



Deep waters

The transformation of the R10 billion South African fishing industry has taken another step forward with the listing on the Johannesburg Stock Exchange of two prominent black-owned fishing companies

Like most things in South Africa, the commercial fishing industry is diverse and complex. It consists of 22 different sectors with more than 2 900 right-holders that harvest everything from white mussels to deep-sea species like sardines and hake. Annual production is in

the region of 600 000 tonnes and generates sales in excess of R10 billion according to the government regulator, the Department of Agriculture, Forestry and Fisheries (DAFF).

A handful of high-value fisheries, including the west coast and south coast rock lobster fisheries and the deep-sea trawl fishery for

hake, contribute disproportionately to these numbers. Also sharing in South Africa's fisheries resources are small-scale fishers—a newly recognised group of fishers who fish for a living using unsophisticated gear—and a large contingent of recreational fishers who fish for fun rather than profit.



(Photo: Premier Fishing)

Since 1994, when government first linked the allocation of commercial fishing rights to transformation, the fishing industry has undergone massive structural change. For example, a study conducted by the independent empowerment research and ratings agency, Empowerdex, in July 2016 demonstrated that the deep-sea trawling industry (by far the country's most valuable fishery) is 62.36% black owned and a level three contributor to broad-based black economic empowerment. This is in stark contrast to the early 1990s when the industry was dominated by a handful of white-owned conglomerates.

The listing on the JSE of Premier Food and Fishing Limited (Premier Fishing) and Sea

Harvest—both black owned businesses—is predicted to further change the face of the fishing industry. Both companies have listed in an effort to raise capital and position themselves to grow and broaden participation in their businesses. Owing to their strong transformation credentials across all pillars of the Department of Trade and Industry's black economic empowerment scorecard, they are well positioned for the year 2020 when the DAFF will allocate long-term, 15-year rights in a number of key commercial fisheries, the deep-sea trawl fishery among them.

Premier Fishing raised R526 million with its listing on 2 March and Sea Harvest raised R1.33 billion with its listing on 23 March.

According to Sea Harvest CEO, Felix Ratheb, the near simultaneous listing of the two companies was coincidental, but the result will be to significantly raise the profile of the South African fishing industry: "Fishing companies are actually very attractive assets," he says, "they're profitable and they pay good dividends. What you find is that when (investment) institutions take a big portion of them, they keep them."

Good reference

The stellar performance of the Oceana Group, until March 2017 the only listed fishing company in South Africa, provides a good reference point for investors. The group's latest set of results showed operating profit up by 69% to R1.7 billion and headline earnings increasing by 34%. What's more, Oceana's recent purchase of Daybrook Fisheries in the United States appears to be paying off. For the year ended September 2016, Daybrook delivered revenue of R1.9 billion and operating profit of R668 million.

As companies, Sea Harvest and Premier Fishing are both good examples of the transformation that has taken place in the South African fishing industry in the past 25 years. For example, until 1998—when the black investment company Brimstone acquired an initial shareholding in the company—Sea Harvest was owned by Tiger Brands. Brimstone increased its shareholding in Sea

Slow progress for small-scale fishers

Ten years after the Equality Court ordered the Department of Agriculture, Forestry and Fisheries to accommodate small-scale fisheries within the ambit of South Africa's Marine Living Resources Act (MLRA), poor coastal fishers continue to wait for their day in the sun.

The Equality Court ruling kick-started a process to formulate a policy and amend the MLRA so that thousands of fishers who make a living from marine resources using little or no technology and fishing close to shore, might secure access to South Africa's nearshore resources. Small-scale fishers exploit coastal resources right around the South African coast: from rock lobster and snoek on the west coast, to octopus, mussels and a host of intertidal resources on the east coast.

The Small-Scale Fisheries Policy was adopted by Cabinet in June 2012 and an amendment to the MLRA, giving formal recognition to small-scale fishers, followed. However, implementation of the policy has been slow. A process of registering small-scale fishers and fishing cooperatives (to which rights will ultimately be allocated) is underway. While the process unfolds, a system of 'interim relief'—originally conceived as a stop-gap measure to accommodate small-scale fishers until the policy and legislative processes had run their course—has become a permanent feature of fisheries management in South Africa even though the limited access to resources it provides is considered inadequate and the system is known to have provided opportunities for large scale poaching, particularly of the west coast rock lobster resource.

