

Status Report on Statutory
Measures Implemented
in Terms of the Marketing of
Agricultural Products Act,
Act No 47 of 1996
2008 Survey

A Report by
the National Agricultural Marketing Council
to the Minister of Agriculture, Forestry and Fisheries

July 2009



National Agricultural
Marketing Council

Strategic positioning of South African Agriculture
in dynamic global markets

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ABBREVIATIONS

AgriBEE	Black Economic Empowerment in the agricultural sector
ARC	Agricultural Research Council
BEE	Black Economic Empowerment
BBBEE	Broad-Based Black Economic Empowerment
CGA	Citrus Growers Association
CRI	Citrus Research International
DAFF	Department of Agriculture, Fisheries and Forestry (Australia)
DFI	Deciduous Fruit Industry
DFIDT	Deciduous Fruit Industry Development Trust
DFDC	Deciduous Fruit Development Chamber
DFPT	Deciduous Fruit Producers' Trust
DFTS	Dried Fruit Technical Services
DoA	Department of Agriculture
EU	European Union
FPEF	Fresh Produce Exporters' Forum
GIS	Geographical Information Systems
MAP Act	Marketing of Agricultural Products Act, 1996
MLA	Meat and Livestock Australia
MPO	Milk Producers' Organisation
NAFU	National Agricultural Farmers Union
NAMC	National Agricultural Marketing Council
NERPO	National Emergent Red Meat Producers' Organisation
NLO	National Lucerne Organisation

NPI	National Productivity Institute
PDI	Previously Disadvantaged Individual
PPECB	Perishable Products Export Control Board
RMIF	Red Meat Industry Forum
SAAPPA	South African Apple and Pear Producers' Association
SAFDA	South African Fruit Distributors Association
SAGIS	South African Grain Information Service
SAMIC	South African Meat Industry Company
SAPPO	South African Pork Producers Organisation
SASPA	South African Stone Fruit Producers' Association
SATI	South African Table Grape Industry
SAWIS	South African Wine Industry Information and Systems
SMME	Small, Medium and Micro-sized Enterprises
UK	United Kingdom
US	United States
WCT	Winter Cereal Trust
WIDA	Wine Industry Development Association
Winetech	Wine Industry Network of Expertise and Technology
WOSA	Wines of South Africa

1. SUMMARY

The Marketing of Agricultural Products Act, No 47 of 1996 (MAP Act), as amended, provides for the establishment of statutory measures, namely statutory levies, control of exports of agricultural products, records & returns, and registration. Once a statutory measure is approved by the Minister for Agriculture, Forestry and Fisheries (henceforth referred to as the Minister), it becomes enforceable and legal action may be taken against those who fail to adhere to the statutory measure that was approved and promulgated.

A statutory levy may be regarded as a “dedicated tax” per unit of an agricultural commodity at any point in the marketing chain between the producer and the consumer, which is collected for a specific purpose such as funding for research, information or transformation. Registration is a statutory measure implemented in some agricultural sectors for the purpose of building a database of industry role players such as producers and processors, and records & returns are implemented for the collection and dissemination of generic market information.

The National Agriculture Marketing Council (NAMC) conducts an annual review of all statutory levies implemented in terms of the MAP Act. The first report on the review of statutory levies was submitted to the Minister in November 2001. Previously, only statutory levies were reviewed. This review, however, also reports, for the first time, on other statutory measures, namely registration, and records & returns.

For the 2008 survey, the eleven industries that collected statutory levies (citrus, cotton, dairy, deciduous fruit, dried fruit, potato, red meat, table grapes, sorghum, wine and winter cereal) were reviewed. The same industries, plus the milk, maize, oilseeds, mohair, wool and lucerne industries, administer statutory measures relating to registration, and records & returns.

The purpose of this report is to give the Minister a summary of all statutory measures promulgated, to provide information on the amount collected through statutory levies (R227.4 million), to analyse the amount spent (R222.2 million) and the areas of application. These amounts may be verified by referring to the audited financial statements of the

relevant levy administrators. The report also indicates the assistance given by the relevant industries to promoting transformation and the share of emerging farmers' production of the agricultural products concerned.

The review shows that approximately R222.2 million was spent on industry functions, of which 32% was spent on research, 23% on transformation projects, 17% on information and 12% on export promotion (see Annexure A for more detail).

The NAMC's findings on the current status of statutory measures promulgated in terms of the MAP Act, as reviewed for the latest audited financial year period for each administrator, are hereby presented to the Minister.

2. BACKGROUND

2.1 ORIGIN OF STATUTORY MEASURES

Statutory measures in South Africa originated in the late 1930s with the promulgation of the 1937 Marketing Act. The agricultural marketing system, introduced under the 1968 Marketing Act No 59), was a system of control for the movement, pricing, quality standards, selling and supply of a large volume of farm production, with a view to, among others, securing price stability and narrowing the gap between producer and consumer prices in South Africa. In terms of this Act, farmer-dominated boards were established with 'marketing schemes' which permitted control measures and statutory interventions in agricultural marketing (with the approval of the Minister). These measures included registration, records & returns, levies, pool schemes, single channel marketing, surplus removal schemes and others. Levies were used to build control board assets, to establish stabilisation funds and to fund information, grading, research, quality control and other functions performed by the control boards at that time.

In the early nineties and subsequently, a number of studies were completed which eventually led to the closure of the former agricultural control boards. These studies include the Kassier Report of December 1992, a June 1992 report of the Board of Tariffs and Trade on the agricultural board system, the Agricultural Marketing Products Evaluation Committee (AMPEC) reports of January and April 1994, the Wium Report of March 1996, the Jacobsberg Report, and the Monograph of Brendan Bailey in March 2000.

Deregulation in the South African agricultural industry started when the 1968 Marketing Act was repealed and replaced by the Marketing of Agricultural Products Act No 47 of 1996 (MAP Act), with effect from 1 January 1997. Agricultural marketing schemes established in terms of the 1968 Marketing Act, and measures introduced in terms of that Act, were

abolished from 1997 onwards¹. The NAMC's early work centred on advising the Minister of Agriculture on the closure of control boards, the transfer of their assets to trusts and ensuring that certain functions necessary for the smooth functioning of deregulated markets were provided for. By 1999, control board assets with a total value of approximately R630 million had been transferred to eleven commodity-specific trusts, with aims that allow them to fund activities to improve market access and to fund research and information functions.

Since 1996, industries have felt the need for certain essential functions such as information, research and grading, previously performed by the former control boards, to be continued. Apart from the formation of industry trusts, forums on which all directly affected groups in the value chain are represented were established for each industry. Section 21 companies were also established, such as Cotton SA, the South African Grain Information Services (SAGIS) and the South African Meat Industry Company (SAMIC), to perform specific industry functions that had been carried out by the former control boards.

In some cases trust funds are adequate to finance the basic industry needs, for example the Maize Trust and the Oil and Protein Seeds Development Trust. In many other industries, statutory levies were the only source of building up sufficient funds to continue essential functions. Another option is voluntary levies (used by Grain SA and the National Lucerne Organisation). Voluntary levies may, however, expose industries to uncertainty. Structures within the relevant industries, such as Section 21 companies, have been established to manage these necessary functions, the continuation of which could be put at risk if payments were withheld for whatever reason. These functions are dependent on a continuous flow of funds.

1 The Maize Board is the only board still in existence. The Maize Board terminated its functions on 30 April 1997. Since then, it has been involved only in administrative matters and legal issues regarding the collection of outstanding levies in terms of the 1968 Marketing Act. The Maize Marketing Scheme has been extended on a number of occasions, the most recent extension being until July 2009. Although the legal processes are subject to the availability of court dates, good progress has been made in pursuing the outstanding legal matters and the recovery of outstanding levies.

Statutory measures are usually considered and recommended at forum meetings where all directly affected groups are represented, and administered by Section 21 companies or, in some cases, by the trusts, as is discussed later in this report.

2.2 CURRENT LEGAL FRAMEWORK

The MAP Act provides that any directly affected group (any group of persons, which is party to the production, sale, purchase, processing or consumption of an agricultural product and includes labour employed in the production or processing of such a product) may apply for statutory measures, provided that the procedures, as explained in section 2.3 of this report, which are also prescribed in the Act, are followed.

The MAP Act further stipulates that the Minister shall only consider a request for the establishment of a statutory measure if the request is not inconsistent with section 2 of the Act. The main objects of this Act, (as set out in section 2) are the following:

- (a) To increase market access for all market participants
- (b) To promote the efficiency of the marketing of agricultural products
- (c) To optimise export earnings from agricultural products
- (d) To enhance the viability of the agricultural sector

No statutory measure or prohibition in terms of section 22 (prohibition of import and export of agricultural products) which is likely to be substantially detrimental to food security, the number of employment opportunities within the economy or fair labour practices, may be instituted in terms of the Act.

The MAP Act makes provision for statutory measures, namely statutory levies, control of exports of agricultural products, records & returns, and registration. Once a statutory measure is approved by the Minister for Agriculture and promulgated in the Government Gazette, it becomes enforceable and legal action may be taken against those who fail to adhere to the requirements of the statutory measures.

The following products have been declared (published in the Government Gazette of 4 September 1997 and amended in the Government Gazettes of 23 April 1999 and 2 December 2005) agricultural products for the purposes of the MAP Act:

- Animal and plant propagation material
- Aquacultural products
- Birds and poultry
- Bulbs
- Tubers
- Roots and ornamental plants
- Coffee
- Eggs
- Flowers
- Fruit and nuts
- Deciduous fruit (being apples, pears, apricots, peaches, nectarines, plums and table grapes) including dried fruit
- Cattle, goats, sheep, pigs and game
- Grains, including wheat, barley, oats, durum wheat, rye, maize and sorghum
- Grasses and hay
- Herbs and spices
- Juice of grapes and products derived therefrom
- Natural fibres
- Legumes
- Milk and dairy products
- Meat
- Oilseeds including canola
- Sugar cane
- Tobacco

- Tea
- Vegetables
- Olives and olive oil
- Potatoes including table potatoes, seed potatoes, processed potatoes or any other potatoes

2.3 APPLICATION FOR STATUTORY MEASURES

The particulars required in terms of section 10 (2) of the Act to be included in a request for the establishment of a statutory measure are as follows:

- Agricultural product to which the statutory measure relates
- Categories of directly affected groups that will be affected
- Geographical areas in which statutory measure applies
- Manner in which the objectives of the Act will be furthered
- Business plan to be implemented
- Duration of the statutory measure
- Suitable vehicle for implementation
- Inspection and enforcement
- Financial implications for the fiscus

Section 15(4)(a) of the MAP Act stipulates that a statutory levy may not exceed 5% of the price realised for a specific agricultural product at the first point of sale. The maximum of 5% must be based on a guideline price, calculated as the average price at the first point of sale over a period not exceeding three years.

Apart from the above, the following additional considerations may influence the Minister's decision:

- Is the statutory levy going to finance a public good?

The definition of a public good is a good or service that is non-rivalrous and non-excludible. Furthermore, the marginal external benefit of the good should be greater than the marginal external cost. The NAMC thus considers the possible resulting income and aggregate benefit to industry and society before making a recommendation to the Minister.

- Is there sufficient support within the industry?

For the collection of a statutory levy to be feasible it normally has to have a reasonable degree of support within the industry. The NAMC also advises the Minister as to the degree of support for a levy in the industry. (There may be exceptional cases, for example in an emergency situation, where support for a levy would not be given the customary weight in the NAMC's recommendation to the Minister.)

The NAMC expects the following from agricultural industries that use statutory levies:

- Fairness to all directly affected groups
- Responsiveness to industry challenges
- Focus on long-term strategic planning
- Good financial management
- Education services for board members/trustees on their roles and responsibilities
- Clear communication strategy to directly affected groups
- Succession planning (empowerment)

In 2001 the MAP Act was amended to stipulate that the Auditor-General should audit all statutory levies on an annual basis. According to the MAP Act, "all levies shall in a manner and to the extent satisfactory to the Auditor-General be accounted for separately from any other funds or assets". This does not necessarily involve separate financial bookkeeping, but it is important to identify which are levy funds and which are private funds.

In general, the approval of statutory levies is subject to the following conditions:

- That 70% of levy income be spent on activities such as research, information and other functions, a maximum of 10% on administration and approximately 20% on transformation (development of emerging farmers in line with the AgriBEE balanced scorecard)
- That the levy administrator submit its annual audited financial statements to the NAMC and the Auditor-General, with the percentage allocated towards transformation clearly indicated and accompanied by a report stating how the objectives of the levy have been met
- That surplus funds should not form part of the assets of the administering body and shall be utilised at the discretion of the Minister after the lapsing of the levy period (for example after four years)
- That levies must be accounted for, in a manner and to the extent acceptable to the Auditor-General, separately from any other funds or assets under the control of the levy administrator

Although statutory measures are normally implemented for a maximum of four years, industries may apply for the continuation of a statutory measure for a further term of, for example, four years. The same procedures will be followed as those prescribed in the MAP Act for a new application for a statutory measure. This means that a statutory measure may be applicable for an indefinite period of time.

The MAP Act stipulates that the Minister must decide how any surplus funds are to be dealt with, after the period of a statutory levy has lapsed (e.g. after a four-year period). In October 2003 the Minister approved a request from the Winter Cereal Trust (WCT) that remaining funds (after the levy period of four years had lapsed) be used for the same purposes for which they were originally collected, namely research in the winter cereal industry and the transfer of technology to emerging farmers. Since then the Minister has, in the majority of cases, approved that surplus statutory funds be used for the same purposes for which they were originally collected in order to avoid the imposition of a higher levy in a subsequent levy period.

2.4 CURRENT STATUTORY MEASURES IN PLACE

The following table summarises the current statutory measures that are in place and reported on.

