Wagyu Society of South Africa

Strategic Plan 2018 – 2023

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1 Introduction

The purpose of this plan is to provide a clear corporate focus and strategic direction for the Wagyu Society of South Africa (WSA) across the next 5 years and recognising a vision for the South African Wagyu Industry across the next 10 years.

2 Constitution

The WSA Constitution provides the overarching focus for the direction of the Society and its activities.

2.1 The Objectives for which the Society is established are: -

(a) to encourage and promote the breeding and the improvement of the genetic production potential of animals.;

(b) to maintain unimpaired the purity of the Wagyu breed and promote the interests of the breed by all possible and available means;

(c) to encourage the collection, preservation and development of the breed by sound selection in accordance with the accepted description of a Wagyu;

(d) to compile and maintain a "Minimum Breed Standard" (Schedule B).

(e) to compile, keep and maintain accurate records of the membership, pedigrees, DNA information and performance and trait particulars of all animals duly registered or recorded through the Society by the Registering Authority in the Herd Book;

(f) to be the definitive source of Wagyu information in Africa.

(g) to establish a leading beef certification program which integrates the entire value chain from producer to consumer in South Africa to ensure the integrity of Wagyu Beef.

(h) to be recognised as a leader in genetic and genomic technologies

(g) to safeguard and advance the common interests of breeders in the Territories, and to give effect to the objectives contemplated by the Act.

3 Corporate Focus

3.1 Vision

The following structure provides corporate focus for the Society's activities and resource usage:

3.1.1 Within 10 years South African Wagyu will:

- Ensure that the SA consumer understands the gourmet beef eating experience.
  - Be the discerning consumers' trusted meat of choice associated with off the scale quality and recognised as the ultimate taste and eating experience, perceived to enhance their image.
- Provide the most profitable beef production in South Africa, offering lucrative investment opportunities.
- Be a sustainable industry which creates job opportunities, contributes to the economic well-being of all communities and the prosperity of the country, leading to a better life for all.
- Be recognised as a key source of the world's elite Wagyu genetics, breeding livestock and beef products.
- Be clearly defined, understood and sold under the Certified Wagyu Beef program, maintaining product integrity and quality.
- Comprise 5% of the genetic base of the South African national beef herd.
- Have a high rate of genetic gain relative to other beef breeds.
- Have its genetic base securely stored for long term protection.
- Be the industry leader in service provision, certified beef programs and genomic analysis.
- Be the breed which integrates the entire value chain from producer to consumer.

3.1.2 Within 5 years WSA will:

- Be the definitive source of Wagyu information in Africa.
- Have established the best beef certification program in South Africa which ensures the integrity of Wagyu beef production
- Be recognised as a leader in genetic and genomic technologies.
- Have the majority of members and their clients skilled in using breeding technologies.
- Be facilitating effective marketing opportunities for its members including exports.
- Have a membership which is representative of all Wagyu supply chain sectors who obtain well defined benefits from their membership.
- Have a marketing approach which ensures that the average African consumer appreciates that Wagyu beef provides the world leading beef eating experience and so attracts a clear price premium.

3.2 Mission

To transform the South African beef industry to be highly profitable with consumers demanding and enjoying a premium eating experience.

4 Corporate Goals

4.1 **Supply**: Increase the Wagyu value chain's ability to supply premium quality beef in sufficient volume to meet market demand.

4.2 **Demand**: Increase consumer demand for South African Wagyu premium quality beef.

4.3 **Product** Trust: Ensure trust in the African Wagyu value chain.

4.4 **Social Responsibility**: Socially uplift emerging beef producers enabling their involvement in the premium quality beef market.

4.5 **Service Delivery**: Create an effective service company delivering value-adding services to its members and customers.

5 Key Performance Indicators

Corporate Goal/KPI	Current (June 2018)	Cumulative Rate of Improvement over 5 years July 2017-2022	Target June 2019	Target June 2023 (Year 5)
1. Supply:				
Self-Replacing Herd Index annual rate of gain		1% pa	0%	3%
Terminal Carcase Index annual rate of gain		1%	1%	5%
Number of Herdbook registrations (Inventory)	1500	38%	3600	7 500
Number of Commercial Registrations	0	38%	1800	6 600
Number of CWB Slaughter Registrations	0	50%	9450	32 329
Number of Wagyu sired joining's (Other breeds)	15000	36%	30 000	70 000
Number of FB/PB joinings (N, AI, ET)	8000	30.2%	15000	30 000
Number of feedlots (>50) feeding Wagyu animals	5	24%	8	15
Number of feedlots (<50) feeding Wagyu animals	10	38%	20	50
Number of DNA samples collected and stored at Society from: • Seedstock • Commercial	 0 0	 38% 36%	 2 070 9 450	 7 507 32 329
2. Demand:				
Number of Wagyu FB and XB carcases sold	1000	93%	3000	26 000
Number of abattoirs selling Wagyu beef	5	19%	8	12
Number of South African Wagyu brands	8	30%	15	30
Number of large retail outlets selling Wagyu beef	1	43%	4	6
Number of restaurants selling Wagyu beef	15	82%	50	300
Number of website visitors per month avg pa	400	119%	5000	20 000
Number of articles or interviews in media (newspaper, radio, TV, journals) per annum	5	95%	15	140

Number of social media hits (refine for Facebook, Twitter, Instagram) p/a	300	495%	2000	15000
Number of I4 database transactions/p/a	25052	15%	50000	110000
Number of animals listed for sale in I4 in-line catalogues	0	346%	150	500
Number of Full Members	105	39%	170	300
Number of CWB Licensees	0	50%	194	518
3. Product Trust:				
Number of Certified Wagyu Beef licences in each sector: • Producer (Seedstock and CWB) • Feedlot (Both >50 and <50 animals) • Abattoir • Wholesaler • Large Retail butcher • Restaurants	 0 0 0 0 0 0	 19% 35% 20% 20% 20% 65%	 150 15 5 2 2 20	 300 50 10 4 4 150
Number of Wagyu carcases sold which have been certified by the Certified Wagyu Beef Program at: • FB/PB • F2/F3 • F1 Total	 0 0 0 0	 165% 150% 22% 25%	 1 50 6949 7000	 50 1953 15394 17500
4. Social Responsibility:				
Number of semen straws provided to emerging farmers	0	78%	50	500
Number of emerging farmers in the program	0	40%	10	50
Number of visits/meetings with emerging farmers	0	25%	2	5
Number of projects that includes emerging farmers	0	137%	2	5

5. Service Delivery:				
Finance:				
Net Assets	R1 498 9559	7%	R 1,533 359	R1 714 285
Turnover as per expenses	R	53%	R 3,300 000	R6,019 950
Surplus as % of Turnover	31%	NA	2,19%	3%
% of debt above 30 days	0%		.5%	.5%
Unqualified audit	Y		Y	Y
Sponsorships	R600 000	15%	R600 000	R800 000
Human Resources:				
Number of staff full contracts	2	124%	3	6
Corporate Governance:	0		Y	Y
Board policies	0		Y	Y
HR policies	0		Y	Y
Finance policies	0		Y	Y
Salaries as a percentage of turnover	28.26%		54.1	53.13
Marketing				
Marketing budget	R88204.00		542,300	R853 000
Marketing as a % of turnover	21.85%		16.01%	14.18%
R&D:				
Number of R&D projects planned and in progress	0		1[A]	1 [A]
Total value of WSA R&D projects in progress	0		R1,0 Million External funds R1,5 Million producer funded	R1,0 Million External funds R1,5 Million producer funded
% of turnover applied to R&D	0		5.9%	10%
Value of external funding obtained for R&D: • Total value • Annual value • MLA Donor	 0 0 0		 R1,5 million R1, 5 Million R1.5 million	 R1.5 million R1,5 Million R1.5 million
Operational Plan - annual Critical/High Priority KPI targets achieved	0		90%	90%

[A] Beef Genomics Program (BGP) that includes Feed Efficiency testing, carcass measurements and genotyping, Implementation of Single Step BREEDPLAN, Implementation of $ Indexes, MLA Donor Company funding Tick resistance project

6 Strategic Direction

The strategies pertaining to each Corporate Goal have been prioritised according to the following levels and the anticipated year for beginning implementation:

Priority:

- **C** **Critical, the organisation will fail if not achieved**
- **H** **High, very important for strategic improvement**
- **M** **Medium, useful for organisational and performance improvement**
- **L** **Low, can wait, only undertake if time and resources permit.**

Corporate Goal 1: Supply: Increase the Wagyu value chain's ability to supply premium quality beef in sufficient volume to meet market demand.

Priority	Year	Strategy No.	Strategy
H	2018	S1	Create a cow inventory of at least 10 000 cows in the next five years to sustain the supply chain
H	2019	S2	Develop the entire Wagyu supply/value chain
H	2018	S2.1	Define best practice for Wagyu production in all commercial sectors: breeding, backgrounding, feedlot and abattoir/processor/packer.
M	2019	S2.2	Invite sector specialists to speak on Wagyu best practice at conferences and events.
M	2019	S2.3	Seek out and publish sector specialised articles, videos and other communications.

