takes time to put together an order of this size."

He will try to meet Mr Mandela today to resolve the matter.

He said he was providing jobs for 3 800 people in the Cape and this year anticipated business worth R200m with the US in Africa which would be jeopardised by trade relations problems. — Staff Reporters

BATTLE OVER CHEAP IMPORTED STOCK

Consumers will lose in chicken tariff row

CT 1/8/95

(3) POULTRY

IMPORTS of cheap frozen chicken are threatened by increased tariffs, and retailers warn that local producers may not keep up with demand. **CAROL CAMPBELL** reports.

CONSUMERS can expect to pay more for chicken as poultry dealers battle to import cheap frozen stock and pay the recently imposed increases in import duty.

Local poultry producers, accused by importers yesterday of over-pricing their goods, said they could not cut prices any further.

The plight of chicken importers was highlighted at the weekend by kwaZulu/Natal buyer Mr Mac Eksteen, who cannot unload a cargo of frozen US birds until he pays R1,9 million extra owed to the government in duty.

He said he was caught in the transition period when the tariffs were increased.

Ministry of Trade and Industry spokesman Mr Ismail Lagardien said yesterday, however, there would be no special changes to the law for the importer.

Shoprite marketing manager Mr Brian Weyers said a surplus of chickens, brought about by cheap imports in recent months, had pulled prices down.

When these imports stopped and production was left to local producers, who often could not meet the big demand, prices soared.

Rainbow Chickens, one of South Africa's biggest producers, was adamant that import legislation had to be tightened to help local producers.

Yesterday it warned shareholders that earnings would be depressed by continued high imports and the closure of its Hammarsdale operations as a result of an ongoing labour dispute.

Marketing director Mr Steve Pattinson said importers often used "creative invoicing" to slip their products through customs.

Loopholes

Tactics used included classifying poultry as fresh rather than frozen or as turkey rather then chicken, to take advantage of zero tariffs.

"The new tax fails to provide adequate protection for South African poultry producers," Mr Pattinson said. "Although it has closed certain loopholes, it will not curb the massive volumes of imported product."

Chicken portions remain on ice as importer waits for tariff decree

ET (BR) 1/8/95

(3) POULTRY

Shirley Jones

Staff Writer

Mac Eksteen, a KwaZulu Natal importer, has not been granted an audience by President Nelson Mandela. Instead, Eksteen has resigned himself to having to sit and wait for a top-level government decision on tariffs to be paid on 2 500 tons of frozen chicken portions he has imported from the United States.

The chicken imports took advantage of a loophole, recently plugged by Trevor Manuel, the minister of trade and industry.

However, the chicken cargo is currently being unloaded in Cape Town.

Eksteen said he would have to sell the entire cargo, which has already been pre-sold to various wholesalers, at a massive loss if he was required to pay the new tariff of 27 percent of the value of the cargo.

In addition, storage costs of 2c a kilogramme a day stand to eat into profits given that he was working on ultra slim margins of between 1,5 and 2,5 percent, he said.

Subsequent shipments, which have not yet left the United States but which will come in via the new tariff structure, would not pose a problem, he said.

Eksteen said the shipment was composed of chicken-leg quarters (thighs and drumsticks) which raised a contentious issue with local poultry producers — the dumping of brown meat.

Steve Pattins, the marketing director of Rainbow Chickens, said some chicken cuts which were not acceptable in the United States were being exported at far lower prices than whole birds.

"Despite this price discrepancy, these cuts were attracting the same 27 percent tax as whole birds. This showed that even when applied properly, the new tariff structure did not adequately protect the local industry, he said.

"Although it has closed certain loopholes, it will not curb the massive volumes of imported product," he said.

"We cannot export our poultry to the United States as it has a total ban on poultry imports, yet it subsidises its poultry exports through feed subsidies to farmers and the paying of substantial export incentives," he said.

Zach Coetzee, head of the South African Poultry Association, said although the Eksteen fracas hinged on a technicality and was not important in itself, it illustrated the importance of applying the revised tariff structure from the outset to protect the local industry and jobs.

Meat Board slams import loopholes

③ POULTRY

[illegible]AT

CAROL CAMPBELL

CT 2/8/95

SOUTH AFRICA'S meat and poultry farmers say they are being bankrupted by loopholes in import legislation that are being exploited by other countries.

General manager of the Meat Board Dr Pieter Kempen said yesterday that 4 500 tons of meat was imported in June, mostly from Australia.

Importers had taken advantage of meat shortages caused by the drought, and farmers — who were now struggling to rebuild their herds — were battling to compete with the low meat prices.

Despite the recent tightening of red meat import legislation, there are still thousands of tons of frozen imported meat which will take months to sell.

The wholesale price of pork per kilogram, for example, is R3,50 to R4 but it costs farmers R5 per kilogram to produce it, he said.

In the July issue of the industry magazine Rooivleis an editorial slammed the Department of Trade and Industry, accusing it of "tardiness" in closing the loopholes.

If local producers were not protected, the country's balance of trade would be affected — with all meat being imported at low prices but with no producers in the country able to generate jobs.

Battling

Department of Trade and Industry spokesman Mr Ismail Lagardien said he would comment today.

● Poultry importer Mr Mac Eksteen was still battling to get his US chickens released yesterday after he was caught in the middle of a change in import legislation.

He is expected to pay nearly R2 million more in duty.

Rainbow to fight importers

(3) POULTRY

By Shirley Jones

CT(MR) 2/8/95

Rainbow Chickens has stepped up its campaign to discredit importers and lobby for protection of its beleaguered industry.

Steve Pattinson, the marketing director, accused importers last night of being mercenary and enjoying massive profits at the expense of consumers.

He said that consumers would now have to choose whether to support importers with their questionable motives or local producers who had made a significant investment in the country.

BRIEFS

Chicken costs passed on

(3) POULTRY

CONSUMERS will have to bear the brunt of a wrangle concerning increased import tariffs for a consignment of frozen chickens from the US.

The consignment of 2,5 tons arrived in Table Bay harbour at the weekend. Trade and Industry Minister Mr Trevor Manuel said this week the new tariffs would have to be paid. An importer said any expenses incurred will be passed on to the public.

CT 2/8/95

Frozen fowl row continues

③ ~~CHK~~ POULTRY

STAFF REPORTER

CT 3/8/95

THE cargo load of frozen American chickens which arrived in Cape Town amid a storm over tariff duty, has been unloaded to several bonded cold storage facilities and is being held under the supervision of harbour customs.

A Natal Trading Agency spokesman said there was a "strong possibility" that the government would waive the additional R1,9m import duty, imposed a few hours after the consignment left the US.

But a spokesman for the Ministry of Trade and Industry said this was unlikely, as the agency had received notice of the tariff increase six months ago. "They pushed it to the last minute and missed the deadline," he said.

Rainbow Chicken's share price drops to a record low

③ POULTRY

CT 3/8/95 (BR)

The share price of Rainbow Chickens dropped a further 5c yesterday to an all-time low of R1,75.

Frankel Pollak Vinderine investment adviser Mohil Bandulal said the uncertainty surrounding the share for the rest of the financial year and the probability of a delayed recovery made Rainbow a share to avoid.

Small investors and institutions had lost faith in the share, he said. In the unlikely event of a sudden turnaround, however, the share had the potential to average R7 to R8 "within the next couple of years".

However, Bandulal did not discount the possibility of Rainbow delisting or selling its farming interests and consolidating its processing and distribution. This, he said, would minimise the risk posed by Newcastle disease. — Shirley Jones

FM 4/8/95

RAINBOW CHICKEN

Chickening out?

③ POULTRY

Even against the general apathy shown at shareholders' meetings in corporate SA, Rainbow Chicken's AGM last week was a quiet affair. Only a handful of shareholders were present; none appeared at all hostile.

~~Even more sur~~prising than chairman Desmond Loch Davis's announcement — that Rainbow would be reporting a loss in its interim results to September — was the nonreaction from shareholders. Not a single question was asked.

Loch Davis's statement was contrary to the forecast in Rainbow's annual report. Recovery then seemed on track. Though still burdened by debt (gearing was 46% at year-end), attributable profit had firmed, from R7,4m in 1994 to R16,7m. That was after the R78,4m loss in financial 1993.

Loch Davis said in the annual report that, with demand for poultry products strong and growing, the group expected "substantial growth in earnings." That changed in less than three months, for two reasons: a flood of cheap chicken imports and labour disputes, which closed Rainbow's Hammarsdale plant.

Yet since Rainbow's AGM last Thursday, the outlook on both issues has improved. Both Loch Davis and MD Rick Griffiths refused to be drawn on the extent of the interim loss — it now appears it could be lessened, perhaps not significantly by the interim but certainly for full-year results.

The weekend arrival of a shipload of imported chickens (see *Business*) brought to a head the row between local producers and importers. Government responded by restructuring tariffs to a 27% ad valorem duty on frozen, processed chicken.

That, says Rainbow marketing director Steve Pattinson, closes the major loophole exploited by importers — raising tariffs from 8c/kg to roughly R1. That should slow the rate of imports, cited by Loch Davis as the major cause of Rainbow's expected interim loss.

The second issue could be resolved shortly. Mediation talks have been resumed with the two unions represented at the Hammarsdale plant, which could lead to its reopening after a month's lost production.

If both are resolved, Rainbow should continue the recovery evident a year ago, though probably at a slower pace.

At 190c, the share price is at its lowest in at least five years. Perhaps that explains the lack of questions from shareholders — the price has continually been beaten down since peaking above R5 in 1992. Investors should wait to see the damage in interim results before considering recovery prospects.

Shaun Harris

FOX

Animal rights group slams battery chicken farming

③ POULTRY ARGT 14/8/95

TASLIMA VILJOEN
Staff Reporter

CHICKENS cannot cry out against the misery of battery farming. This was the message about 15 members of the group Animal Voice of South Africa took to parliament today.

They presented a petition of more than 27 000 signatures to a representatives of Deputy Minister of Justice G B Myburgh.

The group urged the Ministry of Justice to phase out battery cages in South Africa, saying it had been estimated egg production costs would rise by just 10c if existing battery farmers were given a reasonable period in which to phase in free-range eggs.

Animal Voice of South Africa spokeswoman Louise van der Merwe said between 10 and 16 million laying hens in South Africa were confined to battery cages. The fully-automated battery units housed 40 000 hens under one roof.

She said none of the hens had room to spread its wings and none of them would ever see sunshine.

They could not scratch, peck or make a nest because they had all been debeaked to prevent their killing each other in their cages.

After a year of laying, most suffered from a brittle-bone condition which causes their wings and legs to snap off like twigs, she said.

Blendynn Williams, who accepted the petition on Mr Myburgh's behalf, said the powers of the Animal Protection Act were being delegated to the various provinces.

Former city councillor Eulalie Stott, who addressed the marchers said: "It is up to people to protect the rights of animals."

Traders slate rise in chicken tariffs

CT 14/8/95 ③ POULTRY

AN ATHLONE businessman has slated the argument that importing cheap frozen chickens damages the local industry and job market, citing the benefit of being able to bring "decent" chicken pieces to millions of people previously unable to afford them.

Mr Kishore Gihwala said he planned to join informal traders in a march on Parliament to object against high import tariffs.

He said his imports had created employment for 25 wholesalers and 4 000 vendors.— Staff Reporter

It’s

Rainbow reopens processing plants

Kevin O'Grady (3) POULTRY
BD 21/8/95

RAINBOW Chickens has reopened two Hammarsdale, KwaZulu-Natal, processing plants after a six-week closure prompted by alleged "unprocedural strikes" by 2 000 workers.

The plants resumed operation after agreement was reached with the Food and Allied Workers' Union (Fawu) and the Food and Beverage Workers' Union through mediation, according to Fawu spokesman Valerie Flanagan.

The agreement makes provision for Rainbow Chickens to suspend workers it believes are participating in "a total or partial work stoppage" pending an arbitrator's decision on the suspension. It can also impose short time without consultation for the remainder of a shift if a suspended worker refuses to leave the plant.

In terms of the agreement, labourers are to work short time, in the form of 50% of normal hours, for seven weeks and the issue of payment of wages during the closure is to be decided by the courts.

Management spokesmen could not be reached yesterday.

Continued on Page 2

Rainbow

(3) POULTRY
BD 21/8/95

Continued from Page 1

Flanagan said there was "considerable unhappiness with the current wage situation" and a "long period of hard feelings during which the wage issue is dragged through the court system" was anticipated.

Workers would also suffer a "considerable" loss of wages because of the short time agreement which they were "forced" to accept, Flanagan said.

The plants were closed on July 3, three days after the unions were informed of the decision and were told that the "no work, no pay" principle would apply during the closure. The unions were told it was not operationally possible to run the plants under the conditions which "they claimed were due to unlawful and unprocedural strikes, stoppages and other forms of industrial action", Flanagan said.

However, Fawu disagreed with the company's definition of 30-minute work stoppages — which had occurred while production line problems were resolved — as unlawful strikes, she said.

Battery farming slated

CT 15/8/95 (3) POULTRY

THE farming of battery chickens has been slammed as a violation of the Animal Protection Act by animal rights activists who marched on Parliament yesterday to demand the free-range egg farming system be made law.

Mr Zak Coetzee of the SA Poultry Producers' Association said, however, free-range farming was unhygienic and expensive.

The group of 24, led by activist Mrs Eulalie Stott, handed a battery cage and a petition, containing 27 000 signatures opposing battery farming, to a representative from the Ministry of Justice.

Mrs Stott appealed to the public to buy free-range eggs to limit the demand for battery-produced eggs.

As many as five chickens were confined to one small cage, she said. The birds were also debeaked to prevent them from turning on each other.

Responding to the group's concerns Mr Coetzee said the free-range system did not protect the consumer from possible disease caused by manure on eggs nor the hens from predators.

Legislation governing the protection of animals is being reviewed and is expected to be handed over to provincial governments before the end of the year.

500 tons of French chicken seized

ST(LM)27/8/95

(3)POULTY

By KEN VERNON

MORE than 500 000kg of cheap French chickens were this week impounded at the Cape Town docks after health officials condemned them as unfit for human consumption and black-listed the company from which they originated.

Dr Walter Lôwe, director of Veterinary Public Health for the Department of Agriculture, said his department had been "unhappy" with the way the chickens had been "dressed and eviscerated".

Preliminary tests also indicated that the chickens, which are being held in cold storage in Cape Town docks, were contaminated with Salmonella bacteria, although final test results were still being analysed.

Officials from the Department of Agriculture are now planning to hold urgent talks with their French counterparts on how they certify slaughtered chickens in an effort to put a halt to further dangerous imports.

Earlier this year Cape Metro revealed that contaminated imported chickens had almost certainly been responsible for an outbreak of Salmonella poisoning which led to the hospitalisation of 60 children in Cape Town.

Following that report, testing procedures for the importation of chicken were tightened, resulting in the early detection of contamination in this week's consignment before it could be released to the public.

Previously, random samples were taken from imported consignments of chicken for testing, while the rest of the batch was given to the importer for distribution.

This week's incident has highlighted allegations by poultry industry sources that South Africa has been targeted as a dumping ground for poor quality or contaminated poultry.

The man who discovered the consignment and acted to impound it, Cape Town's State Veterinarian in charge of meat hygiene, Dr Deon Wege, said there were almost 2 000 strains of Salmonella bacteria, but only one was dangerous.

However, he added, the general state of the chickens seized this week was bad. The Sunday Times has established that portions of the intestines, hearts, livers and other entrails were still present in some of the chickens.

Dr Lôwe said the impounded chickens may have to be destroyed or possibly used for pet food, depending on final test results.

In an effort to halt the flooding of contaminated or poor quality chicken onto the South African market, his department had recently been forced to put a halt to the "break bulk" method of importation whereby individual cartons were loaded in bulk into the holds of ships, making temperature control difficult. Individual containers would be used instead.

Rainbow campaign irks US producers

Kevin O'Grady ③ POULTRY

US POULTRY producers have taken exception to an advertising campaign by SA producer Rainbow Chickens that depicts imported fowls as stuffed dodos in museum display cases. BD 4/9/95

The advertisement, which appeared in major daily newspapers, asks "How old is an imported chicken?" and suggests poultry shipped by sea could be defrosted and refrozen, thereby posing a health hazard.

"This is nonsense," Jim Sumner, USA Poultry and Egg Export Council president, said. The council represents most US poultry producers. "The product we export to SA is of the same high quality that is enjoyed by US consumers."

US producers had stated in strong terms that the advertisement casted an "unwarranted slur" on American products and ignored the fact that SA consumers had been "eating imported chicken for years".

Chicken meat was shipped to SA in vessels with constantly monitored refrigerators. "Contrary to what some people would have you believe, the product is not much older than much of the SA product, much of which is frozen," Sumner said.

Rainbow Chicken spokesman Steve Pattinson said Sumner had "missed the point". The advertisement was not targeting US poultry farmers whose product was "probably one of the best in the world".

Rather, it questioned what happened to imported chickens once they arrived in SA.

ARG 5/9/95

(3) POULTRY

Frozen chicken row intensifies

([illegible]f)

JACQUELYN SWARTZ
Staff Reporter

A MAJOR European chicken producer is to join a local importer in the fight against a decision declaring 518 000 imported frozen chickens unfit for human consumption.

This follows a meeting yesterday between state veterinarian Dion Wege, Michel Pineau, sales director of the French Doux company, and a representative of Johannesburg-based Caterchoice, which imported the poultry.

The companies decided to appeal to the office of the director of veterinary public health in Pretoria after another inspection of the poultry.

The inspection took place at the cold store where the chickens have been impounded. The location has not been revealed.

"The appeal should take a day or two," said Dr Wege.

"They do not accept that the meat is inedible. But I am staying with my opinion."

It was Dr Wege who condemned the consignment of 500 tons of frozen chickens last week.

500 tons of French chickens 'unfit'

CT 5/9/95

③ POULTRY

DAN SIMON

STAFF REPORTER

A CONSIGNMENT of 500 tons of frozen chickens from France was condemned yesterday after tests carried out found it to be unfit for human consumption.

An "unacceptably high" percentage of defects were noted.

Local farmers and producers say some foods imported since restrictions were lifted are of dubious quality and imports are driving them out of business.

The Department of Agriculture's veterinary services said they had condemned the consignment of frozen hens after tests were carried out on 16 randomly selected cartons.

The consignment was imported by Johannesburg-based Caterchoice from the French-owned Doux company in France. Doux executive Mr Michel Pineau arrived in the city yesterday to see the results of the tests. Attempts to reach Mr Pineau for comment were unsuccessful.

Dr J van Wyk of the Department of Meat Hygiene said there was "very poor defeathering" in 28% of the chickens tested while "eggs and ovaries" were found in 69% of the birds tested.

Tests also revealed bruising, emaciation, bile soiling and 71% of the chickens did not have their lungs removed. Fallopian tubes, hearts, livers, spleens, gizzards and parts of the gut had also not been removed from a number of the chickens tested.

'Condemned chickens infected with salmonella'

CT 7/9/95 (3) POULTRY

DAN SIMON

TESTS carried out this week at the Onderstepoort animal research centre near Pretoria on samples of the 500-ton consignment of frozen chickens which was imported from France and condemned by the Department of Agriculture have detected traces of salmonella.