Table 1: Statutory measures summarised

	Statutory levies (VAT excluded)	Registration, and records & returns
Citrus	R0.0213/kg for export citrus fruit	All exporters and all producers shall register with the Citrus Growers Association (CGA) and all exporters and all producers shall keep such records and render the returns as may be required by the CGA relating to export citrus fruit produced, received, sold, exported or otherwise utilised. The Perishable Products Export Control Board (PPECB) shall render a copy of all export certificates or the information required by the CGA.
Cotton	17c/kg cotton lint produced, payable by ginners to Cotton SA	<ul style="list-style-type: none"> a) All persons who produce seed cotton b) All persons who are parties to the purchase of seed cotton from producers c) Those persons who process seed cotton d) Those persons who are parties to the purchase of cotton lint from producers or ginners e) Those persons who import or export cotton shall register with Cotton SA and keep records and render returns to Cotton SA.
Dairy	<ul style="list-style-type: none"> • 1c/kg milk and cream, not concentrated nor containing added sugar or other sweetening matter • 9.6c/kg milk and cream concentrated or containing added sugar or other sweetening matter • 3.6c/kg on buttermilk, curded milk and cream, yoghurt, kephir and other fermented or acidified milk and cream, whether or not concentrated or containing added sugar or other sweetening matter or flavoured or containing added fruits, nuts or cocoa 	<p>Dairy:</p> <p>All persons, except retailers, who buy milk from producers with the purpose of selling it as milk or processed milk products, and importers of milk and certain dairy products, and milk producers should register with Milk SA and submit monthly records on the quantity of milk produced and the quantity of milk bought.</p>

	Statutory levies (VAT excluded)	Registration, and records & returns
	<ul style="list-style-type: none"> 2.9c/kg on whey, whether or not concentrated or containing added sugar or other sweetening matter 	
	<ul style="list-style-type: none"> Products consisting of natural milk constituents, whether or not containing added sugar or other sweetening matter, not elsewhere specified or included: 10.3c/kg on butter and other fats and oils derived from milk, dairy spreads 14.4 c/kg on cheese and curd 	<p>Milk:</p> <p>All milk producers shall register with the Milk Producers' Organisation (MPO).</p> <p>Milk producers shall keep records and furnish returns with regard to milk in their possession or under their control to the MPO.</p>
Deciduous fruit - (Pome and Stone fruit)	<ul style="list-style-type: none"> 3c/kg on all pears on export (all classes) and domestic volumes on municipal markets and retail level (all classes) 6.5c/kg on all peaches and nectarines on export (all classes) and domestic volumes on municipal markets and retail level (all classes) 8.5c/kg on all apricots on export (all classes) and domestic volumes (all classes) 3 c/kg on all apples on export (all classes) and/or domestic volumes on municipal markets and retail level (all classes) 0.6 c/kg on all apples destined for the manufacturing of apple juice concentrate by concentrate processing plants <p>PLUMS:</p> <ul style="list-style-type: none"> a) 8.5c/kg on all exported volumes (all classes) b) 5c/kg on domestic volumes (all classes) on municipal markets and retail level 	<p>All producers, exporters and traders of table grapes, stone fruit and pome fruit for fresh domestic consumption and/or exports, must register with the Deciduous Fruit Producers' Trust (DFPT).</p> <p>All producers, exporters, traders and processors of table grapes, apples, pears, plums, peaches, nectarines and apricots shall keep such records and render the returns as may be required by the DFPT relating to:</p> <ul style="list-style-type: none"> (a) Vines and trees surveys (b) The volume of grapes, apples, pears, plums, peaches, nectarines and apricots destined for domestic fresh consumption and/or export (c) The volume of apples destined for processing of juice concentrate
Table grapes	5c/kg on all exported volumes table grapes (all classes)	<p>All producers and exporters of table grapes shall register with the South African Table Grape Industry (SATI) and keep such records and render the returns as may be required by SATI relating to</p> <ul style="list-style-type: none"> (a) Vine surveys (b) The volume of grapes destined for export

	Statutory levies (VAT excluded)	Registration, and records & returns
Dried fruit	<ul style="list-style-type: none"> • 4c/kg for dried vine fruit • 8c/kg for dried apricots, apples and peaches • 7c/kg for nectarines, pears, prunes and other dried fruits 	<p>All importers, packers, exporters and processors of dried fruit shall register with Dried Fruit Technical Services (DFTS). These shall also include any person, e.g. a producer, who acts in the capacity of the aforementioned persons.</p> <p>Each importer, packer, exporter and processor of dried fruit shall keep complete records for each calendar month in respect of dried fruit handled, imported or exported by him. These shall also include any person, e.g. a producer, who acts in the capacity of the aforementioned persons.</p>
Potatoes	<ul style="list-style-type: none"> • 1.30 c/kg for all classes of potatoes marketed in potato sacks manufactured from kraft paper • 1.30 c/kg for all classes of potatoes not marketed in potato sacks and intended for sale on the domestic market as table potatoes • 0.6 c/kg for processing • 0.44 c/kg as certified seed potatoes • 1.30 c/kg for all classes of potatoes not marketed in potato sacks and intended for export • 0,92c/kg for all classes imported 	<p>Potato producers, traders, processors, exporters, importers, certification bodies, export inspection bodies, kraft paper importers, kraft paper manufacturers, potato sack manufacturers, potato sack importers and fresh produce market owners and, if appointed, their agents must keep records and submit returns to the administrators of the Potato Industry Development Trust.</p>
Red meat	<p>Cattle:</p> <ul style="list-style-type: none"> • R3.00 per head – deducted and retained from the selling price of each designated animal by the buyer of such animal • R5.00 per head – payable by the owner at slaughter, to the abattoir • R300 per year or part thereof payable by each meat trader in respect of each outlet • R0.03/kg of imported red meat and red meat products • R5.00 per head of cattle exported live • 0.07% of commission on the sale of designated animals • R0.01/kg of hides produced locally 	<p>All agents, processors, traders, owners, importers, exporters and abattoirs must register with the levy administrator.</p> <p>All agents, processors, traders, owners, importers, exporters, shall keep such records and render the returns as may be required by the levy administrator for designated animals, red meat products, meat products, hides and skins.</p>

	Statutory levies (VAT excluded)	Registration, and records & returns
	<p>Sheep and goats:</p> <ul style="list-style-type: none"> • R0.50 per head – deducted and retained from the selling price of each designated animal by the buyer of such animal • R0.75 per head – payable by the owner at slaughter to the abattoir • R300 per year or part thereof – payable by each meat trader in respect of each outlet • R0.03/kg of imported red meat – payable by the importer of the red meat and red meat products • R0.75 per head of sheep/goat exported live • 0,07% of the commission on the sale of designated animals collected by that agent in respect of the sale of designated animals • R0.01/kg of skins – payable by the processor of the skin produced locally <p>Processed meat:</p> <ul style="list-style-type: none"> • R0.01/kg of red meat, red meat products and pork purchased by meat processors for processing or further processing <p>Pork:</p> <ul style="list-style-type: none"> • R6.00 per head of pigs slaughtered at abattoirs and pigs exported live 	<p>Abattoirs slaughtering pigs for commercial use other than for own consumption and exporters of live pigs shall keep records and render returns as may be required by the levy administrator.</p>
Sorghum	<p>R7.70/t sorghum on all first buyers and producers of sorghum and the accountability for the payment thereof shall be shared between them on a fifty-fifty basis, and payable to the Sorghum Trust</p>	<p>All end-consumers, importers, storers, exporters and processors of grain and oilseeds shall register as such with the South African Grain Information Service (SAGIS).</p> <p>Each end-consumer, importer, storer, exporter and processor of grain and oilseeds shall keep complete records for each calendar month in respect of grain and oilseeds handled, imported or exported by him. These shall also include any person, e.g. a producer, who acts in the capacity of the aforementioned persons.</p>

	Statutory levies (VAT excluded)	Registration, and records & returns								
Wine and grapes	<p>Research and development levy:</p> <ul style="list-style-type: none"> • Grapes: R12.46/t; • Grape juice concentrate: 1.78 c/litre at 17.4 degrees Balling • Drinking wine 1.78 c/litre • Distilling wine and wine spirit: 1.54 c/litre at 10% alcohol by volume <p>Wine export generic promotion levy:</p> <ul style="list-style-type: none"> • Export wine in bulk: 6.39 c/litre • Otherwise 8.77 c litre • Information levy: • Grapes: R8.75/t • Grape juice concentrate: 1.25 c/litre at 17.4 degrees Balling • Drinking wine: 1.25 c/litre <p>Empowerment and transformation levy:</p> <ul style="list-style-type: none"> • Grapes: R2.12 p/t • Grape juice concentrate: 0.30 c/litre at 17.4 degrees Balling • Drinking wine: 0.30 c/litre. 	<p>All bottlers, grape producers, wine exporters, wine producers and wine traders must register with South African Wine Industry Information and Systems (SAWIS) and keep records and render returns on vines, grapes, grape juice, and wine produced, received, stored, sold, exported or otherwise utilised.</p>								
Winter cereals	<table border="0"> <tr> <td>Wheat</td> <td>R9.00/t</td> </tr> <tr> <td>Barley</td> <td>R8.50/t</td> </tr> <tr> <td>Oats</td> <td>R4.50/t</td> </tr> <tr> <td>Durum wheat</td> <td>R4.75/t</td> </tr> </table>	Wheat	R9.00/t	Barley	R8.50/t	Oats	R4.50/t	Durum wheat	R4.75/t	<p>All end-consumers, importers, storers, exporters and processors of grain and oilseeds shall register as such with SAGIS.</p> <p>Each end-consumer, importer, storer, exporter and processor of grain and oilseeds shall keep complete records for each calendar month in respect of grain and oilseeds handled, imported or exported by him. These shall also include any person, e.g. a producer, who acts in the capacity of the aforementioned persons. Each end-consumer, importer, storer, exporter and processor of maize and/or wheat shall keep complete records for each week (Saturday to Friday) in respect of maize and/or wheat imported or exported by him. These shall also include any person, e.g. a producer, trader, transporter, agent, etc., who acts in the capacity or on behalf of the aforementioned persons.</p>
Wheat	R9.00/t									
Barley	R8.50/t									
Oats	R4.50/t									
Durum wheat	R4.75/t									

	Statutory levies (VAT excluded)	Registration, and records & returns
Lucerne	No statutory levy	All lucerne seed and hay dealers must register with the National Lucerne Organisation (NLO) and keep complete records on seed and hay locally received, imported, exported, sold and balances on hand at end of each month, and furnish returns to the NLO.
Mohair	No statutory levy	All producers, brokers, traders or mohair buyers, processors, importers and exporters should register with Mohair SA.
Wool	No statutory levy	Each broker, trader, processor, importer and exporter of wool must register and furnish records & returns to Cape Wools SA.

Section 9(1)(f) of the MAP Act stipulates that the NAMC shall monitor the application of statutory measures and report thereon to the Minister. The NAMC must evaluate and review statutory measures at least every two years, but has decided to do so annually. The NAMC has developed a questionnaire relating to statutory levies and this is sent to levy administrators by September/October each year. The questionnaires have to be completed and returned to the NAMC by February of the following year, and they are then processed in order to compile this report. Levy administrators are requested to attach audited financial statements to the completed questionnaire so that the NAMC can verify some of the figures mentioned in the completed questionnaire.

3. STATUS OF STATUTORY LEVIES

3.1 Levy period and year under review

Table 2 gives details of the period for which the current levies were approved, and the different financial periods reviewed in this report.

Table 2: Statutory levies reviewed

Product	Administering body	Financial statements under review	Levy introduced	Levy lapses	Duration
Citrus	CGA	Apr 07 – Mar 08	25 Aug 2004	25 Aug 2008	4 years
Cotton	Cotton SA	Apr 07 – Mar 08	1 Apr 2004	31 Mar 2008	4 years
Dairy	Milk SA	Jan 08 – Dec 08	23 Dec 2005	23 Dec 2009	4 years
Deciduous fruit	DFPT	Oct 07 – Sep 08	19 Oct 2007	18 Oct 2011	4 years
Dried fruit	Dried Fruit Technical Services	Jan 08 – Dec 08	18 Apr 2005	31 Mar 2009	4 years
Potatoes	Potatoes SA	Jul 07 – Jun 08	1 Jul 2007	30 Jun 2011	4 years
Red meat	Red Meat Levy Admin	Mar 07 – Feb 08	5 Nov 2007	4 Nov 2010	3 years
Sorghum	Sorghum Trust	Mar 07 – Feb 08	1 Mar 2006	28 Feb 2010	4 years
Table grapes	South African Table Grape Industry (SATI)	Oct 07 – Sep 08	12 Nov 2004	30 Sep 2008	4 years
Wine and grapes	SAWIS*	Jul 06 – Dec 07*	1 Nov 2005	31 Oct 2009	4 years
	Winetech	Jan 07 – Dec 07	1 Nov 2005	31 Oct 2009	4 years
	Wines of South Africa (WOSA*)	Mar 07 – Dec 07*	1 Nov 2005	31 Oct 2009	4 years
	Wine Industry Development Association (WIDA)	Jan 07 – Dec 07			
Winter cereals	Winter Cereal Trust (WCT)	Nov 07 – Oct 08	1 Oct 2006	30 Sep 2010	4 years

* The financial years of SAWIS and WOSA have changed and will in future run from 1 January to 31 December. This report therefore includes information for 18 months for SAWIS and 10 months for WOSA.

As can be seen from the above, most of the administrators of levies are Section 21 companies, while in the case of deciduous fruit, sorghum and winter cereals, the relevant trusts are responsible for the administration.

The Minister has approved that the table grape statutory levy be administered by SATI from January 2008. Previously, the table grape levy was administered by DFPT.

The financial years differ for each industry, depending on the marketing season of the agricultural product. The levies reported on were implemented for terms of four years; the levies on red meat were, however, implemented for three years.

In the case of citrus, cotton, dried fruit and table grapes, new levy applications for a further term of four years have already been approved by the Minister, and these will be reported on in the next review of statutory measures.

3.2 Total amount of levies collected

Table 3 shows the value of products at the first point of sale, levy income, levy income as a percentage of the value of the product, and the levy collection rate for the different commodities.

Table 3: Total amount of statutory levies collected

Product	Total value of product at first point of sale R	Levy income R	Levy income as a % of the value of the product %	Levy collection rate %
Citrus (exported)	2 770 350 000	27 451 509	0.99	97.3
Cotton lint	108 000 000	1 901 840	1.76	100.0
Dairy products	7 438 000 000	27 915 992	0.37	121.6
Deciduous fruit				
– Pome	948 800 000	22 247 879	2.34	97.0
– Stone	307 010 000	8 435 703	2.75	96.0
Dried fruit	360 000 000	2 035 888	0.56	97.0
Potatoes	4 414 000 000	23 043 688	0.52	98.6
Red meat	14 311 149 800	27 082 303	0.19	100.0
Sorghum	315 945 000	1 617 756	0.51	84.5
Table grapes	3 038 111 778	11 554 840	0.0	98.0
Wine	2 907 100 000	48 921 443	1.68	100.0

3.2.1 Total value of product at first point of sale

According to the current 2008 review, the total value at first point of sale of all products which were subject to a statutory levy was approximately R42 billion, compared to R40.9 billion reported in the 2007 survey – an increase of 3%.

3.2.2 Levy income

The total levies collected for the year under review amounted to R229.4 million, which is 11.2% more than the R204.5 reported as total levy income in the previous review. Levy income for the past three years is illustrated in Figure 1.

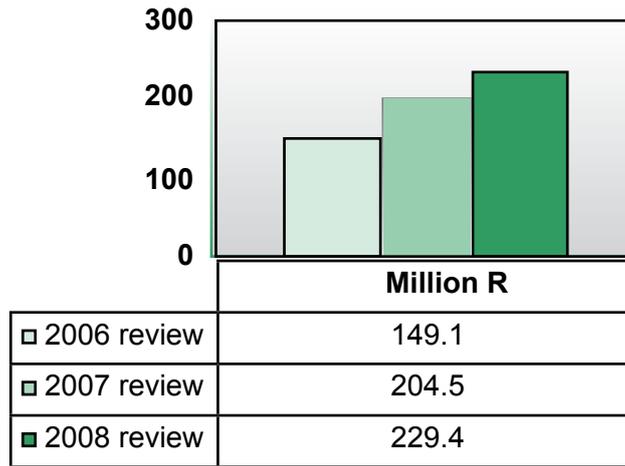


Figure 1: Total levy income

Agricultural products may be classified into three main categories, namely field crops, horticulture and livestock products. The levy income per category for the 2003, 2005 and 2009 reviews was as depicted in Figure 2.

