



Transformation digest

Issue No.: 02

In this issue we cover the following topics:

1. The success of the lucerne industry on transformation programmes
2. Transformation within the wine Industry
3. Transformation in the cotton industry



National Agricultural
Marketing Council

Promoting market access for South African agriculture

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AGRI-TRANSFORMATION DIGEST

Agri-Transformation Digest is a monthly report that is produced by the National Agricultural Marketing Council through the Agricultural Industry Trusts Division. The publication aims to communicate transformation developments as they happen around the agricultural industries. The focus of this issue is on three industries: (i) Lucerne, (ii) Wine and (iii) Cotton industry. The division has three digests, which cover Food Agriculture Natural Resource Policy Networks (FANRPAN), Agricultural Transformation, and Agricultural Industry Trusts. *Agri-Transformation Digest* reports on the monthly key developments coming from the transformation activities of different Industries and trusts.

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1. THE SUCCESS OF THE LUCERNE INDUSTRY ON TRANSFORMATION PROGRAMMES

By

Precious Nomantande Yeki

1.1. Background

The statutory levy system is also an important tool of transformation for the South African lucerne industry. Like other agricultural industries collecting levies, the National Lucerne Trust (NLT) also spends at least 20% of the annual statutory levies to support smallholder enterprises that are black owned within the lucerne industry.

1.2 What does the National Lucerne Trust stand for?

Some of the key objectives of the Trust are to co-ordinate contact between producers, traders, cleaners, consumers and government institutions, and the promotion of lucerne; working towards equity and participation by all in the industry; increasing market access for all participants, and furthermore, strengthening the long-term sustainability of the lucerne industry of South Africa.

1.3 Transformation success

The NAMC has no doubt that the current statutory levy in the lucerne industry, implemented since 2014/15 to elapse in November 2018, has a significant impact on the transformation of smallholder farmers. The main focus of the transformation initiatives in the lucerne industry is on enterprise and skills development. During the period 2012 to 2017, the National Lucerne Trust spent over R2 million on black lucerne farmers in the Taung area, North West Province. Most importantly, over 40 farmers on a 400-ha piece of land receive assistance from the National Lucerne Trust.

On 3 and 4 April 2018, the NAMC conducted monitoring and evaluation (M&E) for the Taung project. Noteworthy, it was found that the project is yielding good results to the farmers in question. This was evidenced by the farmers having secured a market referred to as Lubern Feeds for the sale of their quality lucerne. Furthermore, the Trust is hands on as they appointed a mentor to work closely with the farmers whereby activities such as soil preparation, planting, cutting, racking and bailing are performed

successfully. Moreover, each project plants lucerne under centre pivot irrigation.

Mr Moshonyane



Figure 1: A photo of Mr Moshonyane, one of the beneficiaries of the Trust

1.4 New developments

It is important to note that the NLT's objective on transformation is to assist emerging and /or smallholder farmers to grow commercially and produce lucerne and thereby ensure their profitability and long-term sustainability. The NLT is also planning to expand its transformation projects with the addition of 14 transformation beneficiaries to be supported from the Eastern Cape Province with a total of 262 hectares to be planted with lucerne. This reflects a sum of 54 (North West and Eastern Cape).

The following are the main activities under enterprise and skills development that need to be carried out for these farmers to operate at their full potential:

- Funding input costs for high-quality lucerne seed
- Finance access
- Lucerne hay production
- Technical support and skills transfer
- Market access, including the facilitation of purchase agreements

1.5 Conclusion

It is the NAMC's view that implementation of a statutory levy in any industry could be a successful tool in advancing transformation in the long run.

2. TRANSFORMATION WITHIN THE WINE INDUSTRY

By
BM Mpyana

2.1 Introduction

The wine industry is also among the other agricultural industries implementing the statutory levy system. The wine industry has acknowledged the use of 20% of its statutory levy income to enhance the transformation of the industry through the value chain. The wine industry has a Transformation Unit which is a driver of transformation work.

2.2. Transformation programme

The wine industry is committed towards black economic empowerment. The transformation expenditure from the previous statutory measures (levy) period 2014 to 2017 is presented in Table 2.

Table 2: Wine industry transformation expenditure

Period	Transformation expenditure	% of levy income
2014	18 031 324	22.9
2015	20 126 602	23.0
2016	23 537 183	24.7
2017**	Not yet available	

It is very impressive that the wine industry was able to spend more than 20% of its statutory levy on transformation as prescribed by the NAMC guideline on transformation. According to the data that was sent to the NAMC, expenditure on transformation in the wine industry has increased from year to year under the previous period of statutory measures. For 2014, the industry utilised approximately **R18 million** (22.9% of levy income), while for 2015 it utilised about **R20.1 million** (23% of levy income), and **R23.5 million** (24.7% of levy income) million in 2016.