Dr J van Wyk of the Department of Agriculture's veterinary services said the chickens were found to be unfit for human consumption last week after an "unacceptably high" percentage of defects were noted during random testing.

However, subsequent tests carried out on Monday at Onderstepoort found positive traces of salmonella — a bacterium which causes food poisoning.

Although the bacterium was not identified as the well-known human pathogen, salmonella interiditis, too little was known about it to determine whether it was harmful to humans or not.

'Apologetic'

Dr Van Wyk said he had met representatives of the French company Doux, which exported the R2,5 million consignment to South Africa. The consignment was imported by Johannesburg-based Caterchoice.

The French representatives arrived in the country on Monday after their company was notified that the entire shipment had been condemned by the department's veterinary services.

The representatives had been "apologetic" over the condition of the shipment and were considering exporting it to another country or turning it into pet food. The company has been given 21 days to come up with a solution.

The department's tests had shown poor defeathering, bruising, emaciation and bile soiling, some birds still had lungs, fallopian tubes, hearts and spleens.

Rainbow's prospects must convince market

(3) POULTRY
BD 6/11/95

Nicola Jenvey

DURBAN — Rainbow Chicken had still to convince the market it would move into the black for its full year results, analysts said at the weekend.

The company, which is to post results for the six months to September tomorrow, has already warned it will make a first half loss.

But analysts said it was not clear whether Rainbow could overcome sharp increases in imports and costs to stage a second half turnaround.

One broker said the company was a good recovery prospect for the future, but still had some ground to cover.

Another forecast a 5c share loss for the full financial year, against 4,9c share earnings for the year to March 1995.

Brokers said Hunt Leuchars & Hepburn, which holds a large stake in Rainbow, was expecting no contribution from the company in the current financial year.

The interims are expected to show a 4,3c share loss. Rainbow has been hit by increased chicken imports, spiralling maize prices, higher production costs and labour unrest at its Hammarsdale plant. Previous years had been affected by high mortality levels from Newcastle disease.

Although indications were that the levels of imports had fallen recently, figures for the six months to June had shown an 80% jump over the same period last year.

"These problems must eventually be resolved and Rainbow Chicken turned around," another analyst said.

Rainbow Chicken reports trebled six-month losses

BD 7/11/95

(3) ~~CHICKE~~ POULTRY

Nicola Jenvey

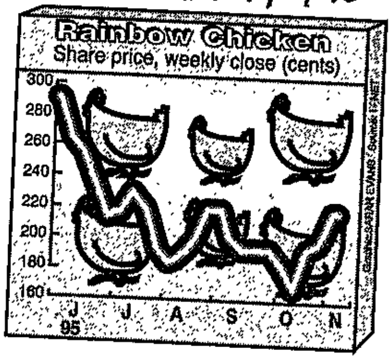
DURBAN — Rainbow Chicken's attributable losses more than trebled to R57,2m (R18,5m loss) for the six months to September as the group succumbed to heavy imports and industrial action.

The company posted a share loss of 15,5c (5c loss), more than three times that predicted by analysts, and interim dividends were again waived.

MD Rick Griffiths said yesterday the import trend had decreased. If it did not increase materially in the second half, the group expected to trade profitably during the remainder of the financial year.

"However, the full extent of the half-year loss will not be recovered by year-end," he said.

The threefold increase in poultry imports in the past year — landed at prices below local production costs — had triggered stock build-ups and reduced prices, he said. A zero tariff on turkey imports had continued to expose the poultry industry to fraudulent chicken imports.



Turnover edged up to R880,4m (R775,5m), primarily because of volume increases of 4% in chicken products and 5% at Epol.

However, growth in chicken products had come off a low base as last year's stock was affected by Newcastle disease.

Operating losses came in at R24m (R8,5m profit), although Epol continued to perform well, increasing its operating profit compared with the previous period's figures.

Interest payments rose 49% to R31,6m as a result of higher interest rates, interest charged on Epol's shareholders' loans and additional interest on borrowings required to fund an increase in the group's working capital requirement. Taxation amounted to R214 000 from R8 000 in the previous comparable period.

Griffiths said capital expenditure of R24,7m (R38,2m) during the period had been intended to improve flock health. In a bid to reduce feed costs, Rainbow had expanded its agri-business activities and raised maize stock levels.

"The benefits far outweigh the increased carrying costs, as these stocks comprise about 35% of the group's maize consumption requirements," he said.

However, Rainbow's poor trading performance, added to the expansions, saw interest-bearing debt increase to R75m, resulting in a 59% debt-equity ratio compared with 48,7% last year.

Griffiths said the group had long recognised a need to strengthen its technical expertise and had recruited four new directors from the UK.

"These appointments will allow Rainbow to restructure. Each region will be run on the lines of an independent business, enhancing overall effectiveness."

Rainbow Chicken posts massive loss

(3) POULTRY Star (BR) 7/11/95

By Shirley Jones

Durban — Rainbow Chicken, which is soon to be restructured, has posted an attributable loss of R57,2 million for the six months to September of last year, in the wake of price cuts, loss of market share to cheap imported chicken and the simultaneous five-week closure of the company's Hammarsdale processing plant.

This resulted in a 15,5c a share loss.

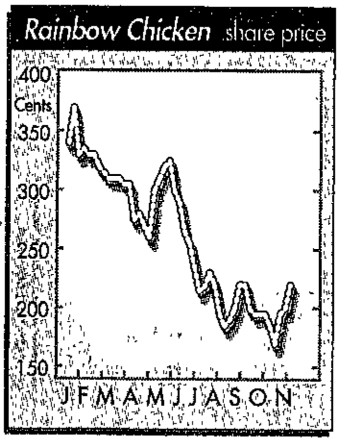
No dividend has been declared.

Although Rainbow increased turnover by 13,6 percent during the period under review, this was off a low base because of repeated attacks of Newcastle disease during the corresponding period last year.

As a result, it posted an interim operating loss of R24 million as opposed to a R8,5 million profit during the six months to September of last year.

Chief executive Rick Griffiths said that imports appeared to have been contained and that both the production and stock situation had normalised.

He said that the company expected to trade profitably during the final six months of this financial year, but that it would not absorb the loss. He was confident that Rainbow would recover.



Rainbow Chicken share price

"As has been proved in the past, when Rainbow is hit, it is hit badly, but when the company turns, it turns quickly," he said.

A comprehensive action plan was already in place to return the company to long-term profitability.

This included the restructuring of the company.

Following the recruitment of four directors from top poultry firms in Britain the operation would be decentralised so that each region could operate as an independent business, he said.

Rainbow has also made substantial investments in combating Newcastle disease which, after imports, is its single-greatest risk.

However, coupled with poor trading conditions, this increased interest-bearing debt by R75 million, resulting in a debt equity ratio of 59 percent (48,7 percent).

Reclaim

Griffiths said Rainbow had also introduced an import buster product which would enable it to compete head-on with low specification imported products and reclaim market share among low-income consumers.

He said that Rainbow's return to profit hinged on controlling imports which, although they did not pose as great a risk as six months ago, remained a major concern.

He said should imports increase once again, it would be impossible to stop a short-cycle livestock business such as Rainbow's in its tracks without experiencing further wide-scale disruption.

He said that Rainbow, with its wider market coverage and dominance of the frozen market was more exposed to import risks than smaller regional and niche operators.

Rainbow would continue to monitor imports and negotiate with the government with a view to a better long-term solution.

Rainbow Chicken posts massive loss

CT (BR) 7/11/95 (3) POULTRY

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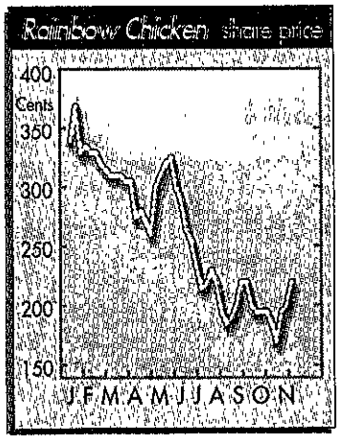
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(3) POULTRY

RAINBOW CHICKEN

Taking another pasting

FM 10/11/95

The feathers are really flying. Posting an attributable loss of R57m, Rainbow Chicken's latest set of interims are nothing short of disastrous.

After three years of pain — including a savaging at the hands of Newcastle disease — it must have seemed to CE Rick Griffiths that nothing else could go wrong. Until, that is, SA was swamped by imports of frozen chickens, nearly all of it from the US.. In June, Rainbow publicly signalled its distress, though Griffiths says the impact was felt by every local producer.

"The market has a short memory," he says. "Now the reporting time has arrived and the effect is clearly visible."

Rainbow has also been seriously affected by an apparently unending series of labour problems, most of them centred on its plants at Hammarsdale, the largest in SA in an area noted for its political intolerance. Driven finally to desperation, Rainbow decided to close its Hammarsdale operation — as it turned out, for five weeks. The broilers which should have been processed and marketed went on eating their way through an unscheduled reprieve.

Griffiths admits it is nearly impossible to separate the effects of the Hammarsdale closure and profit loss from the import onslaught. Together, though, they have come close to scuppering the operation.

The import attack was mounted under three banners: first, a shake of a pepper pot and the chicken is deemed "spiced" and, therefore, duty free. An alternative is to load the chickens fresh at port, freeze them on the journey and import them, duty free as fresh chickens. What took the giblet, though, was disguising them as (small) turkeys, also duty free.

BROKEN WINGS

Six months to	**Sep 30 1994**	**Mar 31 1995**	**Sep 30 1995**
Turnover (Rm)	775,5	930,5	880,4
Operating income (Rm)	8,5	66,1	(24,0)
Attributable (Rm)	(18,5)	(35,2)	(57,2)
Earnings (c)	(5,0)	9,5	(15,5)
Dividends (c)	nil	nil	nil

To some degree, these avenues have now been sealed, though Griffiths is still uncomfortable that the general duty of 27% was introduced on a fob basis. "Establishing true value at port requires detailed and precise supervision," he says.

The balance sheet looks miserable. Interest-bearing debt stands at R462m, up from R387m at end-March. Gearing is 59% and the interest charge in the income statement is now R32m, more than half the loss.

One way out of this is to trade through it. Now the import surge is over and stability is returning, Griffiths is confident he can turn a profit for the back half (though no

FOX

for the full year). And he says he is satisfied that the Newcastle disease risk has been taken out of Rainbow's equation.

Whether all this will be enough is another matter. It's clear the main shareholders have been discussing the advisability of a rights issue, though Griffiths won't be drawn further.

The counter is now at 215c, a little above its year low of 170c touched a month ago. Though things look marginally plumper, this isn't a share for anyone with unsteady nerves and a short time horizon. *David Gleason*

R90 000 is sunk in fowl abattoirs

③ POULTRY

Louise Cook

BD 13/11/95

THE Development Bank of Southern Africa has sunk R90 000 into the first of three poultry plants, in a pilot project which could lead to 150 similar plants sprouting up across SA.

The Zuurbekom project — a joint venture between the bank and the Farmers Foundation — could lead to similar schemes providing 6 000 new jobs, said Farmers Foundation director Beresford Lello.

He said the project would satisfy the need for more affordable, orderly and hygienic processing alternatives in an industry which currently was dominated by 10 operators.

"These abattoirs will be owned and run mostly by entrepreneurs from predominantly disadvantaged communites and will be able to process 500 to 1 000 birds a day, at a cost and quality which matches the norms of the industry."

Once the first abattoirs were running profitably, African Agribusiness Advancement (Triple A) would market the concept and sell franchises to prospective black broiler producers. The pilot abattoirs would be sold and commercial banks would take over the financing, Lello said.

Gauteng agriculture MEC John Mayuso said that once more plants were competing, small-scale producers would have full access to slaughter and processing facilities at affordable rates.

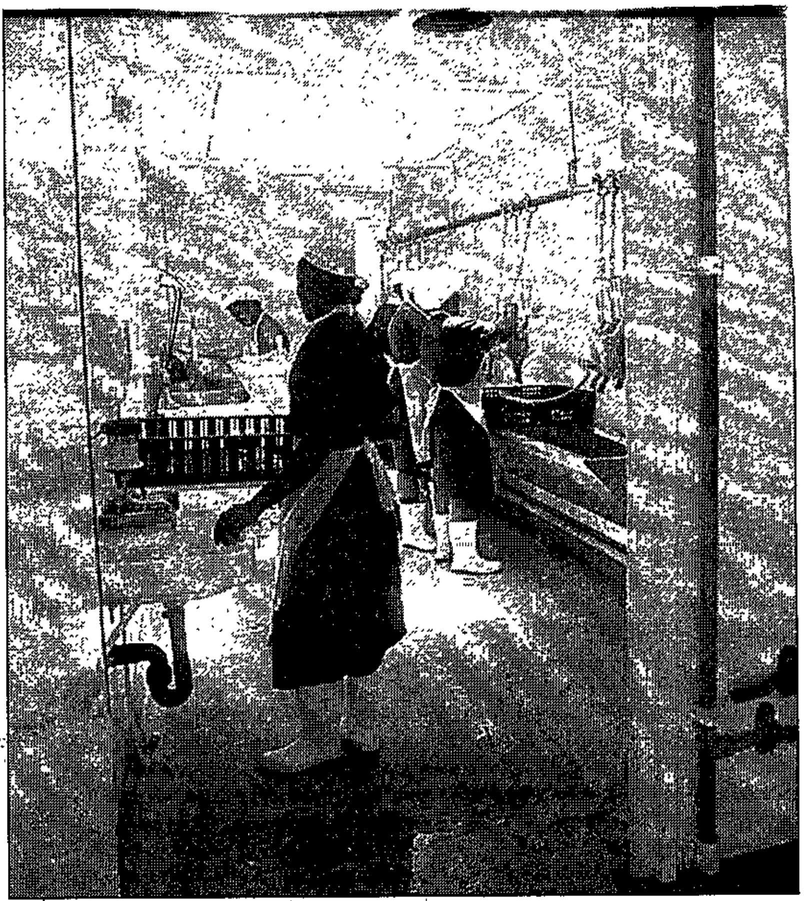
CT 17/11/95

Foul chickens sent off

A CONSIGNMENT of 500 tons of frozen chickens imported from France and which was condemned by city veterinary officials in September, is to be re-exported to Zaire.

The consignment was condemned after it was found to have salmonella. — Staff Reporter

(3) POULTRY ([illegible]F)



Backyard slaughterhouse: At R100 000 it's cheap, but not chickenfeed

Abattoirs — a fair deal for a fowl death

(3) POULTRY MtG (BM) 24-30/11/95

Rowan Callaghan

WHY did the chicken cross the road? The response in the near future could be "because there were too many chicken slaughterhouses erected nearby". This could be a reality soon, especially since a new project was launched two weeks ago by the Farmer Foundation to supply rural entrepreneurs with hygienic, portable chicken slaughterhouses.

"We are all familiar with rural families keeping poultry around the yard, harvesting the occasional egg or two and slaughtering the fat hen for family gatherings," the MEC of Conservation and Agriculture John Mavuso said at the launch. It is perhaps this common scenario which prompted the foundation to introduce Project Dikgogo — Sesotho for chickens.

"People in urban areas need a new supplier of fresh chilled poultry," Farmer Foundation executive director Clive Nicholson says.

Earlier research by the foundation found that barriers to entry into the industry were high because of capital and equipment costs. Levels of performance of the few large chicken processors also makes entry for the small entrepreneur difficult.

So what is the remedy?

"The process being tested is a relatively low cost (about R100 000 for the complete unit) appropriate technology, poultry abattoir conforming to acceptable hygiene and safety standards," the foundation says.

The project is available with a comprehensive support programme. According to Nicholson, the complete package will supply prospective buyers with the equipment, technology and training to keep this small business running in hygienic conditions. He envisages that Dikgogo will create opportunities in chicken processing and in rearing and distribution as well.

One difficult aspect of such projects is funding but Nicholson remains optimistic. "Several development organisations as well as commercial banks have agreed to finance the abattoirs once proven successful," he said.

A question which worries him though is that of ownership. Nicholson feels it is better for an individual or a group of individuals to own the plant instead of a community. He believes that individuals are likely to be more responsible.

"It is expected that in excess of 150 plants could be operational nationally in the medium term, and many more internationally thereafter," Nicholson predicts. He is ecstatic about the response so far.

Rainbow's star has not yet risen, but chickens are hatching

CT (BR) 7/12/95 ③ POULTRY

By Shirley Jones

Durban — iKhwezi. This evocative Zulu phrase describes not just the serene beauty of the morning star, but that period of calm and quiet just before the start of a new day. This is the time when the old day has gone and the new is full of promise – and it is in this spirit that Rick Griffiths, the managing director of Rainbow Chickens, is contemplating the future.

He said that despite the R57 million loss turned in during the six months to September 30, Rainbow should avoid the sackcloth-and-ashes approach.

Griffiths' honest and courageous evaluation of Rainbow is an attempt to avoid both over-simplification and over-confidence. He is determined to overturn the notion that Rainbow has been stumbling from crisis to crisis.

Griffiths is positive about the possibility of a turnaround despite the fact that there is little likelihood of Rainbow trading itself out of disaster this financial year.

Looking to the past, he said the poultry industry was a relatively new phenomenon which had evolved over the past 30 to 50 years.

He said that like its counterparts the world over, Rainbow was created by a charismatic entrepreneur. Stan Methven injected crucial ingredients — passion, pride and perfectionism.

However, with the withdrawal of Methven, Rainbow had faced what Griffiths described as a 10-year hiatus. It is now one of very few poultry companies which is publicly owned.

Griffiths had little to say on the possibility of a delisting which would remove the company from public scrutiny. Scathing stockbrokers said Rainbow was already a massive drain on major shareholder Hunt Leuchars & Hepburn's bottom line and Rainbow was unlikely to find an investor prepared to inject further funds.

A lack of investment appears to have made the company uncompetitive and vulnerable. Griffiths admitted that Rainbow had not kept pace with technology.

As an example, Griffiths said that many poultry diseases were spread through contaminated water systems. At least 10 years ago overseas counterparts invested in nipple drinkers to combat this. Rainbow is now investing in similar systems in Rustenburg. To kit out farms throughout the country would mean a R30 to R40 million investment.

In contrast Rainbow has kept pace with genetic advances. However, even the best birds cannot deliver quality without an investment in appropriate technology.

Griffiths speaks of a small fractions and large multiples equation. He said Rainbow's potential success lay in optimising this.

With the company producing 3,6 million birds a week, loosing just one cent a bird has the cumulative effect of a R2 million-a-year loss. The opposite, of course, was equally true and underlined rainbow's opportunities, he said.

In effect, Rainbow finds itself in a classic chicken-and-egg situation — the company is so highly geared that it has shied away from much needed investment which would improve its chance of trading itself out of debt.