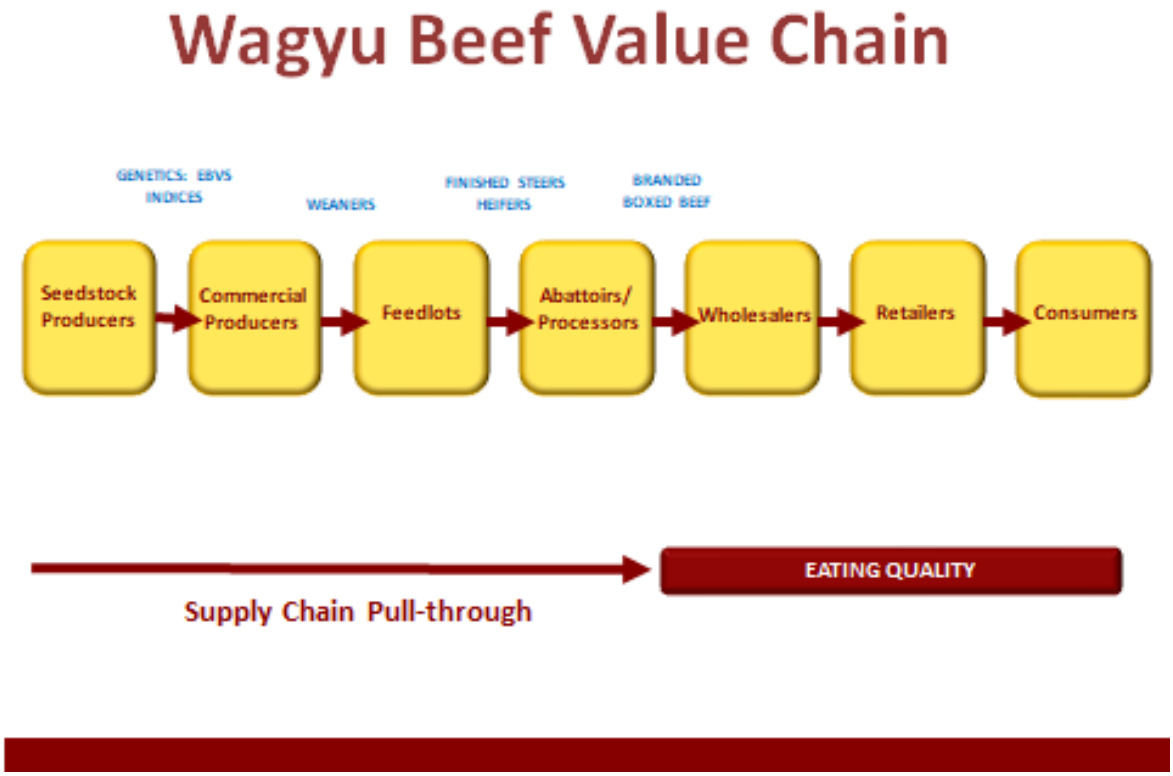


Figure 1: Wagyu Supply/Value Chain showing all sectors and indicating that it is the eating quality of Wagyu beef that provides the pull-through effect throughout the chain.

6.1.1 Genetic Gain

The overall genetics strategy is based on the axiom:

Rate of genetic gain = (Selection Accuracy + Selection Intensity + Size of Gene Pool)/Generation Interval

The strategies below aim to drive genetic gain by addressing each of these components.

Priority	Year	Strategy No.	Strategy
Selection Accuracy + Selection Intensity			
C	2018	S3	Use ABRI's International Livestock Registry system (ILR2) to manage membership, register animals and record performance data.
C	2018	S4	Increase Wagyu selection accuracy and intensity, by partnering with the Australian Wagyu Association to develop and run a joint Single Step BREEDPLAN genetic analysis (see Figure 2):
C	2018	S4.1	Start WSA genetic analysis with Single Step BREEDPLAN analysis to produce genomically enhanced EBVs to improve animal relationship linkage and so EBV accuracy. Produce the full range of genomically enhanced EBVs for the traits of economic importance for Wagyu production using the following model, particularly focusing on: • Fertility • Maternal (milking ability) • Growth • Net Feed Intake (NFI) • Carcase
H	2019	S4.2	Produce indexes for at least the following market positions: • Terminal Carcase – for the production of F1 and fullblood/purebred progeny for slaughter only • Self-replacing maternal – for the production of animals for further breeding and slaughter.
H	2018	S4.3	Install a genomic database in ILR2 to load all WSA genotypes
H	2018	S5	Capture large volumes of commercial Wagyu F1 performance data from the supply chain
H	2018	S5.1	Capture and load large numbers of genotyped slaughter progeny with on-farm and feedlot growth and carcase data and input to Single Step BREEDPLAN to increase EBV accuracy.
H	2018	S5.2	Purchase and install Japanese digital carcass camera analysis for processing Wagyu.
M	2019	S5.3	Work with feedlots and their processors to transfer Wagyu F1 feedlot data (entry and exit weights and dates) directly from feedlot databases; and carcase assessment data

			(carcase weight, eye muscle area, marbling percentage and marbling fineness) directly from processor databases into ILR2 databases for use in the BREEDPLAN analysis.
M	2020	S6	Develop an Eating Quality EBV, in association with the Australian Wagyu Association.
H	2018	S6	Become a key participant in the RSA Beef Genomics Project to collect large volumes of genomically identified phenotypes and conduct Wagyu targeted R&D projects.
H	2019	S6	Migrate from Microsatellite Marker (MIP) to Single Nucleotide Polymorphism (SNP) for all DNA analysis to maximise the number of animals with SNP genotypes usable in Single Step BREEDPLAN.
H	2018	S7	Increase the use of animals being tested for feed efficiency.
H	2018	S7.1	Use RSA bull testing stations to test registered Wagyu bulls for individual Residual (Net) Feed Intake (RFI) (delivers some 55% accuracy with own data when the RFI/NFI EBV is established).
M	2019	S7.2	Encourage key Wagyu breeders to establish GrowSafe feeders in their own on-farm bull feedlots to test all their wagyu bulls for RFI.
H	2019	S7.3	Work with AWA to establish a Residual (Net) Feed Intake EBV to enable selection for feed efficiency.
M	2019	S8	Develop a genomic test for Wagyu and other breed content, in association with AWA.
H	2019	S9	Provide an integrated set of genomic service tests to predict the performance of SNP genotyped commercial Wagyu F1 slaughter animals to be used prior to feedlot entry. The genomic tests are to include: • Wagyu and other breed content • Commercial slaughter animals' profitability potential, with no recorded pedigree or performance required on those animals. These genotyped animals will flow into the automated data capture Strategy S5.3.
Size of Gene Pool			
H	2018	S10	Expand the registered and performance analysed Wagyu gene pool
H	2018	S10.1	Establish a **Female Herd Inventory System** to encourage the registration of all progeny of registered dams.
C	2018	S10.2	Establish a **Wagyu Slaughter Register** for the registration and performance recording of animals intended for slaughter only i.e. non-breeding animals.

M	2019	S10.3	Establish a Wagyu Content Register and: • Utilise the Wagyu Breed Content Test (Crossbred Wagyu Genomic Test) to determine the degree of Wagyu genetic content from a DNA sample. • Register breeding males and females with Wagyu genetic content into the Content Register that cannot be registered in the Wagyu Herdbook through their inability to conduct DNA parent verification.
Generation Interval			
M	2020	S11	Shorten the generation interval
M	2020	S11.1	Young Sire Progeny Test Program (YSPTP) Establish a Young Sire Progeny Test Program to identify potential high performance sires at a young age and test the progeny of those sires to increase sire EBV accuracy. Take the selected sire's Wagyu F1 progeny in a management group and feed in a commercial feedlot and processing system to obtain growth (feedlot entry and exit weights) and carcase assessment data (carcase weight, eye muscle area, marbling percentage and marbling fineness).
M	2020	S11.2	Juvenile In Vitro Fertilisation Embryo Transfer (JIVET) Educate members to use genomically enhanced EBVs from Single Step BREEDPLAN to select potential high performance heifers and obtain fertilised embryos at a young age through JIVET.
Improve effective use of technology			
H	2018	S12	Increase member skills in use of the genetic improvement technologies and Wagyu production
H	2018	S12.1	Provide education and training through: • Regional workshops • National conferences • Website and magazine articles.
L	2021	S12.2	Establish a Wagyu Fellowship for the advancement of Wagyu production through: • Member scholarships to develop skills and experience • Student scholarships encourage beef industry careers • Advanced research and development (R&D) projects.
M	2019	S13	Accelerate member herd uptake of the genetic improvement technologies. Provide on-farm consultancy to scope opportunities and available data, improve data capture and loading, load initial data sets, review

			and advise on BREEDPLAN use, and conduct advanced MateSel mating selection.
C	2018	S14	WSA to own all data stored in WSA databases and all results produced by WSA.
C	2018	S15	WSA to retain right of access to all DNA samples used in WSA genomic testing for future testing and database integrity checking.
H	2018	S16	Undertake a Memorandum of Understanding for the sharing of services and information with the Australian Wagyu Association to share: • Joint Wagyu singe step genomic analysis based on BREEDPLAN • Wagyu genomic tests • Pedigree data • Genetic Condition data • Genotype data • Wagyu verification and certification services.