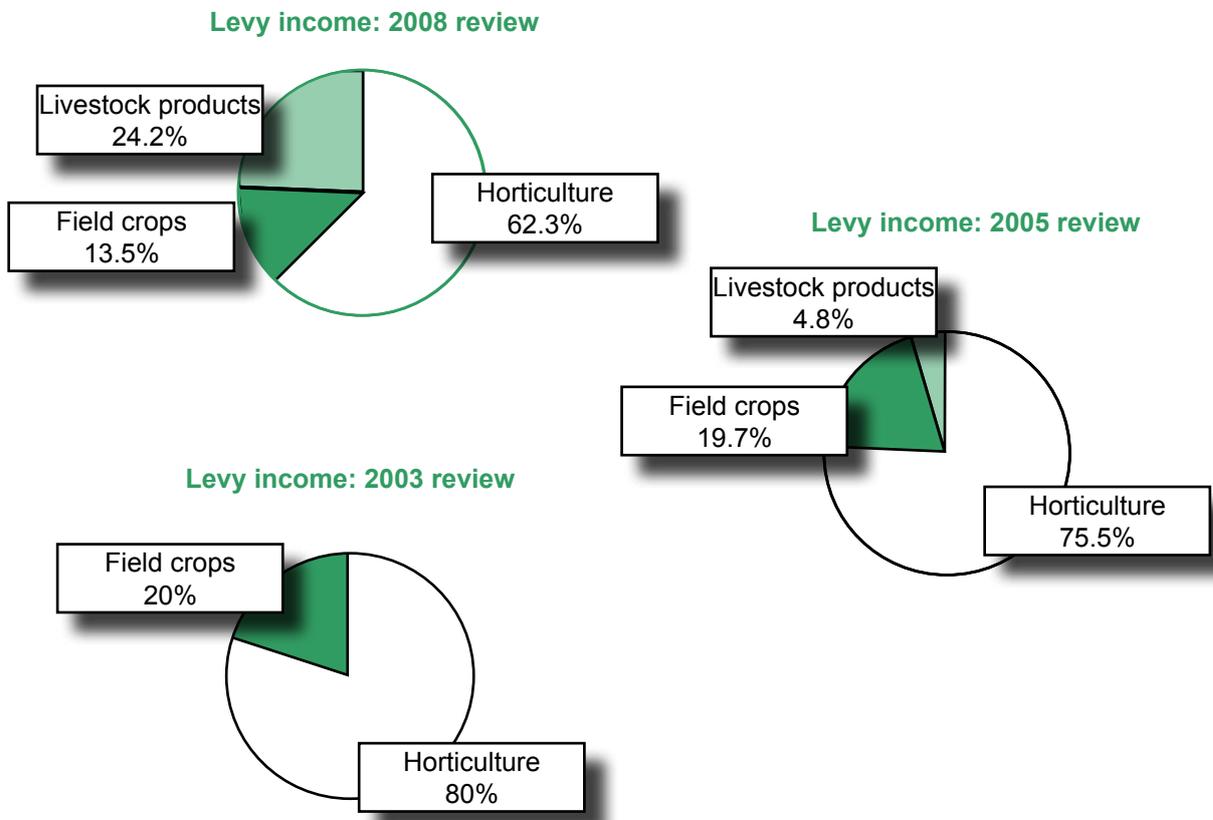


Figure 2: Levy income per category during the 2003, 2005 and 2008 reviews

From the above figures it is evident that horticulture products tend to make far greater use of statutory measures than other agricultural products. It is no coincidence that the major share of agricultural products that are exported are horticultural products, which use statutory levy funds to support export promotion programmes.

3.2.3 Levy collection rate

Most levy administrators achieved a relatively high collection rate. This is attributable mainly to the thorough consultative process that takes place before a levy is implemented and the fact that role players from the whole value chain are represented in most of the decision-making institutions. It may therefore be concluded that, once an industry applies for a statutory levy, the role players are willing to pay these levies. In evaluating an application for statutory levies, both the NAMC and the industry concerned have to make sure that there is sufficient support for a levy. Reasons for the stated collection rates in some industries are discussed below.

Dairy

For the 2008 financial year, the dairy industry collected 21% more levies than budgeted. The actual collection rate was therefore 121.6%. This is explained by the fact that processors paid their arrears and resumed paying the levy after the industry carried out a restructuring exercise at the insistence of certain large dairy processors.

Sorghum

The Sorghum Trust maintained that the main reason for the low rate (84.5%) of levy collection was that transactions in the informal market and exports through border posts are very difficult to identify and follow up. Between 10% and 20% of the sorghum crop is traded in the informal market or exported through inland border posts. The quantities involved are too small to warrant the costs that would be incurred in the collection of levies on these transactions. Efforts are instead being made to get the parties involved to pay the levies. The collection rate has increased significantly from the 65.6% collection rate reported in the previous survey.

3.3 Utilisation of statutory levy income

The total expenditure of levy funds for the 2008 reporting year amounted to R222.3 million, which is 16.4% more than the expenditure reported in the 2007 review. Total levy expenditure for the past three years is illustrated in Figure 3.

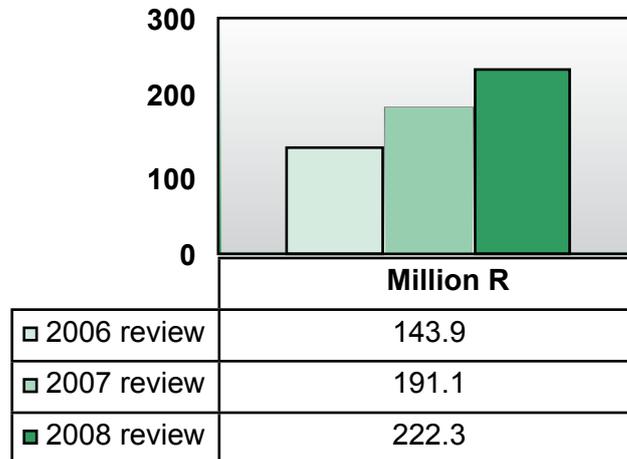


Figure 3: Total levy expenditure

Table 4 summarises the income and expenditure of statutory levies and surpluses or deficits for the reporting year.

Table 4: Levy income and expenditure

	Total levy income R	Total levy expenditure R	Surplus/deficit R
Citrus	27 451 509	25 084 216	2 367 293
Cotton	1 901 840	5 099 691	(3 197 851)
Dairy	27 915 992	22 722 380	5 193 612
Deciduous fruit	30 683 582	27 485 360	3 198 222
Dried fruit	2 035 888	3 097 870	(1 061 982)
Potatoes	23 043 688	24 791 620	(1 747 932)
Red meat	27 082 303	25 377 676	1 704 627
Sorghum	1 617 756	1 255 308	362 448
Table grapes	11 554 840	10 298 938	1 255 902
Wine	48 921 443	47 543 887	(631 946)
Winter cereal	27 198 618	29 503 055	(2 304 437)
TOTAL	229 407 459	222 260 001	7 147 458

As may be seen from the above, levy expenditure exceeded levy income in some industries, namely the cotton, potato, wine and winter cereal industries. These deficits are funded by surplus levy income from previous financial years, or by other income. Deficits may be attributed to lower than expected crop sizes and, consequently, lower than budgeted levy income. The cotton crop, for example, was the lowest in 30 years and the resulting deficit in levy funds is being funded by other income, such as investment income, grading fees, training, royalties on labels and transfers from the Cotton Trust.

The total expenditure of R222.3 million and how it was allocated to the various functions is set out in Table 5 (for more details see **Annexure A**). The percentage allocations of the previous two surveys are also included.

Table 5: Functions financed through statutory levies

Functions	Amount spent R	% of total levy expenditure 2008	% of total levy expenditure 2007	% of total levy expenditure 2006
Administration	15 789 829	7	8	7
Transformation	51 162 468	23	20	17
Export promotion & market access	25 777 992	12	9	10
Research	70 680 630	32	39	42
Information and Industry liaison	36 861 025	17	13	15
Production development	2 154 024	1	1	–
Plant improvement	2 526 287	1	1	2
Quality control	5 299 026	2	3	3
Local promotion and consumer education	12 008 719	5	5	1
TOTAL	222 260 000	100	190 973 237	143 929 703

4. FUNCTIONS FINANCED BY STATUTORY LEVIES

4.1 Administration

With regard to the utilisation of statutory funds, the NAMC has implemented a guideline that not more than 10% of levies collected should be used for administrative purposes. In November 2005 the Council adopted a document which sets out what should be regarded as administration costs for the purpose of collecting statutory levies. Levy administrators were approached beforehand to make inputs on what they regarded as administration costs, and the final document was also communicated to them. See **Annexure D** for the NAMC's policy on administration costs.

On average, approximately 7% (R15.7 million) of levies collected was spent on administration, which is below the guideline of not more than 10%. One of the largest components of administration costs is audit fees.

4.2 Information

Approximately 17% (R36.9 million) of total levy expenditure was allocated to the information function. Accessible, accurate market information that is regularly and timeously available not only increases market access but also promotes efficiency in the marketing of the product. It also contributes to the optimisation of export earnings and enhances the viability of the relevant agricultural industries and the agricultural sector at large. Market information is essential for all role players in a deregulated marketing environment if they are to make informed decisions and if the market is to operate effectively. Without a continuous stream of proper, accurate and timeous market information, the market will not develop as it should and role players, including emerging farmers, will not be able to participate on an equal footing with access to the same information.

The biggest transfers of statutory levy funds to organisations performing the information functions were the following:

	Rand
Cotton SA – cotton industry	2 662 330
DFPT – deciduous fruit industry	2 319 097
Potato SA – potato industry	5 825 150
SAMIC – red meat industry	8 101 182
SAWIS – wine industry	9 894 063
SAGIS – wheat and sorghum	1 283 680
contribution	
Milk SA – dairy	1 045 695

4.3 Research

Approximately 32% (R70.7 million) of total levy expenditure was spent on research projects in the eleven industries that collected levies. Some of the industries are doing or initiating their own research, but a major portion of the R70.7 million was made available to the Agricultural Research Council (ARC) to undertake research in the agricultural sector, in consultation with the industries concerned.

A breakdown of the funding of the ARC's services is given below.

	Rand
Cotton	165 000
Deciduous fruit	4 724 303
Dried fruit	971 780
Potatoes	1 579 903
Red meat	307 156
Sorghum	376 340
Wine	5 217 220
Winter cereal	13 164 510
Total	26 506 212

The amount of R26.5 million for the ARC projects funded by statutory levies represents 10% of the total 'external' earnings of R265.7 million (projects performed on behalf of industry partners and private customers) of the ARC in its financial statements for the year ended 31 March 2008. The total external earnings represent 36.4% of the ARC's total revenue.

The satisfactory performance of the South African agricultural sector, despite the lack of high potential arable land and the low rainfall, can to a great extent be attributed to the development and application of agricultural research results. Approximately 80% of the levies collected in the winter cereal industry were utilised to support various projects addressing the interaction between behavioural patterns of crops and external factors affecting them, such as diseases and pests.

It is a matter of concern that the percentage of statutory levy income utilised for research projects has decreased during the past three years, from 42% in the 2006 survey to 39% in the 2007 survey, and 32% in the 2008 survey.

4.4 Transformation

Before August 2005 the NAMC's guideline was that *at least 10% of levy income* should be used to the benefit of previously disadvantaged individuals (PDIs). In an attempt to increase the amount spent on transformation, the NAMC changed the guideline in August 2005 to require that approximately *20% of levy income* should be used for transformation purposes. Currently the 20% of levy income from mostly commercial enterprises constitutes a transfer to PDIs.

The NAMC also drafted guidelines for trusts and levy administrators to assist in determining projects to the advantage of PDIs. See **Annexure E** for the NAMC's transformation guidelines.

According to the 2008 survey, the total amount spent on transformation projects was approximately R51.2 million, compared to the approximately R38.9 million spent on transformation during 2007 – an increase of 31.6%. Table 6 summarises the expenditure on transformation by each industry, and the percentage of total levy income that this represents. The last column shows the difference between the actual percentage of total levies spent and the prescribed percentage for the year under review.

Table 6: Levy income and amounts spent on transformation

Industry	Total amount of levy income R	Amount spent on transformation projects R	% of total levy income	Prescribed % of total levies to be spent*	Difference
Citrus	27 451 509	3 507 195	12.7	10	2.7
Cotton	1 901 840	614 639	32.0	10	22.0
Dairy levy	27 915 992	3 869 516	13.8	20	(6.2)
Deciduous fruit	30 683 582	4 799 873	15.6	10	5.6
Dried fruit	2 035 888	366 240	18.0	10	8.0
Potatoes	23 043 688	4 200 786	18.2	20	(1.8)
Red meat	27 082 303	9 172 322	33.9	20	13.9
Sorghum	1 617 756	209 500	12.9	20	(7.1)
Table grapes	11 554 840	1 647 830	10.0	10	–

* Some approvals granted by the Minister were subject to 20% of levy income being spent on transformation, while approvals before August 2005 stipulated 10%.

In Table 6, transformation is calculated as a percentage of levy income to evaluate how administrators complied with the NAMC's guidelines. In total, 22.3% of total levy income is spent on transformation. Further on in this report, expenditure on functions is calculated as a percentage of total levy expenditure. In that case, transformation expenditure represents 23% of total expenditure of statutory levies.

The questionnaire sent to the industry administrators contained various questions about black role players and how they benefited from statutory levies. A summary of the responses is given in the following table.

TRANSFORMATION PROJECTS FUNDED BY STATUTORY LEVIES

Project name, objective and cost	Brief description
<p>Citrus</p> <p>An amount of approximately R3.5 million (12.7% of levy income) was spent on transformation projects.</p>	
<p>Citrus Academy</p> <p>The main purpose of the Academy remains to create and promote an enabling environment for skills development within the citrus industry. The primary source of funding for the activities of the Citrus Academy is the CGA, which in turn receives income from grower levies. The CGA, as represented by its board, therefore has a critically supportive role in the functioning of the Citrus Academy, ensuring that it functions in the best interest of the broader South African citrus industry. Important support has also come from the Citrus Industry Trust which, over the past few years, has provided most of the student bursary funding administered by the Academy.</p> <p>The Academy was tasked with addressing four major challenges in the industry: the generally low skills level on farms, the scarce and critical skills situation, employment equity, and land transition.</p> <p>Total cost: R 1 238 849</p>	<p>Skills planning and capacity building workshops</p> <p>The Citrus Academy developed an implementation plan for skills planning and is able to assist emergent farmers with this process. A pilot project was undertaken in February 2008 to test the implementation plan, at Makonde Citrus Farmers Cooperative in Venda.</p> <p>Skills planning involves the following steps:</p> <ul style="list-style-type: none"> • Identifying priority skills development needs • Assessing the management structure of the farm • Developing job descriptions for each identified position • Identifying the skills and learning required to perform identified tasks • Identifying people to fill each position • Assessing the current skills levels of personnel, using skills level assessments developed by the Citrus Academy • Comparing current skills levels with the required skills levels • Developing individual learning paths • Consolidation of individual learning requirements into a skills development plan for the farm.

In 2008, the Citrus Academy identified the need to improve the quality of skills delivery by capacitating those involved in skills transfer, specifically accredited service providers, extension officers, mentors, lecturers and production managers. It was found that there was a need to build individuals' knowledge and skills, and to develop the skills to facilitate learning more effectively. A concept was developed to arrange capacity building workshops facilitated by subject experts from the citrus industry, preferably the experts who wrote the relevant Citrus Academy learning material, and outcomes-based education experts. Each workshop focuses on one skills area, and covers the learning material for that skills area from NQF level 2 to 5. Workshops are held over five days, with four days spent on subject-specific material and one day on developing facilitation and assessment skills. The first capacity building workshop, on production management, was held in February 2008 in Stellenbosch. Louis von Broembsen facilitated the workshop, while Carol Harington from Cabeton Training and Development helped participants to improve their facilitation skills. The workshop was well attended and the feedback was extremely positive.

Learning programmes

The Citrus Academy has embarked on the development of a number of learning programmes, based partly on the production management learning material. Learning programmes are developed by combining unit standards or even parts of unit standards, and producing the necessary guides for the presentation of the programme. In 2007/2008, the Citrus Academy worked on the following programmes:

- Citrus short course
- Top of the Class programme
- Record-keeping
- Institutional orientation
- Nursery workers' programme

Citrus-specific learning material

This project is aimed at developing citrus-specific learning material that complies with the requirements of registered unit standards and qualifications. Material is developed for unit standards that form part of production and packing qualifications. The learning material is made available for free download from the websites of the Citrus Academy.

The Citrus Academy Bursary Fund

The main focus of the Citrus Academy Bursary Fund during its first fully operational year was to implement and establish the necessary procedures and systems to accomplish the stated aims of the Bursary Fund, these being to:

- Support previously disadvantaged learners in citrus-related fields of study thereby ensuring wider access to the citrus industry
- Support learners in fields of study that are related to scarce skills in the industry
- Promote the citrus industry as an industry that presents exciting career opportunities
- Ensure a maximum return on investment for the citrus industry as a whole and particularly for contributors to the Fund

Certain key factors were identified as being vital to the achievement of these goals, namely student selection, candidate care, experiential training, and the successful integration of students into the industry on completion of their studies, based on their bona fide skills and ability to contribute to the welfare of the industry.

An evaluation of the performance of the Bursary Fund during the period under review confirms that the approach described above is not only ground-breaking but produces results beyond all expectations.

