

***PRESIDENTIAL ADDRESS TO THE 71ST ANNUAL
GENERAL MEETING OF THE S A CHAMBER OF
BAKING TO BE HELD ON 13 MARCH 2009***

Honoured guests, ladies and gentlemen!

1. INTRODUCTION

In the face of controversy and even adversity, it is sometimes best to just keep your head down and focus on the job at hand. This was the advice of our Past President, Eugene Beneke, at last year's AGM. Eugene has elected to pursue a career in a different industry late last year, which explains why you are listening to me doing this presentation today.

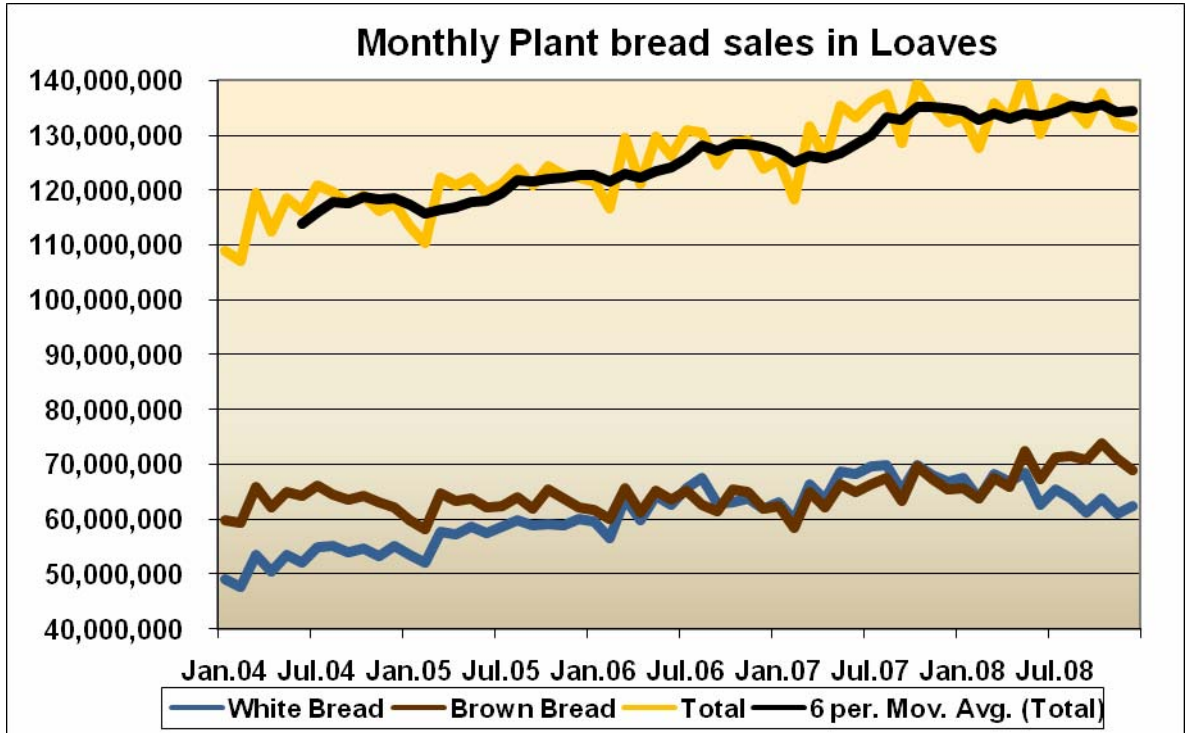
Most of the controversy was, as everyone in this room would know, about pricing, and more specifically, acts and allegations of acts of collusion perpetrated by individuals representing some of the key players in the baking industry. A serious embarrassment to an industry expected to respect the rights of consumers to have access to affordable food products. Little wonder that the press had a field day, or rather field year.

But it's time to move on, time for this association and the individual companies represented at this forum to lift its proverbial head, look toward the future and once more assume its position in industry. This is not a call for any active media or any other campaign – there is already enough of that going on in the political scene, and there is no way we can outspend or outperform the politicians at their own game.

This is a request to the members to once again be the proud contributors to an industry aimed at providing an essential food product to South African consumers, and a key provider of employment opportunities.