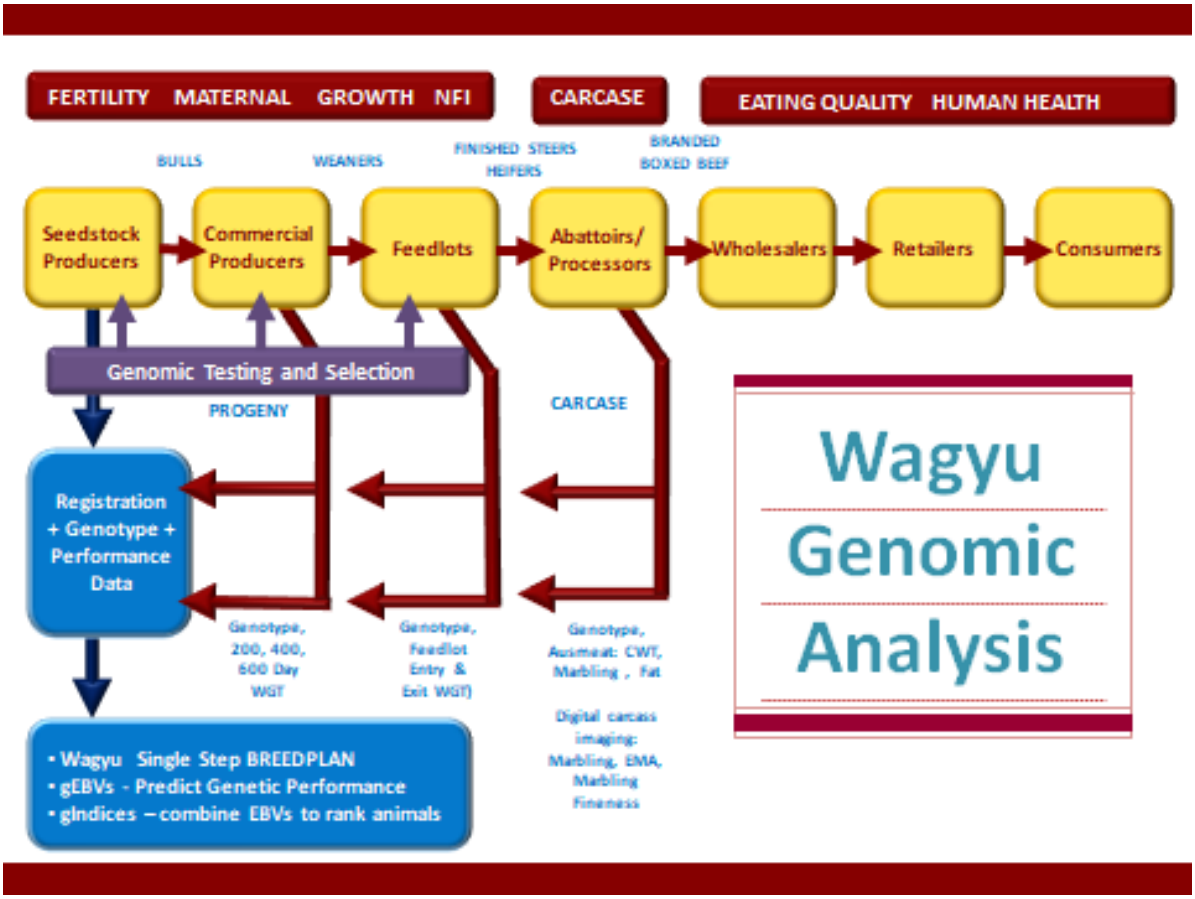
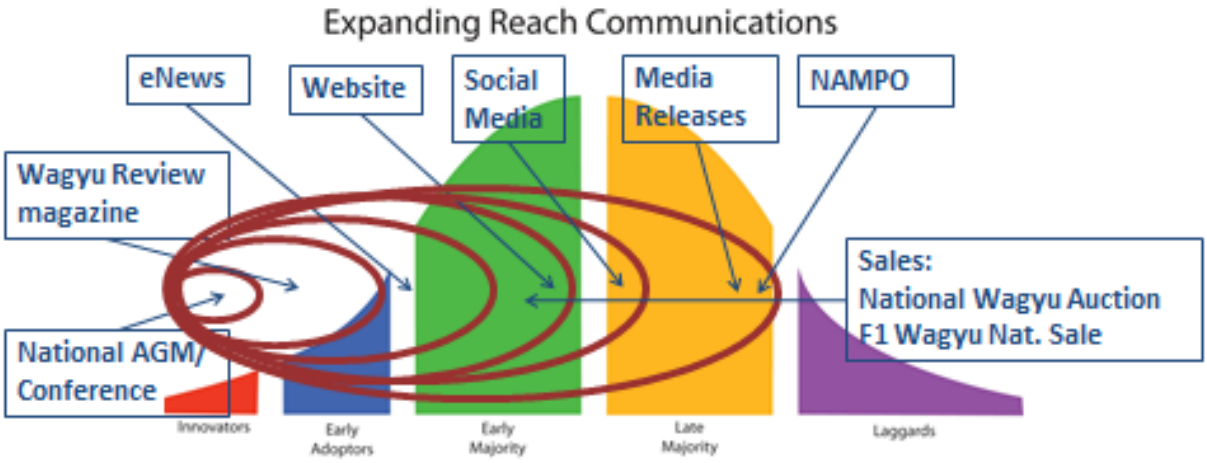


Figure 2: Wagyu Single Step BREEDPLAN genomic analysis. Genotypes and phenotypes are collected from all animal sectors of the supply chain and fed into Single Step BREEDPLAN to produce genomically enhanced EBVs and indices.

Corporate Goal 2: Demand: Increase consumer demand for South African Wagyu premium quality beef.

Priority	Year	Strategy No.	Strategy
H	2018	D1	Communicate the benefits and attributes of South African Wagyu beef and production methods across all sectors of the South African beef industry supply chain by reaching across the market using the following communication channels, as indicated in Figure 3:
H	2018	D1.1	National AGM and Conference – annual, including all sectors of the Wagyu supply chain.
H	2019	D1.2	NAMPO – Wagyu beef restaurant with three tiers: • Fine dining • Take-way service • Retail
H	2018	D1.3	Wagyu eNews – monthly email containing short "hooks" of current information, linking to the website for the details. Based on an industry wide mailing list.
H	2018	D1.4	WSA Board meeting summary – following each Board meeting to explain Board decisions.
M	2019	D1.5	Wagyu Newsletter magazine – 3 x p/a, glossy quality print publication mailed to all members and placed on the website with "page turning" capability. Detailed articles including: Chairman's Message, CEO's Report, WSA registration and genetic analysis articles; and industry news articles reproduced with permission.
H	2018	D1.6	Website – The WSA website is to be the "window to the Wagyu beef" with all other media channelling traffic into the website. Updated regularly to maintain currency. Deposit all relevant WSA and Wagyu industry information into the AWA website and reference the website from all other communications channels. Develop a Frequently Asked Questions (FAQs) section on the website to inform the market and reduce communication demand.
H	2018	D1.7	Media releases and media story feed – regularly as WSA and Wagyu industry stories become available.
M	2019	D1.8	Social media – Facebook - update as new stories become available
H	2018	D1.9	Certified South African Wagyu Beef program - see Corporate Goal 3
H	2018	D2	Provide a marketplace for the trading of Wagyu genetics and animals.

H	2018	D2.1	Conduct National Wagyu Auction for WSA registered animals only, with specified minimum EBV criteria when available.
M	2019	D2.2	Conduct an F1 Wagyu National Sale for slaughter animals.
H	2018	D2.3	Report Wagyu sales results to provide industry benchmark pricing.
M	2019	D3	Encourage international Wagyu industry movement and sharing of information.
M	2022	D3.1	Deliver the **next World Wagyu Conference** to bring Wagyu producers together from across the world to showcase the South African Wagyu industry and share information considered important to the Wagyu breed internationally.
M	2022	D3.2	Host the **World Wagyu Congress** in 2022 to establish WSA as a serious player in the international Wagyu arena. Encourage open sharing of information for the improvement and integrity of the Wagyu breed.



Pop%	2.5%	13.5%	34%	34%	16%
South Africa and Namibia Beef Industry					
No.	750	4,050	10,200	10,200	4,800
Cum.	750	4,800	15,000	25,200	30,000

Source: Rogers Diffusion of Innovation Theory

Figure 3: The Expanding Reach Communications model utilises Rogers Diffusion of Innovation Theory to reach across the target market with communications channels appropriate to each group receiving the innovation.