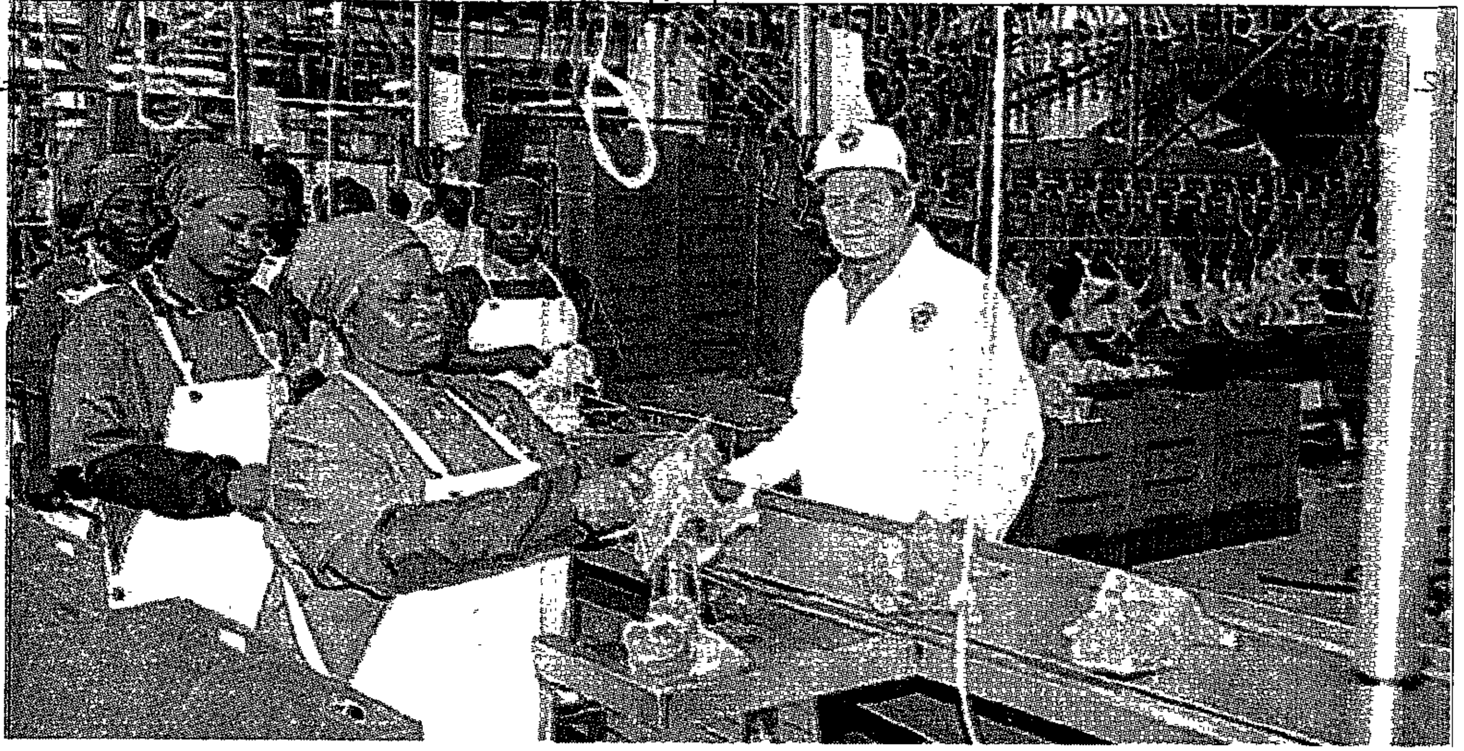
Griffiths conceded that Rainbow's problems could be traced back to the acquisition of Bonny Bird in 1991. He said there was little to be gained from wishing away the past. However, he did admit that the company probably was not in a position to exploit the synergies stemming from the deal and could not absorb the shock of taking over a major loss-making company.

Closely related to technology, is husbandry. For Griffiths the value of the time-honoured concept of human care — and ultimately human relations — was crucial.

Rainbow was notorious for being a hard taskmaster and adverse to attempts to organise labour. Griffiths admitted there had been harsh relationships between people which were probably due to farming having been excluded from the union movement by law until two to three years ago.

As a result, Rainbow was far from ready for the changes which took place. He believed this undermined the whole husbandry process. "The company lost much of its essence and its momentum. This also led to demoralisation and confusion," he said.

A strategic recovery plan was in place as far back as 1993. A confidential document shows that despite widespread criticism of crisis management and a seeming lack of strategies on the part of management, the company had already identified its chief threats — labour relations and imports.



BACK TO PROFIT *Rainbow managing director Rick Griffiths at the company's largest processing plant in Hammarsdale*

For Griffiths the key element in this programme remains human resource development. This is where ikhwezi comes in. The company has put in place a team of dedicated and competent people who function as enablers and catalysts for change.

He emphasised that ikhwezi is not something the company dreamt up yesterday because it suddenly found itself with an industrial relations problem. "You can't take 10 years of bitterness away in 10 months. This is not tinkering; we're looking to a sustainable investment in our relationships with people," he said.

Griffiths does not resort to clichéd, politically expedient phrases. He said the main issue had to be the restoration of competence and simplicity.

So far ikhwezi has had a remarkable effect at most plants, except perhaps at the controversial Hammarsdale plant where inter-union rivalry has brought the operation to a standstill in September this year.

But what may have seemed a rash decision to close the plant to resolve the issue once and for all has proved a wise one in Griffiths' mind. The plant had since been returned to profitability for the first time in years and relationships had been restored, he said.

The way forward for Rainbow hinges on consistently good bird performance which Griffiths is confident has begun with a flock health plan which has drawn on international expertise from Holland, Britain and the United States.

The company is making headway in producing high-quality chickens at low cost. Over and above the installation of nipple drinkers on farms, Rainbow plans to upgrade processing plants. Surprisingly, Griffiths is confident finance is not an insurmountable obstacle.

He said Rainbow had already invested in intensive quality controls to ensure improved yields. "Every few grams of chicken which can be saved in the processing plant is worth millions," he said.

There is also the issue of contract farming, which Rainbow had explored. Griffiths cautiously said that if and when Rainbow expanded, it would do so on a contract basis only. He said Rainbow was already exploring the possibility of selling farms, provided contracts ensured quantity, quality and delivery. This presented the company with an ideal opportunity to build bridges with emergent businessmen.

When it came to marketing, sales and distribution Griffiths said the three departments had been combined for the first time, as a strategy to optimise capacity without disrupting the market.

Spare capacity is Rainbow's strength and its weakness. Over-supplying the market pushes costs down. A mere 25c a chicken drop could cost Rainbow upwards of R50 million.

And it is in this context that the threat of dumping of cheap imports is best understood. In addition, Rainbow took a pounding because of its huge stake in the informal market which was the prime target for inferior-grade products.

Carcasses brought in and cut up for the informal market, particularly in Soweto and the Cape Flats, did not conform to traditional South African product specifications.

"We could not anticipate this onslaught because up until now there has been no parallel experience. Now that it has happened the company has analysed the situation and responded. We have to bloc this niche by offering products which compete. But we cannot offer sub-standard products which will undermine our own product mix," said Griffiths.

"Rainbow shouldn't try to be all chickens to all people. Our sales strategy has been very clearly redefined to that end. Rainbow finds it difficult to compete against small regional operators in upmarket niches, but it can be competitive as a national supplier of quality products to the mass market and specialised sectors such as the food services industry," he said.

Referring to the speculated relationship between Rainbow and distributors such as I&J, Griffiths said the company had spent a great deal of time in restructuring these relationships so the companies involved could extract the maximum competitive advantage from the market.

At the end of the day Griffiths is aware that any real chance of rejuvenating Rainbow rests on a simple equation — turning variables into manageables and thereby reducing risk.

A prime example is Newcastle disease which devastated the company's bottom line in the previous financial year. "I do not believe we should have been hit by Newcastle disease as we were. This only happened because the industry as a whole and Rainbow in particular did not have the necessary expertise and controls in place at the time," he said.

He is emphatic that one cannot tinker with recovery, it has to be in-depth and sustainable, that is why he is not prepared to prematurely celebrate small successes.

"We have twice staged a recovery and twice been knocked out of bed. That is why this recovery has to be sustainable. It has taken time and it will take a little more yet."

Rainbow to cut feed costs by taking 100% of Epol

CT 12/12/95 (BR) (3) POULTRY

By Shirley Jones

Durban — Rainbow Chickens will acquire the remaining 50 percent stake it does not already own in Epol, the animal feeds producer.

The deal stems from Rainbow's 1991 acquisition of loss-making Bonny Bird and its original stake in Epol from the Premier Group.

In his cautionary announcement to shareholders, Rainbow's financial director, Chris Wells, said the sale price and terms were under negotiation and that further details would be available in due course.

Rainbow has known of the Premier deal since the end of November.

There is speculation that in calling in its put option, Premier may have valued the remaining stake in Epol far higher than Rainbow has.

"The sale will not affect the net asset value of Rainbow. Earnings per share are not expected to be materially affected in the short term.

"In the longer term, however, the benefits of a 100 percent ownership control of raw material acquisition and the utilisation of surplus capacity are expected to translate into improved earnings," said Wells.

The big question is how highly geared Rainbow, which turned in a R57,2 million loss during the interim period ending in September, will raise the purchase price.

A rights issue is unlikely, given its weak share price.

During the six months to September, interest paid increased to R31,6 million from R21,2 million because of higher interest rates, interest on Epol's shareholders' loans and additional interest on borrowings to fund an increase in the group's working capital.

Financial backup from the majority shareholder, Hunt, Leuchars and Hepburn, is an option should HL&H dispose of its timber interests and receive satisfactory input from its Eastern Transvaal sugar interests.

Wells said that Epol was performing well and was likely to achieve its budget for the year ended March 31 1996.

Wells pointed out that feed costs were the single biggest expense for Rainbow and the acquisition would enable it to exercise greater control in this area.

Rainbow in a flap as MD quits amid imports row

(3)
POULTRY
ST(BT) 17/12/95

By MARCIA KLEIN and CIARAN RYAN

LONG-simmering troubles at Rainbow Chickens boiled over on Friday with the sudden departure of Rick Griffiths, its managing director.

Directors of Rainbow and majority shareholder Hunt Leuchars & Hepburn were tight-lipped on Friday, responding to queries with a terse statement that Mr Griffiths "will be taking early retirement from Rainbow, with immediate effect".

The company also faces embarrassment for running an advertising campaign warning consumers that imported chickens pose a health risk while allegedly continuing to be involved in such imports itself.

Mr Griffiths' departure comes one month after Rainbow reported it had plunged to a R57,2-million attributable loss in the six months to September.

Directors said the loss was directly attributable to the effect on sales and prices of large volumes of imported poultry, and to labour difficulties and disruptions.

Rainbow, South Africa's largest poultry producer, also warned that it did not expect to recover all its losses by the March 1996 year-end.

Neil Morris, chief executive of HL&H, will take over from Mr Griffiths until a new managing director is appointed.


RICK GRIFFITHS

Mr Griffiths's departure also comes just one week after Chris Wells, Rainbow's former financial director, left to take up the newly created position of financial director at McCarthy Retail. Mr Wells said his resignation had nothing to do with Rainbow's financial position and was in response to a good offer.

Mr Griffiths was appointed as Rainbow's managing director in September 1993 after a six-month search.

He took over from John Geoghegan, who had been moved some months before to head Rainbow's production and processing operations. Mr Morris had managed the group in the interim.

Mr Griffiths was previously managing director of Unilever's Vandenbergh Foods and had been with Unilever for 14 years.

He took over at Rainbow soon after it plunged to a loss of R76,7-million in the year to March 1993 from a profit of R48,5-million the previous year. It was hoped he would return the company to profitability, and he did — until the outbreak of Newcastle disease ravaged Rainbow's flocks in 1994.

Meanwhile, Steven Pattinson, Rainbow's marketing executive, has denied charges of duplicity with regard to the imports.

Documents supplied to *Business Times* show an invoice from Gold Kist, based in Atlanta, dated for January 1995 and addressed to Rainbow for the supply of nine-piece chickens cut to Kentucky Fried Chicken's specifications. Rainbow has a supply agreement with KFC.

Rainbow says it was compelled to import these chickens after the outbreak of Newcastle disease.

"At least we have control over the cold chain when we import," says Mr Pattinson.

Another invoice from Gold Kist, dated October 1995 and addressed to Pepsico Restaurants trading as KFC, is for the supply of 24 tons of nine-piece chickens. Both invoices cite Rainbow's Absa Bank account in Durban but Mr Pattinson says there is nothing sinister in this.

He says KFC imported 110 tons of chickens over the past four weeks because of "nervousness over Rainbow's ability to meet demand over the busy Christmas period".

"We don't encourage our customers to import chickens, but there is nothing we can do about it. We will continue to resist chicken imports because we have evidence that imported frozen chickens are being thawed, repacked and then sold on the local market. This has resulted in several instances of food poisoning.

"The fact that both consignments were settled through our bank account is irrelevant. We do what we can to facilitate our local customers in meeting their requirements."

This is not the first time that Rainbow has been accused of attempting to squash imported competition while using imports to meet its obligations to local customers. Last year, Rainbow imported 1 600 tons of chickens from the US while pushing for higher tariffs, exposing it to charges of duplicity from US suppliers and local importers.

The US Poultry and Egg Export Council expressed surprise at the lack of consumer outrage over the application for tariff increases at a time when local chicken prices increased sharply.

Rainbow's plans uncertain

CT(PR) 19/12/95

(3) POULTRY

By Shirley Jones

Durban — Plans for Rainbow Chickens will only be made known by the middle of January, the company says.

Meanwhile, majority shareholder Hunt Leuchars and Hepburn, and the chief executive, Neil Morris — who will assume management control — remain tight-lipped about the sudden departure of the managing director, Rick Griffiths.

The terse statement that Griffiths would be taking early retirement with immediate effect did nothing to hide the turmoil or mask the issues which have dogged Rainbow for years.

These include the R57,2 million loss reported for the six months to September; the company's inability to trade itself out of the red during the year; Rainbow's difficulty in recapturing market share lost to importers; and the urgent need to update technology in order to operate competitively.

There are also no indications as to how Rainbow and HL&H intend to fund the forced acquisition of the remaining 50 percent stake in Epol from Premier.

This stems from an ill-advised takeover of the original 50 percent stake in Epol and the purchase of loss-making competitor Bonny Bird in 1991.

The reaction of labour to the managing director's unexpected retirement is still uncertain.

In recent months, Griffiths' sympathy with labour saw him direct a great deal of attention to Rainbow's volatile labour relations, particularly when it came to the controversial Hammarsdale plant whose closure contributed to the company's massive half-year loss.

Rainbow has restructuring plans

Beatrix Payne (3) POULTRY

RAINBOW would rebuild its balance sheet and could pursue a rights issue next year, the embattled chicken producer said yesterday.

Finance director Chris Wells said Rainbow had sufficient funds to meet its current financing needs, but that it was planning to restructure finances and borrowings.

The company — which lost MD Rick Griffiths last week — was more than 50% geared in the six months to September, when it reported R52,7m attributable loss. Wells said Griffiths' departure was not related to Rainbow's current finances.

Main shareholder Hunt Leuchars & Hepburn ruled out following a rights issue at Rainbow's current share price — 185c yesterday, just after a 170c year low. But the group also dismissed suggestions that it planned to delist the company. A spokesman said Rainbow was likely to make a profit in the second half of its financial year.

Nicola Jenvey reports the group will review two offers for its furniture manufacturing operations in KwaZulu-Natal this week, but would proceed with closure plans if they fell through.

It said it would prefer to sell Durban-based Eagle Furnitures and Maritzburg-based Bailey's Furnitures, but had to receive acceptable offers. No offer had been made to buy both as a single entity.

The spokesman said the group and Bailey's had already discussed closure "as the only realistic situation", but a late offer under consideration could see the operation sold. He hoped a final decision would be made this week.

Closure of the two businesses would cost about 500 jobs. BD 19/12/95

The group's decision to sell the operations, established to manufacture pine furniture for the export market, formed part of a broader strategy of divesting its timber interests to focus on core food operations.

Ostrich speculators to be eased into scheme

Louise Cook (3) POULTRY
BD 19/12/95

A NEW scheme in the former Transvaal ostrich industry to boost leather and meat exports would allow speculators in without needing farms or infrastructure.

Transvaal Ostrich Producers' Organisation chairman Johan Wingerd said at the weekend that 40 ostrich farmers had set up a co-operative to take over the running of the Ostriches Galore abattoir and feed lot at Tarlton in the Magaliesburg.

Instead of young birds being raised by farmers on farms, the co-operative would take in thousands of 6-month-old birds at 55kg into its feed lot from speculators or part-time farmers.

At least 8 000 birds were likely to be delivered to the feed lot next year, he said.

"This way, anyone can buy a young ostrich, have it delivered straight to the feedlot to raise it and deliver it to the abattoir after five months at 85kg. The buyer does not need a farm, labour or any farming skills."

Wingerd said the scheme could offer returns on investment of 23% a year.

The Transvaal Agricultural Union, backing the move, said the co-operative would also export quality ostrich leather and meat products in "meaningful quantities and on a consistent basis."

"The move is aimed at providing a co-operative feed lot system that delivers slaughter birds in economic quantities to abattoirs," the union said.

Wingerd was optimistic about the future of the industry in the former Transvaal.

It was 10% the size of the Karoo industry at Oudtshoorn, but had potential to overtake the farming and export operations run by the Klein Karoo Co-operative, he said.

"Gauteng entrepreneurs have money to invest in the industry. We are hoping to set up further feed lots and abattoirs in Gauteng, Northern Province and Free State over the next few years," he said.

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③ POULTRY

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Mediation body starts to take shape

BD 19/12/95

Renee Grawitzky

THE Commission for Conciliation, Mediation and Arbitration's interim board meets this week to discuss the appointment of an independent chairman and a director, as well as the way forward for the commission.

The interim board comprises three representatives each from business, labour and government, but will be officially appointed by Labour Minister Tito Mboweni only once Nafcoc has finalised its representative on the board.

Labour's representatives are Ebrahim Patel (Cosatu), Manene Samela (Nactu) and Ben van der Walt (Fedsal) while business representation included Bokkie Botha and Rudolph Gouws. However, no final appointment has been received from Nafcoc after their original representative resigned from the organisation. Government representatives are the labour department's director-general Sipho Pityana and deputy director-general Les Kettledas, as well as public service and administration department director-general Paseka Ncholo.

At the heart of the new Labour Relations Act is the establishment of the commission, designed to provide a quick, efficient and cheap means of resolving disputes.

The commission has to be up and running by the time the new Act comes into effect on May 1.

The International Labour Organisation (ILO) has been providing financial and human resource assistance in the establishment of the commission. Former Independent Mediation Services of SA head Charles Nupen is the ILO's technical adviser.

Pityana said last week the department had requested R100m be set aside in its 1996/7 budget for the operation of the commission. Mediation and Conciliation Centre director Mahmood Fedal said yesterday that because the commission would be funded with taxpayers' money, it was crucial that it succeeded. Its success depended on the support provided by private dispute resolution agencies such as the centre.

Fedal said the users of the dispute resolution mechanism — business and labour — should also be consulted on the formation of the commission. Excluding these parties could result in them going to other private agencies and not utilising the structures established by government.