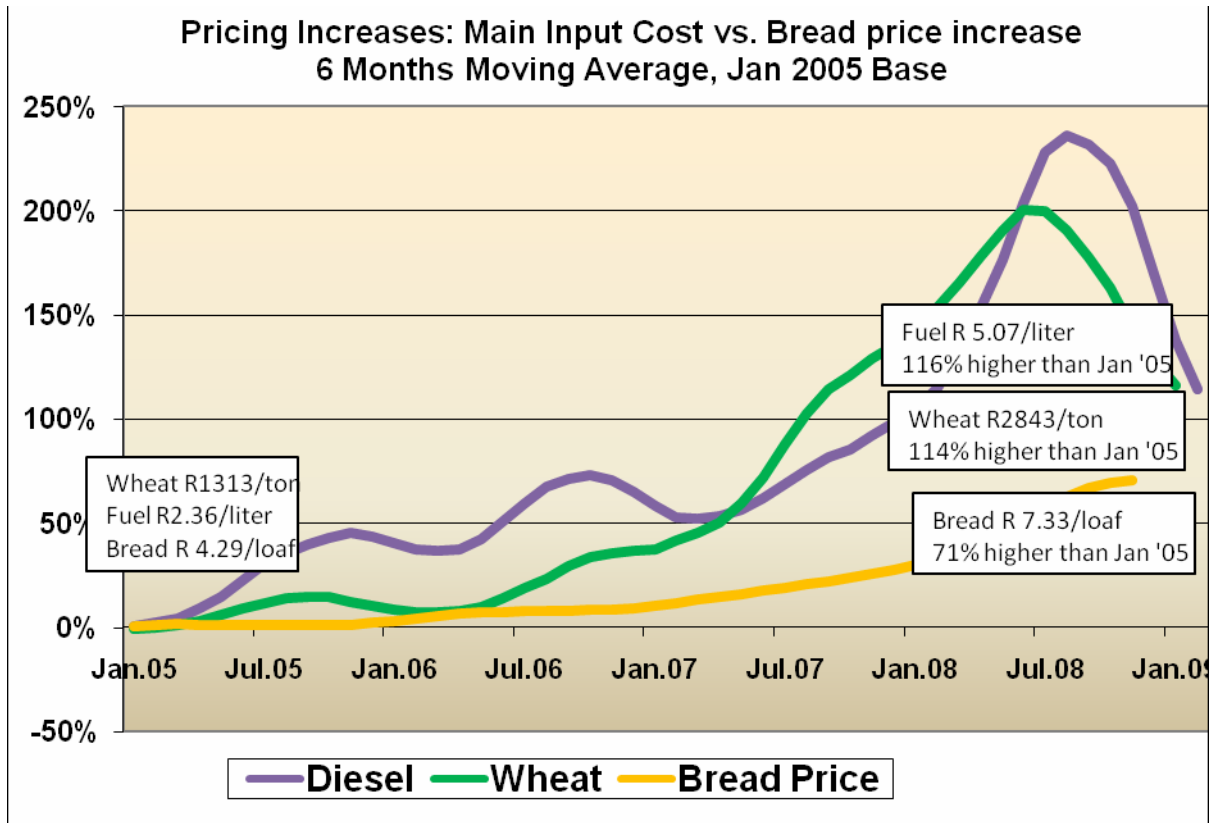
Having said that, for the most part, the members of the Chamber of Baking have focused on the reason for our existence: delivering fresh bread to our customers every day. Doing our best, in spite of numerous challenges, to focus on the task at hand.

Bread volume as reported by the Chamber has experienced dramatic and steady growth over the past few years. In the period January 2004 to January 2008, bread sales increased by 19%. However, over the past year, we have seen a stabilisation and even a decline in the sales of plant bread, especially in the latter part of 2008. Coupled with this, there is a significant swing towards the consumption of Brown Bread.



Obviously the recent economic downturn has increased pressure on consumers, forcing the contraction of expenditure on all products and even reduced consumption of products as basic as bread. The impact of recent events on employment and consumers ability to spend will be felt deep into this year.

Given issues of affordability, there will be continued pressure on prices. Our past attempts to recover the input cost of even just the main ingredients to the process of production and delivery, being Wheat and Fuel, was met with a lot of resistance. It cannot be expected that this will change in the near future, and by near future, I would refer to most of our remaining time on earth. We therefore have to remain focused on exploiting every opportunity for cost reduction and improvement of efficiency throughout the supply chain.



Another significant challenge will be the availability of a continuous supply of electrical power at reasonable cost. The punitive measures currently being implemented by the National Energy Regulator will, at the very least add to cost of producing bread, and may even have a negative impact on availability of bread.

Against this background, let's look at some of the activities of the Chamber over the past year.