Corporate Goal 3: Product Trust: Ensure trust in the Wagyu value chain.

Priority	Year	Strategy No.	Strategy
C	2018	T1	Adopt and propagate the World Wagyu Congress' Wagyu Breed Classification Trade descriptors in the South African beef industry.
C	2018	T2	Develop a set of standards for each sector of the South African Wagyu supply/value chain.
C	2018	T3	Develop and offer a Certified South African Wagyu Beef service to the South African beef industry – see Figure 4.
C	2018	T3.1	Produce a Certified South African Wagyu Beef (CWB) service to certify Wagyu animal integrity in each sector of the supply chain and a minimum carcass quality at abattoir level.
C	2019	T3.2	Seek South African Meat Industry Company (SAMIC) endorsement for the CWB program.
M	2019	T4	Lobby government to establish a beef carcase classification and quality assessment system, marketing standards and processes which are compatible with the high eating quality requirements of Wagyu.
C	2018	T5	Procure a TSU tag and DNA storage and evaluation system to underpin the CWB program

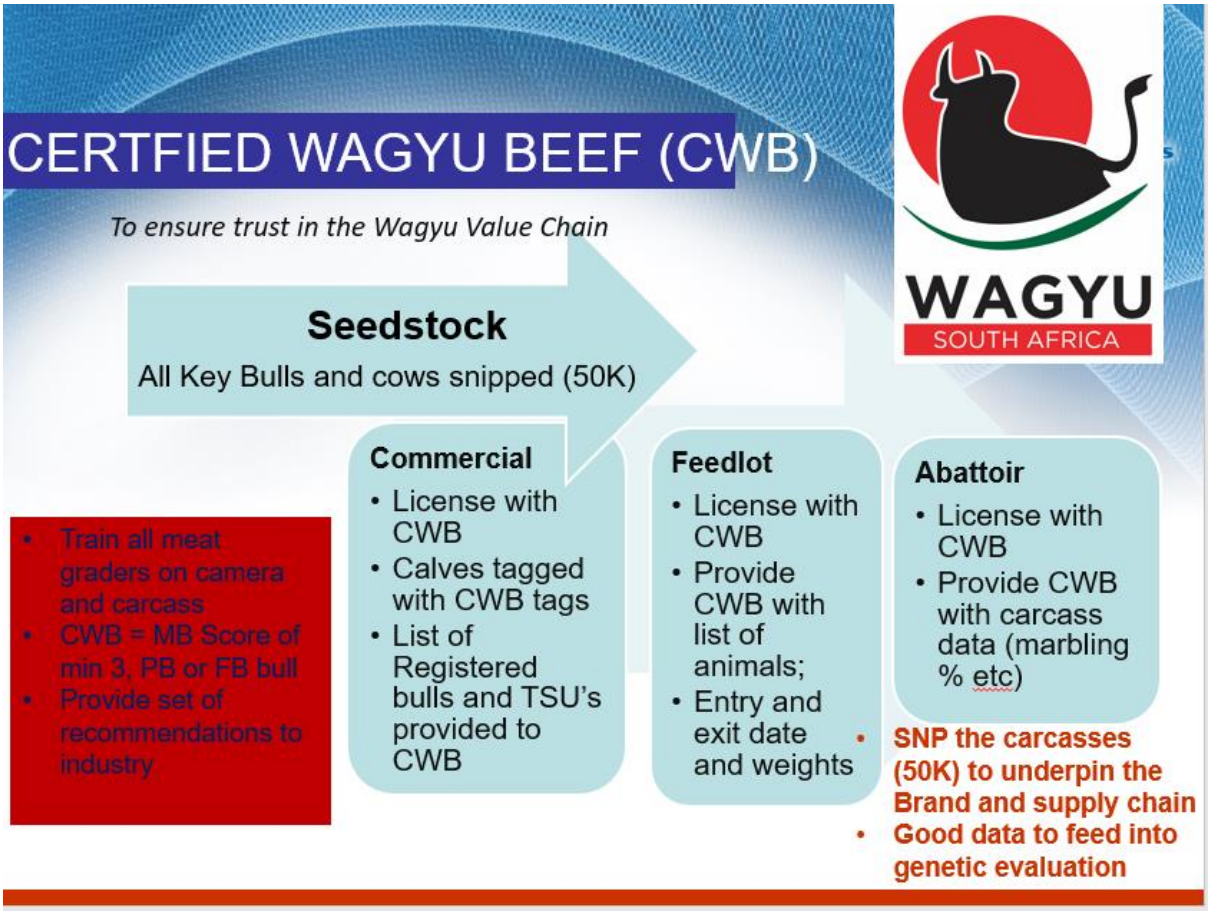


Figure 4. The Certified South African Wagyu Beef in-principle design.

Corporate Goal 4: Social Responsibility: To socially uplift the emerging beef producers enabling their involvement in the premium quality beef market.

Priority	Year	Strategy No.	Strategy
M	2019	SR1	Identify worthy recipients Identify worthy recipients to receive 200 straws of Wagyu semen from top bulls. Recipients must be able to add value to the Wagyu industry
H	2019	SR1.1	Media release letting public know about Emerging producers and Wagyu
H	2020	SR2	At least 10% of producers by the year 2020 to be emerging producers.
H	2020	SR2.1	Specifically target producers that are businessmen and understand livestock.
M	2020	SR2.2	Appoint an emerging producer onto the WSA board
M	2018	SR3	Two meetings per annum
H	2019	SR4	Establish significant merging producer projects
H	2020	SR4.1	At least two large scale Emerging producer projects
M	2020	SR4.2	Have a board member designated to this task

H	2018	SR4.3	RSA public knows and understands that Wagyu is committed to the emerging sector
M	2020	SR4.4	At least 25% of all recipients of Newsletters are emerging producers and/or BEEE participants

Corporate Goal 5: Service Delivery: Create an effective service company delivering value-adding services to its members and customers.

Priority	Year	Strategy No.	Strategy
C	2018	SD1	**WSA Membership** will include participants from all sectors of the Wagyu supply chain, initially targeting the Innovators and Early Adopters (2018 – 2019), then Early Majority (2020) and finally the Late Majority (2022), with membership categories being: • Full/Seedstock financial members – breeders of registered males and females for the seedstock and commercial market. They will receive all Wagyu information and can utilise WSA marketing services. • CWB Licensee financial – producers of F1, F2 , F3 and unregistered Fullblood/Purebred cattle for supply into the meat supply chain. They will receive all Wagyu information and can utilise WSA marketing services. Do not have voting rights. • Associate – Wagyu industry stakeholders who do not produce Wagyu animals, but would like all correspondence, for example University membership. Do not have voting rights.
C	2018	SD2	Maintain a high level of corporate governance consistent with that required of the South African Companies Law and the King Commission.
L	2020	SD2.1	Review and redevelop the WSA Constitution consistent with **South African Companies Law and the King Commission** and the national operating environment.
H	2010	SD2.2	Establish policies and procedures to increase organisational resilience including:
H	2018	SD2.2.1	• Board Charter
H	2018	SD2.2.2	• Financial
M	2019	SD2.2.3	• Human Resource
M	2019	SD2.2.4	• Risk Control
H	2018	SD2.2.5	• Sponsorship
L	2019	SD2.2.6	• Media
H	2018	SD2.3	Establish Board Committees with defined Terms of Reference to focus on the Corporate Goals and Strategy delivery.
H	2018	SD2.4	Provide Board induction and training to provide the appropriate skills and experience required for optimum organisational performance.
M	2019	SD2.5	Develop Board skills matrix and succession planning to ensure appropriate and on-going skills on the Board.
H	2019		Develop a comprehensive Risk Control process to identify and manage society risk.

