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10th February 2010

Mr Dave Ford
Chairman
RED MEAT INDUSTRY FORUM

By e-mail

SUBJECT : SAMPA LEVY FUNDS

1. UTILISATION OF FUNDS – CURRENT LEVY PERIOD

During the current levy period, SAMPA has been involved in the drafting of Minimum Compositional and Processing standards for the Processed Meats Industry.

This process has involved role players from the Industry, Retailers, Department of Health etc.

This process is to culminate in Compulsory standards (SANS 885) which will then be policed by the South African Bureau of Standards who is mandated to do so.

Therefore, while this extensive consultative process has been underway, levy funds collected on behalf of SAMPA have been ring-fenced and held by SAMIC.

The rationale of holding back funds is that the cost of policing the Industry by SABS will be significantly higher than the current annual levy collections and this fund will then be used to police the industry in the initial stages while industry members gear themselves up to funding the shortfall on a user pay basis.

2. BUSINESS PLAN FOR 2010

The processed meat industry and its mouth piece SAMPA, are committed to food safety which is one of the core reasons for the implementation of the Red Meat Levy. The industry's products e.g. polony, viennas etc are almost staple foods providing energy and proteins at economical prices to consumers.

SAMPA's support for the red meat levy was on the basis that funds generated by the levy would be made available for facilitating policing of the industry to ensure Food Safety.

The plan therefore, as mandated by SAMPA members, is to make use of the SABS, who has been duly authorised by Government, to police the industry from a compositional, as well as a good manufacturing perspective. Should SABS find cost synergies in utilizing other RMIF service providers to assist in the policing and auditing process then this would be an option for consideration.

The technical committee of SAMPA, in conjunction with the SABS, and following extensive consultation with Retail, Department of Health and other interested parties, is in the final stages of having the current voluntary standards (SANS 885) updated. Once done and finalized, the industry will then apply to have the standards made compulsory, and once promulgated, the SABS will take up its mandate to police the industry in terms of said standards.

SAMPA's concern about food safety is inter alia evidence by its concerted efforts to establish a compulsory SABS standard for processed food quality, nutrition and safety, and for this to be legally enforced.

While the levy income generated on behalf of SAMPA members would not be sufficient to cover all of the costs associated with the above approach, and therefore individual members would be levied based on volume produced, SAMPA would utilise all levy funds generated on behalf of members, obviously less the relevant empowerment and administrative deductions, to the policing of the processed meat industry.

Said levy funds generated would obviously be dependant on industry volumes as well as collection rate and therefore an amount is not specified, save to say that 100% of applicable funds, less relevant MIF deductions, would be used for this policing action.

Future levies generated going forward will be used to subsidise the policing of the industry and no portion of the levies will be used for organisational funding.

Obviously these funds will be augmented by contributions from the industry for the policing action, given that, as stated, the levy funds would be insufficient to cover the associated audit and sampling costs.

The Business plan is therefore to have the compulsory standard finalized by the SABS and the cost of the ongoing policing action (sampling, collection and laboratory analysis) funded by the red meat levy relevant to the SAMPA members and supplemented by industry contributions.

Yours Sincerely

ANDREW COCKS
PRESIDENT

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