

Sovereign Foods, Cultiver enter BEE empowerment deal

Sovereign Foods has entered into a BEE empowerment deal with Cultiver Investments (Pty) Ltd for the South African poultry industry. Sovereign Foods signed a preferential procurement off-take agreement for day old chicks hatched and reared by Cultiver on its farms in Limpopo and has incorporated components of management support, farming skills transfer, and credit facilities for Cultiver.



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Cultiver, a BEE beneficiary in terms of the Proactive Land Acquisition programme, leases breeder and hatchery operations outside Mokopane and a broiler farm outside Polokwane in Limpopo.

Based on future estimations for day-old chick to meet demands of its clients, Sovereign said Cultiver can potentially realise a turnover of R659m over the next ten years. This, in turn, will set Cultiver on a path to become one of South Africa's largest 100% black-owned poultry hatching and rearing operations in Southern Africa over the next three years.

Management support mechanisms

"We are pleased to announce a 10-year procurement deal, management support and skills transferal programme, and various other support mechanisms for an empowerment deal with Cultiver," said Chris Coombes, CEO of Sovereign Foods.

Coombes said the off-take deal will remove barriers for entry and market risks for the company while "contributing to growth and sustainability of a relatively young start-up, eager to grow and make its mark" and contributing to food security.

"Cultiver will retain its existing ownership structure and operate independently from Sovereign Foods," said Muzi Twala, Cultiver director.

"However, we will remain in very close orbit to Sovereign to access its knowledge, R&D and best practices in relation to Day Old Chick and broiler production. The support base of senior expertise to improve our efficiencies, levels of productivity and our venture's profitability is also welcoming from our partner," added Twala.

Twala announced that Cultiver has obtained 125,000 breeder birds from Sovereign Foods and said that placement of additional parent stock at its Polokwane farms is well underway. "This will enable Cultiver to produce approximately 342,000 hatching eggs per week from which 285,000-day old chicks will be hatched per week. This, in turn, will result in an output of 23,000 tonnes of broiler meat per annum."

Empowering the economy through job creation

The deal will also benefit the country's economy through new job creation.

Cultiver has already secured and provided employment for at least 151 individuals and will be able to substantially increase this number.

According to forecasts from the company and in line with its expansion plans, the company expects to create more than 700 new direct jobs over the next few years, with a total of a 1,000 (direct and indirect) jobs expected to be created through the value chain as result of the deal with Sovereign.

Coombes said the transaction is a win-win deal for both companies.

"For Cultiver, the deal entails skills transfer, access to finance, and the removal of market risk allowing the senior management team to hone farming and management skills. For us, the long-term off-take agreement creates security in relation to our supply chain while locating it within the government's national transformation and empowerment policy frameworks."

"In order for an empowerment transaction to be successful and sustainable it is critical to support and train management in all aspects of a business which we are looking forward to," said Ettienne Du Preez, Sovereign Foods group executive for agriculture.

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