C	2018	SD2.6	Provide a comprehensive Annual Report to all members showing progress of delivery of the Corporate Goals and Strategies and the current and planned financial position; and present it to the Annual General Meeting.
C	2018	SD3	Produce annual Operational Plans for Board approval prior to the start of the next financial year. The Operational Plans are to implement the Strategic Plan on a staged basis within available resources. They are to involve three linked components: Strategies & Activities, Financial Budget and Human Resources.
C	2018	SD4	Provide effective financial control to enable strategy advancement while protecting WSA's assets.
C	2018	SD4.1	Detailed Operational Plan and associated budget approved prior to the start of the financial year, with a detailed budget for Year 1 and forecast budgets for Years 2 and 3.
H	2018	SD4.2	Detailed financial planning and control of major projects with cash flow projection, Milestone expenditure tracking and reporting budget against actual.
H	2018	SD4.3	A Finance Committee responsible for budgeting, reporting and financial control monthly to consider the end of previous month position in terms of Profit & Loss Report, Balance Sheet and Cash Flow.
C	2018	SD4.5	Independent professional annual financial auditing and production of the Audited Financial Reports for input to the Annual Report.
H	2018	SD5	Lever WSA financial capital through the use of alternative sources of funding, within specified risk parameters, including:
H	2018	SD5.1	Government R&D matched funding
H	2018	SD5.2	Government funding grants
H	2018	SD5.3	Sponsorships
M	2019	SD5.4	Member funding opportunities with defined benefits
L	2020	SD5.5	Joint ventures with other breed societies
L	2020	SD5.6	Joint ventures with commercial entities.
H	2018	SD6	Automate systems and processes through computerisation wherever cost-effective.
H	2018	SD6.1	Utilise and improve the Agricultural Business Research Institute's (ABRI) International Livestock Recording system (ILR2) and Internet Solutions (I4) for optimal transaction processing and data access and interrogation.
H	2019	SD7	Incorporate, into the By-laws the CWB Program and align the Constitution and bylaws to include the strategic planning document.
H	2018	SD8	Enable WSA to run a well-funded business for the long term benefit of its members by adopting

			world's best practice for effective pricing strategies to deliver cost-effective services while ensuring WSA financial viability, including:
H	2018	SD8.1	Cost plus margin pricing (recommended 25% margin on all services)
H	2018	SD8.2	Female Herd Inventory pricing. (see Strategy 10.1)
H	2018	SD8.3	Provision of service charges for the Certified South African Wagyu Beef program – see Corporate Goal 3.
M	2019	SD9	Establish corporate partnerships to enhance WSA capabilities, including:
H	2019	SD9.1	Red Meat Producers Organisation and its affiliates eg. RMRDT – for matching Federal Government R&D funding
L	2020	SD9.2	Producer organisations in other African countries
H	2018	SD9.3	Technology and Innovation Agency – for Beef genomics Program
H	2018	SD9.4	Agricultural Research Council – for collaborative research projects
M	2018	SD9.5	Universities specialising in animal production – for collaborative research projects and training
H	2018	SD9.6	All sectors of the Wagyu supply chain including: seedstock, commercial producer, backgrounders, feedlots, abattoirs, wholesalers, retailers
H	2019	SD9.7	Large agricultural trade fairs eg. NAMPO, Stockman's School, ALFA
H	2018	SD9.8	Australian Wagyu Association
H	2018	SD9.9	Animal Genetics & Breeding Unit (AGBU) – for genetics R&D
H	2018	SD9.10	Meat & Livestock Australia and its Donor Company – for matched R&D funding
H	2018	SD9.11	Agricultural Business Research Institute (ABRI) – for R&D commercialisation and operational systems
H	2018	SD9.12	Sponsors – for the annual conference and major projects
L	2019	SD9.13	Wagyu associations in other countries.
L	2020	SD10	Conduct a 3 yearly South African Wagyu industry survey to identify Wagyu usage and assess key issues to assist with planning.

7 Values

WSA makes decisions and conducts its business in accordance with its values of:

1. Being courageous in pursuing our vision
2. Being open, honest, collaborative and transparent in building relationships with fellow members, stakeholders and our customers
3. Being socially responsible to the people of South Africa
4. Sustainably producing our products to protect the environment
5. Exercising self-discipline and self-respect while respecting others with dignity
6. Nurturing a culture of innovation
7. Having a strong work ethic
8. Enjoying the journey with our Wagyu family.

8 Appendix 1

Current Situation Analysis

8.1 WHERE ARE WE NOW?

The following information was identified at the WSA Strategic Planning Session of 28 March 2015.

8.1Macro environment

8.1.1 International

8.1.1.1 First world economies depressed

8.1.1.2 Unstable political environment

8.1.1.3 Slowdown in Chinese economy

8.1.1.4 Strong beef prices, particularly in US and Australia

8.1.1.5 Changing consumption patterns in Asia

8.1.1.6 SA animal disease status

8.1.1.7 Requirements and costs of exports – Non tariff barriers (Sanitary and Phytosanitary requirements)

8.1.1.8 Adequate tariff protection

8.1.1.9 Insufficient preferential trade protocols (number currently under discussion)

8.1.1.10 SA small role player in global terms

8.1.2 Economic

8.1.2.1 Growing middle class

8.1.2.2 Fluctuating (unpredictable) exchange rate

8.1.2.3 Growing global population

8.1.2.4 Growing demand for protein

8.1.2.5 Growing demand for differentiated product

8.1.2.6 Price of lamb

8.1.2.7 Price takers

8.1.2.8 Wealth gap

8.1.2.9 New markets through trade agreements

8.1.2.10 Local economy depressed

8.1.2.11 Share of consumer rand declining

8.1.2.12 One channel market

8.1.2.13 Developing African market

8.1.2.14 Consumers under pressure

8.1.3 Technical

8.1.3.1 Small gene pool – 250 to 300 cattle (in-breeding problem)

8.1.3.2 Japan a closed source

8.1.3.3 Availability of genetics

8.1.3.4 SA virtually on par in international terms except for semen sexing

8.1.3.5 Marbling measurement technology for live animals not yet developed

8.1.4 Social

8.1.4.1 Increasing brand (status) consciousness

8.1.4.2 Increasing awareness of food safety, health and quality

8.1.4.3 Traceability

8.1.4.4 Product positioning

8.1.4.5 Fat debate - Perceptions (composition of Wagyu meat)

8.1.5 Government

8.1.5.1 Requires self-regulation and discipline

8.1.5.2 Breakdown in service delivery and support – Research, infrastructure, extension services, animal health

8.1.5.3 Unpredictable and unreliable government policies

8.1.5.4 Land reform

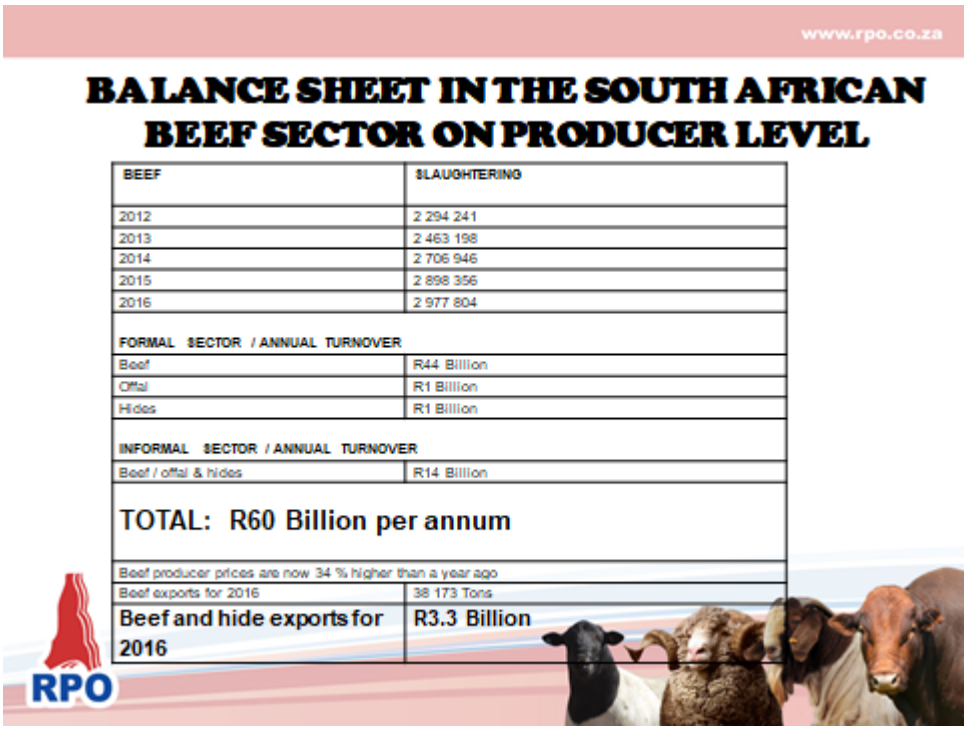
8.1.5.5 Border control / Imports

8.1.5.6 Cost of doing business in South Africa

The information below was provided at the WSA Strategic Planning Workshop to the board on 21 October 2017.

8.1.6 RSA Beef Industry

8.1.6.1 Refer The Red Meat Industry, RPO, Koos van der Ryst

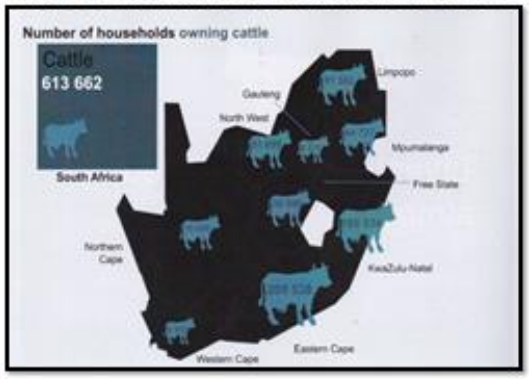


BASIS OF SOUTH AFRICAN PRODUCTION / ESTIMATED LIVESTOCK NUMBERS

OWNED BY	ALL	EMERGING	PERCENTAGE OWNED BY EMERGING SECTOR
Cattle	13.6 Million	5.7 Million	42 %
Sheep	24.6 Million	3.1 Million	13 %
Goats	5.9 Million	4.3 Million	73 %

NUMBER OF HOUSEHOLDS OWNING LIVESTOCK IN SOUTH AFRICA

THE SOUTH AFRICAN EMERGENT SECTOR

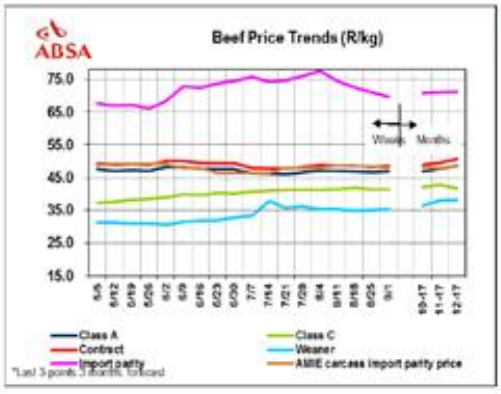


- **Households owning sheep 215 034**
- **Households owning goats 429 065**

- Income and Food Security

www.rpo.co.za

ARE WE COMPETITIVE ?



