

## **RESPONSE OF TENDERCHICK MANAGEMENT TO SUGGESTED IMPROVEMENTS AND COST REDUCTIONS (SECTION 12 OF REPORT)**

### **1. INTRODUCING GROWTH PROMOTERS:**

There is an increasing demand for hormone free grown chickens. We have followed this healthier option as hormones in the food we eat carries a significant health risk. In the past months we have subsequently succeeded in ensuring that all the kosher birds we produce receive absolutely NO GROWTH HORMONES in their feed.

### **2. INCREASING STOCKING DENSITY & PRICES FROM FARMERS:**

Over years of experience in this industry we have through trial and error learnt that there is a direct correlation between increased stocking density in a broiler house and the percentage of treif incurred. We have again through experience with our farmers formulated the ideal growing procedures needed to produce a quality kosher live bird.

We grow our live birds with a lower stocking density because we know it reduces our rejection rate.

Yes, it increases our live bird cost but to place any more birds per sq meter is counter-productive when you are trying to grow live birds which need to pass the stringent kosher standards required when checking the lungs of these birds.

Yes, we pay a higher price to have our birds grown to our specific standards. But it is a quality vs. quantity issue. We have tried growing birds with a higher stocking density and it did not work for us. The treif incurred was far higher and unacceptable to us.

Our current status is that all our live birds receive hormone-free feed. The broiler houses are open-sided with freely available sunlight and fresh air. With a lower stocking density our birds have more roaming space.

### **3. EMPLOYEE REMUNERATION & RESTRUCTURING:**

Subsequent to this suggestion we did restructure in December 2009 and reduce our overtime to reduce costs.

I think it is vital that the consumer is aware that the last time Tenderchick passed on a price increase was in January 2009.

On 1 July 2009, and now again in 2010, we have incurred wage increases of 7.2 percent each time.

We have incurred two UOS Shechita fee increases. One in January 2009 and another in January 2010. Both were in the region of 8.5 to 10 percent.

Electricity has jumped up dramatically in this period.

All our operational running costs have risen in the vicinity of 10 percent per annum.

We have managed to offset all these increases by streamlining our own operation thereby enabling us to hold our price for 18 months.

### **4. REDUCING CHAIN STORE CONFIDENTIAL DISCOUNTS:**

We are thankful to Mr Kingston [the senior expert who drafted the report] who helped us convince the chain stores to reduce their rebates and thereby enable them to retail their chickens cheaper.

In the past months these chains were hereby able to sell frozen kosher whole birds at anywhere between R26.99 and R29.99 per kg, which was of significant benefit to the kosher consumer. I am indebted to Mr Kingston for assisting us.

5. SLAUGHTERERS NOT STARTING ON TIME & PROGRESSIVE FLOW FACILITY:

These two issues have an insignificant cost effect and are monitored on a daily basis and are under control.