Book warns against privatisation of electricity

BD 19/12/95

CAPE TOWN — As government finalises plans to revamp the electricity supply industry, two Cape Town researchers have warned against any attempts to privatise the sector.

In the new book Poverty and Power, published by UCT Press, Anton Eberhard and Clive van Horen say that, as in eastern Europe, the movement to democracy has led to pressures to open the economy and promote wider participation.

This has led to "thoughtless prescriptions for wholesale privatisation of state functions and corporations, often with disastrous consequences for social and economic equity", the book says.

"But there is now a growing understanding that the market has not met, and will not meet, all development challenges and, in particular, will not fully provide for the basic needs of the poor."

"A lean and efficient state is envisaged which appreciates where markets best function but which intervenes strategically, selectively and, if necessary, deeply in those areas where markets fail."

The authors support the idea of the industry being guided by an independent electricity regulator, who has already been appointed. — Reuter.

Rainbow Chicken MD's exit is blow for company

BD 20/12/95

(3) POULTRY

Nicola Jenvey

DURBAN — The terse statement at the weekend announcing Rainbow Chicken MD Rick Griffiths' "retirement" failed monumentally to do justice to the significance of his going.

Little has been forthcoming since then, other than Rainbow's rather perverse claim that the move was not linked to the dire state of the company's finances.

His going is nevertheless a major blow for Rainbow, which had originally recruited Griffiths to turn the company's financial situation around.

Dubbed a troubleshooter by an impressed market, Griffiths joined Rainbow officially in September 1993. Rainbow had then sustained a R77m attributable loss for the year to March — blamed by majority shareholder Hunt Leuchars & Hepburn on company inability to balance supply and demand.

Griffiths said Rainbow was poised to exploit a growing market and growing market share. "I believe I can only be the sum of the efforts of all the people at Rainbow," he said at the time.

Griffiths said that the gearing target was 25% during the next two to three years. The recovery in the course of 1993 continued into the full year, with attributable earnings hitting R17,4m, and gearing falling to 45,1%.

The company had also taken a R10m charge below the line to close two Rainbow plants, and three owned by Epol, the feed supplier it jointly owned with Premier Food Industries. The next year's earnings growth would be "satisfactory," Rainbow said.

Three months later, in July 1994, Rainbow cautioned shareholders that earnings would actually be lower than expected. The high mortality rates among its chickens flagged in the annual report were hitting the new financial year. In fact, Rainbow and its chickens had fallen victim to Newcastle disease, a lethal pulmonary disease which constantly mutated, making it difficult to treat.

Nearly one third of Rainbow's production was to be lost in the worst outbreak in 25 years. Rainbow plunged to a R17,9m attributable loss in the six months to September 1994.

It bounced back in the full year, recording an R18,2m attributable profit following the introduction of new vaccination methods. Debt, however, was back at R386,6m, though Rainbow expected strong trading in the next year to bring this back.

As it turned out, Rainbow was to post a R57,2m loss for the six months to September 1995. This time, the culprits were cheap chicken imports — a trebling in such imports slashed prices and swelled stocks — and industrial action at Hammarsdale, which was closed for five weeks. The latter must have stung Griffiths, given his reputation as a fine exponent of industrial relations. Debt rose R75m to R461m, bringing gearing to 59%. The additional borrowings were partly down to interest on Epol's shareholders' loans.

In the week leading up to Griffiths' departure, news of the Epol deal emerged. Rainbow would buy PFI's 50% stake under a put agreement struck in 1991. Initially, Rainbow said the deal would give it full control over its raw material costs — an analysis welcomed by investors.

The following day, however, it became clear Rainbow did not actually have the cash to hold the stake for long, and would need another partner. HLH CE Neil Morris made it clear the parent had no plans to help out.

Given the restructuring programme Griffiths had just unveiled, his departure seems ill-timed.

Then again, after two horrendous years at the helm, Griffiths had little to show to placate Rainbow's demanding shareholders, not least HLH. When he came in the share was trading at 305c; it had risen to 360 six months later.

The share closed 15c, or 8,1% down at its annual low of 170c yesterday.

With Griffiths on holiday and HLH refusing to elaborate, the post-mortem is left to the analysts. Griffiths, they said, had been the right man for Rainbow, even if events had conspired against him. Morris, who is again filling in at Rainbow, will struggle to find a more capable operator.

RAINBOW CHICKEN

FM 22/12/95

Rembrandt's misery

(3) POULTRY

Any number of unanswered questions have been left lying around following last week's announcement that Rainbow Chicken MD Rick Griffiths has taken "early retirement."

As every businessman knows, this is shorthand for something but not often for retirement. Griffiths couldn't be contacted. He's gone on holiday, the *FM* was told. He is to be replaced, temporarily at least, by Neil Morris, CE of Hunt Leuchars & Hepburn (HLH), Rainbow's controlling shareholder. Morris wasn't available either: "He's on a business trip to London," said a company spokesman.

The issues facing Rainbow (and HLH, which in turn is a subsidiary of Rembrandt Group) are stark enough: SA's largest chicken producer, the company has fallen from the heady days when its name was an axiom for profits, to a dismal series of losses. Every time Rainbow's decks are cleared of debris and shareholders look forward to the restoration of profit growth, something appears to destroy those hopes.

9

Over the last few years the woes have appeared endless. First, the company needed to recover from serious management shortcomings after founder Stanley Methven's departure. That was when all-rounder Morris served his first spell at Rainbow.

Then Griffiths was recruited and hailed as the man to restore the company's fortunes. As he settled into the job, Newcastle disease, a viral infection in chickens of the respiratory tract, struck with unparalleled viciousness. The company moved to isolate and contain the problem but it was virtually powerless while the disease ran its course.

Introducing major combative remedies, Rainbow is probably now well equipped to handle another outbreak. But the next problem lay in competition from international producers, notably the Americans. Imports on a huge scale left the company badly off.

After losing R77m in financial 1993, Rainbow made a modest profit of R19m in 1994. Attributable for 1995 was R17m, but for the first six months of the current year another R57m was lost.

Rainbow needs to be restructured, financially, managerially and organisationally. Nothing less than a clean sweep will do. Until that happens, hold on to your feathers.

David Gleason

AGRICULTURE — Poultry

1996

JAN. — JULY

HLH to clarify its key problems

(3) POULTRY · CT (BR) 9/1/96

By Shirley Jones

Durban — Key issues plaguing agricultural conglomerate Hunt Leuchars and Hepburn — its cash-strapped poultry producer Rainbow Chickens and the sale of its timber interests — should be clarified by month end.

According to the conglomerate's chief executive, Neil Morris — who will be in Durban this week to begin "co-ordinating activities and bringing about improvements" at Rainbow — a top priority was the replacement of the ousted managing director, Rick Griffiths.

Although Morris was adamant he would not replace the financial director, Chris Wells — who left at the end of 1995 to join McCarthy Retail — until the new managing director was behind his desk, he said he could reverse his decision if there was a delay in appointing a company head.

As caretaker in the interim, Morris said he would remain based in Johannesburg and would regularly commute to Durban.

Morris said that Rainbow had experienced difficulties, particularly in the past year, but said it was "still early days" when it came to fixing problems. He did not provide any further details of the forced purchase of the remaining stake in Epol from Premier.

CARETAKER *Neil Morris, the chief executive of HLH*

He said it would only be possible to assess in which direction Rainbow was moving once its results for the year, ending in March, had been released. Morris was not prepared to provide any preliminary assessment as he had not examined the directors' forecasts in detail.

At the time of announcing Rainbow's R57,2 million half-year loss, Griffiths and Wells said that, although Rainbow was well on its way to trading profitably for the second half of the year, it was unlikely it would manage to trade itself out of debt by year end.

As far as the sale of the conglomerate's timber interests to Mondi and Sappi were concerned, Morris said he expected to re-engage all parties in negotiations, now that everyone was back after the Christmas break.

The related sale of the conglomerate's furniture manufacturing interests were under way, he said.

Morris said that Bailey's Furnishers in Pietermaritzburg had been sold to a consortium headed by the Pietermaritzburg businessman, Mark Lynn.

He said it was unlikely the new operation would continue with the same business and that retrenchments were in progress.

Morris said the fate of Durban-based Eagle Furnishers would be finalised by the end of January.

Loss-making Rainbow advised to unbundle

(3) POULTRY CT (BR) 23/1/96

By Shirley Jones

Durban — Poultry industry sources believe the writing is on the wall for Rainbow Chickens — they say the company cannot survive as a single entity and needs to be unbundled into three unlisted competing poultry producers.

Any attempt by majority shareholder Hunt Leuchars and Hepburn (HL&H) to maintain the status quo and adjust a few variables to return the company to profitability during the 1996/7 financial year would amount to suicide, sources in the industry said yesterday.

They were reacting to yesterday's cautionary from HL&H, which indicated that the ailing Rainbow would add to its devastating R57,2 million interim loss with detrimental consequences for HL&H — ironically, it is in the throes of restructuring into three autonomous divisions.

However, the man behind yesterday's cautionary, Neil Morris, who heads HL&H and is acting managing director of the ailing Rainbow, dismissed as pure speculation talk of disposals and delisting.

However, he noted that neither productivity nor mortality were as they should be. Further details would be released in May along with Rainbow's year-end results, which were expected to register a loss far worse than during the six months to September, he said.

This is in marked contrast to the message from former financial director Chris Wells and former managing director Rick Griffiths, who were confident the company would trade profitably during the remaining six months of its 1995/6 financial year. This was based on claims of a major improvement in mortality, thanks to enhanced veterinary precautions, satisfactory labour relations and a drop in imports due to tightening of loopholes and adjustment of tariffs.

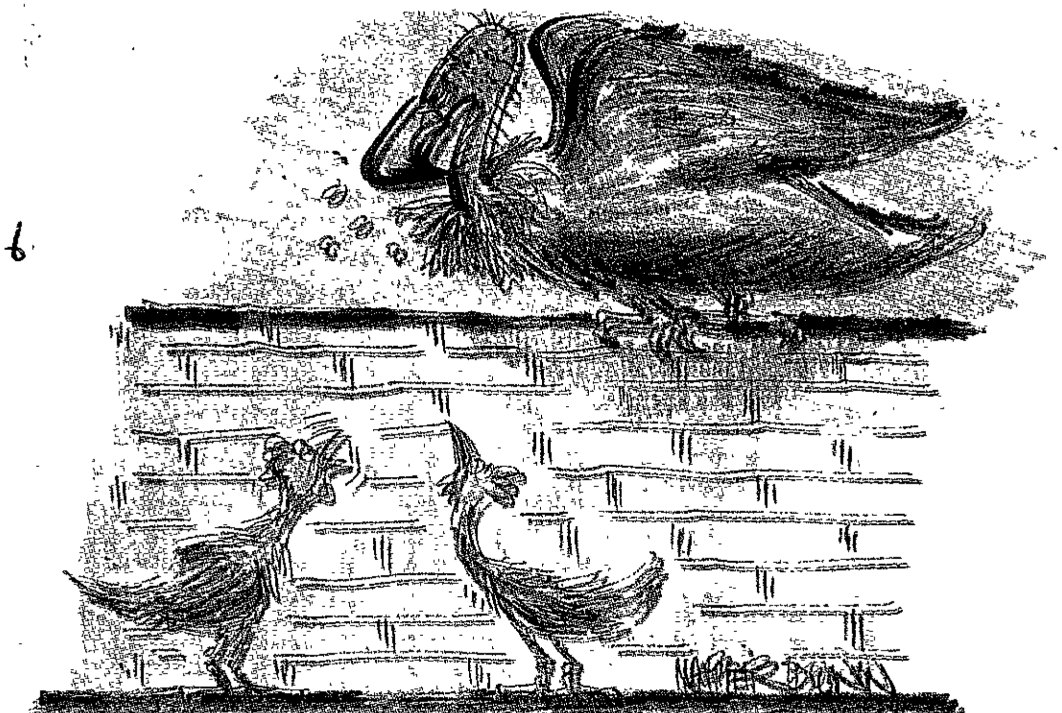
The fact that management has fallen far short of its targets could be put down to escalating feed prices, which have seen a year on year average increase of 15 percent, and imports which have not dropped as much as expected.

According to the South African Poultry Association, imports are averaging 5 000 tons a month. Imports for the year are expected to top 60 000 tons as opposed to 1995's 95 000 tons. The local market appears to have adjusted, with imports securing a 10 to 15 percent market share and local producers having to forfeit 6,8 percent of production.

The fact that there may be a slight oversupply in the market and a softening of prices does not augur well for Rainbow. For a company producing 3,6 million birds a week, a dip of just 1c a bird could subtract millions of rands from profit.

Analysts, who are not surprised by the deterioration in Rainbow's fortunes, believe the share will come off in the wake of the cautionary. They say that up until now the share has traded strongly, peaking at R2,40 last week, as optimists have looked for a recovery on the back of Griffiths' positive forecasts and an expected drop in the maize price. Their main concern is a lack of management control and direction.

Poultry men go a step further — no poultry company belongs on the stock exchange, they say. In addition, they question whether Rainbow should have followed the international trend of acquiring feed mills. The Rustenburg feed mill has been a traditional loss-maker and the fiasco surrounding Epol — Rainbow is still to disclose how it plans to fund a forced take-over of the remaining 50 percent share of this feed producer from Premier — is set to exacerbate existing losses.



"I THINK THE ANSWER IS WRITTEN ON THE WALL."

Chicken industry remains ‘relatively healthy’

CT (BR) 29/1/96 (3) POULTRY

By Shirley Jones

Durban — Rainbow Chicken, where things are believed to have deteriorated to the point where production is behind by millions of chickens, is a loose cannon within a relatively healthy industry, industry sources say.

In the eyes of competitors and other companies within the poultry industry, Rainbow's financial and managerial woes do not reflect the state of the rest of the industry.

John Limberopolous, the managing director of food group Choice, which saw earnings treble in the six months to August last year, said most poultry producers had a good year last year even though they had been confronted with a sharp learning curve given a sudden upsurge in cheap imports.

In contrast, hiccups are not expected to mar the performance of the poultry industry this year.

"This will be the year in which we laugh," said Limberopolous.

Prospects for Choice in particular were good. After investing R80 million in its chicken division, Agrichick, the company would, for the first time, go to managing assets rather than asset building, he said.

Off a base of 400 000, he expected production to reach 800 000 chickens a week by April.

This growth would be against a background of favourable conditions for the poultry industry.

Limberopolous said good rains had put a damper on airborne poultry diseases and a good maize crop would lead to a fall in feed prices.

Thanks to tariff adjustments and drastic drops in subsidies to European producers (which may fall away completely in less than three months), imports had fallen off — raising prices to about R6 a kilogram against R5,30 at the height of the import fiasco.

Mike Walne, the managing director of KwaZulu Natal-based National Chick Farms, the largest producer of day-old chicks in Africa with assets of more than R85 million, agreed that the poultry industry was on a sound footing.

Walne said National Chick Farms had not been able to produce enough chicks to meet the demands of its southern African client base of 400.

"We have not had to actively market our production of 57 million chicks for at least the past four years.

"National Chick Farms has had no more than two bad debts as a result of business failure over the past two years," he said.

Last year was a record year for National Chick Farms and other industry participants including certain JSE-listed companies with chicken interests — Sovereign and Choice," he said.

Although analysts are hesitant to make a direct comparison between the performance of Rainbow and that of Choice and Sovereign, given the slightly different nature of their activities, there are points worth noting.

Sovereign has seen its share price rise by more than 70 percent since its listing seven months ago. Rainbow's share price has dropped by 36 percent from R3,30 to R2,05 over the past 12 months.

While Choice saw turnover (which included red meat) rocket by 105 percent in the six months to August last year, Rainbow recorded a turnover increase of a mere 13,6 percent in its six months to September — of which just 4 percent was due to increased volumes.

"Like sugar, fish, tobacco and paper, chickens are a commodity. If any poultry producer is not performing, it is not the fault of the commodity. Perhaps the fault lies in management structure and the work ethic," said Walne.

Price war expected in poultry industry as Rainbow tries to shift surplus

③ POULTRY CT 20/2/96

SHIRLEY JONES

Durban — The South African Poultry Association has announced that chicken prices will drop by up to 15 percent. The move is likely to plunge the poultry industry into a price war.

Industry sources said this followed an attempt by troubled broiler company Rainbow Chicken to slash prices to shift a massive surplus said to be compounding Rainbow's operational loss.

The sources said Rainbow, which boasts a 55 percent market share, was punishing the industry for its inability to balance supply and demand.

They said this would have a detrimental effect on Rainbow's bottom line and then a dramatic effect on the rest of the industry, particularly smaller farmers.

The association said the price cut followed producers' attempts to clear large numbers of birds countrywide. The price cut would be effective across the board.

Zach Coetzee, the head of the association, would not say whether the price cut was initiated by any single producer. He said that prices were between 5 percent and 10 percent softer than this time last year.

Ian Middleton, the managing director of chicken producer Choice, said that Rainbow's overstocking had already reduced the price of chicken by at least R1 to about R6 a kilogram, from R7,20 a few months ago.

Middleton said the poultry industry did not need the volatility introduced by Rainbow's strategy.

Middleton said companies such as Choice had resolved not to follow in Rainbow's footsteps for at least a week or two.

Neil Morris, the acting managing director of Rainbow Chicken, denied an abnormal stock build-up at Rainbow.

He said Rainbow had surpluses in some ranges, but was battling to meet orders in others.

Morris refused to apologise for forcing down chicken prices.

He said that it made good business sense to move surpluses and Rainbow was returning to normal production.

Morris explained that Rainbow was a major producer and that the industry tended to offer discount prices that were lower than the prices on Rainbow's price list.

He said because Rainbow was the only national producer, this had a major effect, especially on regional producers which, he said, had room for bigger margins.

Natchick's listing will reflect true state of poultry industry

CT (BR) 27/2/96 (3) POULTRY

By Shirley Jones

Durban — Day-old chick supplier, National Chick (Natchick), due to list in April, is a different bird from much maligned Rainbow Chickens.

Natchick's managing director, Mike Walne, a former Rainbow employee, is emphatic that the companies should not be linked.

On a simplistic level, the companies produce different products.

"Rainbow is at the coal face and is subject to price fluctuations. We are a step back from the coal face, producing an intermediate product with a set price. We are far more stable, with consistent margins and are not directly affected by fluctuations in the market," Walne said.

Rainbow, the troubled broiler group, should not be used as a yardstick for the state of the entire poultry industry, he said. Neither should it be allowed to undermine investors' confidence in the sector.

Natchick is listing because of a full-capacity order book and an urgent need to expand. This, together with the company's performance to date, probably provides a better yardstick of poultry producers' performances.

He said Natchick's inability to provide enough chicks had probably held back other successful operations' expansion plans. The company, now valued at about R85 million, is concentrated in KwaZulu Natal, Gauteng and Lesotho. It generated a turnover of R82 million last year and is budgeting for R96 million this year. It will have a market capitalisation of about R120 million after it lists.

The listing will take the form of a private placing. It will raise about R33 million, to be used mainly to degear the company and provide the financial springboard for a R22 million, four-year expansion programme.