Export of red meat to 42 countries - we need to target the € uros, £ ounds and ¥ en

RPO

www.rpo.co.za

South African Meat Consumption 2026 – versus 2014 – 2016 base period

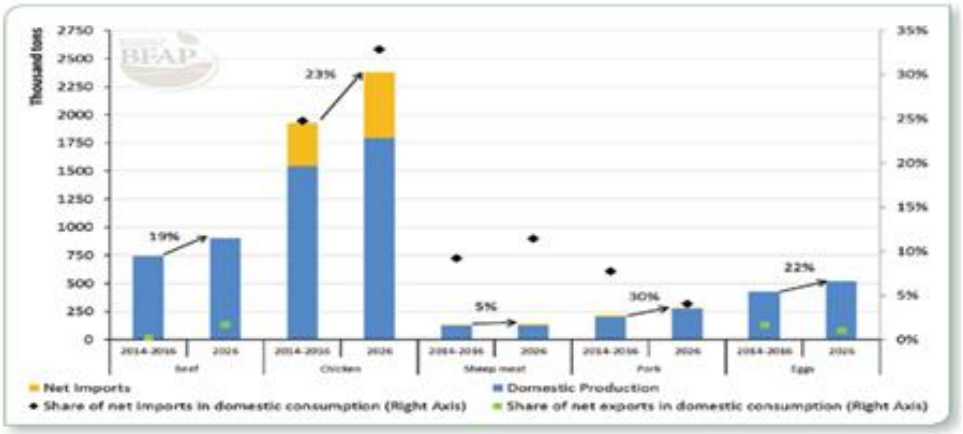


Figure 68: South African meat consumption – 2026 vs. 2014-2016 base period

Source: BFAP · Baseline

RPO

www.rpo.co.za

DEMAND FOR RED MEAT IN AFRICA

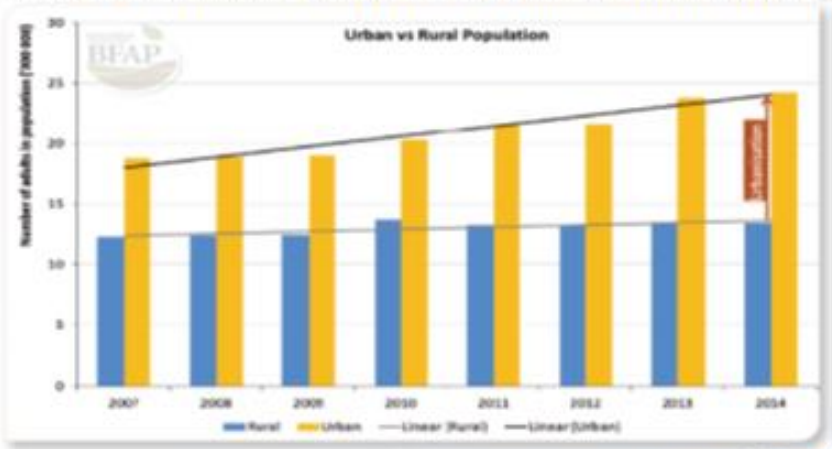
- At present ± 1.2 billion people; 15.5% of the world
- Fastest population growth in the world
- Estimation : more than double by 2050
- By 2050 – more than 25% of world population will live in Africa
- Food market in East and Southern Africa will more than triple by 2040

(The Modernizing African Food systems (MAFS) Consortium)

www.rpo.co.za

THE CONSUMER

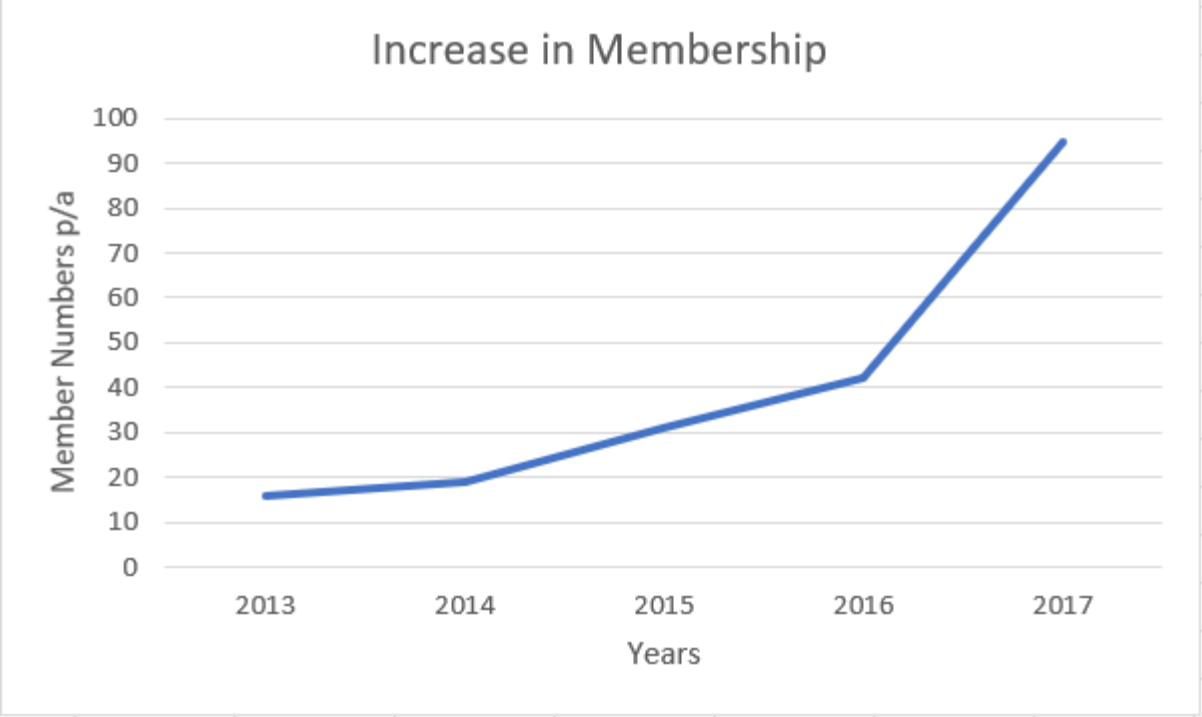
MARKET DEVELOPMENT, CONSUMERISM AND TRADE