Bursary Fund allocations

In 2008, 47 students received bursaries to the value of R699 438.

The criteria that were used to select successful candidates were PDI status, financial need, field of study, academic performance and background/family involvement in citrus. Female candidates and candidates with disabilities received special consideration. The table below indicates how bursaries were distributed.

Category	Total number of learners	PDI	Female
Secondary education support	7	4	
Tertiary education support	40	33	12
Total	47	37	12

Distribution of institutions

Name of institution	Number
AgriLearn	4
Fort Cox College of Agriculture	1
Lowveld College of Agriculture	15
Nelson Mandela Metropolitan University	1
Rhodes University	2
Stellenbosch University	4
Unisa	1
University of Cape Town	2
University of Fort Hare	4
University of KwaZulu-Natal	2
University of Zululand	4
Winterberg High School	7
Total	47

<p>TRANSFORMATION MANAGER</p> <p>ACTIVITIES</p> <p>The period under review is seen as a maturation stage for the transformation of the emerging citrus farmers. Despite various constraints faced by these farmers, stakeholders have agreed to create partnerships to deal with issues of transformation. It was expected that, during this period, the number of black-owned citrus farms would increase, given the number of citrus farms under claim, but there was no movement in this regard. The activities undertaken through partnership agreements were mentorship programmes, training of extension officers in the responsible use of agrochemicals, and training Mariveni and Mabunda in food health and safety issues. In addition, an agreement was reached with the Limpopo Department of Agriculture (LDA) to resuscitate the extension service for citrus farmers. In support of this, the CGA board has approved the appointment of an extension service officer to coordinate the project.</p> <p>Other highlights for 2007 were the support by the Eastern Cape Department of Agriculture (ECDA) for the resuscitation of citrus orchards in the Alice–Kat river valleys and support for the revival of Peter Family Trust Farm as an operational unit. The LDA, in support of the mentorship programme, has also provided funding for the installation of irrigation systems for Lungane Farm in Makonde. The Mpumalanga Department of Agriculture also provided support for the revival of the Cairn Lemon Oil Project. Mr Israel Nemaorani’s visit to Fruitlogistica in 2005 resulted in the signing of a marketing agreement with a buyer in the Netherlands.</p> <p>Total Cost: R 2 051 336</p>	<p>2007/8 is the fifth year of implementation of the transformation programme and is earmarked as the year for CGA to look back and critically assess the impacts of the programme. The major indicators for the success of the programme are the increases in the number of exporting black farmers and the number of quality export cartons produced by black growers or owners. However, these goals can only be achieved if farmers have the necessary support structures and a healthy operating environment.</p> <p>During this period, a wide range of activities took place in the form of project implementation and direct interaction with different stakeholders. The interaction was very useful as it has provided full insight into what needs to be done in order to steer the transformation agenda to higher levels. The highlights of 2007 were a number of major projects that overlapped with the current season. These included the establishment and management of a database, mentorship, the creation of institutional structures, skills development, capacity building and business enterprise development.</p> <p>The reality of successful transformation is attained when all policies aimed at affecting citrus development reach the areas of impacts. The major policies that impact on the success of transformation are skills development, comprehensive agricultural support programmes (CASP), mentorship, land reform, and fiscal and farmer organisation. Although these policy frameworks are regarded as the best in the world, there are areas of concern regarding implementation, and this concern has been communicated to policy makers with the hope that a review will take place.</p> <p>Assessing the mileage gained and the personal growth experienced by the majority of farmers in these initial stages of transformation, it is clear that the programme has to date yielded more benefits in terms of knowledge, and organisational and technical understanding, than it has in terms of financial benefits, which have not yet started to show significant improvement. There is, however, a trend that is now being established.</p> <p>Historically the bulk of citrus farms were owned by white farmers and over the last five years black farmers have acquired some of this land through government interventions, a process that government is committed to speeding up in the future. The land reform not only impacts on the number of black farmers, but also has an impact on citrus production. Some of the farms are likely to be out of production should the issue of support services not be properly addressed.</p>
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Mentorship programme

The mentorship programme is aimed at assisting emerging citrus farmers to improve their decision-making processes. The major outcome of this initiative is the improved management of orchards and a change in attitudes on the part of new farmers.

Funding constraints limit the potential for expanding this programme. It is hoped that the positive results that are flowing from the programme will encourage additional government funding.

Establishment of institutional structures

Proper organisational structures are crucial to enable emerging citrus farmers to share information, experiences and ideas related to production, research and strategic business issues. A partnership between the national Department of Agriculture (DoA) and the European Union (EU) has provided funding to the tune of R236 400 to assist farmers to organise into study groups and establish institutional structures on a provincial basis. Citrus Research International (CRI) will now be able to communicate research results through these structures.

The intention is not to have separate structures in perpetuity, but to create a platform through which new farmers may be empowered before joining established citrus structures. Such an arrangement also provides an opportunity for CRI to realign itself to the needs of emerging farmers.

Skills development

Citrus production is heavily reliant on export markets, and the processes within this market demand that farmers have the ability to adapt to and embrace continual technological change. However, many new farmers are not adequately skilled. Acknowledging such challenges, the DoA and the EU provided an amount of R205 000 to pilot a project that will improve farmers skills in the area of food safety and will train extension officers in the safe use of chemicals. Food safety issues are crucial for farmers wanting to gain access to discerning markets through accreditation.

A pilot project to train farmers on issues of consumer health and food safety was undertaken at Mabunda and Mariveni in the Tzaneen area. The project involved 50 beneficiaries and participants were able to get GLOBALGAP and Natures Choice accreditation in 2008. The outcome of the project was to raise awareness of food safety issues and increase actual knowledge about the elements that constitute consumer health and food safety. CGA co-funded the project and the total project amount was R337 749. Future roll-out of the project will depend on the availability of funds.

Capacity building

An effective extension service is an important element of the citrus production system, especially when farmers have low levels of education and are producing a complicated product. It has often been said that extension is the best conveyor of technical information on any particular crop. The collapse of extension services post 1994 resulted in emerging farmers not having a dedicated extension service. CGA, in partnership with provincial agricultural departments, is endeavouring to resuscitate the citrus extension services.

Capacitating extension officers on citrus production is the main drive. CRI coordinates the programme through the newly employed extension coordinator and this is a major commitment by CGA.

Ten extension officers from the Eastern Cape and Limpopo Provincial Departments of Agriculture received facilitation training on citrus production. The plan is to provide intensive training for all extension officers involved with emerging citrus farmers. The high turnover of departmental staff remains a serious challenge in all provinces. Limpopo is the only province that has signed a memorandum of understanding and allocated specific individuals to citrus as a commodity. The extension officers are currently being trained on how to develop an extension programme for citrus production. Five district offices are engaged in this exercise.

The training may take a while, as most extension officers have no practical experience in citrus production. The distribution of information is another area that will need to be improved, with a review of provincial organisational structures.

	<p>Conclusion</p> <p>In conclusion it may be said that the transformation programme has been able to bring about some change despite hurdles that have slowed down the delivery process. There is a serious concern regarding the impact of land reform implementation, which not only affects the individual farms but has ripple effects through the whole value chain.</p> <p>CGA needs to develop stronger ties with the provincial Departments of Agriculture, which have the ability and the powers to partner with the citrus commodity for the development and growth of the rural economy. The development of emerging citrus farmers should become a component of government's medium-term budgetary process in order to ensure the appropriate allocation of resources. Another important factor to pursue is the increased involvement of farmers in mentorship, which should be undertaken as a private–public partnership.</p>
<p>Cotton R614 639 (32% of total levy income) was spent on transformation.</p>	
<p>Small-scale Cotton Farmers Forum and Small-scale Farmer Coordinator Mr Simon Molohe attends to the needs of emerging cotton farmers on a full-time basis. He is in the employ of the ARC's Institute for Industrial Crops. The budget for this project was R100 000.</p>	<p>The Forum was established to coordinate and facilitate strategies for emerging farmer development in order to achieve the industry's objective for 30% of the domestic crop to be derived from small-scale farmers. Four specialist working groups have been established by the Forum, namely the Executive Committee, Finance Working Group, Training and Extension Working Group, and Private Sector Working Group, to coordinate and drive the relevant emerging farmers' issues continuously. Mr Molohe represents the emerging sector on the Board of Directors of Cotton SA. He is also involved in and responsible for Small-Scale Forum meetings.</p>

<p>The amount spent by the cotton industry on small-scale farmer training during the 2007/08 financial year was R204 149. To date about 680 small-scale farmers have attended these courses.</p>	<p>One of the major constraints on growth in the emerging cotton farming sector is the lack of knowledge and expertise among small-scale farmers relating to cotton growing. Cotton requires a good deal more management input and specialist skills than most of the other field crops traditionally grown by smallholders. It was in this area that Cotton SA decided to step in a few years ago by establishing a formal training programme for small-scale cotton farmers.</p> <p>In 2001 Cotton SA established a formal training programme at the Lowveld College of Agriculture in Nelspruit, where about 50 small-scale farmers were trained annually from 2001 to 2003. It was, however, soon realised that the training capacity had to be increased in order to reach the production objective of the Cotton Sector Strategy Plan, namely that emerging farmers should contribute on average 25% of the national cotton crop by 2007 and 35% by 2014. The programme has since been extended to other agricultural colleges and training centres in the Limpopo Province (Tompoti Seleka College of Agriculture), KwaZulu-Natal (Mjindi Training Centre and the Owen Sithole College of Agriculture) and the Eastern Cape (Fort Cox Rural Development Centre), with a view to training more farmers annually.</p> <p>The formal skills development programme (which involves a certain number of unit standards at NQF level 1) is organised in four 5-day modules, each of which is synchronised with the normal production cycle of the crop and presented over a 12-month period. The subjects covered in the four modules are:</p> <ul style="list-style-type: none">• Introduction, soil preparation and planting• Plant protection, pests, diseases and weeds• Pre-harvest crop preparation, harvesting and grading• Financial management <p>The courses are theoretical as well as practical, the latter making up about 60% of course content. Experts in each field are drawn from various cotton role players to impart their expertise to the groups in training. Candidates are examined on course material at the end of each course module and pass marks are required in all modules in order to qualify for a certificate.</p>
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<p>The Master Mentorship Programme for small-scale cotton farmers was continued by Cotton SA in 2007/08, with financial assistance from the DoA. An amount of R288 413 was spent on this programme.</p>	<p>The Master Mentorship Programme provides an initial number of mentors who can support and impart knowledge and practical skills to small-scale farmers, in order for the latter to produce cotton in a sustainable and profitable manner. In the long-term the project will present the small-scale farmer with an opportunity to move away from subsistence farming and to farm commercially, with support from a skilled extension workforce whose members have access to information and technology and can share their problems and experiences with other farmers.</p>
<p>Dairy The dairy industry spent approximately R3.9 million (13.8% of levy income) on transformation</p>	
<p>Empowerment in the primary industry sector: training, technology transfer, skills development with mentorship of previously disadvantaged individuals in the primary livestock/dairy sector, to the amount of R1 820 000</p>	<p>The project addresses animal health, udder health, milk production, financial management, milk harvesting, milk quality, milk recording, milk hygiene, vaccines and immunisation, nutrition, breeding, reproduction, animal husbandry, goat farming, productivity and the free market system, motivation and work ethic, milk harvesting, training and technology transfer. Training that addresses cost-effectiveness is indispensable since milk producers are battling with high input costs and low margins. Effective dairy management has a direct influence on milk quality and safety. The number of students was 1 477.</p>
<p>Empowerment in the primary industry sector: mentoring of developing dairy farmers in the primary sector, at a cost of R310 000</p>	<p>This project aimed to transfer decision-making skills to developing dairy farmers. The participating farmers are empowered in an ongoing pattern and progress on the accepted goals is recorded. The project addresses transformation at its three most important levels for individual empowerment: transfer of skills, enterprise development and social upliftment. This project benefited 450 families and households and 4 full-time employees in Elim (Southern Cape). In Tweespruit (Free State), 17 persons benefited.</p>
<p>Transformation of knowledge through Ubisi Mail, at a cost of R156 000.</p>	<p>Ten thousand copies of the Ubisi Mail magazine were printed and distributed quarterly to black farm workers and emerging farmers. The purpose of disseminating information through this medium was to transfer knowledge of all facets of dairy farming to readers. Approximately 50 000 dairy farm workers and 200 emerging dairy farmers were reached through this project.</p>

<p>Empowerment in the secondary industry sector (training) amounting to R1 496 176 and benefiting ±25 000 workers in the secondary industry sector</p>	<p>This project consists of various sub-projects, namely:</p> <ul style="list-style-type: none"> • Revision of unit standards for resubmission to the South African Qualifications Authority, via the Food Manufacturing Standards Generating Body, together with the currently registered qualification designs supported by these unit standards • Revision and provision of dairy technical learning materials that conform to the requirements set in revised unit standards, for use in obtaining formal qualifications • Development of newly identified in-company coaching guides for operational training, not aimed at obtaining formal qualifications • Enhancement of the usefulness of existing learning materials by the development of selected training aids • Improved mobilisation of the use of both unit standards-based and in-company learning materials • Representation of processor-employers on statutory skills development structures • Finalisation of a system of and documentation for integrated and exit level outcomes assessment, for dairy technical qualifications.
<p>Deciduous fruit and dried fruit Deciduous fruit: R4 799 873 or 15.6% of levy income Dried Fruit: R366 240 or 18% of total levy income</p>	
<p>Emerging farmers database The DFPT has a living database of known empowerment projects in the industry, detailing 202 production units with 6 545 beneficiaries nationally.</p> <p>The Deciduous Fruit Development Chamber</p>	<p>The project has been plotted on a geographical information system (GIS) (using global positioning equipment) map containing all the details applicable to every project. This is used as a management tool to keep track of the specific needs and requirements of the people involved in the various projects and to ensure that they are regularly contacted and informed of industry developments. An amount of R4 024 was provided by the South African Stone Fruit Producers' Association (SASPA) and R63 223 by the South African Apple and Pear Producers' Association (SAAPPA) for this programme.</p> <p>The Deciduous Fruit Development Chamber (DFDC) was launched in November 2007 to create a representative body of emerging farmers and mechanisms in the deciduous fruit industry (DFI) to strategically expedite the integration of emerging farmers into the mainstream economy and the formal structures of the DFI. The DFDC project has benefited 6 545 beneficiaries to date and an amount of R129 553.53 has been allocated to it by SASPA and R359 913 by SAAPPA.</p>

<p>Project Management – Accreditation The DFPT has been accredited by the Department of Land Affairs to assist with land reform projects.</p>	<p>The DFDC has elected a Management Committee that represents clusters in the seven provinces. DFDC members have been organised into 17 clusters through which they themselves determine their needs and requirements. The DFPT provides capacity and financial support to the DFDC so that it can function as a coordinating body, and can channel expertise to address the various needs and requirements.</p> <p>A three-tiered approach has been adopted with clear focus areas relating to the following:</p> <ul style="list-style-type: none"> • Integration, policy formulation, BEE, land reform and access to funding • Capacity building and support to cluster members via the DFPT and its sub-structures • Direct assistance to cluster members with new plantings with the objective of establishing at least 1 000 hectares of new plantings over the next 5 to 6 years. <p>A detailed 12-point approach has been proposed which will be followed to ensure that successful and economically sustainable land reform projects are facilitated. This will focus on assistance both to those beneficiaries who have already obtained land (to farm bigger and better) and to ensure new entrants are attracted to the sector. Where appropriate and willing partners have been identified, equity schemes will also be supported. In this regard, both the Development Bank and the Industrial Development Corporation have been approached to assist with funding of selected projects.</p>
<p>Evaluation of business plans It is clear that there is a real need for the facilitation and evaluation of business plans relating to land reform projects.</p>	<p>In this regard, the comprehensive industry database containing key agricultural economic parameters, knowledge of market trends and price realisations, is of immense value to ensure projects and funding applications are based on realistic assumptions and a sound commercial footing. In addition DFPT personnel or contractors assist from time to time with funding applications for farms in distress. To date eight such farms have been assisted to motivate for emergency operational funds. SASPA has invested R72 000 in this programme while SAAPPA has invested R236 000.</p>