The company, originally known as Gambier Poultry, was incorporated in 1980 by original members Graham Long, Hugh Syme and Mike Walne. In 1988 a management buy-out of a principle shareholder, Graham Long, created Natchick. Gambier will still retain a majority shareholding at 51 percent after listing.

Walne said this was a peculiar situation. It is not often that a public company is owned by a private company.

"Natchick might well be the engine room for getting into other things," said Walne. He would not discuss, but did not discount, a future listing of the holding company.

Walne said Gambier Holdings intended retaining control of Natchick. There would be no change in company culture. He said Natchick would simply get on with what it knew best — breeding and hatching chicks.

Walne said he believed in a hands-on approach. He said the company would be managed by experienced poultry people. This included the financial director, Gavin Jardine, who was sent into the chicken houses for eight months' hands-on experience.

Walne said Natchick enjoyed a virtual monopoly. Entry costs were high and the only competitor was integrated poultry producer Rainbow. Choice's Agrichick, Early Bird Farms and County Fair hatch their own birds.

Natchick has a 15 percent interest in Elite Breeding Farms, along with County Fair and Country Bird, to supply breeding stock. Supplying breeding stock is the second-biggest expense next to feed. Walne said the company had an option on a further 10 percent, which it intended exercising shortly.

The company bought a feed mill in Richmond in 1991 which supplies all KwaZulu Natal feed requirements and helps control input costs.

In 1988, Natchick produced just 600 000 chicks a week. Today, capacity is 1,1 million chicks a week. The company aims to extend this to 1,5 million chicks a week by 1999 — when turnover is expected to reach the R130 million mark.

"We have not actively marketed our production of 57 million chicks a year for at least the past four years, during which time our sales have grown by 11 percent compound and our client base has risen to more than 400," said Walne.

Expansions will be divided across the regions. A third of Gauteng's hatchery capacity still comes from KwaZulu Natal. Walne is aiming at boosting capacity in Gauteng to 500 000 chicks a week to make this region self sufficient.

At the same time, he is looking to increase KwaZulu Natal capacity, by building a similar 500 000 chick hatchery worth R9 million at Umlaas Road.

Walne said Natchick was also looking at moving beyond South Africa. The company already had a small operation in Lesotho, producing 45 000 chicks a week, and intended expanding this to 80 000 chicks a week.

He said additional markets, which were supplied long distance, would also be developed. One such market is Swaziland, where Natchick hopes to create an operation producing up to 120 000 chicks a week. Walne said this would be mirrored in Botswana.

To match hatchery expansion, Natchick will expand its breeding operations.

"We need to have sufficient breeding stock on the ground to supply the eggs needed to increase production. We will operate with a central breeding system in KwaZulu Natal and Gauteng feeding satellite hatcheries," said Walne.

He said it was relatively inexpensive to transport eggs from a central point to outlying hatcheries in climatically controlled vehicles.

The encouraging thing, from an investor's point of view, was that Walne was already looking beyond Natchick's immediate back yard. At this point, 70 percent of Natchick's product ends up as processed chicken in the fresh end of the market, which is populated by smaller, more flexible producers. The remaining 30 percent goes to the live trade, which is essentially hawkers selling into rural areas.

However, it is in this market that Walne has identified massive growth potential.

He said there were growers in rural areas specialising in supplying live chickens. One such grower in Zululand had expanded to distribute 40 000 chickens a week.

Hlangabeza is an Empangeni-based subsidiary which offers small, rural growers a guaranteed supply of chicks and back-up in the form of equipment and black extension officers offering advice.

Although Walne said the Empangeni operation, launched in December, was essentially a pilot scheme, he was confident this would spread throughout South Africa.

Soaring costs face poultry producers

(3) POULTRY

By Shirley Jones

CT(BR)20/3/96

Durban — The South African poultry industry has little chance of being internationally competitive if soaring input costs are not contained.

The primary costs are for feed and day-old chicks.

Wally Eggers, the chairman of the East Coast Broiler Association, said yesterday there was a clear need for an independent audit of the poultry industry's production costs. These costs were 10 times higher than those of producers in the United States. Adjusted for exchange rates, input costs should be no more than four times higher, he said.

Chicken prices have dropped by up to 50 percent in some cases over the past month.

However, two substantial price hikes within four months from the chicken-feed suppliers Meadow and Epol had caused feed costs to rise 25 to 31 percent between February last year and last month. The price of day-old chicks was expected to rise 5 percent from April.

Guy Bestel, the managing director of Meadow Feeds, a Pietermaritzburg-based Tiger subsidiary, said his company had had little choice but to pass on massive price increases to end users.

Bestel said a huge demand from China and Japan for fish meal had caused a world shortage and prices had shot up by 90 percent. The same demand applied to maize and Meadow had to import maize and soya at inflated prices. Fish meal and maize constitute 80 percent of chicken feed.

Bestel said he hoped the price of maize would drop with the expected good local crop this year, but poor crops elsewhere in the world would cause a worldwide shortage.

Macadams' earnings rise 112%

CT(BR)20/3/96

By Maggie Rowley

Cape Town — Macadams Bakery Supplies Holdings, the Cape-based bakery equipment supplier, more than doubled its earnings for the year to December 31 on the back of soaring exports and domestic sales, which exceeded budgets by more than 20 percent.

Turnover was 38 percent higher at R77,7 million with exports accounting for about 36 percent of total sales.

Stricter controls of overhead costs and lower interest-bearing debt saw operating income up 113 percent to R8,6 million. As the assessed tax loss had been utilised fully, taxation increased resulting in attributable earnings rising 112 percent to R5,9 million.

Because of the larger number of shares in issue, earnings at the share level were diluted to a 108 percent improvement of 33,5c.

A final dividend of 3c a share brought the total payout for the year to 5c a share, a 150 percent improvement on the previous year.

Kevin McEvoy, the financial director,. said the company, which won the Exporter of the Year Award in the Western Cape in August, was exporting to 60 countries including the Pacific Rim.

Further growth in exports was expected during the current financial year and the company was budgeting for a 40 percent rise in total turnover for the year to December 31.

This would include a contribution of about R25 million from Livanos Brothers, which also manufactured and sold equipment for the bakery and confectionery industry. It concentrated on the bake-off and pie markets, which was acquired by Macadams in January this year at a purchase price of about R2 million.

A re-rating of the share, trading at about 60c in April last year, began in September after the release of strong interim results and the resumption of an interim dividend. The share is trading at 175c to 185c.

Portnet inks deal for Richards Bay

By Thabo Leshilo

Johannesburg — Portnet signed a R120 million contract yesterday for extensions to its general cargo quay at Richards Bay to accommodate the increased volumes of freight.

The contract for the additional 700m quay wall has been awarded to the Basil Read construction company and Boskalis South Africa, its consortium partner.

Project management and design will be undertaken by Protekon, a Transnet business unit.

Neil Oosthuizen, Portnet's chief executive, said yesterday that the 3,8 million tons of general cargo that passed through the port was expected to increase to 4,5 million tons next year.

The total volume of cargo that was shipped through the port increased from 6,8 millions tons in 1976 to 76,1 million tons last year.

The decision was taken after various alternatives, including redirecting some cargo to Maputo and Durban and improving productivity, showed an that extra quay would still be needed.

QUAYED IN *Gérard Perceau of Basil Read, left, and Neil Oosthuizen of Portnet sign the R120 million contract for the Richards Bay extensions*

Oosthuizen said an environmental impact study had shown the project would have no significant, long-term detrimental impact on the environment.

Work has already started on the project, which is expected to be completed by early July next year.

Local builders and suppliers would be used in support of the RDP and the project would provide jobs for about 300 people.

Low mortality rate boosts chicken farms

③ POULTRY

STAFF WRITER

ET (BR) 22/3/96

Johannesburg — The poultry industry is going through hard times but is far from ruin, said Mike Walne, the managing director of Natchick, the largest producer of day-old chicks for the independent broiler industry.

The main problem confronting the industry is not simply rising input food charges pushing up the costs of production, he said.

The national mortality level of chickens is low. The industry had been experiencing an average mortality rate of about 12 percent until recently but, in the absence of disease, this has fallen to 7 percent.

The 5 percentage-point reduction means that an extra 550 000 chickens can be marketed a week.

29/3/96

POULTRY IMPORTS ③

POULTRY

COLD TURKEY?

FM ~~29/4/96~~

The continuing slanging match between chicken importers and domestic producers spilled over into the Cape Supreme Court last week.

This was after leading importer E M Gaertner Trading had obtained an order authorising the court to retrieve confidential company documents from the Cape Town offices of O Fourie & Associates, private investigators.

E M Gaertner claimed the documents were illegally obtained and could be used by competitors to prejudice its business. It is also alleged that O Fourie & Associates attempted to remove confidential documents from its premises when the sheriff arrived with the court order.

The court heard allegations of corrupt customs officials, consignments of chicken entering the country as turkey to avoid the 27% ad valorem duty and circumvention of health procedures. This highlighted the fractious state of relations between importers of chicken and domestic producers faced with an ever-declining market share.

In March 1995 O Fourie & Associates was retained by the SA Poultry Association to investigate the extent of illegal chicken imports and customs evasion. According to the papers, the investigation revealed "inexplicable discrepancies" between the departments of Customs & Excise and Agriculture on the extent of chicken imports. Because the Department of Agriculture is required to issue health certificates on all chicken imports, its statistics tend to be more reliable.

The investigation "succeeded in establishing that there were significant and systematic irregularities involving evasion of customs duties," according to Andrew Fordred, the investigator for O Fourie & Associates, though no supporting evidence was provided.

E M Gaertner was alleged to have imported chicken as turkey to avoid paying duties and to have withdrawn chicken consignments from the Cape Town dockside without authorisation, bypassing the necessary health inspections. Patrick Gaertner, replying on behalf of E M Gaertner, countered that Fordred did not understand the meaning "gallus domesticus," a common reference to chicken on Bills of Entry, nor did he understand import procedure. The company had followed correct procedure and any inaccuracies on the Bill of Entry were corrected within a matter of days. Dr Johannes van Wyk, director of Public Health, Veterinary Services, deposed that Fordred had conducted his investigation in an underhand way.

The Poultry Association decided to retain O Fourie & Associates when local producers became "increasingly concerned about the effect on the local poultry industry caused by the importation of contaminated poultry, by alleged illegal importers, and by the suspected evasion of customs tariffs by importers," according to Zac Coetzee, the association's executive director.

The case was settled without any admission of liability on either side. O Fourie & Associates agreed to return the confidential documents and pay R10 000 towards E M Gaertner's costs.

Still unanswered, however, is whether — and how much — Customs & Excise is losing through illegal imports. Recent losses at Rainbow Chickens, mentioned only briefly in the papers, underlines the sense of desperation in an industry faced with an avalanche of cheap imports. Domestic producers would dearly love to prove allegations of customs fraud in their bid to win back market share, but on this occasion they failed. ■

Rainbow stake sold for R102,3m

(3) POULTRY

Nicola Jenvey

BD 9/4/96

DURBAN — Rainbow Chicken has resold, with an option to repurchase, a 50% interest in Epol Foods to an undisclosed buyer for R102,3m, Hunt Leuchars & Hepburn (HL&H) CEO and acting Rainbow MD Neil Morris said yesterday. The interest was bought from Premier Food Industries (PFI) in December.

Rainbow was forced to purchase the remaining 50% share from PFI in terms of put option conditions established in 1991 when the initial 50% holding was bought.

However, Rainbow was forced to find another partner for the venture when the company posted a R57,2m attributable loss for the year to September.

Although no purchase price was given in December, Absa Corporate and Merchant Banking has valued the Epol interests at R102,3m. Morris said in terms of the agreement, Rainbow had a call option on the shares with a corresponding put option on the company to repurchase the interests. It would rationalise feedmilling capacity to improve profitability.

(3) POULTRY

Rainbow rated as a high risk

ET(BR) 10/4/96

BY FIONA LENEY

Johannesburg — Rainbow Chickens, the troubled poultry producer, was dealt another blow yesterday when Republic Ratings ruled it a high-risk company.

The rating organisation gave Rainbow a BB+, a non-investment grade for an organisation whose capacity to meet long-term commitments is considered vulnerable to adverse business, economic or financial conditions.

Dave King, a Republic director, said the rating was justified by Rainbow's high business and financial risk.

"The group's vulnerability to unpredictable external factors is evidenced by its declining volumes over the past few years," he said.

He said despite concern over Rainbow's long-term performance, "it is not about to go belly-up".

Rainbow Chickens' management could not be reached for comment, but King said that the company had been consulted during the rating operation and had not objected to the conclusions.

This is the first time that Republic has rated Rainbow.

"High mortality rates and the flood of imports from lower-cost producing countries has resulted in reduced market share and pressure on profit margins.

"This has been further exacerbated by the high cost of maize and widescale labour disputes," King said.

Rainbow boasts a 55 percent share of the broiler chicken market. It slashed its prices in February to shift a massive surplus that was compounding its operational losses.

"All key financial risk ratios have deteriorated, with a 1995 year-end discretionary cash flow-to-debt ratio of less than 3 percent and interest payments only covered 1,5 times," King said.

"The indications are that cash flows will remain under considerable pressure over the near term, which would result in a further deterioration in the group's financial risk profile," King said.

Rainbow faces legal dispute

Nicola Jenvey

(3) POULTRY

DURBAN — Rainbow Chicken's Eastern Cape contract farmers have initiated steps towards arbitration against the group following a dispute over the interpretation of their contracts.

Industry sources said yesterday that the dispute hinged on the date within the growing cycle on which Rainbow accepted delivery of chickens.

BD 19/4/96

Rainbow confirmed the farmers had taken steps towards legal action, but hoped the issue could be resolved without arbitration.

However, once an arbitrator had been appointed, expected within the next fortnight, the case could be heard. Rainbow acknowledged the urgency surrounding the issue, as farmers wanted to solve the dispute before the next production cycle was under way.

Contract farmers supply about 12% of Rainbow's production for the Eastern Cape region. Rainbow said this was the group's smallest contingent of contract farmers, with others operating in Gauteng and the Western Cape.

Rainbow, which sustained a R57,2m attributable loss for the six months to September, warned in January that it would not return to profit in the full year.

The company has been badly hit by imports and production problems at its Hammarsdale plant. Analysts believe Rainbow has also been selling at below cost in a bid to maintain market share.

Poultry farmers facing ruin

③ POULTRY

By Shirley Jones

CT (BR) 22/4/96

Durban — Many of KwaZulu Natal's small poultry producers face ruin in the wake of massive feed price rises and a revised marketing strategy from Rainbow Chicken, which has shrunk prices dramatically.

Small producers, who do not benefit from the discounts enjoyed by larger producers or hold a stake in feed mills, said recent feed price increases were crippling them. They said Rainbow Chicken's decision to market live birds at less than half the price the independents needed to survive could put them out of business.

However, Wally Eggers, the chairman of the East Coast Broiler Association, said last week that soaring input costs and an oversupplied market which had pushed down prices had added to the financial problems of the already troubled sector.

The poor state of the industry had to be tackled by a poultry forum being formed by the trade and industry department. Eggers did not discount the fact that the government might pressurise the industry to unbundle in the interests of international competitiveness.

He said there was a need for an independent audit of the industry's production costs. Input costs of local farmers, primarily feed and the price of day-old chicks, were 10 times those of international competitors.

On an exchange-rate adjusted basis, they should be no more than four times higher if the South African industry was to be internationally competitive.

ROASTING *Mike Walne, Natchick's managing director, has been forced to push up chicken prices because of feed cost hikes.*

PHOTO. ALAN COXON

Eggers said the traditional post-Christmas flat period between January and March had been aggravated by continuing imports, creating a glut on the market. Imports were the third largest contributor of chicken on the domestic market, he said.

Eggers criticised feed millers, Meadow and Epol, for two price increases in two months. This had amounted to a 25 to 31 percent increase from last year.

Mike Walne, the managing director of Natchick, the largest producer of day-old chicks for the independent broiler industry, said recent food price hikes had increased his costs to the point where the price of livestock would be increased this month.

Walne said though there had been substantial increases in maize and fish meal prices, feed millers should be able to absorb some of these until the industry recovered.

Guy Bestel, the managing director of Meadow Feeds, a Tiger subsidiary in Pietermaritzburg, said maize and fish meal made up 80 percent of chicken feed. Price increases could not be held back indefinitely, he said.

BUSINESS WATCH

Edited by Charlotte Mathews

Chicken feed

CT(BR)23/4/96
(3) POULTRY

Talk of an unbundling of the poultry industry persists, which essentially means breaking up Rainbow — by far the dominant player. Analysts say that however much government pressure there is for an unbundling, market forces have been pointing that way for some time.

Even when smaller players are doing well, Rainbow struggles. There is talk of a loss of up to R150 million for the year to March 31. At the half-way stage the loss amounted to R58 million.

An unbundling could be affected on a regional basis and involve the group's extensive poultry and feed mill operations. While this would break the company into more workable-sized units, analysts say it would not get around the apparent shortage of management skills.

The controlling shareholders have apparently approached an executive from an overseas company to take over the managing director slot. A new chief of farming operations has been recruited from Britain.

A weaker rand will certainly help to get Rainbow out of its market difficulties as it should cut back the flow of imports and improve export opportunities. If a new executive team can resolve the farm-based problems, there could be some light at the end of this very long tunnel — if it's not unbundled.

Randgold

Assessing Randgold's interim earnings to gauge its further earnings potential is a nightmarish exercise.

In the six months to March, earnings rocketed from 1,1c to 56,4c a share — a figure which, on careful perusal of the income statement, appears to be unsustainable, since the vast majority of income was derived from profit on sale of investments and the cancellation of the Blyvoor management contract.

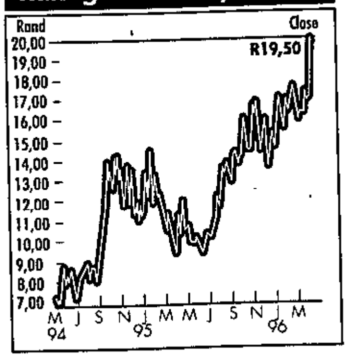
Not so, however, because, explains Peter Flack, the chairman, the company deals regularly in shares and although the cancellation of the Blyvoor management contract will not recur, the same sort of deal will materialise in the next few months when Randgold takes Unisel and Grootvlei under its wing.

This being the case, the 56,4c a share earned in the past six months will not only be sustained this half year but will, Flack predicts, be improved on.

"Indeed," he says, "we face the next 18 months with confidence."

The old Randgold earned the bulk of its income from management fees. The new Randgold does so with profit on sale of investments, dividends, fees for raising money and doing deals on behalf of the mines it manages and the cancellation of management contracts.

Randgold share price



The latter source of income cannot be expected to continue indefinitely, but with the Randgold mines showing exceptional promise, as the March quarterlies clearly demonstrate, dividends are likely to be a strong and growing income source.

