



National Agricultural Marketing Council

Promoting market access for South African agriculture

Generic Transformation Guidelines

2018

NATIONAL AGRICULTURAL MARKETING COUNCIL
Business Office

Block A | 4th floor | Meintjiesplein Building | 536 Francis Baard Street | Arcadia | Pretoria | 0002.
Private Bag X935 | Pretoria | 0001
Tel: 012 341 1115 | Fax: 012 341 1811
www.namc.co.za

TABLE OF CONTENTS

1. New AgriBEE Sector code (as amended – 2017).....	3
1.1. NAMC Transformation Review Committee (TRC).....	6
1.2. NAMC set up in dealing with transformation proposals	6
2. Amendment motivation	6
2.1. Alignment of the Transformation Guidelines the AgriBEE Sector Codes:.....	6
3. Organisational and personnel implications.....	9
4. Monitoring and Evaluation	10
5. Way forward.....	10

1. Introduction

In South Africa, transformation within the agricultural sector is paramount. The South African government has been attempting to deal with transformation in agriculture through its programmes and interventions. For the purposes of statutory measures in line with the government's position transformation simply means redressing past racial imbalances within agriculture. South African agriculture has a dual racially biased feature with both well-developed white-owned commercial farming and more subsistence-based black-owned production.

It is this gap of inequality, between commercial and subsistence, that the government has been attempting to bridge through its interventions. The Marketing of Agricultural Products (MAP) Act (47) of 1996 provides for the introduction of statutory measures including levies, registrations and record & returns on agricultural products. These statutory measures, in part or in full, are collected by certain industries within the sector that apply and meet all the conditions and are approved by the Minister of Agriculture, Forestry and Fisheries. The NAMC facilitates the approval process and is expected to monitor it in line with the MAP Act objectives, as well as the transformation commitments.

1.1 New AgriBEE Sector code (as amended – 2017)

The AgriBEE sector Codes were first introduced on 20 March 2008, with seven (7) pillars. Then, on 8 December 2017, the new amended AgriBEE sector Codes, displaying five (5) pillars were gazetted. Upon the release of the new amended AgriBEE Act and Charter, it became necessary for the NAMC to amend its Transformation Guidelines to be aligned with the amended AgriBEE sector Codes. The workshop between the NAMC, DAFF and administrators of statutory measures, held on 10 April 2018, presented an opportunity for industries to make inputs into the proposed document. **Table 1** outlines the amendments of the AGRIBEE sector codes on key pillars of transformation. Important to note is that due to the nature of levy funds, some of the pillars of the AgriBEE sector codes cannot necessarily be funded, e.g. socio-economic development, since their definitions are broader than the scope of the levy funds. This will ensure that transformation levy funds have a measurable impact.

Table 1: The new AgriBEE sector codes as of 8 December 2017

Pillar	New AgriBEE Sector Codes (8 December 2017)
Owner ship	The objective of this element is to increase the participation of black people in the agri-industry by increasing the level of entitlement of black people to participate in the economic interests and exercisable voting rights of enterprises in the sector. When dealing with disposal/ transfer/ selling of agricultural land as an asset, the principles of Statement 102 of the Amended Codes of Good Practice will apply, along with section 7.2.1.8 (b) of this statement. However, the target for land ownership is 30%, which is the target that was agreed upon from the previous AgriBEE sector code.
Enterprise and Supplier Development	In section 7.5 of the amended AgriBEE sector codes, it is highlighted that the agri-industry shall undertake to: Proactively identify and implement targeted procurement strategies and policies to realise AgriBEE objectives and to meet preferential procurement targets; b) Report annually on all preferential procurement spent; c) Strengthen and accelerate the development of the operational and financial capacity of black entrepreneurs; d) Provide mentoring and access to inputs, credit, infrastructure, markets, and technology and extension services where applicable. Mentoring, as part of the enterprise development element, refers to the provision of technical and/or general business assistance and support to black emerging farmers, land reform beneficiaries and black entrepreneurs; e) Support land reform beneficiaries and black-owned EMEs to create sustainable businesses through the transfer of specialised skills in mentorship programmes. Such support (as well as the types of support described in paragraph (d) above) will be eligible for points under the enterprise development element, provided it is quantified to a rand value in terms of the opportunity cost of time spent on mentoring and/or other enterprise development endeavours. Support to land reform beneficiaries will enjoy enhanced recognition at a multiple of 1.5 of the rand value of the actual contribution. Enterprises should engage with the relevant SETA for information on such learning interventions; f) Commit cumulative enterprise development contributions which assist and accelerate the development of black entrepreneurs, as a percentage of cumulative net profit after tax, measured from the inception date to the date of measurement as a criterion for measurement; g) Provide (or give) enhanced recognition for certain types of enterprise development initiatives, at a multiple of the rand value of the actual contribution. These initiatives and their corresponding multipliers are listed below; and h) Progressively provide preferred supplier status to QSEs and EMEs, including the supply of services and goods, in accordance with the requirements of the AgriBEE scorecard.
Skills Development	The new amended AgriBEE sector codes on skills development highlight that the agri-industry shall undertake to: Identify gaps in workers' training needs so as to co-operate with and complement teaching and educational institutions and to allow their workers to receive skills and in-service training; b) Dedicate resources to provide for experiential training, internships, in-service training and training infrastructure for prospective agribusiness entrepreneurs, farm managers and farm labourers; c) Ensure maximum use of resources provided by the skills levy of the relevant SETA; d) Institute a sector-wide young professional employment and mentoring programme, which targets black unemployed and underemployed graduates in all disciplines. Mentorship programmes shall be accredited by the relevant SETA or other agreed authority; and e) Implement quantifiable and measurable in-house mentoring programmes as part of the skills development of black employees.
Management Control	The new amended AgriBEE sector codes on management control indicate that the agri-industry shall undertake to: a) Promote participation by black people in board positions; b) Promote participation by black people in executive management positions; c) Promote participation by black women in board and executive management positions; d) Promote participation by black people as independent non-executive board members; e) Attain management control and skills development targets; and f) Proactively employ members of black designated groups at top management, senior management, middle management, junior management, supervisor, foreman, and superintendent levels, taking into consideration those who are professionally qualified, experienced specialist, skilled and technically and academically qualified, as prescribed in the scorecards.