The overview of transformation expenditure in the wine industry reflects that the industry plays a crucial role in the empowerment of entities that are black owned and/or have black role players throughout the value chain in the industry.

2.3. Main transformation activities

The bulk of the transformation budget in the wine industry is spent of enterprise development, which is the main pillar of transformation as per the NAMC guideline on transformation. The enterprise development component entails:

- Providing support to black business for trade exhibitions;
- Providing business plan vetting team services;
- Assisting black business with legal mentorship licensing and contracting;
- Creating a black-owned brand communication platform; and
- Providing Vinpro extension services to black farmers.

The “Treasure Chest Road Show” initiative under the wine industry’s Transformation Unit has been succeeding in improving local market access for black-owned businesses through road show activities, wine tastings and buyer receptions, as supported by the transformation levy in the wine industry. In the case of skills development, the wine industry has been playing a crucial role in assisting black business with technical training and is involved in labour training.

2.4 Conclusion

The transformation expenditure and commitment in the wine industry is commendable. It is the opinion of the NAMC that as the wine industry continues to implement statutory measures, this will enable the implementation of a transformation strategy.

3. TRANSFORMATION IN THE COTTON INDUSTRY

By
Elekanyani Nekhavhambe

3.1. Introduction

Cotton remains the most versatile crop grown by mankind. It is noted for its versatility, appearance, performance and comfort, and it provides useful products. It also creates thousands of jobs in South Africa as it moves from field to fabric (DAFF, 2016). Like other agricultural industries, statutory levy income is becoming a common tool to add value to smallholder farmers involved in cotton production in the country. Through statutory levy income, on an annual basis, Cotton SA also supports transformation within the industry. The cotton industry has recently entered a new levy circle.

3.2. Transformation success

Traditional cotton production areas in South Africa are as follows: Limpopo, North West, Northern Cape. The KwaZulu-Natal, Mpumalanga and Eastern Cape provinces are also involved in cotton production although on a small scale (DAFF, 2016). Despite a minimal transformation budget from the cotton statutory levy, transformation is also happening within the cotton industry. There are a number of smallholder farmers that cannot be ignored in the cotton industry. However, one man alone cannot have a major impact. Support from different stakeholders may be deemed necessary to transform the South Africa cotton industry.

In the 2016/17 production season there were four smallholder cotton projects that reflected growth. The first project was the Nkomazi project situated in Mpumalanga, which produced 3 555 bales of cotton lint on 2 565 ha of dryland by 714 smallholder farmers. Secondly, the Makhathini project in KwaZulu-Natal had a final cotton crop of about 2 500 bales of cotton lint produced by 579 smallholder farmers on 1 500 ha of dryland and 200 ha of irrigation. The other two projects were Dichoeng in the Limpopo Province and Nokaneng in Mpumalanga, which yielded about 660 bales and 330 bales of cotton lint respectively.

3.3. New developments

The estimated transformation expenditure in the cotton industry was sent to the NAMC TRC and is presented in Figure 2. Cotton SA's transformation budget as a 20% share of the total levy income in the cotton industry is expected to increase from year to year (during a 4-year cycle from 2018/19-2021/22).

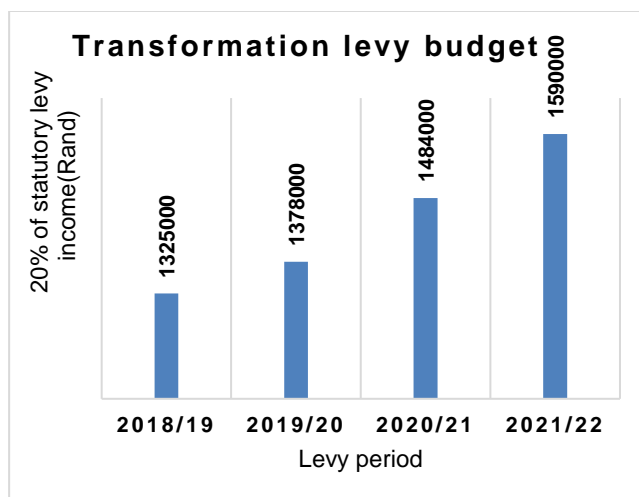


Figure 2: Estimated transformation levy budget

The transformation plan in the cotton industry focuses on the three major transformation pillars, in terms of the NAMC guideline on transformation. The total budget for the transformation initiative ranges between R1.3 million for 2018/19 and R1.6 million for 2021/22. In terms of the above estimated budget, a large portion of it will be spent on enterprise development activities such as assisting farmers with production materials, soil preparation when planting, and market facilitation.

The other pillar of transformation after enterprise development is skills development, which encompasses the transfer of skills through the training of farmers and other role players in the cotton value chain, whereas the last pillar covers management control which supports the salary of the transformation manager.

3.4. Conclusion

South Africa is a net importer of cotton, which means that there is a need for investment in the cotton industry to bring about transformation.

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