<p>Training: bursary scheme</p> <p>To date 15 students have completed their studies and been assisted to obtain employment in and around the sector. Currently 19 more students are enrolled at various tertiary training institutions. An amount of R335 000 has been committed to this programme for 2009. Seventeen of these students will complete their studies in 2009. Efforts are currently under way to align this activity with other projects such as those within the DoA.</p> <p>The balance of the project expenditure is included in transformation overheads.</p>	<p>In line with the adopted strategy, a bursary scheme was established in 2003 for promising students interested in studying in the various areas within the horticultural sector. The bursary scheme enables the DFI to increase the availability of qualified individuals for employment in a highly competitive and specialised fruit industry.</p> <ul style="list-style-type: none"> • Mentoring <p>In order to provide a support structure and safety net, the DFPT senior management is linked to one or more of the DFPT bursary holders. This ensures good communication with the individual and feedback on progress as well as exposure to industry and employment realities. Problems are picked up very early and timeous corrective action can be implemented in conjunction with the student, his or her parents and the lecturers.</p> <ul style="list-style-type: none"> • Employment assistance <p>Another objective is to find employment within the industry for these students once their studies have been completed. This approach has now been fine-tuned with prospective employers being linked to students from application through to completion of his or her studies. This provides peace of mind to the individual, ensures that a lasting relationship is developed between prospective employer and employee, and assists with mentoring the students through the years of study. A number of agriculture organisations are involved to provide work during holidays and, after the students complete their studies, a possible permanent job opportunity. In some cases support funding is provided to assist prospective employers with an introductory year in order to prepare the individual further and to ensure some experience is gained in the peculiarities of the sector.</p> <ul style="list-style-type: none"> • Youth development, career opportunities and school tours <p>To promote and link into the bursary scheme, the DFPT has introduced an awareness campaign among secondary schools both from within the various deciduous production regions and from urban areas. This initiative promotes and improves awareness of the scope of career opportunities in the agricultural field and the economic diversity of agricultural enterprises, stressing that agriculture is not only about farming, but encompasses a range of skills in supporting disciplines such as management, finance, marketing and research. To date this programme has reached 375 students. For 2009 the objective is to reach 150 grade 11 and 12 students.</p>
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<p>Economic development: South African Fruit Distributors Association (SAFDA) Amount spent: included in transformation overheads Equal access project – farm workers</p>	<ul style="list-style-type: none"> • Training coordination During 2006, the DFPT undertook an extensive needs assessment/ gap analysis to determine the training needs and requirements of the industry. In order to follow through on the industry’s needs and requirements, it has now been agreed with the Agriset to facilitate a process under the Fruit SA banner to coordinate the activities of the various fruit sub-sectors; to ensure optimal access to Seta and donor funding; and to optimise training capacity and expertise in the sector. • Top of the class (TOC) Since its inception, the DFPT has supported the TOC programme initiated by the Fresh Produce Exporters’ Forum (FPEF). DFPT personnel also assisted in the development of some of the trade chain manuals on which the programme is based. The following aspects are covered across the fruit export trade chain: <ul style="list-style-type: none"> o Production o Picking, packing and packaging o Cold stores, terminals and depots o Containerised shipping o Conventional shipping o Consumer demand o Transport, forwarding, IT and research o Quality management o Exporter activities <p>The DFPT continued to assist SAFDA to ensure representation of the secondary distributors in industry discussions and to enhance their bargaining power with the procurement of packaging material, fuel, tyres and other essential inputs. SAFDA is also represented within the DFDC, and its views are obtained on technical issues relating to local grading standards and packaging requirements. DFPT assists with the annual audit and provides some administrative support to this group.</p> <p>In conjunction with Agri Western Cape, the DFI initiated a project to facilitate the development of a framework with the input and participation of farm workers to ensure their participation in representative agricultural structures. The emphasis is on facilitation and trying to build trust and relationships over a broad base. This is aligned with activities in this sphere by the Western Cape Department of Agriculture.</p>
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<p>Bien Donne Expo</p>	<p>The DFPT assisted 1 000 farm workers with free tickets to visit the Bien Donne Expo held in November every year. Exposure to this Expo provides insight and a better understanding of off-farm activities in the value chain and the role of farm workers in the value chain. To date more than 3 400 farm workers have benefited from this project, on which an amount of R6 578 has been spent.</p>
<p>DFI Workers Trust</p>	<p>The DFPT initiated the establishment of the DFI Workers' Trust to act as a vehicle to support BEE and the BEE Act and Codes and extend the reach of broad-based BEE to farm workers employed in primary production in the industry. This trust complies with the basic as well as the additional qualification criteria of the Codes which relate to the measurement of ownership of broad-based schemes. The proceeds of this trust are attributable to black people through the application of the flow-through principle. The potential number of beneficiaries is ±35 000 permanent workers. To date investments to the value of R2 575 million have been geared with a contribution of R250 000 contributed by the DFPT. Further investment opportunities at the primary production level as well as within the value chain are currently being explored. The idea is to access donor funding to gear industry contributions with proceeds flowing to a registered pool of beneficiaries as approved by the trustees.</p>
<p>Social development: Crèche programme The DFI currently co-funds four crèches for about 80 children in partnership with producers in various production areas. Again, alignment with supporting and infrastructure development by the Western Cape Department of Agriculture is maintained. An amount of R60 000 has been spent on this project.</p>	<p>In order to empower (especially) women as part of the labour force on farms, children need to be accommodated and developed in daycare centres. The children so accommodated are given two nutritious meals a day, adequate care and the necessary stimulation as their intellectual development is mostly not on par. The crèche also provides the opportunity to facilitate training programmes for the children as well as for their parents to improve living conditions. These training interventions empower the adults with the necessary skills to become healthy, well-functioning individuals. Accommodating these children in daycare centres enables their parents to go to work every day, as their children are safe and cared for.</p>
<p>Aftercare programme R 10 000 has been spent on this programme.</p>	<p>A pilot project to develop a model for aftercare of school children has been initiated with the assistance of La Plaisante Farm in Wolseley. The programme focuses on the following:</p> <ul style="list-style-type: none"> • The volunteer's personality and reference framework • Communication skills, handling of conflict • Impact of alcohol and drugs on an individual, the family and the community • HIV/AIDS and why people need knowledge about it • Elements of a successful aftercare programme • Mission/vision for the La Plaisante aftercare programme • Possible obstacles and practical solutions

<p>Community development</p> <p>Nyanisa – “Let’s talk status” project Since April 2005, this campaign has reached 887 farms and a total number of 40 762 employees have been exposed to it. Thus far 24 558 individuals have taken part in voluntary counselling and testing – a 60.2% success rate which is regarded as phenomenal by experts in this field. Thus far the DFPT has spent approximately R1 365 million while a further R1 620 927 million has been geared from the Departments of Health and Agriculture, various municipalities and other donors to broaden the base of the project.</p>	<p>This interactive programme aims at increasing knowledge of the target group. Attempts are made to present information in such a way that it is relevant to the target group’s practical situation.</p> <p>The DFPT supports the Cape Women’s Forum and Women on Farms to ensure that targeted training and development programmes are rolled out in rural communities. These programmes enable employees to develop to their full potential and thereby support general social and economic development. Assistance with applications for social grants is also provided with financial assistance from the Deciduous Fruit Industry Development Trust (DFIDT).</p> <p>Funds are also obtained from Agriseta and the National Skills Fund of the Department of Labour and other outside sources, while farmers also contribute to these programmes. The following programmes are made available:</p> <ul style="list-style-type: none"> • Business skills on fruit farms • The Complete Woman and Adult Man – a home and family management programme • Health skills • Learnerships for unemployed youth in ancillary health • Skills development plans for various producers <p>Through the implementation of the Nyanisa Campaign, various other needs were identified among farm workers, particularly seasonal workers. This led to the development of other projects in the rural areas of Wellington and De Doorns, as well as on some Witzenberg farms. Two pieces of land have been donated, one in De Doorns by the Breedevalley Municipality and the other in Wellington by the Winelands Municipality, for the development of these support projects. These include a support care worker programme involving education and identification of psycho-social issues.</p>
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<p>Nyanisa – Let’s talk (HIV/Aids & TB)</p> <p>Since May 2008 this programme has reached 97 farms and 7 200 individuals, with 425 individuals being tested for TB and 45 TB defaulters traced. In 2008 the DFPT allocated R185 602 to this programme while an amount of R466 893 came from other sources. During the last four years the DFPT has allocated R902 421 to this programme with R957 286 coming from other sources.</p>	<p>The programme was launched in May 2008 at a community event in Carterville, Wellington. The programme entails the presentation of an educational theatre production followed by an interactive talk on both HIV and TB. The programme aims to motivate farm workers to test for HIV and TB. The multidisciplinary team is equipped to handle both HIV and TB tests in a confidential and sensitive manner within the individual’s working environment.</p> <p>All TB results are conveyed by a second team, which also renders any support services that might be needed. This team is funded by the Department of Health, and visits the farms on a weekly basis after the initial awareness event. To ensure an effective and sustainable programme, the team has a strong working relationship with the local clinics and health institutions.</p>
<p>Farm Worker Wellness Programme</p>	<p>A dire need for wellness services in the agriculture sector has been identified, and since April 2005, the DFI has, in cooperation with Procure, a national and transformed practice of social workers, developed programmes to reach the needs of employees in the sector. The Farm Worker Wellness Programme is implemented on selected farms (those with support structures in place) within the Grabouw, Montagu, Paarl and Porterville regions. It is envisaged that this will be rolled out to other farms in the various production regions as funds become available.</p> <p>Grabouw: A total number of 1 000 individuals were trained and the whole farming community received information on the relevant issues through information giving and pamphlet distribution. R60 000 was spent on this programme.</p> <p>Montagu: An amount of R40 450 has been allocated by the DFIDT for this project.</p> <p>Paarl/Porterville: A total number of 250 individuals (adults and youth) were reached through the programme. The DFIDT has allocated an amount of R46 000 to this programme.</p>

<p>Support Care Worker Programme (SCW) To date 112 SCWs have been trained in the Ceres/Koue Bokkeveld region and 9 in the Grabouw/Elgin region. Support care workers are monitored both on a monthly or quarterly basis and individual needs are dealt with accordingly.</p> <p>In October 2008 a further 45 SCWs will be trained in the Ceres/Koue Bokkeveld area region and about 35 in the Grabouw/Elgin region. The DFPT spent R492 224 on this programme between 2006 and 2008, while other sources spent R176 000</p>	<p>The Support Care Worker Programme is a follow-up to the Nyanisa – Let’s Talk Status Programme in the sense that it establishes a very important support network on farms to ensure a sustainable and effective service to farm producers and their employees. Their involvement includes education as well as support and identification of other psychosocial issues. The programme is thus an integral part of the Wellness Programme. Numerous individuals tested HIV positive. Currently little or no support structures are in place for HIV-infected and affected individuals in rural areas. It is of the utmost importance that both HIV-negative and positive individuals receive consistent support and information within their unique living circumstances.</p>
<p>Community-based Counselling Centres (NORSA COMMUNITY CARE)</p>	<p>During visits to various farming communities, a dire need for support for HIV-infected and affected families and children came to the fore. This resulted in the erection of community care/counselling centres in both De Doorns and Carterville, Wellington.</p> <p>The centres are operated by Afrikaans, English and Xhosa-speaking counsellors, and their main function is to render a confidential, non-judgemental support and information service to the communities. They are easily accessed, based within the communities and services are free of charge. The DFPT provides products like dried and fresh fruits (and Weetbix) to the centres on a monthly basis.</p>
<p>Technical support/research and development: research projects</p> <p>2006/7 research budget: Black project or programme leaders were in charge of 24% of research projects, accounting for 20% of the research project budget (R2 891 116). Of these, 37% of were led by women (black and white) project leaders.</p>	<p>The DFPT Research Board has been expanded to include two seconded board members from the Deciduous Fruit Development Chamber. Mr William Myburgh and Mr André Thops represent emerging farmers’ interests on the board and are involved in research and development, technology transfer and other technical matters.</p> <p>All research and development has a direct benefit for all recipients of the technology regardless of their previous or current status. A number of research projects at various institutions are, however, specifically focused on the needs of emerging farmers (e.g. “Evaluation of newly developed apple and apple rootstocks for the second economy”; “Evaluation of newly developed stone fruit hybrids and rootstocks for the second economy”). Emphasis is also placed on capacity building in the area of technology, technology transfer and research and development. Projects include the following:</p>

2007/8 research budget: Black project or programme leaders were in charge of 28% of the research projects (23 projects), accounting for 22% of the project budget (R14 210 789). Of these, 54% of the projects (45 projects), accounting for 51% of the funding, were led by women (black and white) project or programme leaders).

Training and capacity development

The industry funds nine university posts at Stellenbosch University with the objective of developing future technical capacity in the industry. In 2007/8

R 1 790 826 was invested in these posts.

- **Technology transfer**

Technology transfer plays a key role in closing the loop in the research process by ensuring that the information gets back to the grower. Research is promoted and results are fed back to growers through a number of publications and information events. This is supplemented by a series of information products such as posters, pamphlets and books.

- **Study groups**

One of the biggest requirements in emerging farmer communities is technical knowledge and skills. In 2006 a study group was formed in the Ceres area with the Koekedouw emerging farmers. Initially the programme was compiled with the help of technical advisors in the area and the Koekedouw study group met at crucial times during the season to discuss issues like pruning, thinning, irrigation and integrated pest management, to name a few. Five sessions were held in 2008. The study groups are coordinated by DFPT Research and the discussions are led by various technical advisors in their areas of expertise. The aim of the study groups is to equip emerging farmers with the knowledge to improve their production and fruit quality and to become successful producers. With the knowledge and experience gained during the past two years the group can now participate constructively during the planning sessions to identify their specific needs. The current point of focus is monitoring and scouts are being trained. Another study group has been established in the Langkloof area and has had two meetings. The Elgin area was also targeted but a technical study group is not a priority as these farmers are well integrated into the existing support systems.

- **Pamphlet series**

The need for packaged information and research was recognised and in 2003 a very successful pamphlet series was launched. The pamphlets are very user friendly and provide summaries of research studies and findings. They are available to all producers in an accessible and understandable format. The pamphlets also provide a means of empowering new entrants to deciduous fruit farming with technical knowledge on all aspects of production. A list of pamphlets is available on request. All the Koekedouw farmers have received a file with the full set of the stone and pome fruit pamphlets.

- **DFPT Research Development Fund**

The DFPT Research Development Fund was launched in 2004 with the objective of assisting PDIs to increase their knowledge base. The fund optimises existing technology transfer systems by offering PDIs the opportunity to attend various field days, short courses and seminars that are facilitated by DFPT Research and the Cape Pomological Association, free of charge. The scope of the fund has since been expanded to include events facilitated by the Cape Pomological Association. Each farm or business that registers a paying participant for these selected events may bring along two PDIs free of charge

- **Stone fruit production guidelines**

A document discussing all the production aspects and protocols was drafted by technical experts in the field. These guidelines are addressed to newcomers and provide all the production and handling protocols that are required to produce stone fruit of export quality. It forms part of the stone fruit cold chain protocols and available on www.dfpt.co.za. Similar exercises will be carried out in respect of the other fruit kinds when the need arises.

- **National Productivity Institute**

A programme has been put in place with the National Productivity Institute (NPI) regarding training videos. Two training guides – “The Road to Profit” and “Die Boom” were upgraded in 2007 and these are available from Productivity SA. A “Picking” guide is currently being upgraded. These training videos/manuals are particularly useful to new entrants in the deciduous fruit industry.