Socio- economic Development	<p>The new amended AgriBEE sector codes on socio-economic development indicate that agribusiness enterprises undertake to: a) Contribute to social development and industry-specific initiatives. The following is a non-exhaustive list of examples: support for community education facilities; education programmes aimed at promoting the agricultural industry; and bursaries and scholarships to encourage learners to study agricultural sciences; contributions to community training programmes aimed at skills development for the unemployed and ABET; participation in development programmes for the youth and other designated groups; support for programmes in conservation projects; community clean-up programmes and preservation of the natural environment that have direct and tangible benefits to the beneficiaries of B-BBEE; promotion of job creation programmes in the agricultural and agriculture-related sectors, external to the business; support for development programmes to develop new talent for arts and culture; support for community clinics and community health programmes (with due consideration for HIV/AIDS programmes); and participation in and support for sports development programmes.</p>
--	---

1.2 NAMC Transformation Review Committee (TRC)

The committee shall be composed of members from all four operational divisions of the NAMC. The committee shall comprise:

- Chairperson: Senior Manager of the Agricultural Industry Trust Division,
- Deputy Chairperson: Senior Manager of the Agribusiness Development Division,
- Secretariat: Statutory Measures Division (1 person) assisted by the Agricultural Industry Trust Division (1 person),
- The Markets and Economic Research Centre (MERC) shall have one (1) person with an alternate person eligible to attend,
- Statutory Measures shall have all persons allowed to participate with observer status (or as part of the Secretariat service),
- The Agricultural Industry Trust shall have all persons allowed to participate with observer status (or as part of the Secretariat service),
- The NAMC CEO may attend any meeting of the TRC depending on availability. The committee shall co-opt any person depending on the nature of the matters it aims to deliberate.

1.3 NAMC set up in dealing with transformation proposals

- The Statutory Measures Division remains the contact point of the NAMC for statutory measures-related work,
- After receiving correspondences from industries, the Statutory Measures Division shall communicate the transformation proposal to the TRC,
- The TRC shall consider that application and respond to the industry or call for a meeting to clarify any issues of concern,
- When all is in order, the Chairperson of the TRC shall make a MANCOM submission regarding the decision to receive a go-ahead,
- Upon receipt of MANCOM go-ahead, the Chairperson of the TRC shall write a letter to the industry giving a go-ahead (even if there are conditions attached).

2 Amendment motivation

2.1 Alignment of the Transformation Guidelines the AgriBEE Sector Codes:

It must be acknowledged that this document is not a replica of the new AgriBEE sector codes, but rather a document that is aligned with the statutory measure levies and their potential in transforming the sector. Therefore, following the new amendments to the

AgriBEE sector codes, as promulgated on the Government Gazette of 8 December 2017, the NAMC proposes the following amendments to the transformation guidelines that have been in place since 2014 (presented in **Table 2**). Once more, the amendments are put together to ensure direct alignment even though some pillars of the AgriBEE sector codes are not finding explicit expression due to the nature and structure of the levy funding. The transformation proposal/business plan should only include activities that are put together to assist in transformation. All other activities shall be financed outside the scope of transformation, and the NAMC shall closely scrutinise each sentence in the transformation proposals.