Sadly, the status of west coast rock lobster, which is key to the survival of many a small-scale fisher, has deteriorated dramatically. Scientists estimate that stocks have dropped to only 2% of historical levels and conservationists and fishers alike believe that the annual catch limits that apply to the commercial fishery should be reduced so that the species can recover.

Good prospects for aquaculture

About 70% of abalone consumed globally is farmed and South Africa's abalone farming industry produces an estimated 2% of the global harvest. There are 12 established farms and strong market demand from China means the industry is set for further growth; production is expected to quadruple in the next five to seven years.

The growing of oysters and mussels is another well-established part of the local aquaculture scene, while the farming of fin-fish, most notably dusky kob—a white fleshed, mild flavoured fish that has achieved a green rating from the South African Sustainable Seafood Initiative, SASSI—is an emerging industry. Strong Government support for aquaculture is one of the nascent industry's strengths. In 2013, Cabinet approved the National Aquaculture Policy Framework, an ambitious and comprehensive sector development plan which is supported by the national Aquaculture Strategy and Action Plan. The latter sets clear targets for doubling aquaculture production by 2020.

The Department of Trade and Industry (DTI) offers incentives and grants through its Aquaculture Development and Enhancement Programme and the Eastern Cape Development Corporation has been one of the key players in the development of aquaculture in that province.

The inclusion of aquaculture in the Presidency-led Operation Phakisa initiative has lent further impetus to these policies and support measures. The Phakisa targets are to treble production to 20 000 tonnes by 2019, grow the production value to R2.7 billion and create 2 500 new direct jobs.

Harvest to 21.52% in 2004 and in 2009 it acquired control of the company. After its listing, Sea Harvest will still be majority controlled by Brimstone.

Similarly, the majority shareholder in Premier Fishing (both pre- and post-listing) is African Equity Empowerment

Investments Limited (AEEI), which last year was ranked first on the Empowerdex list of 'Most Empowered Companies 2016'. Interestingly, the Oceana Group was placed second.

The Sea Harvest Group's principle activities are fishing for and processing Cape hake in rural coastal communities such as

agriculture through the Seagro range of fertilisers.

Listing on the JSE will give Premier Fishing the capital it needs to grow and diversify. Says the company's chief executive, Samir Saban: "There are two core areas where we are looking for growth, one is aquaculture—we've been running an abalone farm for 16 years already—and the other is the acquisition of fishing companies that will fit strategically with what we currently have."

Premier Fishing plans to substantially increase the output of its abalone farm from its current production capacity of 120 tons per year to 320 tons per year. There is strong global demand for South African abalone and several other South African abalone farms are expanding to meet that demand, predominantly from China.

Sea Harvest's listing is expected to strengthen the company's balance sheet by enabling it to repay all its debt and raise capital to invest in vessels and plants with a view to improving efficiencies and creating sustainable jobs. The group further plans to diversify into other products or species to create a diversified global fishing company.

"The best returns that we will get is to invest in our own business organically," says Ratheb, explaining that Sea Harvest plans to broaden participation through the listing and raise capital to acquire newer vessels that are able to catch more efficiently and be more profitable. Also on the cards is an upgrade of the company's processing facilities in Saldanha Bay.

Government policy on rights allocation is to reward black ownership, investment and performance. For black-owned companies like Sea Harvest and Premier Fishing, this means there is reason to be upbeat about 2020.

Says Ratheb: "Since the time we were awarded our rights in 2006 we have ticked every box of every policy ever published by Government. DAFF, and rightfully so, have placed a lot of emphasis on black ownership—we've done that. There has been a great emphasis on transformation—we've done that. There has been a lot of emphasis on investment and job creation—we've done that. So we've done everything right.

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Saldanha Bay and Mossel Bay. It also has operations in Carnarvon, Western Australia, where it catches Shark Bay prawns with 11 freezer trawlers. The group markets its products to more than 2 000 retail outlets in 22 countries.

Premier Fishing holds rights in the South African west coast rock lobster and south coast rock lobster fisheries, the small pelagic fishery for anchovy and pilchard, the deep-sea trawl fishery for hake and the longline hake and squid fisheries.

The company also owns a 120 ton per year abalone farm and invests in organic



(Photo: Sea Harvest)

There's been a lot of talk that fishing assets are concentrated within bigger players and our view is that even that box is going to be ticked now because (with the listing) we're broadening access—we're giving access to our company to a lot more people in South Africa."