Pick 'n Pay

Raymond Ackerman's confidence in Pick 'n Pay's young lions, Sean Summers and Gareth Ackerman, is shared by a top retail analyst. The analyst said Gareth Ackerman, the group enterprises managing director, and Summers, the retail managing director of Pick 'n Pay, had put their heads on the block for a markedly improved profit showing in the next three years. "I think the guys will do a damn good job ... already their moves into franchising — to counter the slower growth anticipated in core activities — are starting to work."

In a Business Report interview last week, Raymond Ackerman said despite taking a "backseat" as regards running the group's day-to-day activities, he had lost no enthusiasm for the retail business. He spoke of a new spirit at the restructured and revitalised Pick 'n Pay. Talk of his intention to stand down from the board were also scotched.

"I won't retire until I'm ready, but I have put youngsters at the group's helm and now people can't say that too much at Pick 'n Pay revolves around Raymond Ackerman."

Shoprite

"Pressure on margins. What pressure on margins?" was the sarcastic response from a market watcher in reference to comments accompanying Shoprite's profit figures in the 12 months to February 29.

Whitey Basson, Shoprite's managing director, predicted that prescure on trading margins would continue over the next four months to the group's revised June year-end.

The market watcher described Shoprite's 2,1 percent trading margin (up from last year's 1,57 percent) as "embarrassingly good". The healthy margin saw operating income surge 54 percent to R154 million.

Considering the strong 12-month operating performance and the extra income Shoprite would earn from their cash pile of more than R600 million, he predicted a further growth in earnings for the supermarket group next financial year. The trading margins in question do, though, reflect the intense competition in the food and consumables sector with Shoprite essentially earning 2,1c from every R1,00 in sales. That is before finance charges and tax.

National Chick could debut at 600c

Nicola Jenvey

#8 ③ POULTRY BD 23/4/96

DURBAN — Broiler chicken producer National Chick (Natchix) could trade as high as 600c when it debuts on the JSE today, following predictions that share earnings for the year to September would rise to 42,5c from 32c the previous year, analysts said yesterday.

Sponsoring brokers Mathison & Hollidge said the private placing of 8,8-million ordinary shares at an issue price of 375c had been oversubscribed.

Another 31,6-million shares would be listed in the industrial-food sector.

The share would sustain the 8% growth a year for the next four years, given that chicken consumption had risen by this amount since 1970.

Predictions beyond the year 2000 were more difficult, but the company had shown solid growth since starting in 1976, they said.

Natchix has grown from producing 15 000 day-old chicks a week to 1,1-million across 20 production sites.

"Indications are Natchix should succeed as poultry companies, except Rainbow Chicken, have been doing particularly well," one analyst said.

Natchix will have a market capitalisation of R120m after listing compared to Rainbow's R604m.

The listing will raise R33m, which would be used to degear and fund a R22m expansion programme.

Annual white and red meat consumption in SA was about 40kg compared to 100kg in the US. Chicken consumption was expected to benefit more significantly from a growing population at the expense of red meat.

Chicken prices could rise by as much as R1 a kilogram

Poultry industry turns volatility to advantage

(3) POULTRY CT(BR) 1/5/96

By Ann Crotty

Johannesburg — Conditions look bleak over the next month or so, but the domestic poultry industry is set for an uptick beyond that as volatile world trading patterns turn to its advantage.

Increases in world maize prices, the closing of import loopholes and the slump in the rand will all combine to boost chicken prices within the next few months.

Some analysts believe prices could rise by as much as R1 a kilogram, or about 16 percent.

This is bad news for food price inflation, but good news for chicken producers and distributors such as Rainbow, Natchix, Choice, Tiger, ICS and I&J.

One analyst estimated that an increase in the region of R1 a kilogram would add about R220 million to Rainbow's turnover. This was calculated on the basis that Rainbow, the biggest producer of chicken in the country, sold about 220 million kilograms of chicken a year.

Not all of this price increase will benefit Rainbow's bottom line. It will lose a significant chunk because of the increase in maize prices. Yellow maize is the industry's feed stock and feed accounts for about 50 percent of the production costs in the poultry industry.

South Africa is expected to enjoy a surplus in the maize crop this year, but international maize prices are at record highs and this will affect South African prices.

The increase in feed prices will benefit animal feed manufacturers like Epol, which analysts said was effectively 100 percent controlled by Rainbow after Premier recently sold its 50 percent stake.

If the local chicken market were stronger, Epol would be able to pass on increased prices to customers.

In view of the expected increase in feed prices, it is inevitable that Rainbow's bottom line will not benefit to the full extent of the R1 a kilogram hike in poultry prices.

But to the extent that the new management team at Rainbow can reduce a price structure that is believed to be the highest in the industry, a larger percentage of the higher price will go to the bottom line.

Analysts weary and wary of consecutive years of disappointing news from Rainbow were in no rush to expect good news on this front.

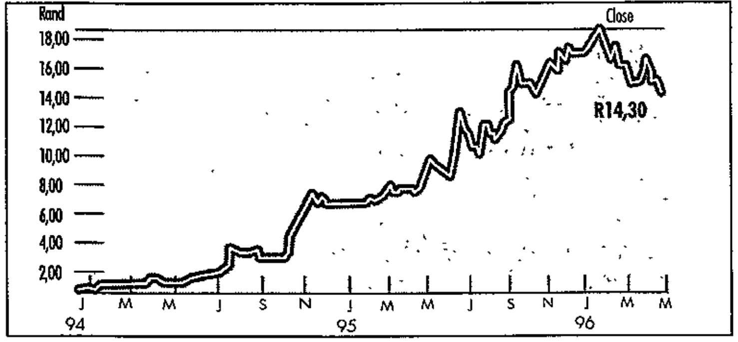
They said that poultry producers such as Choice Holdings had consistently succeeded in reporting solid earnings despite difficult trading conditions.

For this reason, the smaller players in the industry were expected to realise improved share prices before Rainbow.

One analyst accepted that market prices were likely to pick up, but said that before getting excited about some share price recovery he would first want to see evidence of improved management.

Another said that Rainbow needed a major rights issue to take R550 million of debt off the balance sheet. Until then, improved market prices could only have a muted benefit at the bottom line.

Choice Holdings share price



Industry sources said the most encouraging aspect of trading conditions in the coming months was that the threat of imports was irrelevant.

There were already signs of production cuts in offshore markets.

The danger of price cuts because of Rainbow's overproduction would also soon be removed.

The recent downward pressure on chicken prices showed that the excess production had used up all available cold-storage facilities, so producers had little option but to dump.

On the expectation that exports would no longer be a major concern, industry sources said high feed prices had resulted in cutbacks among international producers.

Tyson, the largest producer in the United States, has said it is cutting back output by 7 percent because of the high maize prices.

Smaller players expect to see better share prices before larger companies

Higher maize prices and the weaker rand will ensure that European and US exports are no longer competitive in South Africa and that South African exports will be more competitive in the international market, the most important being the Middle East.

Higher feed prices, the expected disappearance of imports and the opportunity for exports, will combine to produce higher prices in the local market this year.

This is good news for producers and distributors like I&J, which has been going through a torrid time.

Distributors get 12,5 percent of the poultry list price, so the higher the price the higher the absolute rand income for distributors.

In I&J's case this assumes that Rainbow, its supplier, will be able to push through the volumes.

NEWS

Star 1/5/96

③ Poultry

Chicken prices could rise by as much as R1 a kilogram

Poultry industry turns volatility to advantage

BY ANN CROTTY

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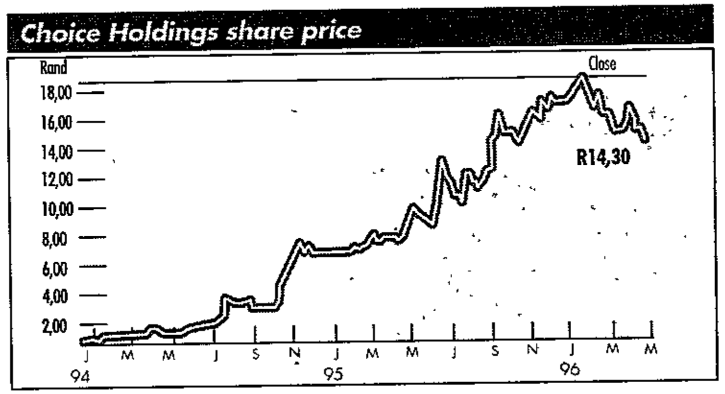
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Slumping rand creates 'excellent' opportunities

BY SEAN FEELY

Johannesburg — The recent slump in the rand and the consequent decline in equity and bond markets provides some "excellent" investment opportunities, John Winship, the managing director of BOE Asset Management, said yesterday.

"Some of the best investment opportunities occur at times of maximum volatility and extremes," he said in the firm's latest newsletter to investors. "Forecasting risks are," however, "at a high level."

The Reserve Bank and commercial banks' 1 percentage point increase in interest rates, largely in response to inflationary pressures arising from the rand's almost 20 percent decline in the past nine weeks, would prompt a more rapid contraction in the economy.

Money-supply growth, credit extension, consumer spending and inventory levels would also be likely to slow down faster than they would have before the interest rate hike, Winship said.

"Circumspection in equity selection is an imperative as risks have increased relative to return prospects," he said.

Rand-hedge equities have been buoyant and were likely to offer value despite a possible strengthening in the rand.

The rand's decline had been overdone and it might recover to about R4,15 to the dollar by the end of the year, he said.

Once stability returned to the local currency market, there would be scope for the Reserve Bank to cut rates.

"The level of both short- and long-term rates rank among the most outstanding of real value available to investors in both money and bond markets," Winship said.

He said South African bonds were about 1,5 percent higher "than they ought to be" compared with international bonds.

The yield on the benchmark US Treasury 30-year bond had traded at about the 6,8 percent level, resulting in an inflation-adjusted yield of about 4,5 percent to 3,5 percent.

He said the disinflationary effect of the monetary authorities' stance should be felt well into next year.

"This prospect will not change if interest rates are cut once or twice over the next 12 months, let alone increased," he said.

Acting chief executive remains elusive as market waits for action

Rainbow delays its results

(3) POULTRY CT(BE)2/5/96

By Shirley Jones
KWAZULU NATAL EDITOR

Durban — Rainbow Chicken's decision to delay publishing its financial results for the year to March 31 by two weeks has taken the market by surprise.

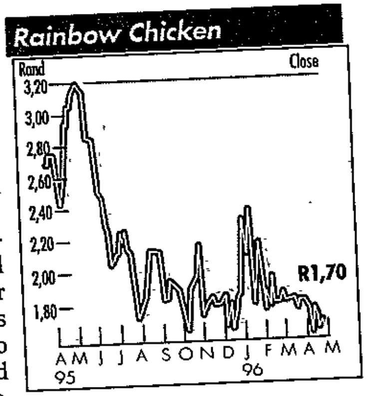
Analysts forecast that the company would post a substantial loss. They said it would be best for the results to be announced as soon as possible, unless a plan to turn the company around accompanied the year-end results.

Neil Morris, the acting managing director of its holding company Hunt Leuchars & Hepburn, who also rules the roost at Rainbow after the shock departure of Rick Griffiths, the managing director, in December, is conspicuous by his silence.

He had hinted that a crucial announcement might accompany the results, but was not available for comment.

Analysts said Rainbow's door had remained closed for months and there was no sign that a replacement managing director or a financial director was being appointed, despite speculation that Hunt Leuchars & Hepburn had been recruiting overseas.

Cost cuts and attempts to dispose of surpluses at a loss were signs that the management had not yet regained control of production, the analysts said.


Rainbow Chicken

Few market commentators were prepared to put a figure to Rainbow's expected loss, though estimates ranged from R100 million to R250 million.

Losses at the interim stage were R57,2 million.

At the end of last year, Rainbow cautioned that it could not trade profitably during the second half of its financial year.

Rainbow recorded a loss of 15,5c a share during the six months to September, but the market is prepared for a loss of at least a 32c a share for the full financial year.

One analyst said the only certainty was that drastic action had to be taken in the form of a rights offer or the delisting of Rainbow.

Delisting was unlikely, she said, because Rainbow's share price had slumped to R1,70.

Whatever option was chosen, it would have a negative effect on Hunt Leuchars & Hepburn.

The holding company is also highly geared and is not in a strong position to underwrite a rights offer or increase its stake in Rainbow through a delisting.

The sale of part of its timber interests collapsed this week and its sugar division made a loss that could reach R17 million.

Epol also remained a key concern. Rainbow sold its remaining 50 percent stake in the feed miller, but analysts said that was only a temporary respite.

They believed Absa was the undisclosed buyer and that it would only fulfil a warehousing role, giving Rainbow the option to buy the stake back at a later date.

They also said they believed that Hunt Leuchars & Hepburn was continuing to look for a buyer for Epol, if not for Rainbow itself.

John Moses, an analyst with Frankel Pollak, said Rainbow's problems were the product of poor management and were not inherent to the company.

Poultry firms 'face disaster'

(3) POULTRY

By Shirley Jones

KWAZULU-NATAL EDITOR

CT (BR) 2/5/96

Durban — The soaring price of maize could spell disaster for the poultry industry, Zach Coetzee, the head of the South African Poultry Association, said this week.

Maize, as the major component of feed, is the poultry industry's largest cost. In January last year, the maize price stood at R365 a ton. At the beginning of this year it was R500 a ton and is now about R800 a ton, a 78.2 percent price increase.

Coetzee said at least three major poultry producers folded in 1992, when the maize price increased 55 percent.

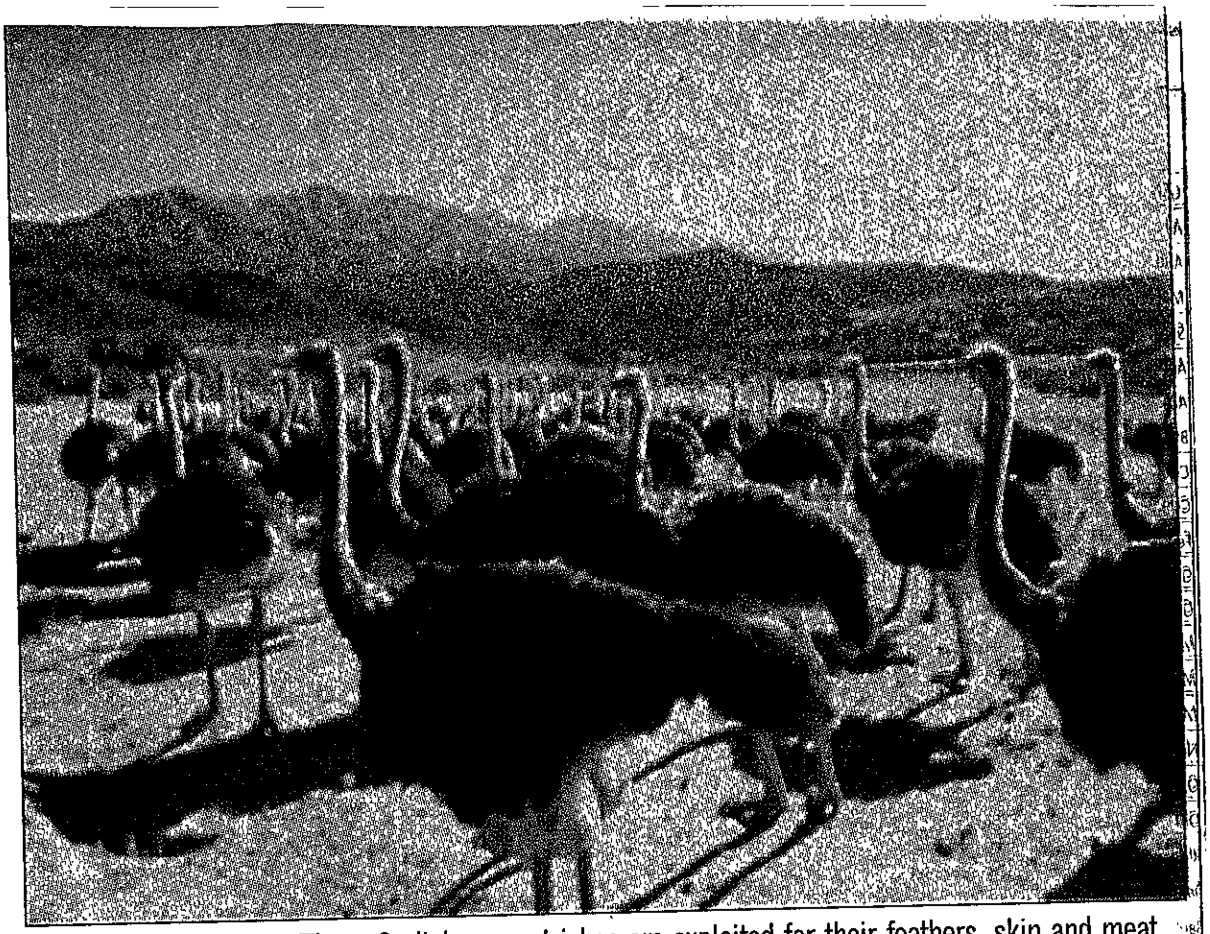
Little relief can be expected from the depreciating rand. With escalating input costs, South African producers had little chance of being competitive exporters, he said.

Even in the short term, he said, any money to be made from the 27 percent ad valorem duty on higher priced chicken imports would be offset by the higher maize price. "The exchange rate tends to double back on us. The South African industry is a net importer of oil-cake and fish-meal, also key components of chicken feed."

Steve Steenkamp, the general manager of Epol's Pietermaritzburg plant, said the feed producer, which had to a large extent absorbed increases, simply could not contain costs any longer.

He said since April last year, broiler producers had seen prices climb 20 percent. Egg and pork producers had to absorb price increases marginally below this and dairy farmers had to contend with a 15 percent increase in the price of feed over the same period.

Feed producers had to face an 80 percent increase in the maize price, a 55 percent increase in the price of fish meal and a 40 percent increase in the price of its substitute, soya, between April last year and March this year.



NO PLACE TO HIDE: These Oudtshoorn ostriches are exploited for their feathers, skin and meat

③ POULTRY ST (BT) 12/5/96

How many nests can the ostriches feather?

BY DON ROBERTSON

THE domination of the local and international ostrich market by the Oudtshoorn-based Klein Karoo Co-operative is under threat following the deregulation of the industry in South Africa and the growing number of overseas competitors entering this lucrative industry.

At last year's annual meeting, KKC chairman Chris Coetzee said two years of open competition had seen growing competition in the ostrich leather market from local suppliers and from other countries.

Prices would come under pressure, he said. In addition, manufacturers would be more selective in terms of quality.

He said ensuring the KKC's financial success would require "strict discipline" in production, manufacturing, processing and marketing.

The ostrich industry, previously totally controlled by the KKC, was deregulated in September 1993. Since then a successful industry has developed in the Transvaal and the eastern and northern Cape. Birds are delivered independently to abattoirs.

At a recent meeting, the KKC was given a mandate by its members to continue as the sole processor and marketer of ostrich products from the Oudtshoorn area. A subsequent complaint to the Competition Board by a competitor was turned down in favour of the KKC, which has since bought the competitor's abattoir.

The strict discipline referred to by Mr Coetzee will now take the form of a quota delivery system to the abattoir by members, based on average deliveries over the past two years. This will be reviewed in October.