Table 2: The new Transformation Guidelines

Pillar	Activities	Allocation %
Enterprise Development	<ul style="list-style-type: none"> • Fund agribusinesses of black-owned farms with the procurement of production infrastructure, material and inputs. • For field crops and horticultural products, the industry shall fund with soil preparation services. • For livestock, the industry shall fund the purchase of vaccination, dosage programmes and veterinary services. • Fund the cost of accreditation, various legal and professional services (such as Siza or HACCP). • The industry shall assist farmers to access the market including the facilitation of supply agreements or purchase contracts. • The industry shall fund the development of business plans. • The industry shall explore other funding alternatives to increase the transformation budget (such as CASP, Jobs Fund and others). • Assist in ensuring that appropriate agricultural infrastructure, machinery and equipment are in place and good condition (e.g. Electricity and water, bio-security measures, etc.). • The industry shall procure materials, inputs and services from black-owned enterprises and agribusinesses. 	60%
Skills Development	<ul style="list-style-type: none"> • The industry shall fund training and mentoring farmers and other production chain actors such as propagators, herders, processing staff and marketers, machine and equipment users, mechanics and supervisors to develop capabilities to better manage their farm and agribusinesses. • Training shall be provided by SETA- Accredited skills developers in terms of the AgriBEE Charter • To ensure these capabilities in future to manage farm and agribusinesses the industry shall fund bursaries for black people to develop such capabilities 	18%
Management Control	The industry shall fund the position of transformation manager. Only appointments in this capacity of members of Black Designated Groups that promote equity shall be funded.	17%
Ownership	The industry themselves or using funding alternatives shall or can purchase equity in existing enterprises for Black Designated Groups.	
Socio Economic Development	Industries are encouraged to do activities that contribute positively to the quality of life of workers and their communities.	5%

3. Organisational and personnel implications

In July 2015, the Department of Agriculture, Forestry and Fisheries (DAFF) decided that all its stakeholders should adhere to the Employment Equity Amendment Act, No. 47 of 2013, which strives to achieve equity in the workplace by promoting equal opportunity and fair treatment in employment and to ensure equitable gender and racial representation in all occupational levels in the workforce. All industries applying or implementing statutory measures should take note of DAFF' equity as it is in line with the AgriBEE Sector Codes. The employment status form used shall be as follows:

Table 3: Employment status of administrators of statutory measures

Number of staff employed	African	Coloured	Indian	Female	Male
Top management					
Senior management					
Professional qualified					
Skilled					
Semi-skilled					
Unskilled					
Total					

4. Monitoring and Evaluation (M&E)

At any given time of the year, the NAMC will make an arrangement with the industry for farm and enterprise visits. This will form part of the monitoring and evaluation of the transformation activities implemented by the industry, in line with the NAMC guidelines for transformation. Each time the industry applies for the continuation or establishment of statutory measures, the NAMC Transformation Review Committee (TRC) shall assess the transformation plans included in the application and the same committee will request such industry to present its business plans relating to transformation and in line with this guideline: "Business plan" means a detailed and systematic formulation of a programme of action with specified objectives, time-frames, and a budget. The plan should include:

- Clear objectives

- Priority interventions and beneficiary entities
- Key performance indicators; and
- A concise implementation plan with clearly articulated milestones.

4.1 Mandatory activities

Table 4 outlines mandatory activities in order to track the work done by the industries with regard to transformation as guided by the NAMC transformation guidelines. The monitoring work is aimed at ensuring that what is in the yearly activity-plans are what is happening on the ground. Measures should be put in place that communicate transformation successes emanating from the work done by industries in line with their business plans. The mandatory activities are as follows:

Table 4: Mandatory activities for tracking transformation activities

Three months before the start of the new financial year, levy administrators must submit an annual business plan regarding their transformation activities envisaged for that financial year, to the NAMC for comments and inputs. The NAMC will respond in writing to each industry.

- In this business plan, the transformation funds (at least 20% of levy income) will be pooled and allocated to different transformation activities. For example, only salaries of black persons actually involved in transformation will form part of this business plan for transformation.
- Levy administrators shall compile their annual business plans with key measurable outcomes for transformation.
- At the end of each financial year, levy administrators shall report on the actual transformation activities by comparing their actual activities with the budget for that financial year.

5. Way forward

These new generic Transformation Guidelines shall be effective with immediate effect for all statutory measures.

Annexure 1: Proposed activity outline for transformation proposals to be used for evaluation

Pillar	Organisation or service provider	Project title	Specific activities	Beneficiaries	Location	Expenditure 2017/18	Percentage %
Total expenditure on this pillar Enterprise Development	X	X	e.g. Production material/inputs, market facilitation syndicate establishment	X	X	RXXX	X
Total expenditure on this pillar Skills Development	X	X	e.g. Training value chain activity (specify)	X	X	RXXX	X
Management Control	X		Transformation manager	X	X	RXXX	X
Ownership	X	X	Stake/equity in existing enterprises purchased for PDIs	X	X	RXXX	X
Total Spent						RXXX	100%