- **Post-harvest handling protocols for small-scale farmers**

DFPT Research funded the Afrikaans translation of this document as part of its mission to have information available to all producers. This document covers all post-harvest aspects and focuses on:

- a) How to maintain quality – visual, texture, flavour and nutritional value
- b) How to ensure food safety
- c) How to minimise losses between the time of harvest and final consumption

- **Resources and products**

Specific resources that are available to emerging farmers include the following:

- Maturity release criteria and over-mature standards
- Maturity grade standards for harvesting apples
- Rest breaking guidelines
- Existing pre-harvest prediction methods and models for bitter pit
- Pre and post-harvest management of bitter pit in apples
- IPM guidelines for pome fruit (Afrikaans only)
- Guidelines for integrated production of pome and stone fruit

List of products coded for IFP (stone and pome fruit)

- Nematodes – guidelines for producers (stone and pome fruit)
- Nematodes – guidelines for nurseries (stone and pome fruit)
- Handling procedures and optimum temperature requirements for sea export of stone fruit
- Plum shipping regime guidelines
- Plum variety guidelines

South African packaging material guidelines

- Cold storage of plums for the South African markets
- Stone fruit handling protocols

This information and much more is available on the DFPT Research website, www.dfptresearch.co.za.

- **Local market standards**

The industry has recently revised the local market standards for deciduous fruits. As part of this process, the South African Fruit Distributors Association participated in and made inputs to the work groups. Uthmaan Rhoda, chairman of the Institute of Market Agents, also played a prominent role in this process. These work groups were included in the mailing lists of the apple inspection results on the local fresh produce markets.

The DoA has updated the local standards and is preparing to discuss them with the various stakeholders. The DFPT is making its database of emerging farmers available to the DoA for this purpose. Assistance and advice were given to emerging market agents on visits to fresh produce markets.

<p>Other initiatives</p>	<p>Industry representation</p> <p>Apart from the integration project the primary producer bodies adopted a “bottom-up” approach to ensure that emerging farmers are represented on area structures. At present, emerging farmers are represented on a number of area associations, while both SAAPPA and SASPA have created space for such farmers on their respective national boards.</p> <p>Showcasing and exhibition events</p> <p>The strategy in respect of showcasing and exhibition events was changed during the past year, and a great deal has been done to make sure that implementation will take place as soon as possible.</p> <p>DFI Development Trust</p> <p>The DFI Development Trust ring-fences the assets of the liquidated Deciduous Fruit Board. The DFPT continued to provide administrative, secretarial and financial management support services to the trust.</p> <p>The trust was assisted with inviting project applications and the screening thereof in line with the parameters agreed with the trustees. An amount of R1.6 million has been approved for a range of projects. A progress/evaluation report for the trustees has been drawn up.</p> <p>It is estimated that an amount of ±R1.3 million will be available for the 2009 fiscal year. Project applications have already been requested and these will be screened for appropriateness in due course.</p>
<p>Potatoes</p> <p>An amount of R4.2 million (18.2% of levy income) was spent on transformation.</p>	
<p>Transformation Manager and Transformation Coordinator</p> <p>Salaries and direct costs amounted to R2.1 million</p> <p>Projects aimed at the emerging sector amounted to R2.1 million.</p>	<p>Cultivar and demonstration trials</p> <p>Cultivar and demonstration trials were used as a way of educating, training and disseminating relevant information necessary for a successful potato enterprise. The trials offered emerging potato producers the opportunity to:</p> <ul style="list-style-type: none"> • Participate in practical demonstrations of potato planting, harvesting, grading, packing, etc. • Learn the correct methods to plant potatoes and subsequently increase yields • Establish partnerships with input suppliers

Trials and training – colleges

In general, the action plans encompass the following, but this may differ from college to college:

- First-year students are introduced to the potato industry.
- In their second year students have to choose between animal and crop production. The second year crop production students receive training on potato production as part of the curriculum.
- The best first-year student is offered a Trust bursary.
- Third-year crop production students will “specialise” in potato production under the supervision of a student intern.
- Potatoes South Africa is involved in supplying inputs, coordinating guest speakers, the harvesting of the potato crop and the marketing thereof.

The colleges involved are:

- Glen Agricultural College
- Lowveld Agricultural College
- Elsenburg Agricultural College
- Maluti College
- Goldfields College

Skills development – Ceres/Koue Bokkeveld

The commercial farmers of Ceres and the Koue Bokkeveld developed a training institute initially to cater for the training of their employees. However, the training provided by the institute has been extended to make provision for the training of new emerging farmers and employees involved in empowerment partnerships.

The primary goals of the project are to:

- Provide relevant training to the trustees of the empowerment partnerships
- Provide proper training to the partners in the empowerment partnerships
- Improve the skills of the employees in the newly established farming enterprises with special emphasis on decision making and understanding their specific role in the enterprise
- Improve the technical and business skills of the new producers and partners to farm productively and profitably

The main action plans may be summarised as follows:

- Identify the training needs of the relevant farming enterprises
- Develop a training programme to fulfil the needs of the said enterprises with the emphasis on good agricultural practices
- Enlist service providers to provide the necessary training, inclusive of applicable short courses, e.g. to develop their managerial skills

Farmer training – Sandveld (Redelinghuys)

The commercial potato producers of the Sandveld production region have developed their own experimental site for the planting of trials and related projects. This site is now also used to train emerging potato farmers in the region.

The primary goals of the SAND emerging farmer project were to:

- Provide theoretical and practical training on potato production
- Plant potato trials using organic and inorganic fertilisers and to make the results available to the emerging producers
- Lease land next to the site for five emerging producers to plant potatoes under the supervision of a mentor

The main action plans may be summarised as follows:

- Farmers from Goedverwacht, the Sandveld West Coast and Wuperthal will attend a complete course on potato production.
- Five farmers will be selected from the group and placed on the leased land for one year to put their training into practice under the watchful eye of their mentor. They will simultaneously be trained further on various aspects relevant to successful potato production.
- After completion a similar exercise will be implemented with another group for the next year.
- The farmers will receive certificates upon the successful completion of the training course.

Training material

In order to provide proper training, appropriate training modules have been written and will be revised where necessary to suit the needs of structured learning for emerging entities that wish to get involved in skills development initiatives. The primary goal of the project is to implement structured learning by way of short skills programmes, learnerships and adult basic education and training (ABET), using accredited, standardised learning material.

	<p>The main action plans may be summarised as follows:</p> <ul style="list-style-type: none"> • The appointment of a service provider to revise the training modules • Contextualisation of the unit standards to render them potato specific • The implementation of learning interventions using the standardised learning material
<p>Red meat</p> <p>Approximately 34% (R9.2 million) of the statutory levy funds collected in the red meat industry have been allocated to transformation.</p>	
<p>The National Emergent Red Meat Producers' Organisation (NERPO) has been assigned by the Red Meat Industry Forum (RMIF) to implement a programme for developing the emerging livestock sector.</p>	<p>Some of the activities are listed below.</p> <ul style="list-style-type: none"> • A manual for emerging pig farmers was published and distributed, at a cost of R49 000, aimed at informal small-scale pig producers who aim to upgrade their enterprise into a sustainable and profitable commercial operation. • Training courses, farmers' days and study groups were presented and organised at a cost of R340 000. • The assistance to emerging pig producers in the Western Cape continued at a cost of R151 800. • Financial assistance amount to R420 000 was granted to 11 emerging pig producers whose pigs were culled due to a viral disease. • Mentorship programmes were introduced to 32 beneficiaries at a cost of R100 000. • Assistance was given to 60 emerging pig producers to develop a business plan; R40 000 was spent. • The South African Feedlot Association spent R3 million on customer education and communication, of which R2 million (68%) was aimed at transformation.
<p>Sorghum</p> <p>An amount of R209 500 (12.9% of levy income) was spent on transformation.</p>	
<p>Farmer Development Programme, Grain SA</p> <p>The programme addressed commercialisation of sorghum production among small-scale and emerging farmers. It provided training, transferred industry information and examined best practice methodology with regard to sorghum and targeted small-scale and medium emerging farmers in Limpopo, Mpumalanga and North West.</p>	<p>Demonstration plots were established in North West, Mpumalanga and Limpopo, involving six trials in total. The trials were aimed at demonstrating the effects of correct fertilisation, weed control, and pest and disease control. The plots are managed carefully and each plot hosts at least two farmers' days over the growing period of the crop (at planting time, at the vegetative stage and near harvest time).</p> <p>The trials also show the farmers the value of planting hybrid seed and the advantage of planting bitter sorghum rather than sweet sorghum (less bird damage). A production manual developed in the previous funding period was used during the training courses and each learner took the manual home for reference purposes.</p>

<p>R209 500 was spent and a total of 76 black farmers attended the production and implement management courses during 2007/2008.</p>	<p>The training course was developed and is available in English. It covers soil preparation, cultivar selection, fertilisation, planting, weed and pest control, harvesting and marketing, to equip farmers to be able to produce a crop after attending the course. The task of taking the developing farmers through this scientific and complex process should not be underestimated.</p> <p>In the Grain SA Development Programme a manual was also developed for Tractor and Farm implement Maintenance.</p>
<p>Table grapes R1 647 830 or 10% of levy income was spent on transformation.</p>	
<p>Local market development Total cost: R150 000 Beneficiaries: 15 farms with 365 shareholders/trustees</p> <p>Grape Academy Total cost: R250 000 Beneficiaries: 30 000 farm workers, difficult to quantify the uptake from new ownership</p> <p>HIV education Total Cost: R100 000 Beneficiaries: not known</p> <p>Financial life skills training Total cost: R5 000 Beneficiaries: not known</p> <p>PDI educational tour</p>	<p>The objective of this project is to support the entry of new and existing PDIs and BEE producers into the local market. We believe that many of the BEE projects fail because the producer has not developed the correct skills capacity to export – an area which carries higher risks than the local market. SATI has been negotiating with the local retailers to provide produce off-take contractual commitments. SATI will also support the farms in respect of the transfer of technical knowledge and certain of the retailers will also provide this support.</p> <p>This project is currently developing standardised training and learning material for the industry which will be certified under the NQF. It will provide a career growth path all the way through to entrepreneurship. This will enable farm workers to gain recognised qualifications and new owners to develop skills and capacity for use in their businesses. The project is being done in cooperation with the Citrus Academy and Elsenburg College in the Western Cape.</p> <p>This project was spread across all regions.</p> <p>This project was carried out in cooperation with ABSA Bank, who provided the trainers. The training targeted farm workers and their families and focused on how to manage money, how to use banking facilities, etc.</p> <p>This project was aimed at exposing PDIs to the various parts of the industry and included visits to ARC research facilities, the Cape Town port, PPECB and the Bien Donne Exhibition in Franschoek. The PDIs came from the Orange River and the Hex table grape growing regions.</p>

<p>Learners' Careers Day – Elsenburg</p>	<p>This project was carried out in collaboration with the Western Cape Department of Agriculture and was aimed at exposing learners in Grade 10 upward to possible careers in agriculture in general as well as in fruit and wine production.</p>
<p>Wine In total the wine industry spent approximately R17.5 million (37.3% of levy income) on transformation.</p>	
<p>SAWIS (information) Transformation expenditure accounted for approximately 22% (R2 790 633) of the levy income received by the South African Wine Information Systems (SAWIS).</p>	<p>The Information Centre, as a facilitator of information, has a multiplying effect in respect of a wide spectrum of industry relevant information. It is especially beneficial for small, medium and micro enterprises (SMMEs) and PDIs, the target audiences in setting up this facility. No membership fee is applicable to PDIs. Also, in accordance with its employment equity plan, SAWIS is committed to giving preference to the appointment of suitably qualified PDIs.</p>
<p>Winetech (research and development) According to information obtained from Winetech, approximately 63% of levies collected (R9.4 million) was used for exposure and training of PDIs.</p>	<p>Exposure to and training (bursaries, salaries, running expenses) in various projects on cultivation/production, technology transfer, soil science, biotechnology, disease management, plant improvement, pest management, waste production handling, wine production technology, microbiology, were provided at the ARC, universities and VinPro. Fifty-eight PDIs are involved in these projects. This percentage seems high, and it is noted that Winetech's audited financial statement, which was audited by the Auditor-General, confirmed that this percentage was indeed spent on transformation.</p>
<p>WOSA (export) WOSA spent approximately 27% (R5 332 352) of levies collected on PDI projects.</p>	<p>WOSA has changed its constitution to include five black brand owners as directors. WOSA assisted these brand owners to exhibit their brands at Prowein, the London Wine Trade Fair, the WOSA German generic, by paying stand costs, travel and accommodation. WOSA gave all emerging black brand owners free stands at Cape Wine. Black brand owners pay no membership fees. WOSA launched the Fundi project to train PDI wine stewards for the Soccer World Cup as a lasting legacy of the event. A total of 120 students graduated by the end of 2008.</p>
<p>WIDA An amount of R966 811 or 23.8% of levy income was spent on transformation.</p>	<p>As WIDA is regarded as responsible for transformation in the industry, all expenses are deemed to be transformation expenses. A BEE Charter Desk was developed at a cost of R560 907. The balance of the expenses consisted of administration costs, transformation manager expenses and financial service costs. Actual transformation projects only started in 2008.</p>

Winter cereals	
An amount of R4.3 million (15.9% of levy income) was spent on ongoing transformation-specific projects.	
<p>ARC: Small Grain Institute</p> <p>Field evaluation of newly released cultivars of wheat for Aluminium tolerance: R180 115</p> <p>Farmer support programme for developing resource-poor farmers: R1 365 978</p> <p>Verification of cultivars suitable for production in resource-limited agriculture (less favourable conditions): R383 750</p>	<p>The objective was to evaluate wheat cultivars for A1 tolerance at two trial sites, in Kestell and Bethlehem. Based on yield levels of the different cultivars, cultivars are divided into different groups of tolerance to soil acidity. The trials have easy access to emerging producers, and assist them in choosing the best cultivar for the relevant soil type. The project was continued in 2008.</p> <p>The objectives of this project were:</p> <ul style="list-style-type: none"> • To improve wheat production in communities of developing producers • To identify new communities and individual producers with potential to produce small grains on a commercial basis • To establish a linkage mechanism to facilitate feedback from the producer to researchers through the Sustainable Rural Livelihood programme by identifying new communities with a potential for successful small grain production • To train producers and extension officers in wheat production <p>Accomplishments:</p> <ul style="list-style-type: none"> • On-farm demonstration trials were conducted in 12 localities where 16 cultivars were planted – 2 of these localities were under irrigation while 10 were under dryland. Two localities were hard hit by drought. • Farmers and information days were held in 9 areas; 888 people participated and 71 presentations were made. • Five meetings were held to foster good relationships and share ideas – Limpopo Provincial Department, Grain SA, SAGIS, Ministerial Extension Indaba and Wheat Forum were involved. • Five training courses attended by 173 participants were conducted. <p>Field trials were conducted at five resource-limited localities in the wheat producing areas, Qwa Qwa and Ficksburg, Loskop Research Station, Modder River and Taung.</p>

<p>Monitoring the soil fertility status in resource-poor environments: R94 247</p>	<p>Soil analyses enjoy a high priority in the activities of developing farmers. This project aimed at making fertility information available to ARC researchers when they need it for planning of experiments, making recommendations to farmers in the areas where they work or when they prepare for farmers' days. A total of 192 soil samples were done from Eastern and Central Free State. Samples were analysed, interpreted and data was captured in the database. Farmers and extension officers interacted to explain the results and recommendations.</p>
<p>Non-chemical control of wheat aphids with special reference to resource-limited farmers: R382 121</p>	<p>From the five trials conducted it is clear that the Russian wheat aphid was more intense in some years than in others and that it was more destructive in the Eastern Free State (Qwa Qwa) than in the Central and Western Free State. From the results it is clear that the use of parasitoids in control programmes against the wheat aphid is a complex task and several factors should be taken into consideration for this intervention to be successful. Resource-limited farmers as well as extension officers need intensive training and practical demonstrations to make effective use of parasitoids to control aphids. Due to the fact that a proper rearing facility is needed for mass parasitoid production, costs will be involved in the production process and this training will not be totally free unless a sponsor is found.</p>
<p>Grain SA Commercialisation of wheat production among developing farmers in the Eastern Free State: R421 685</p>	<p>This project aimed to enable developing farmers in the Eastern and Central Free State to produce dryland wheat commercially, profitably and sustainably. This involved:</p> <ul style="list-style-type: none"> • Creation of and service to four study groups, in Marseilles, Clocolan, Bethlehem and Kestell; ten meetings were held at which important issues were discussed • Plots with demonstration trials (in Fouriesburg and Kestell) and information days • Training material developed and duplicated, and training courses (three 5-day courses were presented to 44 farmers and 19 extension officers) • Monthly newsletters (Pula/Imvula), 2 500 copies of which were printed in Sesotho and distributed in the Free State
<p>SAB Barley Farm Mentorship in grain production of newly graduated agricultural students from previously disadvantaged areas on an SAB barley farm: R87 600</p>	<p>Training, mentoring and support in barley production were provided for a previously disadvantaged graduate in Agriculture.</p>
<p>Provision: organisations to be identified: R1 411 533 was set aside for more projects.</p>	<p>This amount was set aside for additional projects that were identified and funded in the following financial year.</p>

4.4.1 Production and contribution by emerging farmers

The review of statutory levies also revealed other important information, such as total local production of a particular commodity in respect of which a statutory levy is collected, and production by emerging farmers. The number of commercial producers compared to the number of emerging farmers and their average production figures are summarised in Table 7.