Another aspect of transformation, and one that Premier Fishing has embraced enthusiastically, is the empowerment of the small-scale fishers who sell their catch to the larger company. "It's about training and developing people so that fishermen don't just become paper quota holders, but take ownership of their businesses,"

explains Saban. "So, for example, we set up systems where we help the fishers to manage their VAT registration, permits, bookkeeping and administration, we've got a full team to help fishermen build their own businesses."

Both Sea Harvest and Premier Fishing have ensured that their staff, which by the very nature of their businesses work primarily in rural coastal areas, will benefit from the listings. Both companies have set aside a parcel of shares to be allocated to staff via a trust. In fact, this is relatively common in the fishing industry, with most of the major players having utilised staff

share trusts to transform their ownership over the past 25 years. Oceana is a good example; its empowerment trust currently owns 10.1% of the group and in 2014 paid out close to R300 million to its 2 501 members. The average pay out per employee was about R100 000.

With two of the biggest black-owned fishing companies in South Africa cash flush and confident about their prospects in 2020, the fishing industry can expect to see some major acquisitions and consolidation in the next two years, with obvious benefits for the continued transformation of the industry. **BBO**

Managing expectations

Taking SA's largest black-owned and managed fishing company to the JSE

The listing on the Johannesburg Stock Exchange of Premier Food and Fishing, the largest black owned and managed fishing company in South Africa, was a seminal moment for the company's chief executive, Samir Saban.

The young executive first entered the South African fishing industry ten years ago. A chartered accountant by training, Saban first began working at Premier Fishing in 2007 after a two-year stint in the Audit and Risk division of Pioneer Foods Limited in the Cape winelands. He joined Premier Fishing as financial manager in 2007 and held that position until 2010 when he was appointed general manager and later chief executive officer. He is delighted to have taken the company to a successful listing on the JSE.

Fishing is unique because it is centred on a natural resource that fluctuates according to seasons and cycles. What is it about the fishing industry that appeals to you?

Fishing is a very challenging industry—you have to be extremely alert every day. A major part of my responsibility is to make carefully calculated management decisions that result in effective utilisation of a limited natural resource. The ever-changing regulatory landscape also presents challenges because you have to be up-to-date with current legislation and policies in order to manage your business. Meeting and interacting with diverse groups of people and understanding how they look at the world and approach life is another highlight of my work in the fishing industry.

What are some of the challenges specific to fishing (and fish farming) that you have had to manage and resolve in your time at Premier Fishing?

A major portion of my time is spent dealing with stakeholders. Each of them has different expectations and managing that can be challenging, but interesting. I manage a staff complement of 350 and each staff member comes from a different background and culture. My task is to obtain the best from each of them. Fortunately, our company has good human resources policies and a strong culture that ensures a productive working environment. A large proportion of the staff is unionised and we have a good relationship with our staff and the unions. Throughout our entire group we have had very few labour-relations problems. Sustainability in the fishing industry is more important now than ever because we are all aware of the fact that we are working with one of the world's natural resources. Premier Fishing started Marine Growers aquaculture more than 16 years ago, with the goal of establishing a sustainable source of South African abalone, which is highly valued on international markets. Following our company's listing, we will be looking to further grow and diversify in the aquaculture sector. I've also gone through two long term rights allocation processes during my time at Premier (the Fishing Rights Allocation Process, or FRAP, of 2013 and 2015). This process requires lots of hard work, long hours and intense focus in order to ensure that applications are meticulously completed and submitted.



Samir Saban, Premier Food and Fishing's CE

What was it like to lead Premier Fishing through the listing process?

There are no words to describe the challenge of taking a company to the main board of the JSE, all the while continuing with day-to-day operations. For the past six months I spent most of my time (days and nights) ensuring that we met all the stringent requirements and deadlines set out by the JSE. Listing is a highly regulated process. We had a great team of people who worked together to ensure that the company listed successfully. I'm happy to say that the listing was almost six times oversubscribed. This is an indication that the market has confidence in the company and its management.

What future do you envisage for Premier Fishing following its listing?

Premier Fishing is the largest black owned and managed fishing company in South Africa, but it is quite small when compared to some of the larger companies in the industry. Our strategy is to build and grow the business and ensure that we continuously create jobs, empower our people and provide good returns to all our stakeholders.