2. ***CHAMBER OF BAKING ACTIVITIES***

2.1 ***Restructuring***

The restructuring of the Chamber activities and specifically staff structures that commenced in 2006 has now been completed. Our mechanisms are functioning very well and you would have noticed a healthy balance sheet in our financial statements. The first result of this that the Management Committee has been able to recommend a decrease in subscription fees for 2009.

As a last leg of our restructuring, our website which has been revamped and has been up and running since the beginning of December 2008. This site is available at: www.sacb.co.za.

All the activities of our Chamber have been scrutinised by an expert lawyer on competition law and has been given the green light to continue. Our staff has also been exposed to a training session to ensure that all co-operation at Chamber level remains within the ambit of the Act.

2.2 *Technical Co-operation*

Ms Jeannette Rosewall, as Chairperson of the Technical Committee, will provide details during the closed session regarding the main activities of this subcommittee. Projects mainly revolve around improving the quality of raw materials (mostly flour) and improving food safety and productivity. A great deal of time is also spent on assisting with and commenting on regulatory issues affecting our industry.

2.3 *Training*

The South African labour environment is typified by an oversupply of basic, manual labour, low skills/education levels and extensive unemployment. Skills shortages are having an impact on the daily operation of the Baking Industry. In this environment, training and skills development is one of the significant contributions that an organisation like this can make.

The Training Committee has planned a work session with the objective to strategically assess the current and future role of this Committee. Reformulating the Mandate of this committee is both a challenge and an opportunity. The board and the individual members of this association are awaiting the outcome of this session with high expectations.

Mr David Howard will report on the activities of the training committee on behalf of Mr De Wet Coetzee. Suffice to say here that the study material for the training course in Baking has been updated. The continued relevance of our training programme is a cornerstone for the existence of the Chamber of Baking.

2.4 Operations Research and Statistics Committee

2.4.1 Provision of Information

The submission of data or information regarding sales, costs, employees, crates, crime statistics, etc. by our membership is voluntary. The Chamber do however rely very heavily on our membership to submit specific information, as this is used extensively in communication with other role-players in the industry, government and the media. It has also been established that the provision of current information, and the way that it is currently being dealt with in the Chamber, does not contravene any competition legislation. I would like to thank members for their continued dedication and participation at this level.

2.4.2 Crates

One of the significant leakages or costs in the supply chain is the ongoing theft of crates. As such, a proposal has been tabled to terminate the current pool of crates operated in the inland region. This pool system is preventing individual participants to claim ownership of the crates they contribute to the pool. The Coastal regions (KZN and WC) already operate on an individual use basis, and substantial progress has been made in identifying major leakages of crates. The 4 large plant bakers have all agreed in principle to terminate the pool, and the date for the termination of the informal crate pool has provisionally been set for 1 June 2009 – from this date, it will be illegal for anyone but the legal owner of a bread crate to use, or have in his possession, any bread crates. Unfortunately, this will also apply to all of those of you who farm potatoes, or have built houses using bread crates.

2.2.4 Media

I think all members will agree that it is very useful to have a proper mouthpiece for the industry, especially during the difficult times which we experienced during 2008. The media coverage regarding high food prices as well as bad publicity on collusion allegations were very well addressed through our Chamber. In a time of rebuilding the image of the industry it remains critical to have a credible and reliable mouthpiece.

3. CONCLUSION

In conclusion I would like to thank the Chairpersons of the various standing committees for providing leadership in their respective areas. Whilst there is a lot of criticism in the public domain of non-delivery, I would like to call upon our standing committees to ensure that they deliver on the goals agreed to. I would also like to thank those members of the Media who reported (and still report) on issues affecting our industry accurately and honestly, from an informed basis. You were, as always, in the minority.

The members of Management Committee are the backbone of the leadership of our Chamber and I would like to thank them for their individual contributions during the year under review.

I would also like to thank all the staff at the Chamber offices, in particular Jannie and Isobel, for keeping activities at the office in Centurion ticking over smoothly.

The Chamber has also decided to bestow Honorary Life Membership on Mr Willy Bright, champion bowls player, recently retired from NCP Yeast. The official award will take place at the gala dinner this evening where we will elaborate more on his participation in the industry. Congratulations, Willy!

Lastly, I would like to thank you for attending the first joint AGM and amongst the other events, indulging me with this opportunity to speak to you. Your presence here shows your interest in an industry that is close to our hearts.

Thank you!

BASIE VAN DYK
Acting President
SA Chamber of Baking

13 March 2009