Of the 700 KKC members involved in the ostrich industry, only 300 supply birds to the abattoir.

Attie de Waal, general manager of the KKC, says his co-operative is a "dominant player" in the world market, but some sources claim it has a 80% stake in international sales. The consequence of 300 farmers dominating this market is significant.

But the growing acceptance of ostrich leather as a fashion item and ostrich meat because of its low fat content has encouraged a large number of investors to enter the industry in countries such as Australia, Israel, the UK, Italy, the US, Belgium and Canada.

Five years ago, total sales of ostrich products by KKC was R106-million. This rose to R298-million in 1993 and to R379-million in the 10 months to June last year. Profits in the past 10 months amounted to R25,8-million. Ostrich skins earn about 75% of the income, meat about 15% and feathers the rest.

Mr de Waal says although the market for meat is growing, production is dependent on demand for leather. About 500 tons of leather is exported and about 250 tons sold locally.

The meat is marketed through specialist shops in European and eastern countries and competes with rabbit, venison, reindeer, wild boar and even kangaroo.

Each bird produces only 23 kg-25 kg of meat, of which about 2,5 kg is fillet. This sells for about R40 a kilogram in Europe. A total of 6,5 kg is steak which sells for R25 a kilogram. The rest is used for biltong, sausages, hamburger patties and goulash.

During the current peak season to the end of this month, the KKC abattoir will slaughter 1 000 birds a day, equivalent to 200 000 a year, and processes about 800 of these daily. The rest are kept in storage for use during off-peak periods. Skins, measuring between 1,2 and 1,4 square metres fetch about R2 000 each, with the inventory at the tannery worth about R60-million. The ideal slaughtering age is 14 months. Feeding costs to produce an ostrich for slaughter are about R750.

Feathers, which lost their fashion appeal earlier this century, contribute considerably to income with 90 000kg-100 000kg exported at prices ranging between R1 500 and R1 600 a kilogram. They are now used mainly for feather dusters, but are also used in carnivals, such as that in Rio de Janeiro.

Government is guilty of blackmailing industry, says poultry association

CT(BR) 14/5/96 (3) POULTRY

By Shirley Jones

Durban — The government lacks the policy integrity needed to integrate its needs with those of the poultry industry, according to Zach Coetzee, the head of the Southern African Poultry Association.

Coetzee told the association's conference in Durban yesterday that better tariff protection was required if the government wanted the poultry industry to participate enthusiastically in its objectives. The government should also accept responsibility for its policies.

Coetzee said the industry was being blackmailed by government policy and, at the same time, had to do justice to social needs, remain solvent and meet consumer needs.

The industry was unlikely to meet many of the objectives outlined in the green paper on agricultural tariffs because international competition put pressure on poultry producers' incomes.

Research

The industry would be forced to automate to reduce costs and to reduce spending on research and training. He said the poultry industry would not be able to meet RDP initiatives by supporting or even forfeiting market share to small business. He was also concerned that new entrants via RDP programmes could increase the risk of poultry diseases.

He said investment objectives would not be met as producers reduced expansion initiatives, but continued to import through low-tariff categories. There was little chance of stable price levels because imports caused demand to be volatile, he said.

The association has said that imports constitute 13,28 percent of local production, which is equal in volume to the production of the country's second-largest producer.

Coetzee said the weaker rand gave some import protection in the medium term but it would increase inflation and input costs.

"Even with the exchange rate where it is, our production costs are still well above the landed cost of certain cuts from abroad."

Natchix raises income through joint venture

③ POULTRY

Nicola Jenvey

BD 15/5/96

DURBAN — Recently listed broiler chicken producer National Chick (Natchix) raised attributable income 15,8% to R4,2m in the six months to March following a sharply lower tax bill and improved income from its joint venture investment in Elite Breeding Farms.

Pro forma share earnings were 18,5c from 16c. No interim dividend was declared in line with company policy. Turnover grew 13,4% to R46,6m on the strength of increased capacity and higher percentage hatchability of eggs into chicks.

Chairman and MD Mike Walne said operating income had dropped to R7,2m (1995: R7,5m) as the poultry industry had experienced difficult trading conditions and higher maize prices.

Borrowings related to the company's four-year plan to raise production 50% to 1,5-million day-old chickens per week lifted the interest charge to R2,9m (R2,5m), while taxation more than halved to R469 000 from R1,7m following lower pre-tax income of R4,3m (R5m). Walne said the R33m raised from the company's April listing would reduce interest in the second half.

Earnings from the joint venture investment in Elite Breeding Farms rose 47,7% as the breeding stock operation came into full production in the review period. Natchix had increased its joint venture holding to 25% (15%) with effect from April 1, and higher earnings were expected from this investment for the full year.

Walne said the company remained on track to achieve its prelisting forecast of a 54% increase in attributable income to R11,3m for the year to September, based on a rise in turnover to nearly R100m from R82m.

Natchix had already spent R6m of its estimated R22m expansion budget and the benefits would be reflected in the second-half results, he said.

Rainbow Chicken's loss plunges HL&H into the red

BD 24/5/96 ③ POULTRY

Jacqueline Zaina

HUNT Leuchars & Hepburn (HL&H) plunged into the red in the year to March, posting a R66,8m attributable loss against a R20,2m profit the year before following a R160m loss from associate Rainbow Chicken and further shortfalls in its sugar interests.

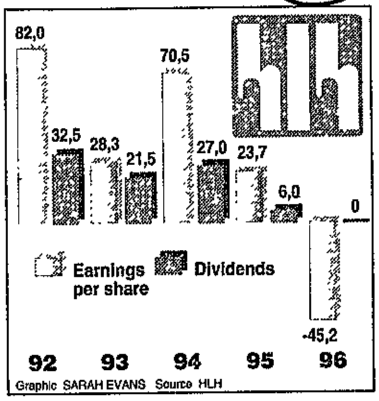
Headline share losses, including those incurred by non-subsidiary companies, amounted to 45,2c compared with earnings of 23,7c in financial 1995, and dividends — 6c the previous year — were waived.

CE Neil Morris said the group had expected to earn a profit in the second half but had experienced "a most disappointing" six months. It would have broken even had it not been for its 40% stake in Rainbow, which had posted a larger than expected loss.

The group was negotiating to recapitalise Rainbow and shareholders were urged to exercise caution in their share dealings. Morris did not rule out the possibility of a rights offer, but could not comment on the extent of the cash call.

Robertsons and the Mining Timber and SilvaCel divisions had turned in good performances, but losses from the group's sugar interests, which had operated at 45% capacity, had deepened to R83m from a R33m loss the previous year following the drought in the Onderberg, he said.

Group turnover grew 9,6% to R1,6bn (R1,5bn), but operating income was virtually static at R135,8m (R135,6m). Morris said margins had suffered as a result of lower sugar production levels.



Graphic SARAH EVANS Source HLH

An exceptional item of R919 000 represented the net realisation of profit on the sale of the group's softwood interests against which the losses on the sale of the furniture division and retrenchments costs were offset.

After financing costs, which rose 19,8% to R124,7m due to the high debt burden being carried by HL&H's sugar interests following the construction of Komati Mill and the funding of losses for the year, pre-tax income was 29% lower at R12m.

A tax bill of R12,9m (R4,2m) left taxed losses at R895 000 compared with a profit of R12,7m a year before.

However, associated companies — which contributed R7,6m in the previous financial year — amassed losses of R65,9m.

Morris said Rainbow had been unable to reverse its poor first-half performance due to costs remaining unacceptably high and the accumulation of stock in the last quarter of calendar 1995. The company had also experienced labour problems.

Rainbow had lost its lowest-cost producer status over the past few years due to poor management, among other things, he said. In addition, it had been impossible to recover the costs of imported feed incurred as a result of last year's poor maize crop.

Rainbow's attributable losses amounted to R160m (R16,7m profit). Revenue rose 10,2% to R1,9bn, but operating losses came to R80,4m from a profit of R75,8m the year before. The loss a share was 43,4c (4,5c earnings).

Morris said Rainbow would not operate profitably until stockholdings returned to normal, manageable levels. An improved operating performance should materialise this year, although this would remain below acceptable levels.

HL&H's recovery prospects were encouraging, but its sugar interests were expected to return to profitability only in financial 1997/98.

Although improved results were expected in the year ahead, these would still be well short of acceptable levels, he said. Half-year results would be depressed due to losses in Rainbow during the first four months of the year.

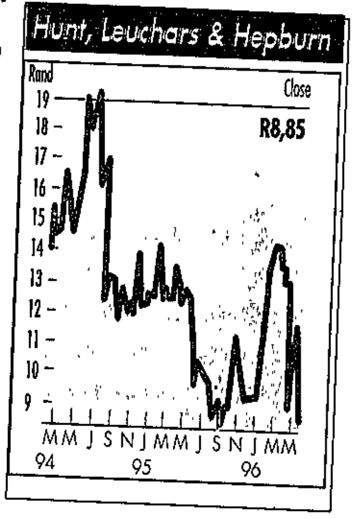
Huntcor, which has as its only investment its holding in HL&H, posted a net attributable loss of R50,9m from a R15,4m profit.

There's no rainbow at end of HL&H's results

③ POULTRY

By Jon Beverley

CT(BR) 24/5/96


Hunt, Leuchars & Hepburn

Durban — Rainbow Chicken's heavy loss dragged down the results of its holding company Hunt Leuchars & Hepburn, which yesterday reported an attributable loss of R67 million for the year to March 31.

About R66 million of HL&H's loss was attributable to Rainbow.

Revenue rose by 10 percent to R1,6 billion and there was an excellent performance from Robertsons, the spice company, but the end result was a 44,6c a share loss compared with earnings of 13,5c and a 6c dividend previously.

Robertsons had a 24 percent increase in earnings and good performances came from mining, timber and the SilvaCel division, but these were offset by poor results in the furniture division.

Gross profit increased to R562 million from R474 million and operating income remained almost unchanged at R135 million because of losses in the company's sugar interests.

Neil Morris, the chief executive, said financing costs of R125 million were incurred in the construction of the Komati sugar mill. The company's two mills were operating at 45 percent capacity, leading to a R83 million loss.

Morris said a net exceptional profit of R1 million came from the sale of the softwood timber interest to Sappi for R220 million and closures in the furniture division, which lost R11,3 million.

Though overall improved results are expected next financial year, Morris said these would still fall short and would not be reflected in the first half because Rainbow needed about four months to wind down excess stockholdings.

SOUTH AFRICA'S NATIONAL FINANCIAL DAILY
FRIDAY MAY 24 1996

Rainbow Chicken's troubles come home to roost with R159,8m loss

ET (BR) 24/5/96 ③ POULTRY

By Shirley Jones
KWAZULU NATAL EDITOR

Durban — Rainbow Chicken, the ailing broiler group, announced its largest attributable loss yesterday of R159,8 million for the year to March 31.

Along with a 43,4c a share loss (4,5c) and no dividend declared, came an operating loss of R80,4 million and a 10 percent increase in turnover to R1,88 billion (R1,7 billion). Last year there was a R75,8 million operating profit.

Expected measures aimed at reversing losses as well as the appointment of a managing director and financial director have not happened.

Instead, Neil Morris, the acting managing director, has only hinted that plans aimed at returning the group to profitability were being implemented and has warned shareholders to exercise caution in their dealings as there were moves to recapitalise the company.

Already highly geared, Rainbow saw interest-bearing debt escalate R153,5 million, resulting in a debt to equity ratio of 94,2 percent (46,3 percent).

Interest paid rose to R76,4 million (R51,5 million) as a result of the additional borrowings needed to increase working capital and fund the company's losses.

Rainbow was spared the escalation of its losses through the selling of its remaining 50 percent share in feed producer Epol which it acquired from Premier Food for R102,3 million plus interest late last year.

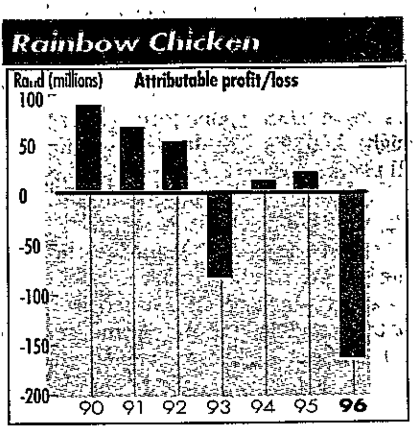
Epol was the better performer during the past year with a 27,2 percent increase in sales to customers other than Rainbow. Morris said Rainbow had benefited from the rationalisation opportunities presented by the consolidation of its feed-milling activities.

The R102,6 million loss during the second half to March was mainly due to a loss of control over production, which led to a build up of stock and a drop in prices after Christmas and increased production costs.

Morris said though this situation had improved, there would be spin-offs with stock levels only expected to return to normal within the next four months.

The group cannot be expected to trade profitably in the six months to September 30.

☐ **See Business Watch, Page 21 and HL&H results, Page 18**



Rainbow no pot of gold for HL&H

(3) POULTRY ST (BT) 26/5/96

By MARCIA KLEIN

NEGOTIATIONS are under way to recapitalise Hunt Leuchars & Hepburn's problem child Rainbow Chicken in an attempt to stop the rot at the chicken producer, which this week turned in a loss of almost R160-million for the year to March.

Neil Morris, chief executive of HL&H and acting managing director of Rainbow, says he is holding discussions with HL&H's partners (the Methven family) with a view to recapitalising Rainbow, which is "substantially overgeared" at 94,2%. Interest-bearing debt increased by over R150-million during the year to R540-million. A further R108-million of debt could be added if the amount owing to the sellers of Epol is taken into account.

It seems clear that the Methven family will not take up their rights, and HL&H will be left with a larger share in Rainbow. Mr Morris believes the recapitalisation will eliminate a large part of Rainbow's difficulties.

He describes Rainbow's results as "very poor, but in line with expectations, and indicative of a substantially poorer performance in the second half.

"There is no doubt Rainbow has slipped over the last number of years. It is no longer the lowest-cost producer, but we are fixing that. We have stopped the rot and it will take another 18 months for it to get back to its lowest-cost producer status," says Mr Morris.

He adds that Rainbow sat with a large amount of stock at year-end, and has spent the last quarter getting rid of the excess. "This is through the system, and prices have started to pick up." The higher maize price and the lower rand has led to a "sudden substantial increase in the cost of feed", which will have to be passed on at some stage.

Commenting on the position of managing director, which has been vacant for some months, Mr Morris says he is hoping to find an MD soon, but has been spending time looking for someone with a history in broilers.

"We have, in the interim, brought in a number of experts and at the operating level, trends are positive.

"Through the recapitalisation we are saying we have confidence in the company, and if others can make money out of chickens, so can we."

The HL&H group reported an attributable loss of R66,8-million of which Rainbow contributed R66-million.

The group's results reflect an excellent result from Robertson's, whose earnings were up 24%. Good performances from HL&H Timber's mining and SilvaCel divisions were largely offset by losses in the furniture division.

HL&H Sugar, affected by the drought, turned in an R83-million loss.

Mr Morris says sugar ran at 45% capacity for the year, but it has rained since and it is expected to take two years to report profit again. Although it will not be in the black this year, a substantial turnaround will still be evident.

HL&H has been divesting its timber interests — it has already sold its softwood interests to Sappi, but it could not reach agreement with Mondi on the sale of HL&H Mining Timber and SilvaCel.

Discussions are continuing with regard to these investments.

Mr Morris says prospects for the new financial year are promising.

STOPPING THE ROT: Neil Morris, CE of HL&H

R1m worth of smuggled chicken netted: The customs and excise department has nabbed its first container of smuggled chicken valued at almost R1 million in a successful undercover operation. Johan Beets, the head of customs' investigative unit, said the seizure near Lainsburg last week of a 40ft container carrying 23 tons of chicken leg quarters was connected to other investigations into clothing import frauds in Cape Town. CT (BR) 20/6/96

(3) POULTRY

Methven Trust hands control to HL&H

Rainbow calls R626,5m rights issue

(3) POULTRY
BD 3/7/96

Jacqueline Zaina

RAINBOW Chicken has called a R626,5m rights issue, prompting its main shareholder to relinquish control and triggering cash calls all the way up to the Rembrandt Group.

The embattled group, valued at just R560m on the JSE yesterday, said it would issue 737-million new convertible preference shares to raise the cash. It had decided against issuing new ordinary shares given the risks attached to the debt-burdened company.

Hunt Leuchars & Hepburn, which holds a 12,5% direct stake in Rainbow and 47% of SC Methven Holdings, which owns 60,7% of Rainbow, would also issue convertible preference shares to raise R500m to follow its rights and underwrite the cash call. HL&H's holding company Huntcor would raise cash through the same mechanism. Rembrandt, which owns 83% of Huntcor, had underwritten the HL&H and Huntcor rights offers.

HL&H said it would lift its stake in Rainbow to about 67% after the refinancing. SC Methven Holdings would follow the cash call, but its 53%-shareholder the Stanley Methven Trust would not, handing control to HL&H.

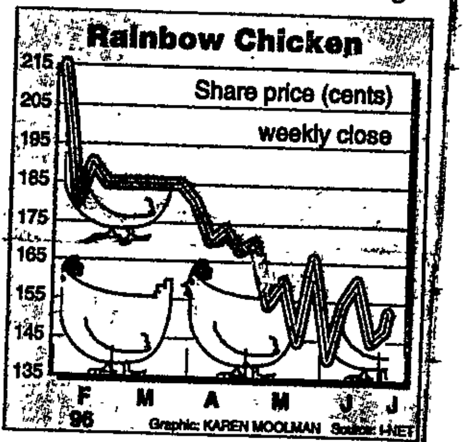
HL&H ruled out delisting Rainbow, and said the Securities Regulation Panel had exempted it from having to make an offer to Rainbow's minorities.

HL&H said the refinancing would cut Rainbow's borrowings of R540m — 94% gearing — for the year to March. These have been swollen since Premier Food's decision to offload its 50% stake in Epol Foods onto Rainbow.

The refinancing would also cut borrowing costs — R76m in the last financial year — by about R60m. Servicing the new shares would cost about R44m a year. HL&H CE and acting Rainbow MD Neil Morris warned that Rainbow would still sustain losses for the six months to September.

The cash call comes after a torrid few years for Rainbow, which has been

Continued on Page 2



Graphic: KAREN MOOLMAN Source: I-NET

Rainbow

(3) POULTRY

Continued from Page 1

BD 3/7/96

hit by a combination of diseased stock, labour problems and cheap imports. It axed MD Rick Griffiths in December, and has still to name his replacement.

Rainbow made a R160m attributable loss for the year to March, on sales of R1,88bn, against a previous attributable income of R16,6m. This helped knock HL&H into a R66,8m attributable loss and Huntcor into a R50,9m loss.

The convertible preference shares could be converted on a one-for-one basis at any time, and automatically in the year after the dividend per ordinary share equalled or exceeded the 7% cumulative preference dividend. The Rainbow prefs would be issued at 85c — against yesterday's 152c close for ordinary shares — in the ratio of 200 for every 100 ordinary shares.

Terms of the HL&H and Huntcor preference issues are not finalised.