Table 7: Production and number of producers in industries that have statutory levies

Industry	Total production 2008 (Tons)	Commercial producers (Number)	PDI production 2008 (Tons)	BEE partnership production 2008 (Tons)	Small-scale producers (Number)
Citrus (exports only)	1 237 150	1400	48 840	35 010	71
Cotton	2 083	200	1 500	1 021	2300
Dairy	2 345 000	3300	100 000	120 000	720
Deciduous fruit:					
Pome fruit	829 040	636	59 996	196 352	83
Stone fruit	236 028	984	15 327	55 175	75
Dried fruit	25 340	650	n.a.	n.a.	n.a.
Potatoes	1 919 681	959	50 000	–	373
Red meat	686 885	35 400	274 754	–	1 160 000
Sorghum	255 000	1400	2 000	–	71
Table grapes	206 193	534	11 206	13 447	6
Wine	1 337 616	3966	13 831	–	33
Wheat	2 032 100	3300	64 000	–	720

n.a. = not available

The citrus industry indicated that it regarded all PDI growers as commercial producers because they all produce in excess of their own needs, the surplus being for sale in the open market. It has, therefore, provided information on black growers in this section.

The red meat industry indicated that there are approximately one million small-scale producers who own cattle, goats or sheep, mostly on communal land. Due to the large areas of communal land in South Africa and the culture among the majority of our citizens, in terms of which animals are kept for a number of reasons, a significant share of livestock is in the hands of this large number of small-scale farmers.

Table 8 summarises emerging farmers' share in production of the particular commodities reported in the 2001, 2003, 2005 and 2007 surveys, compared to the share reported in 2008.

Table 8: Percentage production by emerging farmers

	2001 survey %	2003 survey %	2005 survey %	2007 survey %	2008 survey %
Citrus	1.1	1.9	1.8	1.8	3.9
Cotton	3.0	8.9	8.8	5.9	13.0
Dairy	n.a.	n.a.	n.a.	n.a.	4.3
Deciduous fruit					
Pome fruit	n.a.	0.1	1.1	3.0	7.2
Stone fruit	n.a.	0.1	1.1	3.0	6.5
Dried fruit	0.3	0.9	1.1	3.0	3.0
Potatoes	n.a.	n.a.	n.a.	2.6	2.4
Red meat	n.s.l.	n.s.l.	n.s.l.	20.0	20.0
Sorghum	0.4	n.a.	0.5	1.1	0.8
Table grapes	n.a.	0.0	1.1	3.0	2.0
Wine	n.a.	0.1	0.4	0.7	1.0
Winter cereal	n.a.	n.a.	0.4	2.9	3.1

n.a. = not available

n.s.1. = no statutory levies

The increase in production by black farmers as a percentage of total production may be regarded as one of the main indicators for monitoring the process of bringing black farmers into the mainstream of commercial agricultural production. This enables the NAMC to

monitor progress made in improving emerging farmers' production. From the figures in Table 8 it is clear that the market share of emerging farmers increased in most sectors but is still relatively small in most agricultural industries. It is evident from the table that the emerging farmer production increased significantly in the cotton industry. If better information were available for emerging sector production, increases would possibly also be seen in the sorghum industry.

4.5 Other functions

4.5.1 Export promotion

A total amount of approximately R25.8 million was spent on export promotion. Wines of South Africa (WOSA) is promoting South African wine on the overseas markets. WOSA has offices in Canada, Germany, Denmark, Sweden, The Netherlands, the United States (US) and the United Kingdom (UK), and participated in international wine shows. Other industries, such as the citrus, deciduous fruit and potato industries, are also promoting their commodities in overseas markets.

4.5.2 Local promotion

The dairy and the red meat industries spent 45% and 5% respectively of total expenditure on promotion in the local market. On 16 August 2005 the NAMC held a workshop with levy administrators to discuss the desirability of generic promotions. The outcome was a decision that generic promotions should continue provided there was sufficient support within a specific industry. It was also agreed that these promotions should, in future, be referred to as the promotion of "consumer awareness". The amounts made available for local promotions were as follows:

Cotton	R 405 791
Dairy	R10 315 840
Red meat	R 1 287 088

4.5.3 Plant improvement

The deciduous fruit industry spent an amount of R1 994 000 on plant improvement (respectively 5% and 14% of levy income on pome fruit and stone fruit).

4.5.4 Production development

The red meat industry spent R2 154 024 (8% of levy income) on production development.

4.5.5 Quality control

The cotton industry made an amount of R1 226 017 (24% of levy income) available for quality control, while 18% of the levy income on dairy products or R4 073 009 was spent on quality control.

5. STATUTORY LEVIES IN OTHER COUNTRIES

According to the World Bank, levies are general commodity taxes and not voluntary industry contributions. In some cases, such levies, along with other commodity taxes, have been so high as to greatly damage the industries concerned. To avoid the risk that governments use levies as general revenue, some advocates of industry funding prefer to talk about “checkoffs”. These are self-imposed taxes, collected by the industries themselves and administered by non-governmental organisations that represent contributors. However, unless industries consist of relatively few operators, they tend to have great difficulty in collecting contributions without some kind of legal protection against “free-riders”. Therefore, even checkoffs require a legal framework that mandates industry associations to impose, collect and administer contributions.

The World Bank also reports that a key advantage of a research levy is that it can make research funding more dependable. This advantage is not absolute, since if production or exports decline significantly due to, say, a major pest outbreak, funding can fall off sharply exactly when it is needed most. But in light of the poor track record of both donors and governments in providing funding for agricultural research in many African countries, a research levy is likely to be a major improvement.

Another advantage of a research levy, especially if the industry itself can determine its level and/or play a decisive role in governance, is that it can give clients greater control over the research. In other words, it can empower the clients and make research demand-driven. Direct accountability to paying customers can make industry-funded commodity-specific research institutes more effective. Industry levies can fund semi-private research organisations that may be more flexible than their counterparts in the public sector. This is especially true in countries where the public sector suffers greatly from inadequate and unreliable funding for operational costs, wage “compression,” bureaucratic decision making and poor incentive structures. The flexibility enjoyed by the semi-private institutes may be a major advantage in such circumstances.

Finally, funding of research on commercial crops by the industry may mobilise additional resources for such research and/or relieve budgetary constraints in other types of agricultural research.

According to the World Bank, levies can only be collected on commodities that go through a small number of central collection points. Where most agriculture is highly commercialised, levies can be collected on most crops, as has been done in Australia. But in most of Africa, the scope for levy-based funding is currently limited to export crops such as coffee, cotton, tea and cocoa, and to some industrially processed crops such as sugar. Oil palm, which is highly commercial in Malaysia, is a semi-subsistence crop in many parts of Africa. In many African countries, a levy on oil palm could reach only a small part of production.

South Africa's agricultural levy legislation and policy are much the same as those of Australia. According to the Department of Agriculture, Fisheries and Forestry in Australia (DAFF), their farm businesses are world leaders in production efficiency, sustainability, product quality, innovation and supply and response to market needs, due to the effective system of primary industry levies. Research and development, promotion and marketing, residue testing, and plant and animal health programmes are being funded with levy funds. Usually an industry body identifies the need for a levy or charge to respond to a problem or opportunity requiring collective industry funding. The organisation puts a levy proposal to its members for discussion and consults with DAFF on the proposal.

Australia's levy system has enabled industries to maintain their position in highly competitive world markets. Other smaller and emerging industries also appreciate the benefits of industry cooperation and resource sharing.

Examples of levy use include the funding invested by research and development corporations in R&D – investments that result in productivity increases and also deliver public good results like regional development, food safety improvements, environmental benefits, medical advances and new consumer products.

The government role, through DAFF, is to liaise with industries that want a levy system and to implement an effective collection system at minimum cost. The Levies Revenue Service within DAFF is responsible for the effective delivery of levies, by administering, collecting and disbursing levies, on a cost recovery basis, on behalf of industries.

The UK has established an Agriculture and Horticulture Levy Board which administers statutory levies for most sectors, including the cereals and oilseeds, beef and lamb (England only), pig, milk, horticulture and potato sectors.

Under the Common Agricultural Policy (CAP), if agricultural products are in short supply in the EU or their price outside the EU exceeds EU levels, exports are subject to a levy on the goods. Levies only apply to consignments from the EU.

Levies (and other statutory measures) in other countries will be investigated further by the NAMC in the near future. More information will be available in the NAMC's next report on statutory measures.

6. VIEWPOINTS OF LEVY ADMINISTRATORS

A question to levy administrators about their problems, comments and suggestions regarding levy administration was included in the 2008 survey. The same problems were conveyed to the NAMC as in the previous years, and are summarised below.

6.1 Allocation to transformation

The Citrus Growers Association (CGA) again expressed concern about the increase in the percentage (from 10% to 20%) of statutory levies collected that should be spent on transformation. It emphasised that citrus growers were not against transformation, because many growers were making significant contributions towards the development of black growers. The reasons for the CGA's concern included the following:

- The CGA's levy application was mainly for research funding (65%), market access (11%) and information (5%). These functions were essential for the continued competitiveness of the citrus industry. Although these functions should largely be funded by government, they were not – and the citrus growers had therefore stepped into the breach to ensure that these functions continued. To add additional requirements that had not been applied for was seen as an abuse of the Acts governing levy applications and approvals, and counterproductive to raising much needed funds for the identified functions (research, market access and information).
- When the first citrus levy was approved in March 2001, there was a zero requirement in terms of transformation spend. The application in 2004 included a 10% transformation spend. Present applications had a guideline of 20%. This meant that either the levy had to be hiked up or, if it remained the same, funds desperately needed for research and market access would not be available.
- The amount raised by the 20% was a pittance compared to the amount growers were putting into transformation on their own farms. Instead of taxing growers more by increasing the transformation spend portion of the levy, they should be incentivised through other means to continue these activities. An amount of R2 million or R4 million through a citrus levy would, it was felt, do little compared to the goodwill of 1 400 growers practising transformation on

their farms. Enforcement of the 20% requirement could deter growers from continuing with their own endeavours, which far exceeded what the CGA could achieve.

The CGA requested the NAMC to review the 20% transformation requirement, and to keep it at 10%. The higher requirement was placing the funding of essential research, market access and information activities in jeopardy.

6.2 Auditor-General

The CGA mentioned that its financial statements had been audited by the Auditor-General, but that it was uncertain that any auditing had actually taken place, since the only correspondence the CGA had received was an invoice and a duplicate copy of the audit letter from its own auditors, PricewaterhouseCoopers. However, the invoice from the Auditor-General was significantly higher than that of PricewaterhouseCoopers. The CGA requested the NAMC to discuss its dissatisfaction with the Auditor-General and to negotiate a discount on the fees charged, as the entity did not seem to carry out any part of the audit function itself, and its rates far exceeded those of the commercial auditing firms (which were actually doing the work).

Cotton SA indicated that since the Auditor-General had started auditing its financial statements, the audit cost had escalated to an unrealistic level. It, too, requested the NAMC to discuss this with the Auditor-General's Office in order to ensure more realistic costs in future.

7. CONCLUSIONS

The amount of statutory levies collected by the different industries has increased substantially over the past few years – from R45.5 million reported in the first (2001) survey to R204.5 million in the 2007 survey and R229.4 in the present (2008) survey. Seven years ago only 5 industries collected a statutory levy compared to the 11 industries that are currently doing so.

Apart from the fact that more industries had started to make use of statutory levies to finance generic functions, the average collection rate for the 11 industries is approximately 99%, which is laudable and gives evidence of the effective manner in which statutory levies are being administered.

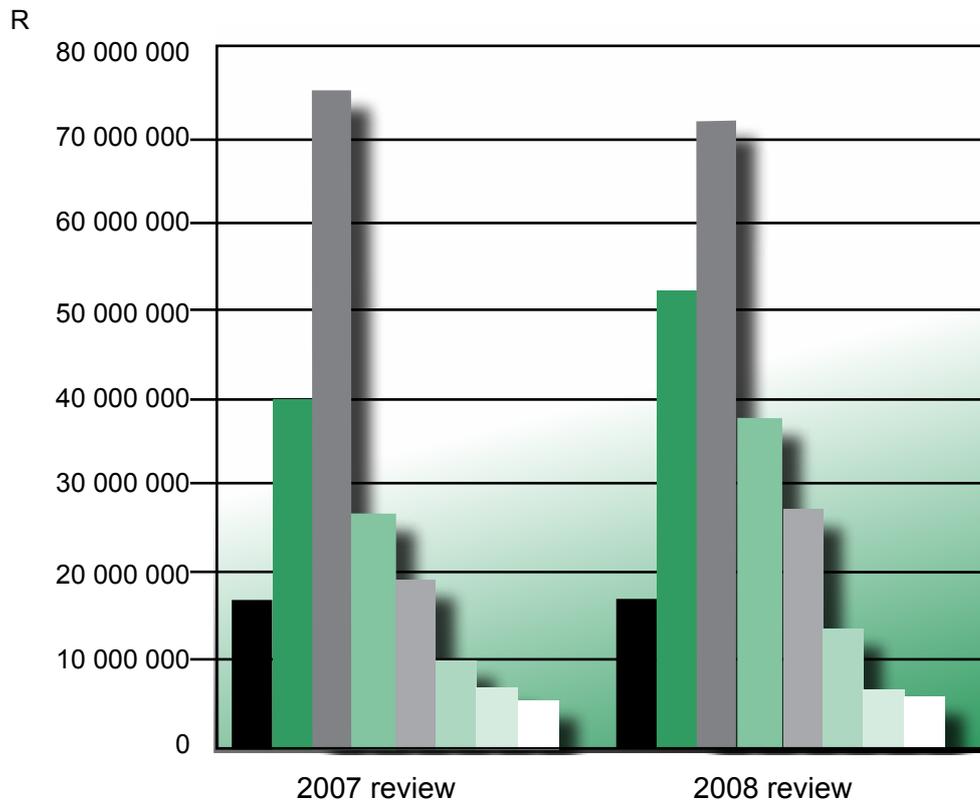
During the past financial year the levy administrators experienced few difficulties in collecting the statutory levies, and the NAMC is not aware of any looming court cases in this regard. The dairy industry experienced some problems and there were rumours of possible court cases, but the concerns were resolved and the industry reported a collection rate of 121.6%. In other words, Milk SA collected a portion of statutory levies in the latest financial year which was actually payable in the previous financial year.

With regard to problems, comments and suggestions relating to statutory levies, some levy administrators indicated that the 20% earmarked for transformation might be too high. The fees and activities of the Auditor-General were also pointed out as an issue of concern.