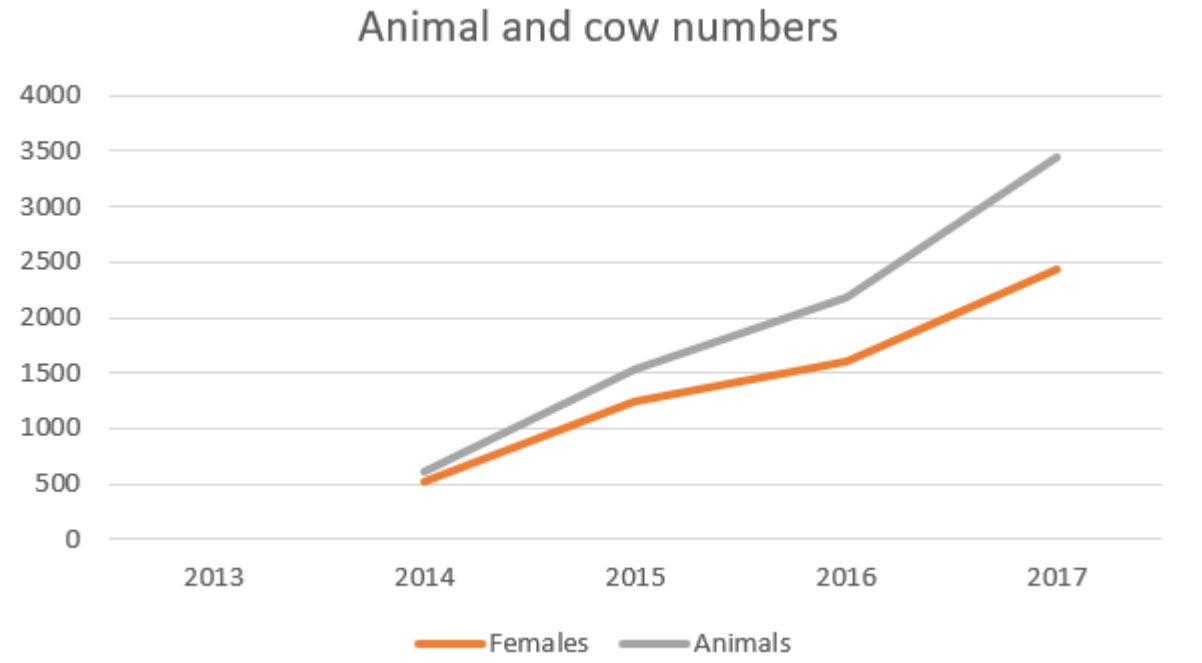
8.1.7 RSA Wagyu Industry

1.1.7 Wagyu Society of South Africa

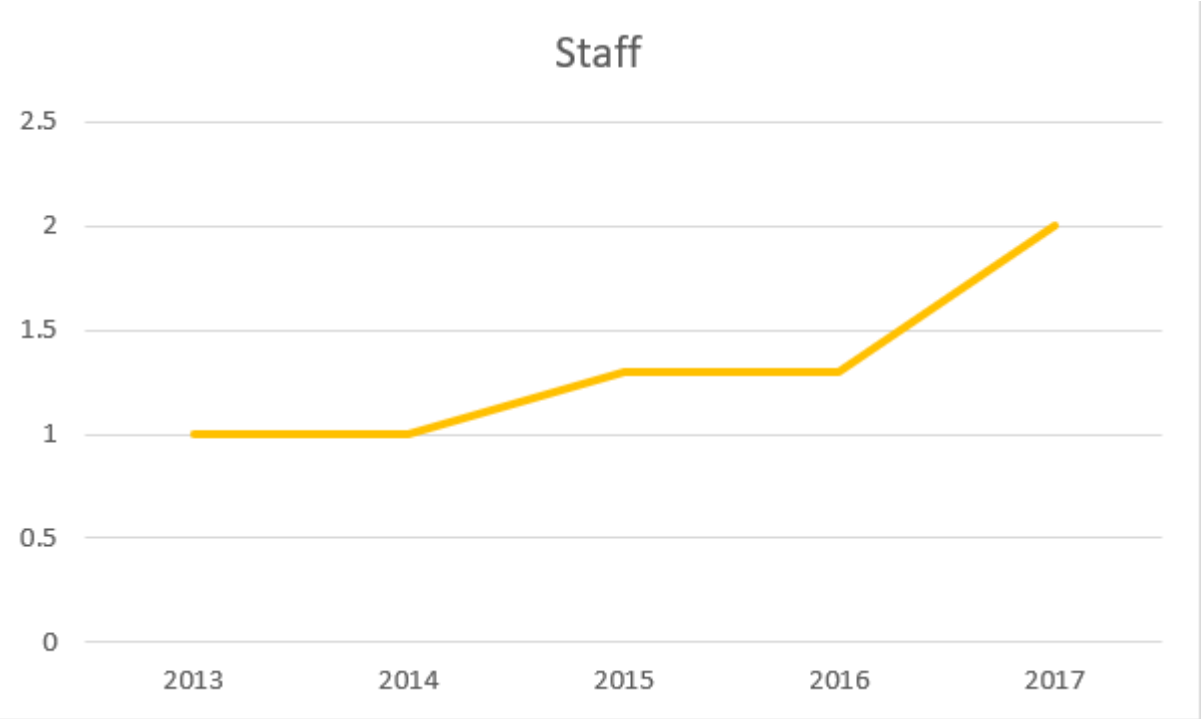
1.1.7.1 Membership growth



1.1.7.2 Registration growth (Cow inventory)



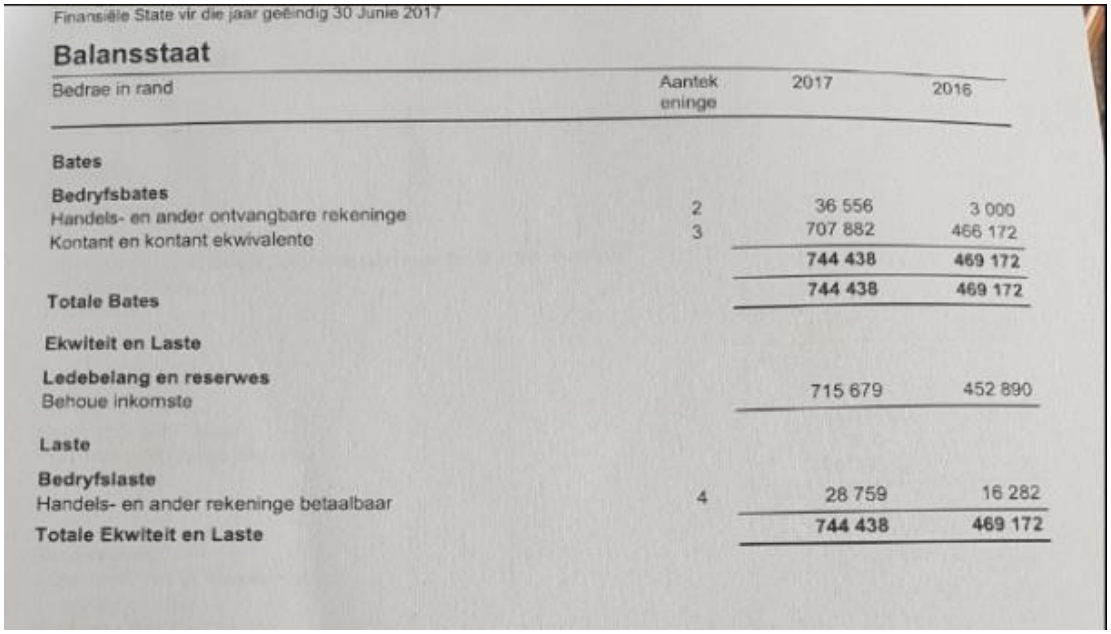
1.1.7.3 Human resources



1.1.7.4 Financial resources

Financial year end 30 June 2017

	2017	2016
Assets	R744 438	R 469 172
Liabilities	R28 749	R 16 282
Retained Income	R715 679	R 452 890



Finansiële State vir die jaar geëindig 30 Junie 2017

Balansstaat

Bedrae in rand	Aantekeninge	2017	2016
Bates			
Bedryfsbates			
Handels- en ander ontvangbare rekeninge	2	36 556	3 000
Kontant en kontant ekwivalente	3	707 882	466 172
		744 438	**469 172**
Totale Bates		**744 438**	**469 172**
Ekwiteit en Laste			
Ledebelang en reserwes			
Behoue inkomste		715 679	452 890
Laste			
Bedryfslaste			
Handels- en ander rekeninge betaalbaar	4	28 759	16 282
Totale Ekwiteit en Laste		**744 438**	**469 172**

9 Swot analysis

The SWOT Analysis identified at the WSA Strategic Planning Session on 28 March 2015 has been augmented with Australian Wagyu information.

9.1.1 Strengths

9.1.1.1 **Product** (2 121)

- **Eating quality:**
  - Wagyu genetics have been proven to deliver superior eating quality, with high Wagyu content delivering higher levels of eating quality – ref. Wagyu Branded Beef Competition results using MSA taste testing techniques.
  - MSA 2014 – 25% of Wagyu product in top 1% of MSA graded beef
  - 75% of Wagyu graded in top 5% of MSA graded beef
- **Health attributes:**
  - Wagyu genetics deliver increased levels of monounsaturated fats including Oleic Acid which are finer, have lower melting points and are healthier than saturated fats normally associated with animal fats.

9.1.1.2 **Unique product** – DNA testing(2 068) – Exceptional eating quality

- Meat Standards Australia (MSA) grading:
  - 25% of Wagyu MSA graded in top 1%
  - 75% of Wagyu MSA graded in top 5% of eating quality of Australia's beef production

9.1.2.1.3 **Profitable** (1 807)

- The Australian Wagyu cattle premium over Angus in the market is delivering a cross-bred F1 50 - 70% premium and a Fullblood 100% premium. In SA 20 – 25% premium over Angus feeders, other breed crosses no real premium
- Indicative Australian prices (ex GST) August 2017:
  - Wagyu Fullblood 100% feeder steers 300kg @ $8.00+/kg live weight = $2400 + (100+% premium over Angus – the benchmark at $3.50/kg)
  - Crossbred Wagyu F1 50% feeder steers 300kg @ $6.50+/kg live = $2000 + (50% - 100% premium over Angus)

9.1.1.4 **Unique market** (1 697)

9.1.1.5 **Animal attributes**

- **Commercial Producer**
  - Wagyu are more virile and fertile than Bos indicus and Bos taurus breeds.
  - Wagyu have high calving ease compared to other breeds - Calving ease because of size (1 252).
  - Wagyu have excellent temperament.
  - Good mothers when mature.
  - Cow longevity, with cows remaining productive up to 13+ years of age - Longevity (1 219).