Moves to export Cape citrus to US

BD 8/7/96

(3) FRUIT

Simon Barber

THE US agriculture department wants to open the US market to Cape citrus worth millions of dollars.

Cape citrus imports were banned to prevent the spread of black spot to US orchards.

In a notice gazetted last week, the department asked for public comment on ending the ban and said the move — covering navel and valencia oranges, clementines, lemons, satsumas, minneolas and grapefruit — would pose no competitive threat to US growers.

To be eligible for export, the fruit would have to be grown, packed in and shipped from Western Cape, and accompanied by a phytosanitary certificate from SA's agriculture ministry.

In addition it would have to be cold-stored for 22 days at -0,55°C to ensure removal of false codling moth, fruit fly and medfly.

The US department said SA's government had demonstrated that Western Cape, "unlike other areas", was free from black spot. Natural and regulatory barriers would help ensure that the province remained free of citrus black spot.

"(The province's) nearest citrus-producing neighbour, the Gamtoos River Valley, has to date no findings or reports of citrus black spot, and the ... areas that are infested ... are separated ... by mountain ranges, semi-desert and distance."

The department was also satisfied that SA authorities were preventing the movement of trees to the Cape from infested areas in the north.

Projected exports of Cape citrus to the US in the absence of the ban this year included 23 250 tons of navel and valencia oranges, 8 000 tons of clementines and 3 000 tons of lemons, the department said.

Projections amounted to less than 1% of US production, so SA exports were unlikely to have a significant effect on US growers or exporters. Importers stood to benefit from increased availability of citrus, especially navel oranges, during the time of year when US production was at its lowest.

Comment must be submitted by August 1. A final decision can be expected before the end of the year.

Government fails to reap fruit profits

(3) FRUIT ST 28/7/96

By STEUART WRIGHT

ANGRY investors in the Eastern Cape pineapple industry are suing the government for R105-million following the collapse of a state-owned farming operation in Peddie.

It was disclosed this week that the provincial government has been paying about 800 idle farm workers R500 000 a month since early last year to do nothing but watch crops on the country's best pineapple land being overrun with weeds while thieves reduced farming implements to scrap.

In court papers, pineapple canners and exporters Sunny South Canners claim Ulimocor, a state-owned agriculture corporation, owes it projected earnings for five years after reneging on a contract to provide 30 000 tons of the fruit a year for processing and export.

It has also listed the provincial and national governments as co-defendants for failing to meet Ulimocor's contractual agreements which were inherited from the former Ciskei government.

Ulimocor's chief executive officer, Bruce Phillips, said the crisis in the provincial government's 20 percent stake in the R200-million a year export crop comes when business should be booming. Private growers are reaping the benefits of a weak rand which favours exports, the opening of world markets to South Africa, and an international shortage due to a drought in Thailand, the world's biggest pineapple producer.

Phillips said canneries were paying farmers R140 a ton more this year than last year. "If we were producing, we would be making money."

The province's agriculture minister, Ezra Sigwela, said his department could not bail out its pineapple operations because of last year's 25 percent budget cut.

Feather to leather with meat to boot

(3) POULTRY

RIMA VESELY
Staff Reporter

ARG 1/7/96

Picture: ROY WIGLEY, The Argus.

MEAT OF THE NINETIES: Gavin Kanigowski, owner of the West Coast Ostrich Ranch, shows off his birds, which he calls the "meat of the Nineties".

FAT-free and low in cholesterol, ostrich is now the fastest-growing animal agricultural product in the world and South Africa, with 90 percent of the birds, is dominating the expanding industry.

"It's both a leather and a meat producing animal," said Kobus Nel, of the Department of Agriculture in the Western Cape, "and South Africa is leading the field in the ostrich industry."

Only a quarter of the bird is sold for meat; most of the money is made from the skin – ostrich leather is worth much more to farmers who export to the world market.

The slaughtered birds are worth an average R1 800; the meat sells for R400 and the skin for R1 200, internationally.

"There's a demand for meat, but not much money in it," said Gavin Kanigowski, owner of the West Coast Ostrich Ranch, "It's pure meat, but unfortunately there's not a lot on the bird."

"There's not enough meat to go around in South Africa and every bit that can be is exported."

Last year, 180 000 ostriches were slaughtered in South Africa.

Mr Kanigowski said 20 000 birds a year were needed to start an abattoir. Ostrich farming was difficult because many birds died just before they were born.

If 70 percent were born it was considered successful and if 80 percent were kept alive it was exceptional, he said.

If a female did not produce 20 chicks in a year, she was sent to the slaughterhouse.

Generally, the birds are slaughtered when they are 14 months old.

Dirk Verwoerd, manager of the Onderstepoort Ostrich Unit of the Agricultural Research Council, an umbrella organisation that researches, educates and provides a service to ostrich farmers, said a serious epidemic attacked ostriches last season.

Yolk-sac infections, caused by the wet season, also caused a high percentage of losses.

There were fewer ostriches in South Africa currently than at the same time last year.

"Disease caused thousands of chicks to die during the last season," Dr Verwoerd said. "Now there is much more awareness about the problem of lack of hygiene in wet nests – farmers are more critical of washing and disinfection."

South Africa was still the world's leading ostrich producer because of the numbers of birds, but Dr Verwoerd said the United States was more advanced technologically.

Mr Kanigowski said American ranchers were working on artificial insemination."They're doing research on how to manipulate the breeding bird," Mr Kanigowski said. "It can't be too fat or too thin. Knowing Americans, they will have a viable industry."

Rainbow past management blamed

③ POULTRY

Nicola Jenvey

BD 4/7/96

DURBAN — The Rembrandt Group, providing much of the R626,5m needed to rescue Rainbow Chicken, yesterday blamed Rainbow's past management for much of the company's difficulties.

The group, which is providing funds through subsidiary Huntcor and its subsidiary Hunt Leuchars & Hepburn (HL&H) — which will become Rainbow's controlling shareholder — said mistakes by previous management were partly responsible for Rainbow's demise. But it was confident current management would be stronger.

Market sources suggested Rembrandt had virtually stipulated Rainbow issue preference shares to raise the cash, rather than ordinary shares. Rainbow's cash call has prompted HL&H and Huntcor to issue preference shares to follow their rights.

But Rembrandt said the decision had been agreed by all the parties involved "on the basis that those shareholders putting up risk money should be compensated accordingly".

Rainbow's controlling shareholder, the Stanley-Methven Trust, has decided against following its rights, passing control to HL&H through refinancing. Rembrandt declined to comment.

The cash will be used to cut Rainbow's borrowings, though HL&H has warned Rainbow will still sustain a loss for the six months to September.

It closed unchanged at 152c on the JSE yesterday, while HL&H closed down 25c at R9,75.

Refinancing puts Rainbow right

CT (BR) 4/7/96 POULTRY (3)

Stuart Rutherford & Shirley Jones

Durban — Rainbow Chicken did not have any new investment or restructuring plans to complement the R626,5 million cash injection into the company, Neil Morris, the chief executive of Hunt, Leuchars and Hepburn and acting managing director of Rainbow, said yesterday.

But the restructuring would steer the company to profitability in the next 12 to 18 months, he said.

Morris said expenditure would be restricted to minor replacements and that large-scale mechanisation would only be considered if labour costs continued to increase.

The refinancing, announced yesterday, will drastically reduce Rainbow's 94 percent gearing and cut borrowing costs, which amounted to R76 million in the past financial year, by about R60 million.

"For the past few years the company has been going backwards. It needs to return to being the lowest-cost producer," he said.

Morris said during the past six months he had been attempting to fill the positions of managing and financial director at Rainbow, but had been unable to find anyone with the necessary broiler experience in South Africa or abroad.

He acknowledged that filling the positions was very important and that those acting in the posts had not been spending enough time on the operation, but added: "The company can still be profitable without them."

Morris said production levels had now returned to what they had been three years ago, and that no further adjustments would be necessary, despite the recent slump in consumer demand.

The recapitalisation of Rainbow will enable the company to acquire a 50 percent stake in the feed producer Epol from Premier Food, a move which Morris said would help the rest of the group. "It is a soundly performing company that makes good returns. The acquisition gives us considerable control over our single biggest cost (feed)."

He said he expected feed prices to fall within six months as capacity was optimised at their Rustenburg plant and costs were reduced accordingly.

Morris said the recapitalisation would restore Rainbow to health and said a further recapitalisation would not be necessary.

He said that the effective controlling company HL&H could expect a dramatic recovery within the next two years despite the fact that its fortunes remained linked to those of Rainbow. Highly geared and having turned in a R67 million attributable loss in the past financial year to March 1996, HL&H was unlikely to report a profit during the six months to September 30. However, any expected loss would be significantly reduced, he said.

HL&H's wholly owned subsidiary, Transvaal Sugar, which has felt the effect of the recent drought, stands to effect a dramatic turnaround in the wake of improved rainfall, normalising throughput in the next two years.

Increased capacity utilisation at the Komati sugar mill, which raised financing costs of R125 million, was also likely to have a positive effect. Morris said the imminent sale of the timber arm's hardwood division would go some of the way to offsetting the company's high borrowings.

RAINBOW CHICKEN (3) POULTRY

LONG LIFELINE

FM 5/7/96

Ailing Rainbow Chicken — struck down and beaten about by inadequate management, Newcastle disease among the flocks, labour troubles and floods of cheap imports — is about to be cast a lifeline with several links.

The pending cascade of rights offers will involve several tiers of ownership. The genealogy is complex but crucial to understanding the rescue bid.

Ultimate shareholder Rembrandt holds

82,9% of Huntcor, which in turn holds 76% of Hunt Leuchars & Hepburn (HLH). HLH owns 47% of S C Methven Holdings, whose other shareholder is the Stanley Methven Trust, with 53%. Finally, Holdings owns 60,7% of Rainbow.

A rights offer will be made by Rainbow. S C Methven Holdings will hold an offer to follow its rights in Rainbow. The trust will not follow its rights in Holdings, instituting a shift of control to HLH. Then, HLH and Huntcor both propose rights offers to enable them to follow their rights.

HLH will underwrite the Rainbow rights offer and Rembrandt the Huntcor and HLH rights offers, as well as following its own rights in Huntcor.

Very simple, really. The exercise should raise R626,5m before costs for Rainbow, which will retire most of its R540m interest-bearing debt and pay for the 50% of Epol recently acquired from Premier. Management estimates that Rainbow's interest bill (R73m at year-end) could be slashed by about R60m.

Rainbow's offer will be 737m 7% new compulsorily convertible cumulative preference shares at 85c a pref, on the basis of 200 prefs for every 100 ordinaries. HLH and Huntcor will also offer compulsorily convertible cumulative prefs but terms have not yet been decided.

The Rainbow ordinary share stands at 148c, having slid steadily and miserably from 270c a year ago, and most analysts believe the company can only go up. The backing of major shareholders up the line seems to be a vote of confidence in eventual recovery, though acting CE Neil Morris has said it will not be soon.

One thing is clear: it will have to be a very different company to stay healthy once it has convalesced. By the time this recapitalisation is over, so many people will have a vested interest in Rainbow's success that sheer thought power may succeed where all else has failed.

Margaret-Anne Halse

Share price ruffled by Rainbow rights offer

(3) POULTRY ST(BT) 7/7/96

By MARCIA KLEIN

RAINBOW Chicken's share took a pounding on the JSE this week to a new low of 130c following an announcement it would recapitalise through a huge rights offer. It recovered to 140c in late Friday trading.

Rainbow announced it would raise R626,5-million to reduce borrowings and fund the liability of its forced acquisition of 50% of Epol from Premier. The Stanley Methven Trust will not follow its rights, leaving Hunt Leuchars & Hepburn as a 67% shareholder after the offer.

Neil Morris, chief executive of HL&H and acting managing director of Rainbow, says: "Obviously this is a positive development for Rainbow. It is a company which has not created a great deal of investor confidence or one which can be restored to its former glory overnight. But the recapitalisation will take it a long way towards achieving this goal."

The recapitalisation is one of several strategies aimed at putting the company back on its feet. Morris says its lowest cost producer status will be restored, hopefully within about 18 months. "Bearing in mind that it is in a commodity market, we hope to be in a position to manage that market better from that position."

Commenting on the Methven family's intention to reduce its stake in Rainbow, Morris says that from the moment the Methvens brought in a partner some years ago, they signalled their intention to exit. They have not followed their rights in the past, and it was understood they would continue to lighten their load.

COMPAN

No improvement likely this financial year, say analysts

Rainbow's shares 'to stay put'

(3) POULTRY CT (BR) 16/7/96

By Ann Crotty
CONSUMER INDUSTRIES EDITOR

Johannesburg — The share price of Rainbow, the beleaguered chicken producer, will languish between R1 to R1,10 until there are some signs of improvement in the group's profit performance, analysts have said.

Rainbow's shares dropped to a record low of R1,02 yesterday.

Analysts said they were not expecting to see the necessary improvements until financial 1998, with another substantial loss on the cards for the first half of this financial year.

Rainbow announced a R626 million recapitalisation exercise two weeks ago, an announcement to which some shareholders reacted with ambivalence.

Most minority shareholders are not expected to take up their rights and are likely to sell their nil paid letters to reduce the average cost of their Rainbow holding.

At this stage, the minority shareholders want to avoid increasing their exposure to the company. However, they see little value in selling at the low prices in case the long-awaited improvement materialises within the next two or three years.

The combined effects of the R626 million rights issue and the expected loss for the six months to September 30 is expected to reduce the net asset value of Rainbow to about R1,01 a share from R1,56 at the end of March.

Analysts also forecast that the company would generate no earnings until financial 1998.

"The tardiness in appointing managing and financial directors does little to reassure battered investor confidence," said John Moses, an analyst from Frankel Pollak.

He said the receipt of R626 million would have a positive effect on Rainbow's profitability and that this would be enhanced at the after-tax level by the fact that the group had built up considerable assessed losses.

Moses forecast a loss in financial 1997 of 13,6c a share — after the 43,4c loss in the 12 months to March 31 this year. Financial 1998 is expected to generate earnings of 12,9c a share, followed by earnings of 19,7c in 1999.

But he cautioned: "The deal may be good for HLH (Hunt Leuchars & Hepburn) but we do not think that minorities will see any benefit from it for a long time, if at all. The risk is high as evidenced by Rainbow's patchy record over the last few years."

As a result of the rights issue, Hunt Leuchars & Hepburn, the controlling shareholder, is expected to increase its stake in Rainbow from 41 percent to between 62,5 percent and 80,3 percent.

Rainbow bosses not optimistic

Nicola Jenvey (3) POULTRY

DURBAN — Embattled chicken producer Rainbow Chicken faced another unprofitable trading year as the industry struggled to balance its current level of stock holdings, acting group MD Neil Morris said yesterday.

However, Rainbow should improve operating performance, but to below "acceptable" levels, group chairman Desmond Loch Davis and Morris said in the annual report

They said the decentralised management structure, which had split Rainbow into four regional business units, was established in January and would demand time before operating effectively.

MD Rick Griffiths resigned in December amid speculation the move was linked to Rainbow's dire financial state, while financial director Chris Wells joined McCarthy Holdings. Holding company Hunt Leuchars and Hepburn financial director Gerald Crossman retired.

BD 23/7/96

However, Morris justified the R1,8m (R2,6m) paid to directors in salaries and R411 000 (R510 000) in benefits, saying directors deserved an annual increase.

Davis said the group experienced setbacks in the year to March, including chicken imports which had exploited tariff loopholes, labour disputes at Hammarsdale, accelerated feed costs due to a short maize supply, production backloads and stock build-ups.

The group incurred a R159,8m attributable loss (1995: R16,7m profit). The dividend was waived (nil).

NEWSMAKER

Not chicken to face the scares at tetchy Rainbow

ST (BT) 28/7/96 ③ POULTRY

NEIL MORRIS, 53, Hunt Leuchars & Hepburn CE
EDUCATION: Christian Brothers College, Pretoria; accountancy training
QUALITY TIME: Wildlife, weekends out of the city

THERE are few people who can envy Neil Morris. He has spent the past three years trying to put out fires at HL&H's problem subsidiaries, Rainbow Chicken and sugar company TSB, while circumstances seemed to add fuel to the flames.

The problems culminated in an attributable loss of R66,8-million in the year to March, largely because of massive losses at Rainbow and HL&H Sugar which could not be offset by good results at Robertsons and HL&H Timber. But after two major announcements this month, it looks as though Morris might finally have things under control.

For his sins, Morris is acting managing director at Rainbow, which has announced it will raise R626,5-million to reduce borrowings and fund the liability of its forced acquisition of 50% of Epol from Premier. The offer will see HL&H increase its stake in Rainbow to at least 67%.

This week HL&H announced it was selling its 50% share of hardwood timber interests to Mondi for R363-million. The proceeds will be used largely to repay debt relating to the sugar interests.

Commenting on the timber deal, Morris says: "My first feeling relating to the deal is relief. It has been an extraordinarily long-winded process. We were involved in lengthy negotiations and Competition Board problems. Just when we thought we had reached agreement, the due diligence process caused us discomfort."

Morris says price played a big role. Much of the value is in the plantations, and valuation of these plantations is subjective. "You end up with a buyer and a seller view. At one stage we walked away from the deal, but it made sense for the existing partners to get it and in the end we were able to reach agreement."

Morris says it was a good price for both parties. If HL&H were in a position to auction it off, and if Mondi did not have right of first refusal, a higher price could have been reached. He says the deal helps the balance sheet and resolves the problem of overgearing, while the debt relating to the sugar mill can be repaid. "Rainbow, however, is still painful and not giving me any pleasure yet."

Apart from the benefits of the recapitalisation, there are other hurdles which have to be faced. Morris says Rainbow still has to "muddle through" until it recaptures its status as the lowest-cost producer, and it must do this at a time when the economy and consumer demand are weaker.

Morris is confident that Rainbow will go through some short-term pain for long-term benefit and believes the rights issue is an act of faith on HL&H's part.

He says the recent announcements have been "two quite substantial events". HL&H was involved in the timber industry for 90 years, and Morris came out of that industry.

"The industry was good to us and it is sad to leave it. On the other hand, it allows us to focus on food and we can now move forward. We are left with a group with two companies (Robertsons and TSB) which are performing well, and one which needs some surgery and a period in hospital. The group will first see out the end of Rainbow's problems before it starts to invest and grow again."

Morris has still not found anyone to replace Rick Griffiths as managing director and will go overseas to continue searching.

Morris says his job, particularly over the past three years, has been tough. But he is not one to shy away from challenges. After serving articles at an accounting firm in Pretoria, Morris moved to a furniture factory owned by Hans Marensky which his firm had audited. After recommending that they close it down, he was sent to run Marensky's Natal operations which were, at the time, South Africa's second largest sawmilling group.

About 18 years ago, Morris joined HL&H to head up its timber division. In 1983 he became managing director and in 1985, when the group was taken over by Rembrandt, chief executive.

Morris loves the bush and wildlife. A dedicated family man, Morris has a son and a daughter in their twenties.

Marcia Klein

BRAVE FACE: Neil Morris, HL&H chief executive Picture: JON HRUSA