

NATIONAL CHAMBER OF MILLING (INC)

CHAIRMAN'S REPORT ANNUAL GENERAL MEETING: 10 MARCH 2011

Honored Guests, Ladies and Gentlemen

1. INTRODUCTION

It is with great honour that I have the opportunity of delivering my maiden speech as Chairman of the National Chamber of Milling. Several people would like to believe that there could have never been a worse time for me to take up the challenge of leading this institution given all the many challenges that we were faced with. The collective leadership of Jannie de Villiers and fellow directors on the board has been pivotal for seeing us through what several people have described as the perfect storm. During the last year, we've had to contend with the implications of the loss of significant members of the Chamber as well as the recent departure of initially, Lambert Botha and more recently, the departure of Jannie De Villiers and the retirement of Anne-Marie Barnard at the end of March 2011. These significant changes in our organisation have undoubtedly created interruptions to the normal functioning of the Chamber; and I have no doubt that these may have raised concerns about the future of our industry organisation. Most of our efforts of the past year were dedicated towards stabilising our organisation in the face of the many challenges that we were confronted with. Our most cardinal success from all that effort is therefore evident in the fact that notwithstanding all the many challenges, the Chamber remains in existence; all be it that as an organisation, we are certainly less fit for the future than would be desirable. Even so, the remaining members of the NCM remain fully committed to the existence of the organisation as an effective platform for addressing matters of common interest that will ensure the sustainability of our industry.

2. EXTERNAL FACTORS

The environment in which we operate remains dynamic and many of the challenges that we face apply to all players across our industry. The most notable of these challenges from the last year are the implications of recent spikes in the global prices of soft agricultural commodities, developments in the SA economy as well as developments around the investigations that were initiated by the Competition Commission across our industry. I'd like to dwell into each one of these factors and highlight the opportunity for interventions for the NCM to facilitate the creation of better prospects for our industry.

2.1 Global food prices

The United Nations' Food and Agricultural Organisation has published its food price index in January 2011 which indicates that world food prices have surpassed the record levels reached during the 2007/08 marketing season for soft-agricultural commodities. The strength of the South African Rand against the US dollar has cushioned the negative impact of much of the escalation in food prices in US dollar terms to some extent. Recent unrests in the North of Africa and the Middle East added new risk to investors in the emerging economies. At the same time the increase in crude oil prices as well as the floods and snow storms in other parts of the world has alarmed governments of leading economies to the extent that food prices is now back on top of the agenda of many important forums around the globe.

The Chamber has, on behalf of our industry, always played a leading role in providing critical information to the public and interested stakeholders on some of the key drivers for food price escalation. Where relevant, the Chamber has played a similarly crucial role in providing guidance on how various scenario outlooks on the prices of soft agricultural commodities could play themselves out in the context of an impact to South African consumers. Like in previous years, we have made submissions to relevant government institutions for the authorities to consider some of the initiatives that were embarked on by other governments from around the world to mitigate the impact of spiralling costs of key soft agricultural commodities. In addition to that, we had previously submitted suggestions towards enhancing the country's food secure status for government authorities to consider. It remains our hope that the authorities will heed some of our suggestions and pre-empt the potential risks attributable to compromises in the country's food secure status.

We continue to consider the provision of outlooks on food prices as well as provide government institutions with suggestions on improving the country's production capacity and supply chain efficiencies for basic foodstuffs as some of the chamber's critical role in supporting our government's quest towards food security. In this regard, during the last year, we've attended several forums

2.2 SA Economy

Based on the latest economic indicators, it's evident that the South African economy is on the road to recovery. It is however clear that the main focus in this phase of economic growth will be

on job creation as indicated in the president's state of the nation address. In this regard, agricultural production & processing has been identified by Government as an important vehicle for the creation of new job opportunities. Our membership has a role to play in this regard both in terms of the direct new job opportunities that can be created by growth in our sector as well as indirectly through increased processing capacity.

To the extent possible, it is incumbent on us as an industry association to collaborate with relevant government institutions and formulate and present our own plans on the contribution we envisage making towards this national economic development priority. This particular point will be one of the key priority areas for the ensuing year and the NCM will make its own submission and lobby government for a share of potential benefits in incentives that can accrue to those that make a positive contribution.

2.3 Competition Commission

To the best of our knowledge, the investigations by the Competition Commission into the business practices of the industry are still continuing. The Competition Commission has also communicated via the media that their investigations into the possible role of the Chamber in cultivating and/ or enabling anti-competitive practices are continuing. We have sought legal advice in this regard and thus far, all the legal analysis of our activities has indicated that there were no areas of major concern that could be identified.