    - Bull longevity, with bulls often used at 13+ years of age, resulting from their frame and athleticism preventing them from breaking down at earlier ages as other breeds readily do at 5 years of age.
    - Leaner than Angus (so more efficient, contributing more nutrients to protein and marbling than to subcutaneous fat)
    - No problems with eye cancer.
    - Ability to handle a range of climatic conditions.
- Wagyu bulls retain their energy, and vigour better than other non Bos indicus breeds.
- Wagyu are more virile and fertile than Bos indicus and Bos taurus breeds.
- Good walkers, with very few bad feet issues
- Polled Purebred bulls save dehorning
- **Feedlots:**
    - Wagyu perform well in feedlots (Fed between 350 – 650 DOF) with particular benefits being:
    - Cope well with stress & travelling
    - Excellent temperament for the feedlot environment
    - Resistance to Bovine Respiratory Disease
    - Handle heat stress better than many British breeds; and almost as well as Bos Indicus in a feedlot situation.
- **Processors:**
    - Wagyu carcasses are highly valuable
    - Have strong dressing percentage and high retail beef yield.
    - High marbling delivers premium carcass value:
    - 420 kg carcass – indicative prices at August 2017:

MS 3	$7.00/kg	$2,940
MS 4	$8.00/kg	$3,360
MS 5	$9.00/kg	$3,780
MS 6	$10.00/kg	$4,200
MS 7	$11.00/kg	$4,620
MS 8	$12.00/kg	$5,040
MS 9	$13.00/kg	$5,460
MS 9+	$15.00/kg	$6,300

9.1.1.6 Demand for breed (1 571)

9.1.1.7 Sustainability – breeding and meat value (1 497)

9.1.1.8 Tariff protection – separate classification to distinguish product (1 486)

9.1.1.9 Society – organisation within industry (1 485)

9.1.1.10 Strong knowledge basis (1 436)

9.1.1.11 South African farmer tenacity and perseverance (1 395)

9.1.1.12 Willingness to share expertise and knowledge – benefit cluster (1 335)

9.1.1.15 Diversity among members (1 163)

9.1.2 Weaknesses

- Little understanding of SA breed crosses over Wagyu to deliver F1, so little premium for those F1s (only Wagyu X Angus getting significant premium)
- Lack of an effective SA Wagyu genetic analysis
- Lack of a meat grading system (1 724)
- Size of genetic pool (1 651)
- Limited gene pool, so inbreeding remains a risk. Don't have an external gene pool to draw from. (Shagg et al – 17 effective breeding population in American Wagyu herd. Dr Sue Mack claims there are actually only 12.5 effective breeding animals in the base Wagyu gene pool). SA estimate 30 unique individuals – still critically low
- Limited herd sizes to assist with elite genetic development

9.1.2.1 Characterisation of the breed according to EBV – marbling breeding value (1 645)

- Low number of members willing to provide performance information into BREEDPLAN.
- In SA high confidence of Australian wagyu EBVs, none from WSA

9.1.2.2 Consistency of supply (1 569)

9.1.2.3 Small number of cattle (1 534)

9.1.2.4 No trade mark (1 506)

9.1.2.5 Product unknown (1 493)

9.1.2.6 Brand awareness (1 453)

9.1.2.7 Capacity – personnel shortage (1 412)

9.1.2.8 Performance testing inadequate (1 318)

9.1.2.9 Time on feed (1 238)

Very long and expensive product life cycle – 4 years conception to consumption. Long feeding regime. Unsure of input costs and end pricing.

9.1.2.10 No apparent commercial value (1 186)

9.1.2.11 Abattoir facilities – specific to needs (1 114)

9.1.2.12 Lack of knowledge about industry (1 107)

- Wagyu has disparate product and production information which is difficult for members to source.
- Lack of education in the technologies available.

9.1.2.13 Lack of historical data (1 031)

9.1.2.14 Small society (1 005)

- Low capital base
- Strategic opportunities are very large, but its capital base available to pursue those opportunities is very small.
- Limited earnings/revenue base with its current business model - considered a constraint to development.
- New and existing members don't see critical value for money in society services
- Limited cohesion between breeders and lack of willingness to share their IP.

Breed attributes:

- Bulls, because of promiscuity, will seek out females and get calves from a wider female base than intended.
- Scours more impacting than other breeds
- Lack of milk (1 211)
- Slow growth rate of animals (1 065)
- Feedlots are not actively seeking to buy F1s
- No real profit models for Wagyu available in the industry

9.1.3 Opportunities

- Partner with Australian Wagyu to conduct a joint Wagyu genetic analysis
- Beef Genomics Program to genotype large numbers of animals with phenotypes

R&D:

- Controlled Wagyu crossing with SA breeds to determine cost effectiveness of each type of F1 – target Bonsmara F1 first as most populous SA composite

9.1.3.1 **Develop quality assurance system** (2 071)

- Certification of the commercial Wagyu supply chain to protect the Wagyu content and brand identity.

9.1.3.2 **Develop and exploit unique niche market** (1 769)

9.1.3.3 **Marketing of the product** (1 697)

- Marketing:
  - Genetics – semen & embryos
  - Live breeding cattle
  - Boxed branded beef

9.1.3.4 **Increase public awareness of product** (1 695)

- Establish a transparent pricing matrix across FB and XB genetics, feeding
- National media coverage of Wagyu stories/issues:

9.1.3.5 **Determine our own future** (1 661)

9.1.3.6 Room for expansion – grow the breed (1 646)

9.1.3.7 Leaders in quality meat production (1 639)

9.1.3.8 Develop specific evaluatory processes (1 616)

9.1.3.9 Become involved in entire value chain – product development (1 587)

9.1.3.10 Exploit international brand (1 553)

9.1.3.11 Develop systems according to unique requirements (1 451)

9.1.3.12 Develop opportunity to co-operate (1 436)

9.1.3.13 Capitalise on existing international knowledge and perception (1 290)

9.1.3.14 Dried meat - Biltong and dry wors (1 129)

- Develop a structured information service for Wagyu breeding, feeding, processing, marketing and sales – use previous conference presentations.
- Better educate members on how to improve breeding of Wagyu
- Redefine society business model to generate increased revenue to deliver enhanced member services
- Communicate more effectively to members to maintain society relevance and perception of value.
- Position Wagyu with other breeds as being inclusive and no threat to them
- Eating Quality EBV:
- The Oleic Acid SNP test could also be correlated to actual MSA MQ4 eating quality testing with the opportunity to then develop an Eating Quality EBV for Wagyu.
- Increase use of MateSel for optimal mating of Wagyu males and females to:
- Maximise performance, while
- Managing inbreeding

Increase use of GeneProb to manage recessive genetic conditions

Improve national herd eating quality and increase beef industry returns to remain internationally competitive:

- The use of a 50% minimum level of Wagyu genetics used across the national herd would substantially increase the eating quality of beef production.
- Move from “breed society” mentality to a commercial “Wagyu Beef” company market image and position

9.1.4 Threats

9.1.4.1 Bush bulls – unregistered part Wagyu bulls

9.1.4.2 SA scientist claim high marbling is not good for a developing country, as feeding for 350 – 400 days inefficient.

9.1.4.3 Dilution of brand – not perceived as exclusive anymore (1 838)

9.1.4.4 Not capitalising on the opportunity (1 779)

9.1.4.5 Small gene pool (1 643)

9.1.4.6 Lack of unity among industry role players (1 553)

9.1.4.7 Loss of disease status (1 412)

9.1.4.8 Health perceptions (1 275)

9.1.4.9 Loss of tariff protection (1 070)

9.1.4.10 Use of "Wagyu" name (957)

- Lack of truth in labelling, so losing the true Wagyu identity at consumer level.

9.1.4.11 Changes to meat classification system (891)

- Society losing its relevance, therefore losing funds and members.
- International competitors:
- A range of countries are growing a Wagyu production presence.
- China is seen to be a potential genetics competitor with its potential to feedlot animals, select a follicle (DNA sample) from the best and cloning them.
- China illicitly purchasing Wagyu semen and live animals from Japan
- Natural disaster and/or disease potential – there is a small Wagyu population and number of herds and concentrated feeder facilities for Wagyu eg Japan FMD outbreak – killed 350,000 Wagyu and 50 of the 55 reference sires in the Myazaki Prefecture
- Angus catching up with Wagyu in its marbling capability and so offering a much more complete beef production breed in all aspects of commercial beef production, including calving ease, maternal, growth and carcase, while delivering equivalent marbling capabilities. (but Angus does not have the soft fat, so can't produce the lower melting point product with elite eating quality and mouth feel)
- Others in the market "taking off" the WSA trademarked logos
- SA commercial industry buying from Australia due to Wagyu BREEDPLAN genetic analysis.