In comparison to the 2007 review, levy income increased by 11.2%, and expenditure increased by 16.4%. In Table 9 and Figure 4, levy expenditure is compared to the 2007 review, which shows that expenditure increased for transformation (31.5%), information (43.3%) and export promotion (45.0%). The amount spent on research decreased by 5%.

Table 9: Levy expenditure 2007 and 2008

Functions	Amount spent 2007 survey R	Amount spent 2008 survey R	% change
Administration	15 467 958	15 727 636	1.7
Transformation	38 941 855	51 224 661	31.5
Research	74 417 464	70 680 630	(5.0)
Information	25 723 839	36 861 025	51.1
Export promotion	17 779 982	25 777 992	43.3
Local promotion	9 013 908	12 008 719	33.2
Quality control	5 444 992	5 299 026	(2.7)
Other functions	4 183 239	4 680 311	11.9
Total	190 973 237	222 260 000	16.4



	Admin		Transformation		Research		Information
	Export Promotion		Local Promotion		Quality Control		Other functions

Figure 4: Levy expenditure: 2007 and 2008

The NAMC takes note of the fact that levy funds meant for transformation increased substantially during the past year and that this increase was to the detriment of funds available for research. Although the amount of R51.2 million for transformation may not be enough to achieve significant results in bringing black people into the mainstream economy, it is applauded that the relevant industries are making a concerted effort to contribute towards this important broader goal. The industries should continuously be encouraged to use the NAMC's guidelines on transformation in directing current and future efforts towards more meaningful and efficient spending on transformation.

Another point of concern was that a number of industries did not know the market share or the production figures of black producers compared to total production. This made the monitoring of transformation in the relevant industries very difficult. A possible solution to this problem would be to make it a condition of approval that all levy administrators should develop and maintain a database of black producers and their production figures.

Statutory levies are becoming a very viable option for agricultural industries to obtain funds for specific functions. Currently, the bee, racing horse, mushroom and protea industries are considering statutory measures and the poultry industry recently applied for statutory measures.

ANNEXURE A

LEVY EXPENDITURE AND ALLOCATION TO FUNCTIONS – 2008 SURVEY

	Admin	Transfor- mation	Export promotion & market access	Research	Information & industry liaison	Production development	Consumer education/ local promotion	Plant Improve- ment	Quality control	Total
Citrus	1 353 339	3 507 195	2 186 036	16 077 070	1 960 576					25 084 216
%	5	14	9	64	8					100
Cotton	25 914	614 639		165 000	2 662 330		405 791		1 226 017	5 099 691
%	1	12		3	52		8		24	100
Dairy	2 778 578	3 869 516		639 742	1 045 695		10 315 840		4 073 009	22 722 380
%	12	17		3	5		45		18	100
Pome fruit	2 068 768	3 844 158	1 861 406	10 333 566	1 219 537			1 043 160		20 370 595
%	10	19	9	51	6			5		100
Stone fruit	883 265	955 715	518 443	2 706 942	1 099 560			950 840		7 114 765
%	12	14	7	38	15			14		100
Table grapes	1 029 894	1 647 830	1 235 872	5 458 437	926 904					10 298 938
%	10	16	12	53	9					100
Dried fruit	293 874	366 240		1 581 936	323 533			532 287		3 097 870
%	9	12		51	10			17		100
Potato	2 218 816	4 200 786	6 619 387	5 927 481	5 825 150					24 791 620
%	9	17	27	24	23					100
Red meat	1 521 445	9 172 322		622 800	10 619 997	2 154 024	1 287 088			25 377 676
%	6	36		3	42	8	5			100
Sorghum	68 694	209 500		690 980	286 134					1 255 308
%	5	17		55	23					100
SAWIS		2 790 633			9 894 063					12 684 696
%		22			78					100
Winetech	827 312	9 357 742		4 129 879						14 314 933
%	5	63		32						100
WOSA	826 054	5 332 352	13 356 848							19 515 254
%	4	27	69							100
WETU	62 193	966 811								1 029 004
%	6	94								100
Wheat	1 831 683	4 327 029		22 346 797	997 546					29 503 055
%	6	15		76	3					100
Total	15 789 829	51 162 468	25 777 992	70 680 630	36 861 025	2 154 024	12 008 719	2 526 287	5 299 026	222 260 001
%	7	23	12	32	17	1	5	1	2	100

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ANNEXURE C

CONTACT DETAILS OF LEVY ADMINISTRATORS

Levy	Administrating body	Contact person	Contact number	E-mail address
Citrus	Citrus Growers Association of SA	Mr Justin Chadwick	T 031 7652514 F 031 7658029	justchad@iafrica.com
Cotton	Cotton SA	Mr Hennie Bruwer	T 012 8041462 F 012 8048616	henniebruwer@cottonsa.org.za
Dairy	Milk SA	Mr Nico Fouche	T 012 8044801 F 012 8044811	info@milksa.co.za
Deciduous fruit - Pome fruit - Stone fruit	Deciduous Fruit Producers Trust	Mr Anton Rabe	T 021 8702900 F 021 8702915	johlida@dfpt.co.za
Table grapes	SA Table Grape Industry	Ma Elaine Alexander	T 021 872 1438 F 021 872 4375	rhomona@satgi.co.za
Dried fruit	Dried Fruit Technical Services	Mr Dappie Smith	T 021 8702925 F 021 8712192	dappies@dtd.co.za
Potato	Potatoes SA	Mr Gawie Geyer	T 012 3491906 F 012 3492641	ggeyer@agric.co.za
Red meat	Red Meat Levy Admin	Ms Alet du Plessis	T 012 348 7572 F 012 361 9837	aletd@levyadmin.co.za
Sorghum	Sorghum Trust	Mr Leon du Plessis	T 012 333 3429 F 012 333 3634	l-lagric@mweb.co.za
Wine and grapes	Winetech WOSA SAWIS	Ms Yvette vd Merwe	T 021 807 5719 F 021 807 6000	yvette@sawis.co.za
Winter cereals	Winter Cereals Trust	Mr Awie Coetzee	T 012 6631660 F 012 6633109	wct@grainmilling.co.za

POLICY ON ADMINISTRATION COSTS

A guideline has been established by the NAMC for all statutory levy administrators that not more than 10% of the total statutory levy income should be spent on administration functions. In order to assist with the application of this guideline, the following examples of administration costs for the administration of a statutory levy are provided. *(Note: for all the items listed below it is acceptable for an administrator to distinguish between time [or portion of the cost item] spent on levy administration versus core business.)*

- Salary and other staff costs of CEO and administrator of levy collection (in the case of a CEO this would be the time spent on non-core activities)
- Salary and staff costs of those directly involved with the collection of the levy
- Rent for offices for above personnel
- Cleaning services for above offices
- Telephone and postage for above personnel
- Audit fees
- Local government taxes and levies
- Bank charges
- Commission paid to levy collectors (if any)
- Parking cost for above personnel
- Directors' fee and S+T allowances for levy administrator body (Trust, Section 21 Company, etc)
- Cost of informing producers about the levy and report backs
- Inspectors' salaries and S+T claims
- Evaluation of performance (or peer review) of core functions
- Publications and subscriptions
- Insurance
- Legal fees
- IT support

- Photocopy expenses and rent
- Stationery
- Training
- Office equipment and software rental
- Depreciation (depreciation could be regarded as a core expenditure if adequately motivated)
- Committee expenses (HR & Audit Committees, etc)
- Personnel related expenses (expenses related to the implementation and application of personnel remuneration system, personnel policy and service conditions, etc)

The following are not regarded as administration costs:

- Salary: If an individual's responsibility is to administer, for example, the research function or information function, the salary of the individual (or portion of salary/time spent on core functions) is not deemed to be an administrative cost but should be allocated to the research or information function.
- Office space rented for core functions
- All costs directly related to the core functions including information, research, transformation, market access and generic promotion

TRANSFORMATION GUIDELINES

INTRODUCTION

These guidelines have been developed for use by industry trusts that manage funds inherited from the closure of control boards, and by levy administrators who manage statutory levies (introduced in terms of the MAP Act).

Over the past few years, access to markets, especially by the developing sector, has been a topical issue. Numerous studies have identified a number of common marketing bottlenecks which hinder access to markets and the viability of farmers. Some of the problems relate to lack of transport, market infrastructure, market information, extension services, quality of products produced, skills development and training, and finance.

It is the government's role to remove some of the barriers encountered by the emerging sector. But the government alone cannot address all these challenges. Development economists acknowledge that strategic partnerships between public and private sectors are essential for the advancement of previously marginalised individuals. It is, therefore, imperative that industries play a major role in the development of the participants in the second economy.

The National Agricultural Marketing Council (NAMC) supports the objectives of AgriBEE. As outlined in the Draft Transformation Charter for agriculture, the objectives of AgriBEE are to facilitate broad-based black economic empowerment (BBBEE) in the agricultural sector by implementing initiatives to include black South Africans at all levels of agricultural activity and enterprises along the entire agricultural value chain. The policy of BBBEE is not simply a moral initiative to redress the wrongs of the past; it is a pragmatic growth strategy that aims to realise the country's full economic potential.

Against this background, the NAMC held a meeting with various industries on 26 May 2006. The objectives of the meeting were to

- Understand how various industries utilise the portion of levy meant for transformation, as well as how industry trusts utilise some of their funds for transformation
- Highlight programmes and/or projects which industries are implementing and how they benefit the emerging sector
- Learn from various industries' experiences on how the portion of levies meant for transformation as well as portions of industry trusts can be used efficiently in order to make a real impact

At that meeting, the industries requested the NAMC to develop a guidelines document on how the portion of the levy funds allocated to transformation, as well as certain allocations from industry trusts, could be better applied for the benefit of emerging farmers. A draft guidelines document was prepared and circulated to all industries for comment. It was, however, felt that the draft guidelines should be further debated at a follow-up workshop, and accordingly the NAMC organised a workshop with the industry trusts and levy administrators to further debate the guidelines and to establish a common understanding on transformation. This was held on 22 June 2007. The guidelines document was accepted by almost all the industries represented at the workshop and the NAMC saw those industries' commitments as a positive step towards transformation.

The present document contains a revised version of the draft guidelines incorporating comments made at the 22 June workshop. The NAMC hopes that these guidelines will direct its partners (trusts and industry organisations) to some possible alternatives for deploying funds to contribute to the transformation taking place within the agricultural sector.

Trust funds

Industry trusts function on their own, being the institutions entrusted with safeguarding and utilising former statutory assets to the benefit of the whole industry. The Minister is represented on the trusts due to the origin of the trust assets. Most of the trust deeds have objectives with regard to transformation and development, and the industry trust is required to achieve those objectives. Transformation within the agricultural sector is both critical and imperative. Although the NAMC does not have the power to influence the way

in which the trust funds should be utilised, we believe that it is in the best interest of a trust to contribute to the activities listed below, which are aimed at addressing transformation within the agricultural sector.

Statutory levies

In an attempt to influence how the statutory levy funds should be spent, the NAMC has adopted a guideline that a maximum of 10% of levies collected should be used for administrative purposes. A further guideline stipulates that approximately 20% of levy income should be used for transformation purposes and the remaining 70% for activities such as research and information dissemination.

The NAMC is in a position to influence the manner in which levy funds are spent by recommending certain conditions for approval by the Minister, and in reviewing and reporting to the Minister on the levy funds. The conditions include that annual financial reports and annual reports on plans and future actions on transformation be submitted to the NAMC.

TRANSFORMATION

The Draft Transformation Charter of Agriculture sets targets that the sector has to achieve within a certain timeframe. In order to address the need for transformation in the agricultural industry and to comply with the objectives of AgriBEE, the NAMC proposes that the 20% of statutory levies earmarked for transformation be spent on some of the activities listed below.

We acknowledge that not all the activities highlighted in the Transformation Charter can realistically be implemented through the use of levy funds earmarked for transformation. We therefore propose that these funds be utilised, albeit not exclusively, for the measurable activities highlighted below. The industries may indicate other activities that address issues of transformation, which could be discussed with the NAMC when applying for levies. As the trusts were established with ministerial approval, they, too, should consider the activities below as a means of contributing towards transformation within the sector.

- Enterprise development/development schemes – industries should design and where possible implement initiatives to assist and accelerate the development of black-owned agribusinesses.
- Skills development and training – industries should design and implement initiatives that will capacitate black entrepreneurs in their respective industries.
- Management control – industries should facilitate, within their membership, the incorporation of black people in management positions in enterprises and industry structures.
- Transformation monitoring – information is one of the functions to be financed by all statutory funds. Industries should make an effort to develop a database of black agribusinesses, indicating their business size and production.

The activities are described in detail below.

1. Enterprise development /development schemes

Industries should design and implement initiatives to assist and accelerate the development of black-owned agribusinesses. Industries should make sure that the schemes designed and implemented are sustainable and that they assist the emerging producers to get access to markets and produce quality products. The industries could approach the NAMC to assist them in designing schemes that will benefit the emerging producers.

The Transformation Charter identifies preferential procurement as a tool to reform public sector procurement by implementing an affirmative procurement policy that will widen market access for black entrepreneurs. The industries, using the levies earmarked for transformation, should assist in breaking down barriers to market access for black entrepreneurs. Support services such as those highlighted below are core pillars of sustainable empowerment initiatives. The industries should include these support services as part of their support to the emerging sector. In order for the black entrepreneurs to constantly supply markets, the industries should provide funding for support services such as the business development services below:

- Accreditation
- Market facilitation
- Business plan development
- Mentorships
- International exposure trips

The industries should also do the following:

- Design and implement schemes that will support the emerging producers
- Leverage funding for schemes
- Finance the support services as listed above, but not limited to those

2. Skills development and training

Most emerging or black producers lack both the managerial and technical skills to successfully operate their enterprises. Inadequate training was identified as one of the factors that contributes to lack of access to markets by the emerging sector. Commercial viability in agriculture, as highlighted in the Transformation Charter, demands sustained productivity and high levels of entrepreneurship, long-term commitment, resources and skills. Most black entrepreneurs do not have the resources to finance all the costs associated with training and capacity building.

Industries should do the following:

- Use mentorship programmes to transfer specialised skills to land reform beneficiaries and black entrepreneurs, thereby supporting the creation of sustainable businesses.
- Create bursary schemes to support black learners and professionals who want to pursue careers within the agricultural sector.
- Develop strategies that will assist graduates to develop their careers.

Again we propose that the levies earmarked for transformation should be used to fund these activities. In addition to training farmers, industries should also consider the training of black professionals in their respective industries or sub-sectors. While we note the importance of skills development in achieving transformation, we feel that industries should not focus exclusively on this activity, as has been the norm for the past several years.

3. Management control

The draft AgriBEE Charter lists the level of managerial control by black individuals as important for the transformation of the sector. The industries should ensure that a substantial number of black people are trained and placed in decision-making positions within their respective industries, starting with industry structures.

The industries should do the following:

- Promote the participation of black people in decision-making positions.
- Promote the participation of black people in management positions in industry structures.
- Assist black people in acquiring the necessary skills to occupy those positions.

4. Monitoring through a database

A database of black agribusinesses and their market share should be compiled and maintained (to monitor the progress of transformation). The database should be used to generate evidence for the NAMC that the functions performed and funded by means of statutory levies have, in fact, promoted transformation.

TARGETS

The NAMC consulted widely on the targets that industries should attain. After a series of consultations and taking into account the sizes and structures of industries, it was decided that industries should set their own targets when applying for levies. Each industry will therefore set its own target, which will be discussed and agreed upon with the NAMC prior to consideration and approval of the levy application.

CONCLUDING REMARKS

The NAMC takes note that industry trust fund allocations and portions of levy funds earmarked for transformation may not be enough to achieve significant results in bringing black people into the mainstream economy. It is, however, important for industries, in their own contexts, to make a concerted effort to contribute towards this important broader goal. Current efforts by some industries in this regard are noted and applauded. More could, however, still be done. These guidelines are meant to assist further in directing current and future efforts by industries towards more meaningful and efficient spending on transformation.