Granted, we were advised that the Competition Commission was particularly concerned about the practice of, as well as the amount of detail contained in the industry information that the Chamber was sharing with its members. Consequently, the Board has decided to extend the suspension of the distribution of industry statistics that was instituted in Nov of 2009 into our 2010 year. The suspension of this activity will remain in place 'till such time that we have absolute clarity on the areas of concern for the Competition authorities.

The CEO Forum, under the auspices of DAFF, initiated a process to engage with the Competition Commission on Information Exchange facilitated or managed by industry associations. The NAMC was tasked to lead the process of engagement in order to determine the Commission's position on information exchange. The ultimate goal is to have a clear set of guidelines on industry information exchange. A workshop on the developments in this regard was held on 28 February 2011 and representatives from all industry role players were invited to attend. We anticipate that we will soon be in a position to access

the relevant guidelines that will assist in refining our activities in a way that will better resonate with the letter and the spirit of our competition laws.

We are keen to see to the speedy resolution and settlement of all outstanding matters with the Competition Commission in order for the NCM to restore its focus on its core mandate of facilitating the creation of a sustainable milling industry.

3. INTERNAL MATTERS

75TH Anniversary

It is with great pride that I remind all our members, industry associates and our broader stakeholders that the NCM is celebrating its 75th anniversary during 2011.

The Chamber of Milling was first registered as a company on the 11th of December 1936. There is no doubt in my mind that those that were involved in this industry long before all of us, have had to contend with several challenges along the way. We are grateful to them to have faced up to all the many challenges of sustaining our industry association and for passing it onto us with such a successful historical track record.

As the current membership of the NCM, we celebrate these three-quarters of a century of our existence during a period when we are faced with what the existing institutional memory has on record as the most challenging phase of our existence.

But if one considers that it remains our understanding that our stakeholders and in particular, government institutions, have a clear preference for engaging with industry bodies as opposed to individual companies on regulatory matters, then it stands to reason that our existence remains critical for our industry.

The Board considers the current challenges facing the NCM (most notably, loss of membership as well as loss of key personnel) as a threat to our existence to be taken seriously, but also as an opportunity to re-define our purpose as an institution.

In this regard, we embarked on a strategy review process earlier during calendar 2011 during which the board has identified the following key strategic priority areas:

- Secure and expand current membership base
- Re-definition of the service platform
- Re-definition of our operating model
- Strengthening of our corporate governance structures and processes

- Strategic engagement with our stakeholders
- Expand the knowledge base network
- Promote the image of the NCM

It remains the Board's strong conviction that the achievement of these strategic objectives will fundamentally strengthen the NCM's position in the industry and go a long way in securing our existence towards our centenary in the year 2036!

The Board recognises that we remain a voluntary membership-driven organisation and that our dependence on our members is critical for our existence.

I therefore urge all our existing members to continue with their active participation and contributions to the Chamber's activities and undertake to lead the institution towards becoming of better value to our members and the broader industry.

It remains our understanding that government institutions still prefer to engage with industry associations as opposed to individual companies. It's therefore incumbent on us as the current membership to adapt the NCM's activities and focus areas relevant to industry challenges of the day. In that way, we will hopefully be able to broaden our membership base and strengthen our capacity to engage more effectively with relevant stakeholders.

4. CONCLUSION

Finally, I wish to express a word of sincere gratitude for the support that I received from fellow directors of our Board and all the assistance and contributions that we continued to receive from our dedicated members. To Jannie, who has served this industry for almost 24 years, thank you very much for all the years of your dedicated service to our industry and please accept our best wishes for success as you embark on the next phase of your career. The Board, has befittingly so, decided to award Jannie de Villiers with an Honorary Life Membership for his contribution to the NCM.

I also wish to express our gratitude and best wishes to Anne-Marie who has now decided to take early retirement after 29 years of service to the Chamber.

Both Jannie & Anne-Marie have served our industry with great honor and diligence during their time at the Chamber and we are sincerely thankful for the enormous contribution they've made towards getting us to this point.

They both played a very important role in the successful hosting of the 21st Conference of the International Association of Operative Millers that was held in Cape Town during November of 2010. We've received several

accolades in recognition of the professionalism with which the conference was hosted by the NCM and this has undoubtedly placed us in good stead with counterpart organisations around the world.

I also wish to express my appreciation to the rest of the staff at our office and in particular to Boikanyo Mokgatle, who the board has now appointed as our Acting Executive Director 'till such time that the new office structure has been decided on. We wish Boikanyo well and I know that he can expect all the support he may require from all our members.

Thank you very much.

THABI SEGOALE

Chairperson

10 March 2011